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March 18, 2016

By E-Filing

Ms. Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

Re: Docket No. FD 36005 – *KCVN, LLC and Colorado Pacific Railroad, LLC – Feeder Line Application – Line of VAND S Railway, LLC, Located in Crowley, Pueblo, Otero and Kiowa Counties, Colorado*

Dear Ms. Brown:

Accompanying this letter for filing in the referenced docket on behalf of KCVN, LLC and Colorado Pacific Railroad, LLC is a Feeder Line Application. Please note that this filing is being e-filed in three volumes, and that it contains color images. Also accompanying this filing under separate cover is a Payment Form that provides our firm's credit card information to be used for payment of the filing fee associated with this filing.

Do not hesitate to contact the undersigned with any questions or if you need additional information.

Sincerely,

Thomas W. Wilcox

Thomas W. Wilcox
Attorney for KCVN, LLC and Colorado Pacific Railroad

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Cc: All parties required to receive service by 49 C.F.R. §1151.2(a)

CONTAINS COLOR IMAGES

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Docket No. FD 36005

KCVN, LLC AND COLORADO PACIFIC RAILROAD, LLC – FEEDER LINE APPLICATION – LINE OF V AND S RAILWAY, LLC, LOCATED IN IN CROWLEY, PUEBLO, OTERO, AND KIOWA COUNTIES, COLORADO

FEEDER LINE APPLICATION

VOLUME I OF III

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March 18, 2016

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BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Docket No. FD 36005

KCVN, LLC/COLORADO PACIFIC RAILROAD, LLC – FEEDER LINE APPLICATION – LINE OF V AND S RAILWAY, LLC, LOCATED IN IN CROWLEY, PUEBLO, OTERO, AND KIOWA COUNTIES, COLORADO

FEEDER LINE APPLICATION

Come now KCVN, LLC ("KCVN"), and its wholly owned subsidiary, Colorado Pacific Railroad, LLC ("CPRR")(collectively, "Applicants"), both of which are non-carriers, and hereby submit this Feeder Line Application pursuant to 49 U.S.C. § 10907 and 49 CFR § Part 1151.1. By this Application, KCVN and CPRR ask the Surface Transportation Board to issue an order requiring V AND S Railway, LLC ("V&S") to sell a line of railroad owned by it to CPRR for a price not less than the line's constitutional minimum value. The line of railroad in question is commonly known as the "Towner Line," and is approximately 121.9 miles of railroad line, and 12 miles of other tracks and facilities located between milepost 747.5, near Towner, Colorado and milepost 869.4, near NA Junction in Pueblo, Crowley, Otero and Kiowa Counties, Colorado.[1] For the reasons set forth in this Application, and also for the reasons and undisputed

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[1] The "Towner Line" encompassed by this proceeding is all but .5 miles of the "Towner NA Junction Line" that was formerly owned by the Missouri Pacific Railroad and which extended from MP 747.0 to MP 869.4. The Towner NA Junction Line was approved for abandonment in Finance Docket 32760, *Union Pacific/Southern Pacific Merger*, *See*, 1 S.T.B. 233 (1996) at 257, 354-57, 494-97, 510-11, and 524-28. The tracks comprising the Towner Line

factual information set forth in the records of numerous other Board proceedings pertaining to the Towner Line dating back to 2005, all of the statutory and policy justifications for a forced sale of the Towner Line set forth Section 10907 and the STB's feeder line program are easily met in this case.

I.
INTRODUCTION

As explained in more detail below and in the verified statements accompanying this Application, V&S purchased the Towner Line in 2005, but decided to stop fulfilling its common carrier obligation to provide rail freight service to shippers over the Towner Line sometime in 2010. Its actions subsequent to 2010 strongly indicate that V&S also decided to try and reap the benefits of selling the track of at least half of the line prior to formally seeking authority to abandon it. V&S manifested these decisions in several ways, including initially increasing its freight rates to levels that made rail shipments uneconomical, and then ceasing to develop the line and maintain it. V&S followed these actions by executing a plan beginning in 2012 to systematically dismantle and sell the track assets of the Towner Line in segments beginning with obtaining discontinuance authority over 60.2 miles of the line in 2012, and followed by numerous representations to this Board about seeking authority to abandon first segments of the line, and then the Towner Line in its entirety. KCVN's discovery in 2014 of V&S's attempt to dismantle and sell the discontinued portion of the line without first seeking authority to abandon it eventually led to the Board taking the extraordinary step of enjoining V&S from this activity on October 31, 2014 in Docket NOR 42140, *Colorado Wheat Administrative Committee*,

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in this proceeding were sold to the State of Colorado in 1998, which owned the line until it was sold to V&S in 2005.

Colorado Association of Wheat Growers, and Colorado Wheat Research Foundation, and KCVN, LLC v. V & S Railway, LLC, which remains pending before the Board.

As the Board is aware from filings by KCVN in Docket No. NOR 42140, KCVN has since July of 2014 sought to acquire the Towner Line from V&S for the purposes of saving it from being abandoned and dismantled, and taking steps to restore freight rail service over it, for grain farmers currently located on or near the Towner Line and for broader interstate service. Information on KCVN and its reasons for restoring the Towner Line and putting it back into the interstate railroad system is contained in the record of Docket No. NOR 42140, and also in the Verified Statement of William S. Osborn, Attorney-In-Fact for KCVN and CPRR, attached hereto as Exhibit A ("Osborn V.S."). KCVN's efforts to purchase the line in a manner that would not require involvement of the STB have been unsuccessful.

More recently, as part of a litigation settlement agreement with KCVN, V&S finally agreed to seek authority to abandon the entire Towner Line so that KCVN and CPRR, or perhaps other parties, could possibly acquire the line through an Offer of Financial Assistance ("OFA") pursuant to 49 U.S.C. §10904. STB Docket No. AB 603 (Sub-No. 4X), *V AND S Railway, LLC – Discontinuance Exemption – In Pueblo, Crowley, Crowley, and Kiowa Counties, Colorado.* ("*AB 603 4X*"). On January 25, 2016, however, V&S withdrew its Notice of Exemption in *AB 603 4X.* V&S's decision to renege on its commitments under the litigation settlement agreement and to withdraw its abandonment notice was <u>not</u> because it had any intention of rehabilitating the Towner Line and resuming freight service to rail shippers and otherwise fulfilling the statutory common carrier obligation attached to the Towner Line. On the contrary, as V&S explained, it was merely to take advantage of a vaguely described "significant car storage opportunity."

The long list of known dubious actions V&S has taken in furtherance of its goal of maximizing its own gain from owning this jurisdictional line of rail at the expense of its common carrier obligation and the public interest is chronicled in Section II.K of this Application. This factual history demonstrates, among other things, that (1) starting in 2010 V&S actively and successfully discouraged further demand for its services from rail shippers by significantly increasing its rates and imposing onerous service terms; (2) in formal filings beginning in August, 2012 V&S designated the Towner Line for abandonment because V&S had concluded it was not economically sustainable, thus meeting the criteria of 49 U.S.C. §10907(b)(1)(A)(ii); and (3) V&S's continued ownership of the Towner Line is not in the public interest and, more importantly, the public convenience and necessity require allowing CPRR to purchase the Towner Line through this Feeder Line Application for the purpose of restoring freight rail operations over it. §10907(b)(1)(A)(i). In this Application KCVN and CPRR also demonstrate that they both meet all of the criteria for being financially responsible parties in the context of a feeder line application.

II.
SHOWINGS UNDER SECTION 1151.3

A. Identification of Line to be Purchased (49 CFR §1151.3(a)(1))

i. The name of the owning carrier

The name and address of the incumbent carrier is as follows:

V AND S Railway, LLC
1505 South Redwood Road
Salt Lake City, Utah 84014

ii. The exact location of the line to be purchased including milepost designations, origin and termination points, stations located on the line, and cities, counties and States traversed by the line

The Towner Line is a Class III railway located entirely in eastern Colorado. The line runs through Pueblo, Kiowa, Otero and Crowley counties. The location of the rail line is shown

on the maps attached hereto in Exhibit B. Physically, the Towner Line is a continuous, single track rail line extending approximately 121.9 miles between milepost 747.5 near Towner, Colorado on its eastern terminus, where it connects to track operated by the Kansas & Oklahoma Railroad ("K&O"),[2] and milepost 869.4 near NA Junction, an interchange with track owned by the BNSF Railway, on its western terminus. Further details on the history, location, and composition of the Towner Line and other information required by 49 C.F.R. §1151.3(a)(1)(ii) are set forth in the Verified Statement of Gerald W. Fauth III, President of G.W. Fauth & Associates, Inc., attached hereto as Exhibit D ("Fauth V.S."). For example, the Towner Line also contains approximately 12 miles of connecting rail sidings and spur tracks, bringing the total track miles up to 134.1 miles. Fauth V.S. at 3. Most of the track making up the rail line is older 112 lb. and 115 lb. jointed rail manufactured in the 1940s. Approximately 40% of the track miles are 136 lb. continuous weld rail ("CWR") track manufactured in the 1970s. Several of the sidings contain much older 90 lb. and 85 lb. jointed rail, some of which may be up to 100 years old. *Id.* at 10.

As of the date of this Application, as a result of (and indeed in spite of) the V&S's dubious use of the Board's rules governing acquiring, abandoning, and discontinuing service over jurisdictional lines of railroad, the Towner Line is comprised of a mix of track over which V&S has a common carrier obligation to provide rail service, and track over which V&S obtained authority to discontinue its common carrier obligations. These segments are as follows, from west to east:

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[2] More information on the K&O is contained in the Verified Statement of Doug Story, Vice President of Agricultural Marketing of Watco Transportation Services, attached hereto as Exhibit C ("Story V.S."). As explained by Mr. Story and in this Application, KCVN/CPRR and the K&O are negotiating a lease and operating agreement whereby the K&O would become the operator of the Towner Line upon its purchase by CPRR, perform all necessary rehabilitation and maintenance of the line, and develop and market traffic on the line.

MP 869.4 to MP 868.5 (.9 miles) – Common carrier line of rail

MP 868.5 to 808.3 (60.2 miles) - Discontinuance authority granted[3]

MP 808.3 to 747.5 (60.8 miles) - Common carrier line of rail

B. Identification of Applicants (49 CFR §1151.3(a)(2))

i. The applicants' names and addresses;

KCVN is a Delaware limited liability company with its principal office at 9 West 57th Street, Suite 4500 New York, NY 10019-2701.

CPRR is a Delaware corporation, with its principal office at 515 Congress, Suite 2450, Austen, Texas 78701.

ii. The name, address, and phone number of the representative to receive correspondence concerning this application;

Thomas W. Wilcox, Esq.
GKG Law, P.C.
The Foundry Building
1055 Thomas Jefferson Street NW
Washington, DC 20007
(202) 342-5248

iii. A description of applicants' affiliation with any railroad

Neither of the applicants is affiliated with any railroad.

iv. If the applicant is a corporation, the names and addresses of its officers and directors.

KCVN has two members, Mr. Stefan Q. Soloviev, and Mr. Sheldon H. Solow, described in more detail below and in the Osborn V.S. Mr. Soloviev's title is General Manager. Their

[3] Where a line has been discontinued over which no shippers have required service for over 2 years, the STB has determined that "If a shipper did need service that [the owner] was unwilling to provide, a financially responsible person would be able to apply to use the feeder line provisions to acquire the line – even though service has been lawfully discontinued – through the public convenience and necessity standard at 49 U.S.C. 10907(b)(1)(A)(i) and the procedures at 49 CFR 1151.2." STB Finance Docket No. 34649, *New York & Greenwood Lake Railway – Feeder Line Acquisition – A Line of Norfolk Southern Railway Co.*, (served July 27, 2005). KCVN/CPRR submit that the portion of the Towner Line over which V&S obtained discontinuance authority meets these criteria, for the reasons set forth in Section II.K. *infra*.

address is 9 West 57th Street, Suite 4500, New York, NY 10019-2701.

CPRR has one member, Mr. Soloviev. His title is General Manager, and his address is 9 West 57th Street, Suite 4500, New York, NY 10019-2701.

C. Financial Responsibility (49 CFR §1151.3(a)(3))

This section of the Application is supported by the Verified Statement of Mr. Osborn, and demonstrates that CPRR has the ability to pay (1) the higher of Net Liquidation Value ("NLV") or the Going Concern Value ("GCV") of the Towner Line and (2) to cover the expenses associated with providing services over the line for at least the first three years after acquisition of the line. As explained in the Verified Statement of Mr. Fauth, the GCV for the Towner Line is zero. Fauth V.S. at 5-6. Accordingly, CPRR is offering to purchase the Towner Line for its NLV, which Mr. Fauth has calculated as of the date of this Application to be $2,594,551. *Id.* at Part II through VIII. Mr. Fauth has also estimated that it will cost approximately $3.5 million to rehabilitate the Towner Line to Federal Railroad Administration Class I standards. Fauth V.S. at Part XI. Since CPRR intends for the Towner Line to be operated by a third party rail carrier, CPRR does not anticipate incurring operating costs. Consequently, KCVN and CPRR estimate that the total cost associated with this Application and the showing of financial responsibility as of the date of its filing is approximately $6,000,000.

First, as explained by Mr. Osborn, KCVN is owned and managed by its active principal, Mr. Stefan Soloviev, and his father, Mr. Sheldon H. Solow. Osborn V.S. at 2.[4] The family dislikes to publicly disclose the nature and scope of its holdings. *Id.* at 3. However, they are extensive. Mr. Soloviev is listed in *The Land Report* magazine as one of the top 100 landowners (by acreage) in America. His personal assets include more than 100,000 acres of farmland in

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[4] Mr. Soloviev readopted the original family name, which had been shortened upon immigration to America over 100 years ago. Osborn V.S. at 2.

Kansas, Colorado, and New Mexico. Mr. Solow is listed by Forbes Magazine as one of the 400 wealthiest Americans. *Id.*[5]

KCVN owns and oversees the operation of farmland in several Western states. The company's assets include approximately 58,000 acres of land within Cheyenne, Kiowa, and Powers Counties, Colorado, which collectively are valued at approximately $50 million. *Id.* at 2, and Attachment 1 to the Osborn V.S. This acreage is all located within 25 miles of the Towner Line, and is primarily dedicated to the cultivation of dryland wheat. *Id.* KCVN also owns a significant amount of farming equipment and farm buildings. KCVN's assets and total liability and equity are summarized in its most current financial statements and other information in Attachment 3 to Mr. Osborn's Verified Statement. In sum, KCVN and its principals are clearly "financial responsible" parties under the Board's regulations and decisions.

Subsequent to the commencement of the complaint proceeding against V&S in Docket No. NOR 42140, and in anticipation of attempting to acquire the Towner Line through either (1) the OFA procedures under §10904 if V&S finally followed through on its representations that it would seek authority to abandon the Towner Line, or (2) the procedures under 49 U.S.C. §10907 if V&S did not, KCVN created CPRR as a wholly owned subsidiary established for the purpose of acquiring the Towner Line, and overseeing and managing its restoration and the resumption of common carrier freight rail operations over it. *Id.* at 4. The corporate formation and governing documents of KCVN and CPRR are included as Attachments 4 and 5 to Mr. Osborn's Verified Statement, respectively. Because it is a new company formed for the sole initial purpose of acquiring and overseeing the resumption of freight operations over the Towner Line, CPRR does not have financial statements to submit to the Board at this time.

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[5] Indeed, the wealth of Mr. Solow in particular was of keen interest to V&S in Docket No. NOR 42140. *See* Reply of V AND S Railway, filed January 7, 2015, at Exhibit B.

Although CPRR is and will be supported by the deep financial resources of KCVN and its principals, CPRR can also meet the STB's requirement in feeder line proceedings that it has sufficient financial resources of its own. STB Finance Docket No. 34335, *Keokuk Junction Railway Co – Feeder Line Acquisition – Line of Peoria and Western Railway Corp. Between La Harpe and Hollis, Ill.*, ("*Keokuk Junction*") (served May 9, 2003) at 4-5. As envisioned by KCVN, Mr. Soloviev will manage the CPRR's efforts as its President and Secretary, and the CPRR's acquisition and financing of the expenses associated with the rehabilitation, operation, and maintenance of the Towner Line will be financed by cash provided by KCVN. Osborn V.S. at 5, and Attachment 6. In addition, CPRR anticipates receiving revenues in the form of payments by the K&O or another third party railroad operator selected to fulfill the common carrier obligations over the line when freight service resumes. To the extent this feeder line application process results in a final purchase price for the Towner Line in excess of the amount of KCVN/CPRR's offer, and/or to the extent CPRR's share of the expenses associated with rehabilitation and operations over the Towner Line post-acquisition exceed the initial estimate of $3.5 million, CPRR will obtain necessary funds through a letter-of-credit and/or direct cash infusions from KCVN and/or its owners. *Id.* at 5.

Based on all of the foregoing, and the financial and other information attached hereto, Applicants submit that CPRR has the financial resources to acquire the Towner Line and fulfill its responsibilities to pay the expenses of rehabilitating, operating, and maintaining the line for at least the first three years from the date of acquisition of the line. CPRR therefore meets the requirements of being a "financially responsible" party and applicable agency precedent. This being said, in the event that the Board concludes that for some reason CPRR does <u>not</u> meet the requirements of a "financially responsible" party based on the information provided herein,

KCVN and CPRR submit that the appropriate action would be either: (1) for KCVN and CPRR to supplement this Application with additional information the Board requests to assure itself of CPRR's financial responsibility, or (2) for the Board to permit the substitution of KCVN for CPRR as the purchaser under this feeder line application, since KCVN has submitted its financial statement and other information establishing that it clearly meets the standards for financial responsibility independent of CPRR.

D. Estimate of the NLV and the GCV (49 CFR § 1151.3(a)(4))

The price of acquiring a line of rail in a feeder line proceeding is the higher of the estimated NLV and the estimated GCV. There is no GCV for the Towner Line because no rail operations are currently being conducted on the Towner Line, and they have not been conducted since early 2012. As stated above, in a filing submitted in *AB 603 4X* on January 4, 2016, V&S informed the Board, albeit without providing any details, that it had been presented with an opportunity to store rail cars on portions of the Towner Line. However, using track to store cars is not freight rail operations that would raise the possibility that the valuation of the Towner Line should be based on GVC instead of NLV. *See, e.g*, Finance Docket No. 34890, *Pyco Industries, Inc. – Feeder Line Application – Lines of South Plains Switching, Ltd. Co., et al.* (served August 31, 2007) (operations considered for GCV were switching services); and Docket AB-573X, *Trinidad Railway, Inc. – Abandonment Exemption – In Las Animas County, CO*, (served April 17, 2002)(operations considered for GCV were for the transportation of commodities (coal) for shippers). Furthermore, it appears from public sources that V&S is storing cars only on the western portion of the Towner Line over which it received discontinuance authority (except for the first .9 miles of track extending east of NA Junction). Osborn V.S. at 3, and Attachment 2. Any present use of this discontinued segment by V&S by definition cannot be

considered common carrier operations over a line of rail that could contribute to a GCV for the line.

KCVN/CPRR have therefore submitted a calculation of the NLV of the Towner Line prepared by Mr. Fauth. Fauth V.S. at Parts II through VIII. The NLV calculated by Mr. Fauth is $2,594,551, based on his extensive experience and knowledge of the STB's rules governing NLV calculations acquired over his 37 year career, current prices for steel and used rail, and his knowledge of the markets for rail track and scrap steel. Mr. Fauth's analysis is supported in part by observations he made and data he collected during two, two-day physical inspections of the line on December 2 and 3, 2014, and on October 5 and 6, 2015. *Id.* at 9, 18-19, 39. Additionally, in preparing his analysis, Mr. Fauth relied on information contained in the three prior NLV calculations for the Towner Line prepared between 1996 and 2004. Mr. Fauth's NLV calculation uses the three prior studies as a starting point, and then updates them to account for his onsite observations, current materials pricing, and Board precedent on NLV evaluations in recent years.

Finally, in 2014 V&S prepared a NLV for the Towner Line during the injunctive litigation brought by KCVN in the Colorado courts in 2014 to stop V&S's removal and sale of a large portion of the Towner Line. V&S later updated that NLV and submitted both calculations to KCVN/CPRR and the STB on October 5, 2015 in *AB 603 4X* under the auspices of establishing the minimum price it would accept in an OFA proceeding. A copy of these reports are included as Appendices GWF 4 and GWF-5 to Mr. Fauth's Verified Statement. Relying on that analysis, V&S sought to establish the astonishing amount of $27,023,500 as the minimum purchase price it would accept for the Towner Line in an OFA proceeding. This amount dwarfed

all NLVs determined by the Board in any prior OFA or a feeder line case,[6] and it obviously and grossly overstated the NLV of the Towner Line. In Part IX of his Verified Statement, Mr. Fauth briefly discusses the numerous and substantial flaws in the V&S NLV calculation from 2015, and why, even leaving aside the fact that scrap steel and used rail prices have dropped precipitously since late 2015, the V&S NLV lacked credibility. Among other obvious errors, the V&S NLV grossly overstated the NLV of the Towner Line by wrongly designating over 95% of the entire approximately 29,000 tons of its rail assets as high quality, reusable "relay rail" that V&S then assumed would all be sold at very high relay rail market prices, neither of which contention had any merit.

E. Offer to Purchase (49 CFR § 1151.3(a)(5))

CPRR offers to buy the Towner Line at the higher of either estimated NLV or estimated GCV. As indicated above, currently, the higher value for the Towner Line is the NLV, which, based on the currently available information included in the calculation prepared by Mr. Fauth, equals $2,594,551. Thus, CPRR offers to purchase the Towner Line for this amount.

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[6] *See* Fauth V.S. at Appendix GWF-8. In fact, V&S's 2015 NLV calculation of $27,023,500 for the 121.9 mile Towner Line was more than $10,000,000 higher than highest NLV ever established by the STB - $16,585,760 for the 110 mile line in STB Finance Docket No. 35160, *Oregon International Port of Coos Bay- Feeder Line Application - Coos Bay Line of the Central Oregon & Pacific Railroad, Inc.* (served March 12, 2009) ("*Coos Bay*"). What's more, the NLV amount calculated in *Coos Bay* was boosted by a valuation for real estate of $7,230,863 that was added to the NLV of the track assets. In the case of the Towner Line, neither V&S nor KCVN/CPRR have assigned any value to the real estate associated with the Towner Line for a variety of reasons, which include that large portions of the line were constructed on easements through public lands under the General Right-of-Way Act of 1875. Accordingly, when the value for real estate is subtracted from the *Coos Bay* NLV to create an "apples to apples" comparison of the *Coos Bay* NLV and the NLV V&S calculated for the tracks and related assets of the Towner Line, the differential between the two becomes almost *$18,000,000,* and the V&S valuation of track assets was nearly triple the comparable *Coos Bay* calculation.

F. The Dates For the Proposed Period of Operation of the Line (49 CFR § 1151.3(a)(6))

Applicants request that the Board order closing on their purchase of the Towner Line to occur within 90 days of the service date granting their application. CPRR will close on the purchase at the earliest possible time within that period. Thereafter, CPRR intends for rehabilitation of the Towner Line to immediately commence in coordination with existing rail shippers and the K&O – the likely third party operator of the line. Once the Towner Line is completely rehabilitated, Applicants anticipate that it will remain in operation indefinitely.

G. Operating Plan (49 CFR § 1151.3(a)(7))

KCVN and CPRR intend for all freight rail operations over the Towner Line to be performed by an experienced railroad operator. To that end, beginning in 2014 Applicants have been engaged in discussions with the K&O, one of the 34 short line railroads owned by Watco Transportation Services, LLC ("Watco"). *See* Story V.S. at 1. The K&O operates over 840 miles of track predominantly located in eastern and central Kansas, which makes it one of the largest single short line railroads in the United States. *Id.* The K&O system physically connects to the Towner Line at its eastern terminus at Milepost 747.5 just across the Colorado-Kansas border, making K&O well-positioned to provide freight service over the Towner Line. However, the K&O has never been able to expand its relationship with the V&S, particularly since V&S stopped providing freight service over the line in 2012 and began taking steps to abandon it. *Id.* at 2.

The parties contemplate that K&O will fulfill the common carrier obligation attached to the Towner Line pursuant to a long term lease and operating agreement that they have been negotiating in anticipation of KCVN or CPRR acquiring the Towner Line from V&S. Under this agreement, K&O would have exclusive rights to conduct common carrier freight operations

over the line, for which it would seek authority from the Board. *Id.* at 3. The K&O would also assume responsibility for rehabilitating and maintaining the Towner Line. CPRR would receive compensation from K&O tied to traffic on the line, providing K&O incentives for developing the line. Rail operations would be conducted with locomotives and crews supplied by K&O, and the railroad has a fleet of at least 1,100 covered hopper cars available to serve grain rail shippers located along the line. *Id.* The specifics of an operating plan are still being developed, but currently provide for the following (*Id.*):

1. K&O would establish on-duty stations at Scott City, KS and Pueblo, CO;

2. K&O service teams would provide track maintenance, mobile mechanical repair and locomotive repair services;

3. K&O would dedicate at least two crew members to exclusively operate over the Towner Line; and in addition to the 1,100 hopper cars K&O would have two locomotives available; and

4. Service would be provided on an "as needed" basis, and K&O and Watco have the resources to enhance the number of crews, cars, and locomotives according to the customer's needs.

Rail operations are expected to consist of initially re-instituting service to existing wheat shippers on the eastern half of the line (*see* Part II.K, *infra*) and developing new grain traffic, but Applicants and the K&O are very interested in exploring the restoration of freight service on the western end of the line and points further west such as Pueblo, CO through interchange with BNSF Railway and/or UP at NA Junction. Story V.S. at 3-4.

H. Liability Insurance Coverage (49 CFR §1151.3(a)(8))

CPRR and K&O anticipate that the lease and operating agreement they are negotiating will provide that the K&O would secure and maintain at all times an insurance policy from a reputable insurance company that provides for commercial liability coverage in an amount not less than $25,000,000. CPRR would be named as an additional insured under all such policies.

In addition, CPRR would obtain and maintain separate liability insurance policies as necessary to supplement the K&O coverages.

I. Preconditions (49 CFR §1151.3(a)(9))

Applicants are not seeking STB approval of any preconditions at this time. Absent the STB approval, no preconditions will be placed upon shippers in order to receive service over the Towner Line.

J. Name and Address of Subsidizing Person (49 CFR §1151.3(a)(10))

CPRR will bear the entire cost of acquisition as described above and does not anticipate that any form of subsidization will be required.

K. Statement Concerning the Type of the Feeder Line Application 49 CFR §1151.3(a)(11))

Pursuant to 49 C.F.R. §1151.3(a)(11), a feeder line application must show either that (1) "the line is currently in category 1 or 2 of the owning railroad's system diagram map," ("SDM") or (2) that "the public convenience and necessity permit or require acquisition." Applicants here submit that both conditions are met as to the Towner Line. They submit that the Board may therefore grant this Application based on the first criteria. However, since their basis for this request appears to be an issue of first impression in a feeder line application proceeding, Applicants submit that this Application also clearly meets the second criteria of being permitted and required by the public convenience and necessity, and can therefore be granted on that basis, as well.

a. The Towner Line Meets the Criteria of a Category 1 and/or 2 Track

As summarized above and discussed below in detail in Section II.K, it is undisputed that starting in August, 2012 V&S informed this Board and the public in a series of formal filings that

it intended to abandon the Towner Line, first piece by piece, and then altogether. There therefore can be no question that starting in 2012 V&S considered the Towner Line to be at least potentially subject to abandonment, and/or that the line was anticipated to be the subject of an abandonment on discontinuance in three years. Indeed, since 2012, V&S has submitted no fewer than four notices to the Board that it would formally seek authority to abandon first segments of, and then the entire Towner Line. However, KCVN and CPRR have found no evidence that V&S has ever complied with the regulations associated with such lines set out in 49 C.F.R. §1152.10, which unambiguously required V&S to file with the Board either (1) a SDM showing the lines are in category 1 or 2; or (2) submit a narrative description containing the identical information that would have been contained in a SDM. *Id.* at §1152.10(a). Not filing anything at all is not allowed by this regulation. KCVN/CPRR submit that V&S's failure to comply with §1152.10 should not prevent the Board from finding that the Towner Line clearly is a line meeting the criteria of category 1 and/or 2 as defined by Part 1152.10, and therefore a feeder line application to acquire it may be based on §10907(b)(1)(A)(ii). This appears to be an issue of first impression in a feeder line proceeding. In support of this argument, KCVN/CPPR states as follows.

The Board's regulations at 49 CFR §1152.10(a) state that a "Class III carrier shall either prepare [a SDM] or file only a narrative description of its lines that meets all of the information required in this subpart." The information required in the subpart includes (1) designating lines that are subject to abandonment in the next three years (Category 1); and (2) lines that are potentially "subject to a future abandonment application because either anticipated operating losses or excessive rehabilitation costs, as compared to potential revenues." (Category 2) *Id.* at §1152.10(b)(1) and (2).

The feeder line regulations at 49 C.F.R. §1151.1 state that a rail line "is eligible for a forced sale if it appears in category 1 or 2 of the owning railroad's system diagram map . . . ." This provision does not also mention the narrative description required by §1151.10(a). However, it is clear from the STB's promulgation of §1152.10 that the information about lines in Category 1 or 2 that must be submitted in narrative form if a SDM is not filed may also be utilized to demonstrate in a feeder line proceeding that a Class III railroad's line falls in either Category 1 or 2. Specifically, the STB promulgated §1152.10 to aid its administration 49 U.S.C. §10903(c)(2). This section of ICCTA mandates in pertinent part that "each rail carrier shall maintain a complete diagram of the transportation system operated, directly or indirectly, by the rail carrier." By its terms §10903(c)(2) applies to all railroads, including Class III railroads. In Ex Parte No. 537, *Abandonment and Discontinuance of Rail Lines and Rail Transportation under 49 U.S.C. 10903,* 1 S.T.B 894 (1996), the Board acknowledged that §10903(c)(2) applied to Class III railroads, but it proposed to modify the statutory SDM requirement "to eliminate unnecessary regulatory and paperwork burdens." *Id.* at 900. One proposed change was for only Class I and Class II railroads to prepare and file SDMs. *Id.*

In the STB's words, this proposal was met with "strong opposition to our excusing Class III carriers from filing SDMs." *Id.* at 901. Significantly, one of the arguments raised in opposition was that "because rail lines by statute may qualify for feeder line applications under 49 U.S.C. §10907 if they have been identified on an SDM, our proposal would in effect limit the use of the feeder line provisions for lines owned by Class III carriers." *Id.* Presumably, the limitation referenced in this passage was that §10907(b)(1)(A)(ii) refers to only railroad lines that are "on a system diagram map as required under Section 10903 of this title . . . ." Consequently, excluding Class III railroads from submitting SDMs would have meant that

parties seeking the forced sale of Class III rail lines pursuant to §10907 would be restricted to using only the more evidentiary intensive "public convenience and necessity" standard of §10907(b)(1)(A)(i) to try and acquire a line the Class III railroad had clearly indicated it would or might abandon but was excused from filing an SDM formally indicating as such.

In response to the strong opposition to its proposal to exclude Class III railroads from filing SDMs, the Board "decided to continue to require Class III carriers to file the information normally found in an SDM. Because we recognize, however, that the extensive SDM filing requirements under our current rules could be unnecessarily burdensome or smaller entities, we will give Class III carriers the option of filing a map or filing only a narrative description of its lines as provided under 1152.11." 1 S.T.B. at 901. Accordingly, Class III railroads were not, and are not now, excused from providing the information mandated by §10903(c)(2) to be included in a SDM utilized in the feeder line procedures under §10907 and Part 1151. It is also clear that the alternative narrative description mandated by §1152.10 must be the equivalent to the SDM requirement in §10903 and §10907, since the description must provide "all of the information required by this subpart." 49 C.F.R. §1152.10(a).

In light of the foregoing it logically follows that where, as in the case of V&S, a Class III railroad has failed to comply with 49 C.F.R. §1152.10 by not submitting either an SDM or the required alternative equivalent narrative description, the non-compliance should not foreclose an applicant in a feeder line case from attempting to establish that the Category 1 or 2 designation requirements of Part 1152.10 have been met through undisputed facts, especially representations made by the Class III railroad to this Board in formal filings. In this case, the undisputed facts are that starting in August of 2012 and continuing through 2015 V&S repeatedly informed the Board and the public at large in formal filings that it anticipated the various segments of the

Towner Line would either be the subject of an abandonment application, in the near future, and/or were potentially subject to abandonment.

Had V&S complied with §1152.10 it would have been required to either indicate the Towner Line fell into Category 1 or 2 on a SDM, or to describe it as such in a narrative statement containing all the information required by §1152.10. By their express terms, the Board's did not give V&S the option of doing nothing at all. Consistent with the Board's conclusions in the 1996 rulemaking, it is contrary to §10907 and the public interest for V&S to be allowed to benefit from its noncompliance with Board regulations by preventing KCVN/CPRR from seeking authority to acquire the line under §10907 through a demonstration that the Towner Line meets the criteria of §10907(b)(1)(A)(ii). This would also be consistent with principles of administration efficiency, since forcing this application to be processed under the more onerous criteria of (b)(1)(A)(i) – even though they are clearly met in this case – would require more use of the Board's limited resources. Accordingly, KCVN and CPRR submit the Board should find that the Towner Line falls into either or both Category 1 and 2 under the particular circumstances of this case, and that the criteria of §10907(b)(1)(A)(ii) are met.

b. The Sale of the Towner Line to CPRR is Required by the Public Convenience and Necessity (§ 1151.3(a)(11)(i))

Should the Board disagree with KCVN and CPRR that the Towner Line meets the criteria of §10907(b)(1)(A)(ii), KCVN and CPRR submit that the public convenience and necessity nevertheless clearly require and permit the forced sale of the Towner Line to CPRR pursuant to §10907(b)(1)(A)(i).

a. V&S Has Refused Since at Least 2011 to Make the Necessary Efforts to Provide Adequate Service to Shippers Who Would Transport Traffic Over the Line (§1151.3(a)(11)(i)(A))

The history of the V&S's acquisition and ownership of the Towner Line is replete with misstatements of fact, a lack of transparency of V&S's true intentions concerning the line and its legal status, and V&S's strained application of the Board's rules and procedures. As explained in Section (ii) below and in the attached verified statements of representatives of shippers located along the line, V&S's actions also included dramatically increasing its rates in 2010-2011 to levels that it knew would shift all grain rail traffic on the Towner Line to trucks. These factors and actions establish in and of themselves that the public convenience and necessity is not served by V&S continuing to own the Towner Line. However, they are compounded by the fact that the administrative and judicial proceedings concerning the Towner Line that started in 2012, V&S's (1) multiple formal declarations over the past four years that it wished to abandon and/or discontinue its common carrier obligation to service on all or parts of the line and (2) its attempt on 2014 to physically remove and sell the track assets on the western end of the line, we significantly chilled any desire of existing rail shippers to ask for V&S rail service, or for potential new shippers or connecting freight transportation to pursue opportunities.

i. Intentionally or Not, V&S's Filings Concerning the Towner Line Starting in 2005 Obscured its Ownership and its Intentions Regarding Providing Service Over the Line

The Towner Line was previously owned by the Missouri Pacific Railroad Company ("MPRR") and then by Union Pacific Railroad Company ("UP"). After UP sought to abandon it in 1996, the line was sold to the State of Colorado in 1998. On December 1, 2005, V&S entered into a Purchase Agreement with the State of Colorado to buy and operate the entire Towner Line for $10,356,000. However, despite the agreement being clearly labeled a "Purchase Agreement"

(which V&S eventually submitted to the Board seven years later), V&S filed a notice of exemption that represented V&S had entered into an agreement with the Colorado Department of Transportation and the Colorado, Kansas & Pacific Railway Company for V&S "to be the assignee of the lease between CDOT and CPKR . . . by which VSR will acquire by lease and operate the Towner Line."[7] This initial 2005 filing was the first of numerous instances of erroneous factual statements and dubious applications of the Board's rules governing the acquisition, discontinuance, and potential abandonment of the Towner Line by V&S.

After conducting some freight rail operations over the Towner Line between 2005 and 2010, V&S began taking steps to rid itself of the line in 2010 and eventually sell its assets. The first step in this scheme was to significantly raise its rates for grain transportation to prohibitively high levels so that wheat shippers along the line would shift all of their business to trucks. These efforts are discussed in Section (ii) below.

Once all existing rail traffic shifted to trucks in mid-2012 as a result of increasing its rates, V&S next step was to seek authority in June of 2012 to discontinue its common carrier obligation to provide rail service over the "Western Segment," which runs 60.2 miles from milepost 808.3 near Haswell west to milepost 868.5.[8] Milepost 868.5 is approximately .9 miles from the railway's western terminus at milepost 869.4 near NA Junction. However, V&S again did not fully disclose the nature and scope of the transaction in its filing. Specifically, the *Discontinuance Notice* did not disclose that the line for which discontinuance authority was being sought was part of the continuous 121.9 mile Towner Line. Nor did the *Discontinuance*

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[7] STB Docket No. FD 34779, *V&S Railway, Inc. – Acquisition and Operation Exemption – Colorado, Kansas, and Pacific Railway Company*, filed December 2, 2005.

[8] Docket AB 603 (Sub-No.2X), *V&S Railway, LLC—Discontinuance of Service Exemption—in Pueblo, Crowley and Kiowa Counties, Colorado*, filed June 8, 2012. (*Discontinuance Notice*).

Notice disclose that V&S was not seeking discontinuance authority for the last .9 mile of track from MP 868.5 to MP 869.4. Nor did V&S correct the record and inform the STB that V&S was the actual owner of the line, not merely a lessee as it had represented in 2005. Nevertheless, V&S obtained discontinuance authority over the Western Segment effective July 28, 2012.

Less than a month after receiving discontinuance authority, in August of 2012, V&S apparently decided it wanted to formally abandon the Western Segment, presumably to sell its assets for scrap. However, recognizing that in order for it to seek authority from the Board to permit abandonment it would have to disclose that it actually owned the Towner Line, V&S filed a petition for exemption whereby V&S sought Board authorization to acquire the Towner Line seven years after the fact, and to have that authorization made retroactive to December 29, 2005.[9] As explanation, V&S's asserted it committed a prior "inadvertent and inexcusable error" in representing that it only leased the line from the State of Colorado. *Acquisition Petition* at 9. V&S stated its error was "losing sight of the fact that at the same time it had purchased the line from CDOT," even though that purchase involved an expenditure by V&S of over $10 million. Significantly, for purposes of this feeder line proceeding, in its *Acquisition Petition* V&S told the Board in August 2012 that it "expects in the near future to file with the Board its Verified Notice of Abandonment Exemption to abandon the western segment of the Towner Line, between NA Junction and Haswell, on which there has been no traffic for two years' time." *Id.* at 8-9.[10]

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[9] STB Docket No. FD 35664 *V&S Railway, LLC—Acquisition and Operation Exemption—Colorado Department of Transportation, Verified Petition for Exemption of V&S Railway, LLC,* filed August 15, 2012 (*Acquisition Petition*).

[10] While a minor point in the context of the *Acquisition Petition*, V&S again did not accurately describe its plans, stating that it had previously "sought the Board's authorization to discontinue service on the western portion of the Towner Line, *between NA Junction and Haswell.*" *Acquisition Petition* at 4 (emphasis supplied). This statement was not correct, since discontinuance authority had not been sought for the last .9 mile segment before the terminus of the line at NA Junction. V&S further stated that it was seeking retroactive authority in part

The Board concluded the record before it (which consisted of only V&S's filing) "shows an absence of any intent to flout the law, or of a deliberate or planned operation," and that therefore V&S's error was "inadvertent and unintentional." However, the Board denied V&S's request for retroactive approval of its acquisition of the Towner Line, and made the acquisition authorization effective date of the entire Towner Line December 13, 2012. Nevertheless, in order to accommodate V&S's purportedly imminent abandonment of the Western Segment the Board, on its own motion, took the unusual step of waiving the requirement in 49 C.F.R. §1152.50(b) that V&S must have had Board-authorized ownership of the Western Segment for at least two years from December 13, 2012 to use the Board's exempt abandonment rules. Despite the Board's efforts to facilitate immediate abandonment of the Western Segment, V&S took no action to seek formal abandonment of the Western Segment for three more years. Instead, in August of 2014 V&S contracted to sell the track and assets of the discontinued Western Segment and began the process of removing them.

V&S formally announced its intent to abandon another section of the Towner Line by notice letter dated April 24, 2014, followed by a Notice of Exempt Abandonment filed on May 14, 2014 that covered the 38-mile segment line between MP 749.5 and 787.5 located in Kiowa County (designated the "Eastern Segment" by V&S).[11] This notice was protested by the Professional Land Surveyors of Colorado, Inc., and by the Kiowa County Board of Commissioners. The former pointed out that V&S had erroneously represented to the Board that there was no federal land underlying the "Eastern Segment" when in fact nearly half of it had

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because it intended to abandon "*the western half of*" the Towner Line, which also incorrectly implied that the "Western Segment" included the final .9 mile. *Id.* at 9 (emphasis supplied).

[11] STB Docket No. AB 603(Sub-No. 3), *V AND S Railway, LLC – Abandonment Exemption – In Kiowa County, Colorado.*

been originally granted to the Missouri Pacific Railroad pursuant to the General Railroad Right-of-Way Act of 1875.[12] Kiowa County, in part, complained that

> [t]he loss of this railroad has impacted Kiowa County with serious economic loss. It is our conviction that continued operation of this railway as a commodity and freight carrier is very feasible under proper management. It is also our conviction that V&S Railroad never intended or attempted to make this a viable line and that their sole purpose in ownership was salvage. Lack of rail service precludes the development of certain agriculture markets in Kiowa County as well as other economic development in the entire SE Colo. region.[13]

V&S replied to the Professional Land Surveyors, and acknowledged that, once again, it had misstated the facts, and indeed there were federal lands underneath the Eastern Segment.[14] V&S ignored the allegations of Kiowa County Commissioners.

While its exemption petition for the "Eastern Segment" in Docket No. AB 603 (Sub-No. 3X) was pending, V&S filed on June 4, 2014 yet another notice announcing that it intended in July of 2014 to seek abandonment authority for another segment of the Towner Line, the remaining "middle" segment between Milepost 808.3 near Haswell, Colorado and Milepost 787.5 near Eads, Colorado (Docket No. AB 603 (Sub-No.4X)).

On June 16, 2014, the Board's Office of Proceedings rejected V&S's Notice of Exemption in AB 603 (Sub-No. 3X) because it did not comply with the two year ownership requirement of 49 C.F.R. §1152.50(b). The Director reminded V&S that the Board had only granted a waiver of this requirement for the Western Segment. Accordingly, V&S would have to

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[12] Letter submitted in AB 603 (Sub – No 3X), dated May 27, 2014. Fauth V.S., Appendix GWF-9. This oversight by V&S was surprising, since in the *UP/SP Merger Proceeding* in 1996 the Bureau of Land Management and the Department of Agriculture had informed the Board that upon abandonment of the Towner line "the United States will acquire, by reversion, much of the right-of-way of" that line and two other Colorado lines UP proposed to abandon. 1 S.T.B. at 355.

[13] Letter submitted in Docket No. AB 603 (Sub-No 3X), dated June 12, 2014, attached as Exhibit E.

[14] Docket No. AB 603 (Sub-No 3X), Reply of V AND S Railway, LLC .

wait until mid December, 2014 if it wished to seek an exempt abandonment for any other part of the Towner Line. The filing was also rejected because, once again, V&S did not disclose or address all of the facts and issues related to the transaction. Specifically, the Director noted that the Notice did not address portions of the Towner Line on which V&S would still have a common carrier obligation. These included the 20.8 miles of track between MP 808.3 and 787.5 which would have been isolated between the Western and Eastern Segments (the aforementioned "middle" segment) and the 2 miles of track between MP 749.5 and the eastern terminus of the Towner Line at MP 747.5, which V&S had not included in the tracks it sought abandonment authority for.[15] V&S's appeal of the rejection to the Board was denied, and V&S took no further formal action to abandon the Eastern Segment or the Middle Segment until June of 2015.

As mentioned above, and summarized in the record compiled to date in Docket No. NOR 42140, in August of 2014, shortly after it had received a cash offer from KCVN to purchase the entire Towner Line for $10,000,000 for the purpose of restoring freight rail service over it, V&S or its affiliate entered into a contract to sell the tracks and other track assets of the Western Segment of the Towner Line. Shortly thereafter, without first obtaining abandonment authority from the Board, V&S began the process of dismantling and removing tracks on the Western Segment. Despite the *bona fide* cash offer from KCVN, the protests from Kiowa County, and concerns lodged by other parties in STB Docket No. AB-603 (Sub-No. 2X) and (Sub-No. 3X), V&S did not stop its efforts to effect the removal and sale of the Western Segment assets until it was ordered to do so by a Temporary Restraining Order issued by a state court judge in Colorado on August 28, 2014 at the request of KCVN. As described and summarized in the record of

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[15] Arguably, these same concerns as to the final two miles on the eastern terminus of the Towner Line arguably would have also applied to the final .9 mile of track on the Western terminus of the line discussed *supra*, had V&S disclosed this discrepancy to the STB in the *Discontinuation Petition.*

Docket No. NOR 42140, this matter was eventually referred to the Board by the U.S. District Court for the District of Colorado, and on October 31, 2014 the Board issued its own injunction prohibiting V&S from removing the tracks of the Western Segment.

In April of 2015, KCVN grew frustrated with V&S's continued refusal to follow through on its representations to the STB and the Colorado District Court[16] that it would formally seek authority to abandon the Towner Line, thereby providing KCVN and other parties the opportunity to acquire the line and restore service over it through the Board's OFA rules. It therefore submitted a letter to the Board on April 29, 2015 in Docket No. NOR 42140 informing the Board that KCVN or a subsidiary created by it would file a feeder line application under 49 U.S.C. §10907 on or before August 1, 2015. Immediately thereafter, and no doubt in direct response to KCVN's letter, V&S finally began taking steps to abandon the entire Towner Line. When these actions came to light in the Answer of V AND S Railway filed in Docket No. NOR 42140 on May 28, 2015, the parties eventually agreed to stay the ongoing Colorado court and STB proceeding while V&S prepared and filed a notice of exemption and the Board's OFA process was triggered and possibly pursued.[17]

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[16] On October 6, 2014, counsel for V&S told the Colorado District Court that V&S would again seek exemption abandonment authority under 49 C.F.R. §1152.50 for the Middle and Eastern Segments in December of 2014 when the two year period for ownership of the line established by the Board expired. *Transcript of proceedings before the Honorable Craig B. Shaffer, United States Magistrate Judge, United States District Court for the District of Colorado, in Civil Action No. 14-cv-02450-CBS*, October 6, 2014 at pages 70-72. Exhibit F. However, V&S in actuality did not formally seek such authority until eight months after the two-year period expired, and only did so in the context of a litigation settlement agreement.

[17] V&S suggested to the Board that its commencement of the process for abandoning the Towner Line and the eventual purchase of the line by KCVN through the OFA process would have permitted KCVN to achieve its purpose (in V&S's view) in filing the complaint in Docket No. NOR 42140. Answer of V AND S Railway at 16. Ironically, V&S suggested that if KCVN and the other complainants "were persons of principle and integrity, they would withdraw their Complaint . . . " because V&S had commenced the abandonment process. *Id.* Had the complainants done so, their act of "principle and integrity" would have been rewarded by V&S

The Board published V&S's August 3, 2015 notice of exemption to abandon the Towner Line in *AB 603 4X* on August 21, 2015, with an effective date of September 20, 2015 pending the receipt of a formal expression of intent to file an OFA. KCVN and CPRR jointly filed such a formal expression of intent on August 24, 2015, and were prepared to file an OFA on October 20, 2015, the due date established by the Board. On or before October 19, 2015, however, the Board discovered that V&S had yet again submitted an erroneous filing. In this case, there was a minor error in V&S's notice, namely the omission of Otero County and its zip code through which a small piece of the Towner Line travelled.

As a result, the Board placed the abandonment proceeding into abeyance and directed V&S to correct its abandonment exemption petition. However, in the interim V&S had apparently begun entering into arrangements to store railcars on its tracks. Due solely to this revenue stream, and in no way due to any desire to renew providing common carrier freight transportation over the line, V&S declined to comply with the Board's October 19 Order and instead attempted to convert its notice from one seeking an abandonment exemption to one seeking a discontinuance exemption ("Amended Notice"). V&S claimed that although it had originally wanted to seek authority to abandon the line "it now has been presented with a significant car storage opportunity, so it has determined to seek discontinuance authority instead, and to continue to own and use the tracks for other opportunities."

KCVN's petition to reject the Amended Notice was granted by the Director of the Office of Proceedings, but the Director declined to order V&S to correct the original abandonment notice and restart the OFA process. Rather, the Director determined that seeking discontinuance authority over the Towner Line raised significant unresolved issues and questions

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later summarily withdrawing its abandonment application so it could pursue revenues storing cars on the tracks.

that required detailed scrutiny, and was not suitable for the Board's notice of exemption process. The decision held that if V&S wished to seek discontinuance authority, it would be required to do so either through a petition for exemption under 49 U.S.C. § 10505 or an application under 49 U.S.C. § 10903. However, the January 15 Decision also stated that "if V&S wishes to continue to pursue abandonment authority, it may do so by supplementing its Original Notice as described in Ordering paragraph 2(a) of the Board's decision served October 19, 2015."

On January 21, 2016, V&S seized upon the opening provided by the above-quoted language and filed a letter withdrawing its abandonment notice of exemption. The end result of all of the actions and filings described above is that the technical legal status of the Towner Line remains as it was in April, 2005. Specifically, the common carrier obligation attached to the Western Segment has been discontinued, and the remainder of the Towner Line is technically an active line of rail subject to the Board's jurisdiction but V&S provides no common carrier service over the line. Moreover, V&S has made no attempt to market the line for freight service in the interim. Rather, it now uses the western, discontinued segment of track as a private line on which to store railcars, and has reserved the right to resume its efforts to abandon and scrap the line when the current car storage "opportunity" runs its course.

The foregoing discussion demonstrates that over the past four years V&S, rather than repair and maintain the Towner Line and attempt to fulfill its obligations as a common carrier to provide service over the line and market it, engaged in a systematic plan that had its ultimate goal the abandonment of the line and the removal of and sale of its assets. This plan has only been halted by (1) the STB's issuance of an injunction to stop the removal and sale of apparently half of the Towner Line; and (2) KCVN and CPRR's interest in potentially acquiring the line through the OFA process. Accordingly, KCVN and CPRR submit V&S cannot submit any

evidence demonstrating that it has attempted to make the necessary efforts to provide adequate service to rail shippers on the Towner Line. Moreover, its multiple discontinuance and abandonment filings over the past four years are conclusive evidence that it does not intend to make the repairs necessary to restore service over the Towner Line. These actions have been found to meet the criteria of §10907(b)(1)(A)(i). STB Finance Docket No. 35160, *Oregon International Port of Coos Bay – Feeder Line Application – Coosbay line of the Central Oregon & Pacific Railroad, Inc.*, (served October 31, 2008) at 5.

ii. Significant Rate Increases, and Significant Changes in Service Terms Led to Shippers Permanently Shifting from V&S to all Truck Transportation

In addition to V&S's dubious use of the Board's rules governing the acquisition, discontinuance, and abandonment of jurisdictional lines of rail since 2005 that demonstrates its continued ownership of the Towner Line is not consistent with the public convenience and necessity, V&S's rate practices and other behavior starting in 2010 also demonstrate that it decided it no longer desired to fulfill its common carrier obligations over the Towner Line, and to market the line to existing and new rail shippers. This resulted in the cessation of any rail service over the line, and now 100% of the wheat produced by farms that could ship by rail on the Towner Line presently moves by truck. The Board has previously found that such behavior also justifies an order forcing the sale of a railroad under §10907(b)(1)(A)(ii). *Keokuk Junction, supra*, (served October 28, 2004 at 5). These rate practices and other behavior are summarized in the attached verified statements of the following shippers and other parties located along or nearby the Towner Line:

1. Darrell L. Hanavan, former Executive Director of the Colorado Wheat Administrative Committee, Colorado Association of Wheat Growers, and Colorado Wheat Research Foundation

Mr. Hanavan submitted verified testimony in Docket No. NOR 42140, as part of KCVN's Motion for Emergency and Preliminary Injunctive Relief, filed October 28, 2014. A copy of his statement is attached hereto as Exhibit G for the Board's convenience ("Hanavan V.S."). Mr. Hanavan described how the area along the Towner Line is a prime development area for a potentially new variety of hard white wheat called "Snowmass," but "the V&S has no present interest in providing rail service over the Towner Line, and instead desires to sell its tracks and other assets for scrap." Hanavan V.S. at 4. As an illustration, Mr. Hanavan described how V&S in 2010 discouraged rail the shipment of Snowmass wheat from an elevator then owned by Cargill in Brandon, Colorado by establishing rates of over $8,000 per carload to move this commodity. *Id.* This was twice the market rates for this service at that time, and in Mr. Hanavan's view "circumstantially embargoed the Towner Line rail service." *Id.* This verified testimony in Docket No. NOR 42140 was unrebutted by V&S. Rather, V&S tacitly admitted that it had raised its rates as Mr. Hanavan had described, but asserted that this action was somehow justified because "no one . . . lodged a complaint with the Board that V&S was assessing rates greater than is permissible pursuant to 49 U.S.C. §§10701 & 10702."[18] Given that no grain rail shipper has filed a rate case against a railroad in over 30 years for reasons recently explored by the Board in EP 665 (Sub-No.1), *Rail Transportation of Grain, Rate Regulation Review,* KCVN and CPRR submit that V&S's response to Mr. Hanavan's allegations was particularly revealing as to V&S's mindset and purpose in setting its rates at levels that resulted in rail transportation becoming uneconomical.

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[18] STB Docket No. NOR 42140, Reply of V&S Railway, LLC, filed October 30, 2014, at 5-6.

2. Joe Griffith, General Director of Transportation of Bartlett Grain Co., LP

Mr. Hanavan's statements were consistent with the experience of Bartlett Grain Co, LP ("Bartlett"), which is the largest former rail shipper on the Towner Line, and it remains the largest potential customer for a new rail operator. Bartlett operates two grain elevators located in Haswell, CO (MP 807.7) and Eads, CO (MP 785.8) that serve hundreds of farmers located near or on the Towner Line. Verified Statement of Joe Griffith (Exhibit H) ("Griffith V.S.") at 1. Bartlett has owned the Eads facility since 1950. Mr. Griffith explains how Bartlett shipped railcars of grain on the Towner Line using the V&S until 2011, but switched to using all trucks in early 2012 because V&S dramatically increased its single car rate for shipping wheat in mid-2011 and made it uneconomic for Bartlett to continue shipping by rail. *Id.* at 2-3. Specifically, in Supplement 1 to Freight Tariff VST 8010, V&S eliminated all of its Single Car Rates for transporting grain to Towner, CO, which were around $500 per car, and increased to $3,000 per car the only other rate that could be used for single car movements – an Intermediate Switching Rate. *Id.* at 3; Griffith V.S. Attachment 1. Mr. Griffith describes how this action resulted in Bartlett's rail shipments dropping from 511 cars in 2010 to 27 in 2011, and how Bartlett switched to 100% truck transportation in early 2012 after tendering one last shipment of 51 cars to V&S. *Id.* at 2. Mr. Griffith also describes how Bartlett unsuccessfully attempted to convince V&S to lower its single car rates to make rail service economic again, and how V&S created additional hurdles by insisting on volume commitments that Bartlett concluded were impossible to consider in that area of the country. *Id.* at 3.

3. Dusty Tallman, President of Tallman Grain Co, Inc. Brandon, Colorado

In his Verified Statement (Tallman V.S.), attached hereto as Exhibit I, Mr. Tallman describes how he has been involved in his family's farm operations located in Cheyenne and

Kiowa Counties near the Towner Line for 45 years. Tallman V.S at 1. These operations currently produce between 300,000 and 750,000 bushels of grain per year. *Id.* Mr. Tallman also describes how Tallman used to ship its grain on the Missouri Pacific Railroad, and then the Union Pacific Railroad when it owned the Towner Line, but that Tallman Grains no longer ships any grain by rail because it is uneconomic to do so on the V&S. Similar to the experience of Bartlett, Mr. Tallman describes how the V&S's elimination of its single car rate of $560 per car and replacement of it with a $3000 per car Intermediate Switching Rate curtailed all single car movements from Tallman Grains' facilities. *Id.* at 4. He also describes how his operations were not set up to load multiple cars in a single load service, which meant that Tallman Grain had to shift 100% of its transportation of grain to trucks. *Id.* at 4-5. Because the V&S's tariff terms remain in place, Tallman has not approached V&S to resume providing rail service.

4. Linly Stum, President of Thunderbird, L&L, Inc.

Thunderbird, L&L, Inc. ("Thunderbird") is an agricultural production company that owns a grain elevator on the Towner Line at Towner, Colorado. Verified Statement of Mr. Linly Stum, President of Thunderbird ("Stum V.S.") is attached hereto as Exhibit J. Mr. Stum is responsible for arranging for the transportation of Thunderbird's grain by railroad, truck, and other modes. *Id.* In his verified statement, Mr. Stum describes how he believes this area of Colorado shows great potential for future railroad transportation of existing and new types of wheat, and that therefore Thunderbird supports the resumption of rail service over the Towner Line by a railroad such as the K&O. *Id.* at 1-2. He also suggests that resumption of freight service over the Towner Line will be positive from an energy conservation standpoint by potentially shifting thousands of truckloads of wheat back into rail hopper cars. *Id.* at 3.

5. Shelby Britten, Farm Producer

Mr. Shelby Britten is a wheat farmer located along the Towner Line near Haswell, Colorado, and a member of the Colorado Association of Wheat Growers. Verified Statement of Shelby Britten ("Britten V.S.") attached hereto as Exhibit K at 1. The land he farms is located on either side of the Towner Line. Mr. Britten also describes how rail transportation of wheat from elevators along the Towner Line ceased in about 2011, and from that point on his farm had to transport its crops by truck to markets more than 80 miles from his production land. *Id.* Mr. Britten echoes the statements of Mssrs. Hanavan, Griffith, and Tallman that the elevators along the Towner Line experienced rail rate increases by V&S that made them uncompetitive and forced farmers to ship by trucks to make movements out of the Towner Line production areas, which in his experience greatly increased his transportation costs. *Id.* at 2.

6. Kiowa Colorado County Board of Commissioners

Much of the Towner Line is located in Kiowa County, Colorado, whose farmers produce millions of bushels of wheat each year. The Kiowa County Board of Commissioners has been a consistent and longstanding critic of the V&S and its ownership of the Towner Line. As noted above, they have previously submitted letters to the Board in other dockets pertaining to the Towner Line, protesting the abandonment of the line and their keen interest in it being owned by an entity that will develop the line and market it. In a letter to the STB dated June 18, 2015 in response to V&S's notice of intent to seek abandonment of the Towner Line, Kiowa County reiterated its desire for the line to stay in service under a new operator, stating:

> Mismanagement of the Towner Line has already negatively impacted the economy of [Otero, Pueblo, Crowley and Kiowa] counties, but especially Kiowa County through a loss of tax revenue, reduced market value for wheat and other grain production and an increased negative impact on county and state highways through a significant increase in truck traffic.

> There is a developing market for Proso Millet as human food via shipment to the west coast and then export to Asian countries. The Towner Line would be an integral part of this development.
>
> Abandonment of any portion of the Towner Line will drastically and negatively impact programs administered by the BOCC, Kiowa County.[19]

Another letter of the Board of Commissioners dated February 25, 2016 is attached hereto as Exhibit M. This letter points out that annual production of Hard Red winter wheat in Kiowa County alone has reached nearly 10,000,000 bushels in certain years. *Id.* at 2. (*See also* Griffith V.S. at 2). All of this wheat is now transported by truck due to the lack of rail service by V&S. *Id.* The Commissioners add that in August of 2011, prior to the first filing by V&S in 2012 seeking discontinuance authority over the Western Segment, the County had heard that V&S might plan to abandon the Towner Line and sell it for scrap. *Id.* The Commissioner further observe that V&S's behavior "confirmed these suspicions in that V&S imposed freight rates forcing grain freight to be transported by truck, rather than rail, performed poor service, and failed to maintain the line." *Id.* Finally, the Commissioners summarize the numerous benefits they foresee from reinstituting rail service on the Towner Line. *Id.* at 2-3.

iii. The Uncertainty over the Line's Future and Status Introduced by V&S Has Chilled the Desire of Shippers to Pursue Re-Establishing Rail Service

The foregoing discussion and verified testimony demonstrates that V&S took steps in 2010 and 2011 to ensure that shippers along the line ceased requesting rail service from it over the Towner Line and shifted all of their transportation to trucks. After the last grain shipment occurred in mid-2012, V&S ceased all efforts to develop the line or maintain it as an active freight railroad, waited the two-year period necessary to utilize the exempt abandonment rules, and then began to implement its plan to eventually abandon the line and remove and sell its

[19] Letter to Board in Docket No. AB 603 (Sub-No.4), dated June 18, 2015, attached as Exhibit L.

assets. The statements of Kiowa County regarding the potential for the line to be developed by a different and more responsible operator are echoed in the attached verified statements. The shipper's representations explain their hesitancy to pursue potential provision of rail service from V&S because they believed to do so would be futile. This was due to their perception that V&S demonstrated a clear lack of interest in providing service, and its actions over the past 3 ½ years to discontinue its common carrier obligations, its formal attempts to seek abandonment authority, its attempt to remove and sell the Western Segment, and its failure to maintain the track.

b. Transportation Over the Line is Clearly Inadequate Since V&S Provides None (§1151.3(a)(11)(i)(B))

V&S presently conducts no common carrier freight services for any shippers along the line. As stated above, the rates V&S established in 2010-11 made rail transportation of grain cost prohibitive, and the lack of maintenance on the line and its overall deterioration make rail transportation currently not a viable option for any current rail shipper. Without service from the Towner Line, Eastern Colorado wheat farmers who need to get their grain to market must truck it to other shipping locations served by rail. The closest other shipping points are at Cheyenne Wells, Colorado and Coolidge, Kansas. The wheat growers are therefore impacted by the combined effects of a railroad that doesn't want to fulfill its common carrier obligation and other modes of transportation being unavailable and/or prohibitively expensive.

c. The sale of the line will not have a significantly adverse financial effect on V&S (§ 1151.3(a)(11)(i)(C))

The sale of the Towner Line to CPRR should have no adverse effect on V&S's freight revenues, since there are none. As CPRR will pay V&S the constitutional minimum value of the Towner Line, which in this case is the NLV, V&S will be fully compensated for the transfer of the line. The financial effect on V&S from the loss of car storage revenues is unknown since

V&S has provided no information concerning this activity. However, these revenues should not be taken into account since they are not related to any common carrier operations by V&S.

d. The sale of the line will not have an adverse effect on the overall operational performance of V&S (§ 1151.3(a)(11)(i)(D))

The sale of the Towner Line will have no adverse effect on the overall operational performance of V&S. As evidenced above, V&S currently provides no freight rail operations over the Towner Line, and it has no intention of operating the line or developing it for freight rail operations. It has no other lines of rail that connect to the Towner Line.

e. The sale of the line will likely result in improved railroad transportation for shippers who transport traffic over the line (§ 1151.3(a)(11)(i)(E))

The sale of the line to CPRR, its successful rehabilitation, and the installation of a competent rail operator such as K&O that would provide service as described in Mr. Story's Verified Statement would assuredly result in improved rail transportation for shippers located on the Towner Line who desire to ship by railroad, since they receive no rail service now.

L. Election of Exemption from the Provisions of Title 49 (49 CFR 1151.3(a)(12))

Applicants do not seek to be exempt from the provisions of Title 49, U.S.C. at this time.

M. No Trackage Rights Sought Over the Owning Railroad (49 CFR 1151.3(a)(13))

No such rights are requested.

N. No Joint Rate and Division Agreement (49 CFR 1151.3(a)(14))

Applicants do not request the establishment of joint rates and divisions at this time.

O. Owning Railroad's Employees Who Service the Line (49 CFR 1151.3(a)(15))

No common carrier service is provided over the Towner Line by V&S. Based on V&S's own statements in Docket No. NOR 42140, V&S performed no maintenance on the Towner Line

between January 1, 2011 and December 31, 2014.[20] There is no indication that V&S employees performed any maintenance activities on the line in 2015, or are currently performing any maintenance services. As it is evident that no V&S employees currently service the line, this provision is not applicable.

III.

ENVIRONMENTAL ISSUES

KCVN and CPRR recognize there is a possibility that circumstances surrounding the Towner Line and their anticipated plans for it post-acquisition an environmental report might trigger the environmental reporting requirements of 49 C.F.R. §1105.7.[21] Specifically, since no common carrier freight rail operations are being conducted over the line now, any increase in this "rail traffic" could be considered an increase in traffic of 100% under 49 C.F.R. §1105.7(e)(5). *Keokuk Junction*, *supra*, (served July 1, 2003 at 5). However, KCVN and CPRR submit good cause exists for this Application to be accepted for filing subject to any required compliance with 49 C.F.R. §1105.7, as the Board permitted in *Keokuk Junction. Id.* at 5-6. First, V&S has used the Board's rules, regulations, and decisional law governing line discontinuances and abandonments to attempt to forestall KCVN and CPRR's acquisition of the Towner Line. The most egregious example of this was V&S withdrawing its abandonment application despite the presence of a litigation settlement agreement and after KCVN and CPRR had invested considerable time and effort to prepare an OFA. Accepting this Application and commencing

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[20] *See* Exhibit N, which is an excerpt from V&S's December 31, 2014 written responses to Complainants' First Discovery Requests in Docket No. 42140, this document was included as an attachment to V&S's Motion for Protective Conditions, filed on February 4, 2015. Specifically, in response to Complainants' Interrogatory No. 7 asking for the total amount of V&S's maintenance expenditures on the Towner Line from 2011 to date, V&S responded "none."

[21] KCVN and CPRR submit that a Historic Report is not required for this Application pursuant to 49 C.F.R §.1105.8(b)(1).

this feeder line process would prevent further manipulation of the rules by V&S. Second, KCVN and CPRR desire to seek the input of the STB's Section of Environmental Analysis ("SEA") on whether and what type of environmental report may be required for this Application. For example, while the movement of locomotives and railcars for private car storage is not counted toward the calculation of a GCV, such movement arguably could be "rail traffic" for purposes of determining whether the air pollution-oriented thresholds in 49 C.F.R. §1105.7(e)(5) would be triggered by resuming freight rail operations. Finally, KCVN and CPRR note that as recently as August, 2015 an environmental report covering the Towner Line was filed in conjunction with V&S's aborted notice of exempt abandonment in *AB 603 4X*. KCVN and CPRR wish to explore with SEA the extent to which the contents of that report could be incorporated into any report required with their Application. To this end, the Applicants anticipate engaging in discussions with personnel within SEA immediately after filing this Application. Accordingly, KCVN and CPRR respectfully request that the Board accept this Application for filing subject to completion of any environmental report SEA might determine is necessary under 49 C.F.R. §1105.7.

IV.

CONCLUSION

In conclusion, KCVN and CPRR respectfully submit that all of the requirements of 49 U.S.C. §10907 are met by the facts and circumstances set out in this Application. Further, their Application meets all the requirements in the regulations set forth in 49 C.F.R. Part 1151. They therefore request the Board to accept this Application pursuant to 49 C.F.R. §1151.2(b) and that the Board establish a procedural schedule for further activity in this proceeding.

Respectfully submitted,

Thomas W. Wilcox
Svetlana Lyubchenko
GKG Law, P.C.
The Foundry Building
1055 Thomas Jefferson Street NW
Suite 500
Washington, DC 20007
(202) 342-5248

Attorneys for KCVN, LLC and Colorado Pacific Railroad, LLC

EXHIBIT A

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 36005

KCVN, LLC/COLORADO PACIFIC RAILROAD, LLC – FEEDER LINE APPLICATION – LINE OF V AND S RAILWAY, LLC, LOCATED IN CROWLEY,PUEBLO, OTERO, AND KIOWA COUNTIES, COLORADO

VERIFIED STATEMENT OF WILLIAM S. OSBORN

My name is William S. Osborn. I am a partner at Osborn, Griffith & Hargrove, LLC, in Austin, Texas and an attorney-in-fact for KCVN, LLC ("KCVN"), which I have represented for more than a decade. I am the same William S. Osborn who submitted a verified statement on KCVN's behalf in STB Docket No. NOR 42140, *Colorado Wheat Growers, et al v. V & S Railway, LLC.* I am also counsel and attorney-in-fact for the Colorado Pacific Railroad Company ("CPRR"), the wholly owned subsidiary of KCVN created for the purpose of attempting to purchase the Towner Line and overseeing the restoration of freight railroad operations over it. As attorney-in-fact for KCVN, LLC and CPRR, I am authorized to speak on behalf of the principals of KCVN and CPRR, which are Stefan Soloviev and his father, Sheldon H. Solow. Mr. Soloviev readopted the original family name, which had been shortened upon immigration to America more than 100 years ago.

This Verified Statement is offered in support of KCVN's and CPRR's Feeder Line Application in this docket, which contemplates that CPRR would acquire by purchase the railroad line and other tracks and facilities currently owned by the V & S Railway, LLC ("V&S"), located between milepost 747.5, near Towner, Colorado and milepost 869.4, near NA Junction in Pueblo, Crowley, and Kiowa Counties, Colorado, known as the "Towner Line." In particular, this Verified Statement demonstrates that KCVN and CPRR are both financially responsible parties within the meaning of 49 CFR §1151.3(a)(3) and the Board's rules.

KCVN is a limited liability company with management located in New York City, and its manager and active principal is Mr. Soloviev. While based in New York, KCVN's interests and assets are centered on farmland in several western United States. KCVN's assets include approximately 58,000 acres of land in Cheyenne, Kiowa and Prowers Counties, Colorado presently valued at nearly $50 million. This acreage is all located within about 25 miles of the Towner line, and is primarily dedicated to the cultivation of dryland wheat. Schedules listing these farm tracts, and showing their year of acquisition are included as Attachment 1 to this statement.

The factual records compiled in Docket No. NOR 42140 and the sub dockets of STB Docket No. AB 603 describe and demonstrate the high level of commitment by KCVN to acquire the Towner Line and restore freight railroad service over it as part of the company's economic interest in preserving and developing agricultural marketing outlets in eastern Colorado, and serving its own shipping needs. KCVN believes that the Towner Line can be restored to its prior role to serve existing and future wheat farmers in this region of Colorado, but also as a means to ship other freight between Kansas to

Pueblo, Colorado and points beyond. Unfortunately, the V&S has resisted KCVN's efforts to acquire the line, despite having no interest itself in restoring freight rail service over it. As of November 10, 2015, theline was blockaded with approximately seven miles of stored cars, Attachment 2, and we believe there may be as many or more cars being stored on the Towner Line today. This unjustified resistance by V&S to a sale of the Towner Line to a party with an interest in restoring freight service over it, coupled with the lengthy record demonstrating V&S has no intention of fulfilling its common carrier obligations to serve shippers and develop the Towner Line, has led to this Application asking the Board to force the sale of the Towner Line to CPRR, which, if consummated, would be the first step in its restoration to common carrier freight service.

As to KCVN's ability to meet the "financially responsible" criteria utilized by the Board, its assets include the previously mentioned land in Colorado which is within the service territory of the Towner Line. These assets include land purchases closed under my supervision for more than $10 million since January 1, 2016. Cash was paid for this land out of pocket by KCVN, with no debt incurred. KCVN's assets (based on their original acquisition cost) and total liability and equity are summarized in greater detail in the financial statement to this Verified Statement as Attachment 3. The most current financial statement is dated December 31, 2015, which KCVN will update if needed by the Board.

Mr. Soloviev is listed in The Land Report magazine as one of the top 100 landowners (by acreage) in America. Mr. Solow is listed by Forbes Magazine as one of the 400 wealthiest Americans. Although the family dislikes to publicly disclose the nature and full scope of its holdings, there is no question based on this publicly available

information that KCVN and its principals are "financially responsible" according to the requirements of the Board, and well able to fund the purchase of the Towner Line for its constitutional value, and to make the monetary commitments necessary to restore freight rail service to the central eastern plains of Colorado. KCVN first demonstrated the depth of this commitment by taking legal action to obtain injunctive relief in Colorado State District Court ordering a halt to demolition a large section of the Towner Line by the V&S in the summer of 2014, and thereafter by obtaining a similar order from the Surface Transportation Board in Docket NOR 42140 prohibiting this demolition. But for such action by KCVN and the quick action of this Board, Colorado would have lost forever one of its few freight rail links connecting the Front Range with Kansas City and Chicago.

In an effort to acquire the Towner Line through either (1) the OFA procedures under 49 U.S.C. §10904 if V&S followed through on its promises to seek authority to abandon the Towner Line or (2) the "Feeder Line" procedures under 49 U.S.C. §10907 if V&S did not, KCVN created CPRR as a wholly owned subsidiary for the purpose of purchasing and overseeing the rehabilitation, operation and maintenance of the Towner Line. Attachments 4 and 5 are copies of organizational documents for the two companies. CPRR is also managed by Mr. Soloviev, and currently has no employees, pending acquisition of the Towner Line. Because it is a new company, CPRR does not have formal financial statements to submit to the Board at this time. However, in accordance with the Board's requirement that a subsidiary company which seeks to acquire a line of rail under the Feeder Line Procedures demonstrate it is independently "financially responsible", I represent as attorney-in-fact for KCVN that such company

will provide CPRR with any level of funding ultimately considered necessary by the Board for CPRR to acquire the Towner Line and secure its financial solvency its operations at least for the first three years. Attachment 6 is a copy of my power of attorney for KCVN LLC and Colorado Pacific Railroad LLC. In particular, KCVN offers to post a letter of credit in favor of CPRR in any amount required by the Board. KCVN as the parent company has sufficient assets to (1) purchase the Towner Line at what CPRR and KCVN believe the Net Liquidation Value of the line will be; and (2) to pay the CPRR's estimated expenses of rehabilitating the line and operating it for the next three years. Specifically, KCVN today holds more than $6,000,000 in cash in its corporate account for the purpose of acquiring the line and as an initial amount for rehabilitating and overseeing operations and maintenance of it over the three year period required by §10907(a)(2). See Attachment 7, Charles Schwab Account Transaction Statement. To the extent this feeder line application process results in a final purchase price for the Towner Line in excess of the amount CPRR has offered in this Application, and/or to the extent additional funds are needed to finance rehabilitation, maintenance and operation costs in the short term, they will be financed through direct cash infusions from KCVN or its owners. After operations on the line are commenced by a railroad operator lessee selected by CPRR and approved by the Board, it is expected that operational revenue would also finance the rehabilitation and maintenance of the line.

In summary, KCVN and CPRR both meet the criteria for what is a "financially responsible" party as required for purposes of the Application. In particular, CPRR through its parent KCVN has full access to the financial resources to acquire the Towner Line and operate and maintain common carrier service for well over three years from the

date of acquisition. To the extent the STB determines it needs additional information demonstrating that KCVN or CPRR meet the STB's "financially responsible" criteria, KCVN would be pleased to provide it.

Verification

I, William S. Osborn, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to sponsor this Verified Statement.

Executed March 16, 2016

William S. Osborn
Attorney-in-Fact for KCVN LLC and
Colorado Pacific Railroad LLC

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ATTACHMENT 1

KCVN Kiowa County Farmland Holdings

Farm	Acres	Year Purchased
Haswell East Unit	640.00	2006
Haswell West Unit	7,666.00	2007
Shafer II Unit	627.75	2007
J-B Farms Unit	320.00	2007
Busby Unit	2,240.00	2007
Hopkins Unit	320.00	2007
Darrel Humble Unit	300.00	2007
Steckel Auction	5,661.40	2008
GSR Properties Unit	320.00	2008
Wells Rev. Trust Unit	320.00	2009
Watch Hill Unit	320.00	2010
Midnight Sun Unit*	3,040.00	2011
Pathfinder Unit	320.00	2011
Stavely Unit	240.00	2012
Pfeifer (Teeter Trust) Unit	960.00	2014
Gunderson Unit	7,351.00	2016
Total	**30,646.15**	
*Approximate, In Two Counties		

KCVN Cheyenne County Farmland Holdings

Farm	Acres	Year Purchased
Kenecreek Unit	640.00	2011
Mitchek Unit	2,361.00	2011
Midnight Sun Unit*	10,249.00	2011
Dean Schick Unit	66.00	2016
Simmerman Unit (First View Trade)	720.00	2016
KCM Trust Unit (First View Trade)	160.00	2016
Mohorich Unit (First View Trade)	1,200.00	2016
Sharp Unit (First View Trade)	1,560.00	2016
Cozart Unit (First View Trade)	160.00	2016
Lowe Auction	7,086.87	2016
Total	**24,202.87**	
* Approximate In Two Counties		

KCVN Prowers County Farmland Holdings

Farm	Acres	Year Purchased
Brining Esate Unit	2,440.00	2007
Paul Fleener Unit	320.00	2007
Fallwell Unit	19.66	2010
Redetzke Unit	479.00	2011
Gunderson Unit	482.00	2016
Total	**3,740.66**	

KCVN Farmland Holdings By County

County	Acres
Kiowa	30,646.15
Cheyenne	24,202.87
Prowers	3,740.66
Total	**58,589.68**

ATTACHMENT 2

Western Railroad Discussion > Rolling Through the Weeds-The Towner Line

Date: 11/10/15 20:21
Rolling Through the Weeds-The Towner Line
Author: royalgorge

BNSF delivered yet another string of unused inter modal cars for storage on the Towner Line, owned by the V&S Railway. The line of cars now stretches over 7 miles west of Crowley, Colorado with breaks at road crossings and at Olney Springs. BNSF has yet another string of cars sitting on the siding at Manzanola to be moved into storage. Crews are using AAR Radio Channel #30 160.560 for these movements east of NA Junction.

D_32574
BNSF 7254 and 8875 is finishing its set out of empty cars near Milepost 879, Towner Line between Olney Springs and Pultney, Colorado 15:02 Tuesday November 10, 2015

D_32585
BNSF 7254 and 8875 split the former ABS signals at Milepost 860.8, Towner Line. 15:15 Tuesday November 10, 2015.

D_32585
BNSF 7254 and 8875 rolling through the weeds at the site of the former MP water tank at North Fowler, Colorado, just east of the siding of Pultney, Colorado 15:19 Tuesday November 10, 2015


7264
7264
BNSF

[Reply To This Message] [Quote] [Private Reply]

Date: 11/10/15 20:32
Re: Rolling Through the Weeds-The Towner Line
Author: thegoonshow

Who pays the shortline for storage of those cars BNSF or TTX?
Are the cares mostly TTX or are there other owners in the strings of cars?

[Reply To This Message] [Quote] [Private Reply]

Date: 11/10/15 23:46
Re: Rolling Through the Weeds-The Towner Line
Author: TonyJ

What a shame! My wife and I had a great time chasing trains on this line back in 1992.

[Reply To This Message] [Quote] [Private Reply]

Date: 11/11/15 04:23
Re: Rolling Through the Weeds-The Towner Line
Author: dcfbalcoS1

Who is providing the crews for these trains ?

[Reply To This Message] [Quote] [Private Reply]

Date: 11/11/15 04:34
Re: Rolling Through the Weeds-The Towner Line
Author: SD45X

BNSF crews.
Ch 72 working channel but I had them bouncing around on my scanner . Not sure why.

[Reply To This Message] [Quote] [Private Reply]

Date: 11/11/15 07:07
Re: Rolling Through the Weeds-The Towner Line
Author: JoCoLB

Thanks for this update. Appreciated.

[Reply To This Message] [Quote] [Private Reply]

Date: 11/11/15 10:46
Re: Rolling Through the Weeds-The Towner Line
Author: NCA1022

The car owner or lessee pays for car storage, as I understand it. So the TTX car storage fees woudl be paid by TTX.

- Norm

[Reply To This Message] [Quote] [Private Reply]

Date: 11/11/15 11:46
Re: Rolling Through the Weeds-The Towner Line

Author: dcfbalcoS1

Norm is very correct. You wouldn't store your automobile and expect your neighbor to pay the fees. . . . . .

[Reply To This Message] [Quote] [Private Reply]

Date: 11/12/15 13:53
Re: Rolling Through the Weeds-The Towner Line
Author: HogheadMike

Such a shame seeing all of these once busy (and irriplaceable once abandoned) transportation corridors rot in the weeds as government subsidized highways deteriorate from long distance truck traffic. This industry was nearly destroyed by oppressive regulatorty schemes to the benefit of trucking and this is just another lingering sign of that era. An era of survival by cutting back and merging out of necessity. The state of our infrastructure is appauling when looked at from the once vast rail complex our country had. PTC costs have and will result in even more closures as the cost of implementation grossly exceeds the return on investment.

[Reply To This Message] [Quote] [Private Reply]

Date: 11/12/15 14:42
Re: Rolling Through the Weeds-The Towner Line
Author: portlander

HogheadMike Wrote:

> Such a shame seeing all of these once busy (and
> irriplaceable once abandoned) transportation
> corridors rot in the weeds as government
> subsidized highways deteriorate from long distance
> truck traffic. This industry was nearly
> destroyed by oppressive regulatorty schemes to the
> benefit of trucking and this is just another
> lingering sign of that era. An era of survival
> by cutting back and merging out of necessity.
> The state of our infrastructure is appauling when
> looked at from the once vast rail complex our
> country had. PTC costs have and will result in
> even more closures as the cost of implementation
> grossly exceeds the return on investment.

Yawn..... There won't be very many low traffic branch lines that require PTC anyway.

[Reply To This Message] [Quote] [Private Reply]

Date: 11/12/15 14:46
Re: Rolling Through the Weeds-The Towner Line
Author: HogheadMike

You completely missed the point. Those branches wouldnt be low traffic if trucking were not subsidized over rail. Trucking would fall back to its economically sound position, which is short distances of around 500 miles or less.

[Reply To This Message] [Quote] [Private Reply]

[Subscribe To Thread] [Share Thread on Facebook] [Search] [Start a New Thread] [Back to Thread List] [<Newer] [Older>]

Page created in 0.1616 seconds

ATTACHMENT 3

KCVN LLC

Balance Sheet

December 31, 2015

		KCVN, LLC
ASSETS		
CURRENT ASSETS		
Cash	$	8,500,042
TOTAL CURRENT ASSETS		8,500,042
PROPERTY AND EQUIPMENT		
Buildings		452,247
Furniture & Equipment		5,685,124
Less: Accumulated Depreciation		(3,092,753)
NET PROPERTY AND EQUIPMENT		3,044,618
OTHER ASSETS		
Bonds and Deposits made on Land Purchases	$	914,564
Prepaid Legal Fees	$	489,297
Land		22,840,552
Mortgage Closing Costs, Net		14,367
Investment in Farm Credit		1,500
TOTAL OTHER ASSETS		24,260,280
TOTAL ASSETS	$	35,804,940
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
OTHER LIABILITIES		
TOTAL CURRENT LIABILITIES		-
LONG-TERM LIABILITIES		
Farm Credit Debt	$	4,145,819
Equipment Loans		1,022,805
Deferred Gain		226,445
TOTAL LONG-TERM LIABILITIES		5,395,069
TOTAL LIABILITIES		5,395,069
MEMBER'S EQUITY		
Member's Equity (Deficit)		30,409,871
TOTAL MEMBER'S EQUITY (DEFICIT)		
TOTAL LIABILITIES AND MEMBER'S EQUITY (Deficit)	$	35,804,940

3/14/2016

ATTACHMENT 4

Delaware

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF FORMATION OF "KCVN LLC", FILED IN THIS OFFICE ON THE THIRTIETH DAY OF MAY, A.D. 2006, AT 5:23 O'CLOCK P.M.

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

AUTHENTICATION: 4783517

DATE: 05-30-06

4166534 8100

060519784

State of Delaware
Secretary of State
Division of Corporations
Delivered 06:00 PM 05/30/2006
FILED 05:23 PM 05/30/2006
SRV 060519784 - 4166534 FILE

CERTIFICATE OF FORMATION

OF

KCVN LLC

(Pursuant to Section 18-201 of the Delaware Limited Liability Company Act)

1. The name of the limited liability company is KCVN LLC (the "LLC").

2. The address of the LLC's registered office is c/o Corporation Service Company, 2711 Centerville Road, Suite 400, in the City of Wilmington, County of New Castle, Delaware 19808. The name of the LLC's registered agent at such address is Corporation Service Company.

3. This Certificate of Formation shall be effective on the date of filing.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Formation of KCVN LLC as of the 30th day of May, 2006.

By: _____
Name: Karen D. Heymann
Title: Authorized Person

NYDOCS03/806414 1

ROBERTS & HOLLAND LLP
ATTORNEYS AT LAW

SANFORD H. GOLDBERG
RONALD A. MORRIS
MORRIS L. KRAMER
RICHARD A. LEVINE
LARY S. WOLF
HOWARD J. LEVINE
ELIOT VISEM
JOSEPH LIPARI
NORMAN J. MISHER
STUART J. GROSS
MARK DAVID ROZEN
DAVID E. KAHEN
QUINCY COTTON
ALLEN J. ERREICH
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DEBRA SILVERMAN HERMAN

ELLEN HELLER BRODY
DAVID A. WEINTRAUB
MARK E. WILENSKY
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JESSICA G. WEINBERG
STACEY B. WEINBERG
GARY J. CHASE
SETH A. HAGEN
HOWARD W. HANE
DENNIS DIMKIJNAS
ELISABETH A. LERNER
JASON K. BINDER

*NOT ADMITTED IN NEW YORK

WRITER'S DIRECT NUMBER

(212) 903-8719

February 12, 2008

PERSONAL & CONFIDENTIAL

Mr. Stefan Solow
Solow Building Corporation
9 West 57th Street
New York, NY 10019

Re: KCVN LLC

Dear Stefan:

Enclosed please find two copies of the Second Amended and Restated Limited Liability Company Agreement of KCVN LLC. This amendment makes you the Managing Member and conforms to the other agreements you have with your father.

If the agreement is acceptable to you and your father, kindly sign both copies where indicated. Please retain the executed originals in your files; and send fully executed copies to Lisa Knee and me.

If you have any questions, please feel free to call.

With best regards,

Sincerely,

Lary

Lary S. Wolf

LSW/mg
Enclosures

(00183860-1)

SECOND AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT OF KCVN LLC

This Second Amended and Restated Limited Liability Company Agreement (this "Agreement") of KCVN LLC (the "Company"), dated and effective as of January 1, 2008, is entered into by and between Stefan Q. Soloviev (" Stefan") and Sheldon H. Solow ("Sheldon") (each a "Member" and collectively the "Members").

WHEREAS, the Company is a limited liability company formed pursuant to and in accordance with the Delaware Limited Liability Company Act (the "Act");

WHEREAS, the Members entered into a Limited Liability Company Agreement of the Company as of May 30, 2006, as amended by an Amended and Restated Limited Liability Company Agreement of the Company as of May 30, 2006 (the "Old Agreement");

WHEREAS, the Members desire to amend and restate the Old Agreement and to set forth their agreement concerning the ownership and operations of the Company from and after the date hereof in this Second Amended and Restated Limited Liability Company Agreement of KCVN LLC, which shall be the limited liability company agreement of the Company.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto agree that the Old Agreement is hereby amended and restated to read in its entirety as follows:

1. **Name.** The name of the Company is KCVN LLC.

2. **Purpose; Term.** The Company's sole business and purpose shall be, whether directly or through one or more entities, (i) to own, purchase, acquire, mortgage, finance, develop, improve, lease, manage, operate, sell, dispose of and otherwise deal with real property and interests in partnerships, limited liability companies, corporations, and other entities involved in any such activities (collectively, the "Real Property"), and all personal property, tangible and intangible, of whatever type or character, related to or used in connection with the Real Property, and (ii) to engage in such other lawful activities as are incidental to and necessary, convenient or advisable for the accomplishment of the above-mentioned purpose.

The Company shall continue in perpetuity unless terminated pursuant to the provisions of this Agreement or the Act.

3. **Principal Business Office.** The principal business office of the Company shall be located at c/o Osborn and Griffith, 515 Congress Avenue, Suite 2450, Austin, Texas 78701, Attention: William Osborn, or such other location as may hereafter be determined by the Managing Member.

4. **Registered Office.** The address of the registered office of the Company in the State of Delaware is c/o Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808.

5. **Registered Agent.** The name and address of the registered agent of the Company for service of process on the Company in the State of Delaware is Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808.

6. **Members.** The name and the mailing address of the Members are as follows:

Name	Address
Stefan Q. Soloviev	c/o Solow Realty and Development Company 9 West 57th Street New York, NY 1019
Sheldon H. Solow	c/o Solow Realty and Development Company 9 West 57th Street New York, New York 10019

7. **Limited Liability.** Except as otherwise provided by the Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and the Members shall not be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a member of the Company.

8. **Capital Contributions; Capital Accounts.** The capital contributions of the Members as disclosed on the books of the Company as determined by the Company's accountant shall constitute their respective contributions.

A separate capital account ("Capital Account") shall be maintained for each Member on the books of the Company in accordance with the provisions of Treasury Regulation section 1.704-1(b)(2)(iv), including specifically (but without limitation) Treasury Regulation section 1.704-1(b)(2)(iv)(f). There shall be credited to each

Member's Capital Account the amount of any capital contributions (net of liabilities of the Member assumed or taken subject to by the Company) made by that Member and that Member's share of the income and gains of the Company, and there shall be charged against each Member's Capital Account the amount of all distributions to that Member (net of liabilities of the Company assumed or taken subject to by the Member) and that Member's share of the losses and deductions of the Company. In addition, such other adjustments to each Member's Capital Account shall be made as required under the provisions of Treasury Regulation section 1.704-1(b)(2)(iv). Adjustments to Capital Accounts with respect to gain and loss shall be reflected in Capital Accounts and accounted for as provided in section 10.

9. **Additional Contributions.** No Member is required to make any additional capital contributions to the Company. The Members may at any time make additional capital contributions to the Company.

10. **Allocation of Profits and Losses; Regulatory Allocations.**

Except as otherwise provided in this section 10, all items of income, gain, loss, deduction, and credit of the Company for each taxable year (or portion thereof) shall be allocated among the Members in proportion to their respective "Percentage Interests" as set forth on Exhibit A hereto.

Any partner nonrecourse deduction shall be allocated to the Member that bears the economic risk of loss for the liability to which such deduction is attributable, as provided in Treasury Regulation section 1.704-2(i)(1). No Member shall be allocated loss under this section 10 which would result in a deficit balance in such Member's Capital Account (except to the extent that such loss or deficit balance shall constitute or be attributable to such Member's share of the nonrecourse deductions of the Company or constitute or be attributable to partner nonrecourse deductions attributable to partner nonrecourse debt for which such Member bears the economic risk of loss). The preceding sentence shall be applied taking into account subsequent adjustments, allocations, and distributions which are reasonably expected to be made to the Members, as provided in Treasury Regulation section 1.704-1(b)(2)(ii)(d). Any items of loss or deduction allocated under this paragraph shall be charged back at such time and in such amounts as may be determined under the principles of Treasury Regulation sections 1.704-1 and 1.704-2. If for any reason there is a deficit balance in the Capital Account of any Member in excess of the amount permitted by this paragraph, that Member shall be allocated items of income and gain in an amount and manner sufficient to eliminate such excess as quickly as possible.

Any item of taxable income, gain, loss, or deduction determined for Federal income tax purposes which arises with respect to any asset of the Company which has a book value different from its adjusted tax basis shall be allocated among the Members in accordance with section 704(c) of the Code and the principles of Treasury Regulation

section 1.704-1(b)(4)(i), so as to take into account to the fullest extent possible the difference between the fair market value of such property and its adjusted tax basis in the hands of the Company on the date acquired by the Company (or on the date of revaluation of the Company's assets in accordance with Treasury Regulation section 1.704-1(b)(2)(iv)(f)).

11. **Distributions.** Distributions shall be made to the Members at the times and in the aggregate amounts determined by the Managing Member. Such distributions shall be allocated to each Member in proportion to their respective Percentage Interests. No Member, regardless of the nature of his contribution to the Company, shall have any right to demand and receive any distribution from the Company in any form other than cash. Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not make a distribution to the Member on account of its interest in the Company if such distribution would violate the Act or other applicable law.

12. **Management.** Except as otherwise expressly provided in this Agreement, management of the Company shall be vested exclusively in a "Managing Member," who shall be a Member. The Members shall designate the Managing Member, who shall have the power to do any and all acts necessary, convenient or incidental to or for the furtherance of the purposes described herein, including all powers, statutory or otherwise, possessed by a manager of a limited liability company under the Act. The Members, acting unanimously, shall have the power to remove the Managing Member at will and appoint a new Managing Member from time to time. The initial Managing Member shall be Stefan.

The Managing Member will devote as much of his time to the affairs of the Company as the Company's affairs shall reasonably require. The Managing Member may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys provided that the Managing Member may not delegate his fiduciary or ultimate responsibilities to any other person or entity. The act of the Managing Member in the name and on behalf of the Company shall constitute the act of the Company and all third parties dealing with the Company shall be fully protected in relying upon the signature of the Managing Member in any matter affecting the Company.

13. **Officers.** The Managing Member may, from time to time as it deems advisable, select natural persons who are employees or agents of the Company and designate them as officers of the Company (the "Officers") and assign titles (including, without limitation, President, Vice President, Secretary, and Treasurer) to any such person. Unless the Managing Member decides otherwise, if the title is one commonly used for officers of a business corporation formed under the Delaware General Corporation Law, the assignment of such title shall constitute the delegation to such person of the authorities and duties that are normally associated with that office. Any

delegation pursuant to this section 13 may be revoked at any time by the Managing Member. An Officer may be removed with or without cause by the Managing Member.

14. **Other Business.** Any Covered Person (as hereinafter defined) may engage in or possess an interest in other profit-seeking or business ventures of any kind, nature or description, independently or with others, whether or not such ventures are competitive with the Company. The doctrine of corporate opportunity, or any analogous doctrine, shall not apply to any Covered Person who acquires knowledge of a potential transaction, agreement, arrangement or other matter that may be an opportunity for the Company, and a Covered Person shall not have any duty to communicate or offer such opportunity to the Company and shall not be liable to the Company or to any other Covered Person bound by this Agreement for breach of any fiduciary or other duty by reason of the fact that such Covered Person pursues or acquires for, or directs such opportunity to another person or entity or does not communicate such opportunity or information to the Company. Neither the Company nor any Member nor any Covered Person bound by this Agreement shall have any rights or obligations by virtue of this Agreement or the relationship created hereby in or to such independent ventures or the income or profits or losses derived therefrom, and the pursuit of such ventures, even if competitive with the activities of the Company, shall not be deemed wrongful or improper. To the extent that, at law or in equity, a Covered Person has duties (including fiduciary duties) and liabilities relating thereto to the Company or to any Member, the Covered Person acting under this Agreement shall not be liable to the Company or to any Member for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict the duties and liabilities of a Covered Person otherwise existing at law or in equity, are agreed by the parties hereto to replace such other duties and liabilities of the Covered Person.

15. **Exculpation and Indemnification.** The Members, any Officers and any affiliates of the Company or the foregoing (each a "Covered Person") shall not be liable to the Company or any other person or entity who is bound by this Agreement for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Covered Person in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of the authority conferred on such Covered Person by this Agreement, except that the Covered Person shall be liable for any such loss, damage or claim incurred by reason of such Covered Person's gross negligence or willful misconduct. To the full extent permitted by applicable law, the Covered Persons shall be entitled to indemnification from the Company for any loss, damage or claim incurred by such Covered Person by reason of any act or omission performed or omitted by such Covered Person in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of the authority conferred on such Covered Person by this Agreement, except that the Covered Person shall not be entitled to be indemnified in respect of any loss, damage or claim incurred by such Covered Person by reason of its gross negligence or willful misconduct with respect to such acts or

omissions; provided, however, that any indemnity under this section 15 shall be provided out of and to the extent of Company assets only, and no Member shall have personal liability on account thereof.

16. **Assignment**. Except as set forth in the second paragraph of this section 16, no Member shall Transfer to another person any portion of its interest in the Company without the consent of the Managing Member, such consent not to be unreasonably withheld. "Transfer" means any of the following, whether accomplished directly or indirectly, by contract, operation of law, death, or voluntarily: any sale, assignment, or other transfer, and any mortgage, hypothecation, or other encumbrance of any interest in the Company. With respect to a trust, the term Transfer shall include (a) the distribution of an interest in the Company by the trust to one or more of its beneficiaries or (b) a change in one or more of the trustees of the trust. Any voluntary Transfer in contravention of this Agreement shall be void and ineffectual and shall not bind or be recognized by the Company.

Any Member may Transfer all or any portion of such Member's interest in the Company to (i) a lineal descendant of such Member, (ii) the spouse of such Member, (iii) any trust substantially all of the interests in which are for the benefit of one or more of the persons described in clauses (i)-(ii) or the spouse of any such person, (iv) the estate of such Member, (v) an existing Member, or (vi) an entity all of the interests in which are held directly or indirectly by persons described in clauses (i)-(v).

17. **Admission of Additional Members**. No assignee, personal representative, or other successor (by operation of law or otherwise) (a "Transferee") of an interest in the Company shall be admitted as a Member in the Company unless (i) the Managing Member consents, which consent may be given or withheld in the Managing Member's sole and absolute discretion, (ii) such Transferee executes and acknowledges such instruments as the Managing Member deems necessary or advisable to effect such admission, including a written agreement to be bound by the terms of this Agreement, and (iii) such Transferee pays all associated legal fees and related costs sufficient to cover all reasonable expenses incurred by the Company in connection with the admission of such Transferee as a substitute Member. The assignee of an interest in the Company that is not admitted as a Member shall have no voice or other right to participate in the votes of Members, shall have no right to examine the books and records of the Company, and shall have no right to receive any assets from the Company until the Company has been dissolved and terminated and its assets liquidated, except that such assignee shall be entitled to the distributions and allocations to which the assignor Member was entitled.

18. **Withdrawal**. A Member shall have the right to withdraw from the Company upon not less than thirty (30) days written notice to the Managing Member.

19. **Dissolution**. Neither the withdrawal, death, incompetency, dissolution, liquidation, bankruptcy, nor redemption of any Member nor the admission to the

Company of a new Member shall cause the Company to dissolve. A Member's executor, guardian or other legal representative, and/or any assignee of any such person, may become a Member only upon the unanimous vote of the Managing Member.

20. **Termination**. Upon the dissolution and winding up of the Company, the Company shall be liquidated as promptly as possible, but in an orderly and businesslike manner so as not to involve undue sacrifice. A full account of the assets and liabilities of the Company shall be taken and the assets and liabilities of the Company shall be liquidated to the extent determined by the Managing Member. As promptly as possible, the cash proceeds (including any contributions to the capital of the Company) of such liquidation shall be applied and distributed in the following order of priority:

(i) to the payment of debts and liabilities of the Company and the expenses of liquidation;

(ii) to the setting up of any reserves which are deemed necessary for any contingent, conditional, unmatured or unforeseen liabilities or obligations of the Company;

(iii) to the repayment of any debts owing to the Members;

(iv) to the Members pro rata in accordance with their respective Percentage Interests in the Company.

Upon the dissolution and winding up of the Company, any distribution may be made in cash or in kind, or partly in kind and partly in cash.

21. **Separability of Provisions**. Each provision of this Agreement shall be considered separable, and if for any reason any provision or provisions herein are determined to be invalid, unenforceable or illegal under any existing or future law, such invalidity, unenforceability or illegality shall not impair the operation of or affect those portions of this Agreement that are valid, enforceable and legal.

22. **Entire Agreement**. This Agreement constitutes the entire agreement of the Members with respect to the subject matter hereof.

23. **Governing Law**. This Agreement shall be governed by, and construed under, the laws of the State of Delaware (without regard to conflict of laws principles), all rights and remedies being governed by said laws.

24. **Amendment**. This Agreement may not be modified, altered, supplemented or amended except pursuant to a written agreement executed and delivered by all of the Members.

25. **Sole Benefit of Members.** The provisions of this Agreement are intended solely to benefit the Members and, to the fullest extent permitted by applicable law, shall not be construed as conferring any benefit upon any creditor of the Company (and no such creditor shall be a third-party beneficiary of this Agreement), and no Member shall have any duty or obligation to any creditor of the Company to make any contributions or payments to the Company.

25. **Tax Matters Partner.** Stefan shall be the tax matters partner pursuant to section 6231(a)(7) of the Internal Revenue Code of 1986, as amended. In the event that Stefan ceases to serve as tax matters partner of the Company for any reason, Sheldon (if he is then a Member) is appointed to serve as successor tax matters partner.

26. **Counterparts.** This Agreement may be executed in several counterparts, each of which shall constitute the same instrument.

(SIGNATURES APPEAR ON NEXT PAGE)

IN WITNESS WHEREOF, the Members have executed this Agreement as of the date first above written.

MEMBERS

Stefan Q. Soloviev

Sheldon H. Solow

EXHIBIT A
PERCENTAGE INTERESTS

STEFAN Q. SOLOVIEV	50%
SHELDON H. SOLOW	50%

ATTACHMENT 5

State of Delaware
Secretary of State
Division of Corporations
Delivered 04:38 PM 07/31/2015
FILED 04:15 PM 07/31/2015
SRV 151120777 - 5795642 FILE

STATE OF DELAWARE
LIMITED LIABILITY COMPANY
CERTIFICATE OF FORMATION

First: The name of the limited liability company is Colorado Pacific Railroad, LLC.

Second: The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street in the City of Wilmington, zip code 19801. The name of its registered agent at such address is The Corporation Trust Company.

In Witness Whereof, the undersigned has executed this Certificate of Formation on this 31 day of July, 2015.

By: _____
William S. Osborn, an Authorized Person

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF FORMATION OF "COLORADO PACIFIC RAILROAD, LLC", FILED IN THIS OFFICE ON THE THIRTY-FIRST DAY OF JULY, A.D. 2015, AT 4:15 O'CLOCK P.M.

Jeffrey W. Bullock, Secretary of State

5795642 8100

AUTHENTICATION: 2609050

151120777

DATE: 08-03-15

You may verify this certificate online at corp.delaware.gov/authver.shtml

COLORADO PACIFIC RAILROAD, LLC

CONSENT OF SOLE MANAGER
IN LIEU OF ORGANIZATION MEETING

Pursuant to Section 18-404 of the Delaware Limited Liability Company Act, the undersigned, the sole manager of Colorado Pacific Railroad, LLC, a Delaware limited liability company (the "Company"), and in lieu of an organization meeting of managers, the call of which is expressly waived, does hereby consent to the adoption of the following resolutions:

Certificate of Formation

RESOLVED, that the form, terms and provisions of the Certificate of Formation of the Company approved and filed in the Office of the Secretary of State of the State of Delaware on July 31, 2015 is hereby in all respects approved and that William S. Osborn, in his capacity as Attorney-in-Fact for the sole member of the Company (the "Attorney-in-Fact"), is hereby instructed to file in the Company's record book the duly certified duplicate original or copy of the Certificate of Formation; and further

Operating Agreement

RESOLVED, that the form, terms and provisions of the Operating Agreement of the Company examined by the undersigned are in all respects approved and that the Attorney-in-Fact is hereby instructed to file such Operating Agreement in the Company's record book; and further

Election of Officers

RESOLVED, that the following person is hereby elected to the offices of the Company set before his name to serve until his successor or successors are chosen and qualify:

President & Secretary Stefan Q. Soloviev

; and further

Company Record Book

RESOLVED, that (i) the Company record book presented to the undersigned is hereby approved and adopted and (ii) the Attorney-in-Fact is instructed to retain custody of the Company record book and to insert into such record book all necessary and appropriate documents, including this consent and all other proceedings and consents of the members, a current list of the name and mailing address of each

member, records pertaining to the issuance and transfer of Membership Interests (as defined in the Operating Agreement) in the Company and such other records of the Company as the Secretary or Attorney-in-Fact shall deem necessary or appropriate; and further

Bank Account

RESOLVED, that the proper officers of the Company are authorized and directed to open accounts in the name of the Company with such banks as they shall select; and further

RESOLVED, that the proper officers of the Company are authorized and directed to execute such signature cards and other documents in connection with such accounts as may be necessary or advisable and to certify to the adoption of the resolutions relating to such accounts, such resolutions being hereby adopted; and further

Licenses, Permits

RESOLVED, that the Attorney-in-Fact and the officers of the Company, and each of them, are authorized and directed to obtain in the name of the Company such other license and tax permits as may be required for the conduct of the business of the Company by any federal, state or county or municipal governmental statute, ordinance or regulations and to do all things necessary or convenient to qualify the Company to transact its business in compliance with the laws and regulations of any appropriate federal, state or municipal governmental authority; and further

Fiscal Year

RESOLVED, that the fiscal year of the Company shall end on December 31 of each calendar; and further

Organization Expenses

RESOLVED, that the Attorney-in-Fact and the officers of the Company, and each of them, are authorized to pay all charges and expenses incident to or arising out of the organization of the Company and to reimburse any person who has made any disbursement therefore; and further

General Authority

RESOLVED, that the Attorney-in-Fact and the officers of the Company, and each of them, are authorized to do or cause to be done any and all such acts and things and execute and deliver any and all documents and papers as they may deem necessary or appropriate to carry out the purposes of the foregoing resolutions.

Dated to be effective as of ~~June~~ July 31____, 2015.

SOLE MANAGER

Stefan Q. Soloviev

4842-4198-5317, v. 1

THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE. WITHOUT SUCH REGISTRATION, SUCH SECURITIES MAY NOT BE SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT ON DELIVERY TO THE COMPANY OF AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT REGISTRATION IS NOT REQUIRED FOR THE TRANSFER, OR SUCH OTHER EVIDENCE SATISFACTORY TO THE COMPANY THAT THE TRANSFER IS NOT IN VIOLATION OF THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY APPLICABLE STATE SECURITIES LAWS OR ANY RULE OR REGULATION PROMULGATED THEREUNDER. THE SALE, PLEDGE OR OTHER TRANSFER OF THESE SECURITIES IS ALSO SUBJECT TO THE RESTRICTIONS SET FORTH IN ARTICLE 7 OF THIS DOCUMENT.

OPERATING AGREEMENT
OF
COLORADO PACIFIC RAILROAD, LLC

This OPERATING AGREEMENT is initially made and entered into as of July 31, 2015, by the Initial Member (as defined below).

ARTICLE 1

FORMATION OF COMPANY; DEFINITIONS

1.1 **Formation**. Colorado Pacific Railroad, LLC (the "Company") was formed as a limited liability company under and pursuant to the Delaware Limited Liability Company Act (the "Act") and other relevant laws of the State of Delaware by the filing of a certificate of formation with the Secretary of State of the State of Delaware.

1.2 **Name**. The name of the Company shall be Colorado Pacific Railroad, LLC. The Company shall conduct business under that name or such other names complying with applicable law as the Managers may determine from time to time.

1.3 **Duration**. The Company commenced upon the filing of the certificate of formation of the Company as provided in Section 18-206 of the Act and shall continue until its business and affairs are wound up as provided in Article 8.

1.4 **Purpose.** The purpose of the Company shall be to transact any and all lawful business for which a limited liability company may be formed under the Act.

1.5 **Principal Place of Business.** The Company's principal place of business shall be 515 Congress Avenue, Suite 2450, Austin, Texas 78701 or such other place as the Managers may determine from time to time.

1.6 **Registered Office and Registered Agent.** The initial address of the registered office of the Company in the State of Delaware shall be located at Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, and the name of the Company's initial registered agent at that address shall be The Corporation Trust Company. The Managers may change the registered office and the registered agent of the Company from time to time in the manner provided by the Act and other applicable law. The Managers may cause the Company to qualify to do business as a limited liability company (or other entity in which the Members have limited liability) in any other jurisdiction and to designate any registered office or registered agent in any such jurisdiction.

1.7 **Company Property.** All real and personal property owned by the Company shall be deemed owned by the Company as an entity and held in its name. No Member shall have any ownership interest in any such property.

1.8 **Merger and Conversion.** The Company may merge with, or convert into, another entity only in accordance with a plan of merger or conversion approved by the Majority of Members.

1.9 **Certain Definitions and Construction.**

(a) As used in this Agreement, the following terms have the following meanings:

"Act" has the meaning specified in Section 1.1.

"Agreement" means this Operating Agreement as it may be amended from time to time as provided herein.

"Capital Account" has the meaning specified in Section 3.2.

"Claim" has the meaning specified in Section 9.2.

"Company" has the meaning specified in Section 1.1.

"Covered Person" has the meaning specified in Section 9.2.

"Initial Members" has the meaning specified in Section 2.1.

"IRC" means the Internal Revenue Code of 1986, as amended.

"Liquidating Agent" has the meaning specified in Section 8.2(a).

"Majority of Members" means (i) those Members whose Membership Interests aggregate more than fifty percent (50%) of the Membership Interest of all the Members, or (ii) if under the terms of this Agreement less than all the Members are entitled to vote on a particular Company matter, those Members whose Membership Interests aggregate more than fifty percent (50%) of the Membership Interests of the Members entitled to vote on such matter

"Managers" means any Persons named as an initial managers in the Certificate and any other Person(s) appointed as Manager as provided in this Agreement but excludes any such Person that has ceased to be a Manager as provided in this Agreement or the Act.

"Members" means any Person admitted to the Company as a member as provided in this Agreement but excludes any such Person that has ceased to be a member as provided in this Agreement or the Act.

"Membership Interest" or "Interest" means, with respect to any Member at any time, that Member's entire beneficial ownership interest in the Company at such time, including that Member's Capital Account, voting rights, and right to share in profits, losses, cash distributions and all other benefits of the Company as specified in this Agreement, together with that Member's obligations to comply with all of the terms of this Agreement.

"Percentage" for any Member means the Percentage established for that Member in accordance with Sections 2.1 and 2.3 and other applicable provisions of this Agreement.

"Person" means any individual, corporation, partnership, limited liability company, business trust or other entity, government or governmental agency or instrumentality.

"Tax Matters Partner" has the meaning specified in Section 3.6.

"Transfer" has the meaning specified in Section 7.1.

"Treasury Regulations" means all temporary or final Treasury Regulations promulgated under the IRC.

(b) In this Agreement:

(i) Terms defined in the singular have the corresponding meaning in the plural and vice versa.

(ii) Reference to one gender includes the other.

(iii) The word "include" and its derivatives means "include without limitation."

(iv) References to Articles, Sections and Exhibits are to the specified Articles and Sections of, and Exhibits to, this Agreement unless the context otherwise requires. Each Exhibit to this Agreement is made a part of this Agreement for all purposes.

(v) References to statutes or regulations are to those statutes or regulations as currently amended and to the corresponding provisions as they may be amended or superseded in the future.

ARTICLE 2

MEMBERS AND MEMBERSHIP INTERESTS

2.1 **Initial Members.** In connection with the formation of the Company, each of the Persons executing this Agreement as of the date of this Agreement (each an "Initial Member") is admitted to the Company as a Member effective as of the commencement of the Company as provided in Section 1.3. The Percentage of each Initial Member as of the commencement of the Company is set forth next to that Initial Member's name on Exhibit A.

2.2 **Representations and Warranties.** Each Member hereby represents and warrants to the Company and each other Member that (a) the Member has duly executed and delivered this Agreement; and (b) the Member's authorization, execution, delivery, and performance of this Agreement do not conflict with any other agreement or arrangement to which that Member is a party or by which it is bound.

2.3 **Additional Members.** Additional Persons may be admitted to the Company as Members, Membership Interests may be created and issued to those Persons, and additional Membership Interests may be created and issued to existing Members by, in each case, upon the vote or written consent of a Majority of Members, on such terms and conditions as such Members may determine at the time of admission or issuance. The terms of admission or issuance must specify the Percentages with respect to any such new Membership Interests, as well as any adjustments in the Percentages with respect to existing Membership Interests. By vote or written consent of a Majority of Members, the Members may create any new class or group of Members by amendment to this Agreement. Admission of any new Member also must comply with the requirements described elsewhere in this Agreement and is effective only after the new Member has executed and delivered to the existing Members a document that includes the new Member's notice address and its agreement to be bound by the terms and conditions hereof.

2.4 **Authority**. No Member shall have the authority or power to:

(a) withdraw from the Company or withdraw any part of its contributions to the Company or its Capital Account except as a result of the winding up of the Company as provided in Article 8 or as otherwise provided by nonwaivable provisions of law;

(b) bring an action for partition of Company property;

(c) cause the winding up of the Company, except as set forth in this Agreement;

(d) demand or receive (i) interest on its contributions to the Company or its Capital Account or (ii) any cash or other property from the Company except as provided in Section 3.3; or

(e) act for or on behalf of the Company, do any act that would be binding on the Company, or incur any expenditures, obligations or indebtedness of any nature on behalf of the Company, except as provided in this Agreement.

2.5 **Liability to Third Parties.** Except as provided in the Act, no Member shall be personally liable for the debts, obligations or liabilities of the Company, whether that debt, obligation or liability arises in contract, tort or otherwise, including under a judgment decree or order of a court.

2.6 **Priority and Return of Capital.** Except as may be provided in this Agreement, no Member shall have priority over any other Member, either as to the return of capital contributions or as to profits, losses or distributions; provided, that this Section shall not apply to loans (as distinguished from capital contributions) that a Member has made to the Company.

2.7 **Annual Meeting**. At the election of the Managers or the Majority of Members, an annual meeting of the Members for the transaction of all business as may properly come before the meeting may be held on such date and at such time as the Person or Persons calling the meeting shall fix and set forth in the notice of the meeting. Annual meetings are not required.

2.8 **Special Meetings**. Special meetings of the Members may be called at the request of the Managers or Members holding at least ten percent (10%) of the Percentages of all Members.

2.9 **Notice**. Notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than five (5) nor more than sixty (60) days before the date of the meeting by or at the direction of the Managers or person calling the meeting, to each Member entitled to vote at the meeting, provided that such notice may be waived as provided in the Act.

2.10 **Place and Manner of Meeting.** All meetings of the Members shall be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof. Members may participate in such meetings by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting as provided herein shall constitute presence in person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

2.11 **Conduct of Meetings.** The Managers shall serve as chairman of any meeting of Members and shall determine the order of business and the procedure at the meeting, including the regulation of the manner of voting and the conduct of discussion.

2.12 **Quorum of Members; Majority Vote.** The holders of a majority of the Percentages entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of Members. The vote of the holders of a majority of the Percentages entitled to vote, and thus represented at a meeting at which a quorum is present shall be the act of the Members' meeting, unless the vote of a greater number is required by law, the certificate of formation or this Agreement.

2.13 **Voting of Membership Interest.** Each Member shall be entitled to one vote per one percent of the Percentage owned by the Member on each matter submitted to a vote at a meeting of Members. A Member may vote either in person or by proxy executed in writing by the Member or by its duly authorized attorney in fact. No proxy shall be valid after eleven (11) months from the date of its execution unless otherwise provided in the proxy. Each proxy shall be revocable unless the proxy form conspicuously states that the proxy is irrevocable and the proxy is coupled with an interest.

2.14 **Action by Written Consent.** Any action that may be taken at a meeting of the Members may be taken without a meeting if a consent in writing, setting forth the action to be taken, shall be signed by the Members having not fewer than the minimum number of votes that would be necessary to take the action at a meeting at which all Members entitled to vote on the action were present and voted, and such consent shall have the same force and effect as a vote of the Members. No notice shall be required in connection with the use of a written consent pursuant to this Section 2.14.

ARTICLE 3

FINANCIAL MATTERS

3.1 **Capital Contributions.**

(a) On the commencement of the Company, each Initial Member shall make contributions to the Company in the amounts reflected in the books and records of the Company.

(b) Except as provided in Section 2.3 or 3.1(a), no Member shall have any obligation to make any contribution to the Company without the unanimous vote of the Members.

3.2 **Capital Accounts.** Each Member shall have a single capital account (its "Capital Account"), which shall be (a) increased by the amount of cash and the fair market value of any property (net of liabilities assumed by the Company and liabilities to which the property is subject) that Member contributes to the Company, plus all items of income and gain of the Company (including tax-exempt income) allocated to that Member, and (b) decreased by the amount of distributions the Company makes to that Member of cash and the fair market value of any property (net of liabilities assumed by that Member and liabilities to which the property is subject), plus all items of loss and deduction of the Company allocated to that Member, as well as Company expenditures that are neither deductible by the Company nor properly capitalized by the Company allocated to that Member. The provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Treasury Regulation Section 1.704-1(b), and shall be interpreted and applied in a manner consistent with the Treasury Regulations promulgated under IRC Section 704.

3.3 **Cash Distributions.** The Managers may, subject to all requirements of the Act, from time to time and at their sole discretion, distribute to the Members such amounts of cash as the Managers determine to be available for distributions, pro rata in accordance with the Members' respective Percentages.

3.4 **Distributions with Respect to Membership Interests Transferred.** Distributions with respect to Membership Interests shall be made only to the persons or entities who, according to the Company's books and records, are the holders of record of the Membership Interest on the record date as determined by the Managers. Neither the Company nor any Manager or Member shall incur any liability for making distributions in accordance with the provisions of the preceding sentence, whether or not the Company or such Manager or Member has knowledge or notice of any transfer or purported transfer of a Membership Interest.

3.5 **Allocations.** All items of income, gain, loss, deduction and credit of the Company shall be allocated to the Members for accounting and tax purposes pro rata according to their respective Percentages; provided, however, that any allocations pursuant to this Agreement shall comply with the qualified income offset requirements of Treasury Regulation Section 1.704-1(b)(2)(ii)(d), the nonrecourse deduction or minimum gain chargeback

requirements of Treasury Regulation Section 1.704-2, and the varying interest requirements of IRC Section 706 and the Treasury Regulations thereunder.

3.6 **Tax Matters.**

(a) The Members intend that the Company be treated as a partnership for federal tax purposes and any similar provisions of state or local law.

(b) KCVN LLC, or such other Member as the Manager may designate shall be the "Tax Matters Partner" for purposes of IRC Section 6231(a)(7). The Tax Matters Partner shall cause to be prepared and shall sign all returns of the Company, make any election which is available to the Company, and monitor any governmental tax authority in any audit that the authority may conduct of the Company's books and records or other documents. If requested by the Tax Matters Partner, each Member shall take all actions required to authorize the Tax Matters Partner as that party with the sole authority to handle all tax matters of the Company. Each Member agrees to execute, certify, deliver, file and record at appropriate public offices or deliver to the Tax Matters Partner such documents as may be requested by the Tax Matters Partner to facilitate the handling of any tax matter as the Tax Matters Partner deems necessary.

(c) After the end of each fiscal year of the Company, the Managers shall cause to be prepared and transmitted to each Member, as promptly as possible, and in any event by the end of the third month following the close of the fiscal year, an IRS Form 1065 Schedule K-1 and any required similar state and local income tax form for each Member.

(d) Notwithstanding anything set forth in this Agreement to the contrary, so long as the Company has only one Member or has two members who are husband and wife and file a federal tax return jointly, (a) the Company shall not be treated as a partnership for tax purposes; (b) the Company shall be "disregarded" for federal income tax purposes in accordance with Treasury Regulation Section 301.7701-1(a)(4); (c) no specific format of books and records or capital accounts need be maintained; and (d) no financial statements need be prepared or distributed to Members.

ARTICLE 4

MANAGEMENT OF THE COMPANY

4.1 **Management.**

(a) The powers of the Company shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed under the direction of the Managers. The Managers shall be elected by the Members in accordance with Section 4.3 and need not be a resident of the State of Delaware or a Member of the Company. The Managers shall act by majority vote of the Managers.

(b) The Managers may designate one or more individuals as officers of the Company, who need not be the Manager, who shall have such titles and exercise and perform such powers as set forth in Article 5 and such additional duties as may be assigned to them by the Managers. Officers need not be Members. Any officer may be removed by the Managers at any time, with or without cause.

4.2 **Powers of Managers.**

(a) Subject to the foregoing limitation and all other limitations in this Operating Agreement, the Managers shall have full, complete and exclusive power to manage and control the Company, and shall have the authority to take any action they deem to be necessary, convenient or advisable in connection with the management of the Company, including, but not limited to, the power and authority on behalf of the Company:

(i) to protect and preserve the title to and the interest of the Company in all of its property and assets, real, personal and mixed;

(ii) to employ from time to time, at the expense of the Company, consultants, accountants and attorneys;

(iii) to pay all expenses incurred in the operation of the Company and all taxes, assessments, rents and other impositions applicable to the Company or any part thereof;

(iv) to make all filings with governmental authorities, including tax returns; and

(v) to take such other action and perform such other acts as the Managers deem necessary, convenient, or advisable in carrying out the business of the Company in accordance with, and subject to, the terms of this Operating Agreement.

The enumeration of powers in this Operating Agreement shall not limit the general or implied powers of the Managers or any additional powers provided by law.

(b) Notwithstanding any other provision of this Agreement to the contrary, the Managers may do any of the following only with the prior written consent of all of the Members.

(i) to cause the Company to enter into partnerships or become a member of other limited liability companies and to exercise the authority and to perform the duties required of the Company as such a partner or member;

(ii) to borrow money on behalf of the Company and to encumber the Company assets or place title in the name of a nominee for purposes of obtaining financing;

(iii) to sign deeds, notes, contracts and other instruments in the name and on behalf of the Company;

(iv) confess a judgment;

(v) incur, renew or refinance indebtedness;

(vi) sell, lease, exchange, transfer, assign, license, mortgage, pledge, grant a security interest in, or otherwise dispose of or encumber, all or substantially all of the properties or assets of the Company; and

(vii) do any act in contravention of this Agreement;

(viii) do any act that would make it impossible to carry on the ordinary business of the Company, except as otherwise provided in this Agreement;

(ix) knowingly do any act that would subject any Member to liability for the obligations of the Company in any jurisdiction;

(x) wind up the Company or authorize or agree to do so, other than in accordance with Article 8; and

(xi) amend this Agreement, other than in accordance with Section 9.4.

4.3 **Number and Tenure.** There shall initially be one Manager of the Company, and the initial Manager shall be Stefan Q. Soloviev. The number of Managers may be increased or decreased from time to time by action of the Majority of Members, provided that no decrease shall have the effect of shortening the term of any incumbent Manager. Unless sooner removed in accordance with this Agreement, the Manager shall hold office for a one (1) year term or until his successor has been elected and qualified. At the annual meeting of Members, if any, Members entitled to vote in the election of the Manager shall elect the Manager to hold office until his term has expired or until his successor has been elected and qualified.

4.4 **Vacancies.** Any vacancy occurring in the Managers may be filled by the affirmative vote of a majority of Members. A Manager elected to fill a vacancy shall be elected for the term of office continuing until the next annual meeting of the Members.

4.5 **Place of Meeting.** Meetings of the Managers, regular or special, may be held either within or without the State of Delaware, at whatever place is specified in the call of the meeting. In the absence of specific designation, the meetings shall be held at the principal office of the Company. Attendance of a Manager at such meeting shall constitute a waiver of notice thereof, except where such Manager attends for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Managers need be specified in the notice or waiver of notice of such meeting.

4.6 **Regular Meetings**. The Managers may designate times for the conduct of regular meetings of the Managers.

4.7 **Special Meetings**. Special meetings of the Managers may be held at any time upon the call of any Manager of the Company. A notice of any special meeting shall be sent to each Manager at least four (4) days before the meeting. Notice of such meeting may be waived in writing before or after such meeting, and shall be equivalent to the giving of notice.

4.8 **Quorum of and Action by Managers**. Except as otherwise required by law, a majority of the number of Managers fixed by or in the manner provided in this Agreement shall constitute a quorum for the transaction of business. Except as otherwise required by law, the act of a majority of the Managers present at any meeting at which a quorum is present shall be the act of the Managers.

4.9 **Resignation and Removal**. Any Manager may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or if no time be specified, at the time of its receipt by the other Managers. Any and all Managers may be removed, with or without cause, at any special meeting of Members called expressly for that purpose, by the affirmative vote of the Members entitled to vote at elections of Managers.

4.10 **Committees**. The Managers may, by resolution, designate one or more committees, each of which shall be composed of one or more Managers, and may designate one or more Managers as alternate members of any committee, who may, subject to any limitations imposed by the Managers, replace absent or disqualified members at any meeting of that committee. Any such committee, to the extent provided in such resolution, shall have and may exercise all of the authority of the Managers, subject to the limitations set forth in Section 18-407 of the Act. The Managers, by resolution, shall have the power at any time to change the powers and members of any committee, to fill vacancies and to terminate the existence of any committee. The designation of a committee of the Managers and the delegation thereto of authority shall not operate to relieve the Managers of any responsibility imposed by law.

4.11 **Action by Written Consent**. Any action that may be taken at a meeting of the Managers or any committee of the Managers may be taken without a meeting if a consent in writing, setting forth the action to be taken, shall be signed by the Managers or committee members having not fewer than the minimum number of votes that would be necessary to take the action at a meeting at which all Managers or committee members entitled to vote on the action were present and voted, and such consent shall have the same force and effect as a vote of the Managers or such committee. No notice shall be required in connection with the use of a written consent pursuant to this Section 4.11.

ARTICLE 5

OFFICERS

5.1 **Officers of the Company**. The officers of the Company, if any, shall be elected by the Managers and may consist of a President, one or more Vice Presidents, a Secretary, a Treasurer, and such other officers and agents as the Managers shall deem necessary. All officers shall hold their offices for such terms and shall have such authority and exercise such powers and perform such duties as shall be determined from time to time by the Managers by resolution or resolutions not inconsistent with this Agreement. Any two (2) or more offices may be held by the same person.

5.2 **Qualifications**. No officer need be a Member of the Company nor a Manager of the Company. The Managers shall have the power to enter into contracts for the employment and compensation of officers for such terms as the Managers deem advisable.

5.3 **Compensation**. The salaries and other compensation of all officers and agents of the Company shall be fixed by the Managers.

5.4 **Term of Office and Removal**. Unless otherwise specified by the Managers, the term of office for all officers shall be for one (1) year; provided that the officers of the Company shall hold office until their successors are elected or appointed and qualify, or until their death or until their resignation or removal from office. Any officer elected or appointed by the Managers may be removed at any time by the Managers, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights. Any vacancy occurring in any office of the Company by death, resignation, removal or otherwise shall be filled by the Managers.

5.5 **President**. The President, if any, shall preside at all meetings of the Members. The President shall also (a) have general and active management of the business of the Company and (b) see that all orders and resolutions of the Managers are carried into effect. The President shall also have such other powers and duties as may from time to time be prescribed by the Managers.

5.6 **Vice Presidents**. The Vice Presidents, if any, in the order of their seniority, unless otherwise determined by the Managers, shall, in the absence or disability of the President, perform the duties and have the authority and exercise the powers of the President, as the case may be. They shall perform such other duties and have such other authority and powers as the Managers may from time to time prescribe or as the President may from time to time delegate.

5.7 **Secretary**. The Secretary, if any, shall attend all meetings of the Members and record all of the proceedings of the meetings of the Members in a minute book to be kept for that purpose. The Secretary shall give, or cause to be given, notice of all meetings of the Members, and shall perform such other duties as may be prescribed by the Managers.

5.8 **Treasurer.** The Treasurer, if any, shall have custody of the corporate funds and securities and shall keep full and accurate accounts and records of receipts, disbursements and other transactions in the records of the Company, and shall deposit all monies and other valuable effects in the name and to the credit of the Company in such depositories as may be designated by the Managers. The Treasurer shall disburse the funds of the Company as may be ordered by the Managers, taking proper vouchers for such disbursements, and shall render to the President and the Managers an account of all of his transactions as Treasurer and of the financial condition of the Company.

5.9 **Bond.** If required by the Managers, the Treasurer shall give the Company a bond of such type, character and amount as the Managers may require.

ARTICLE 6

BOOKS AND RECORDS

6.1 **Books and Records.** The Managers shall keep or cause to be kept complete and appropriate records and books of account of all transactions and other matters related to the Company's business. Except as otherwise expressly provided by this Agreement, such books and records shall be maintained in accordance with generally accepted accounting principles, consistently applied, and shall reflect the allocations provided in Section 3.5.

6.2 **Access by Members.** The books and records of the Company shall be made available at the principal office of the Company and shall be open to the reasonable inspection and examination of the Members or their duly authorized representatives during normal business hours, and each Member has the right to inspect, and copy during normal business hours, those records, and to obtain from the Managers, promptly after becoming available, a copy of the Company's federal, state and local income tax or information returns for each year.

ARTICLE 7

TRANSFER RESTRICTIONS

7.1 **Restrictions on Sales, Assignments, Transfers or Other Dispositions.** Each of the Members agrees during the term hereof that it shall not sell, assign, transfer or otherwise dispose of (collectively referred to as "Transfer") all or any part of its Membership Interest except (a) as otherwise specifically authorized or permitted by the terms and provisions of this Agreement, or (b) with the express written consent of a Majority of Members.

7.2 **Membership Interest Remains Subject to Agreement.** Each Member agrees that notwithstanding the provisions for Transfer of any Membership Interest contained herein,

the Membership Interest, when and if transferred, shall remain subject to all of the terms and conditions of this Agreement.

7.3 **Conditions to Transfer.** With respect to any Transfer of a Membership Interest, excluding a Transfer to the Company or to another Member pursuant to this Agreement, each Person to whom a Membership Interest is transferred shall, as conditions to such Transfer, deliver to the Company (a) an opinion of counsel addressed to the Company and in form and substance satisfactory to the Company and its counsel to the effect that (i) the Transfer of such Membership Interest does not require registration under the Securities Act of 1933, as amended, or under applicable state securities or blue sky laws, and (ii) after giving effect to such Transfer, the Company will not be subject to registration under the Investment Company Act of 1940, as amended; and (b) a document that includes the Person's notice address and the Person's agreement to be bound by the terms and provisions hereof.

7.4 **Interests in a Member.** A Member that is not a natural person may not cause or permit an equity interest, direct or indirect, in itself to be disposed of such that, after the disposition, the Company would be considered to have terminated within the meaning of IRC Section 708.

7.5 **Void Assignments.** Any purported sale, transfer, assignment, hypothecation, pledge or other disposition or encumbrance by a Member of all or any part of any Membership Interest not made strictly in accordance with the provisions of this Article 7 or otherwise permitted by this Agreement shall be entirely null and void, and of no force or effect.

ARTICLE 8

WINDING UP

8.1 **Events Requiring Winding Up.** The Company shall be wound up only on the first to occur of any one or more of the following:

(a) the affirmative vote or written consent of a Majority of Members;

(b) at such time as there is no Member remaining; or

(c) entry of a judicial order to wind up the Company.

8.2 **Winding Up Affairs and Distribution of Assets.**

(a) If an event requiring the wind up of the Company occurs, a Person designated for this purpose by the Manager or, if there is no remaining Manager, by the Majority of Members (the Person so designated being called the "Liquidating Agent"), as soon as practicable shall wind up the affairs of the Company and sell and/or distribute the assets of the Company. The

Liquidating Agent shall have all of the rights and powers with respect to the assets and liabilities of the Company in connection with the liquidation and termination of the Company that the Manager would have with respect to the assets and liabilities of the Company during the term of the Company, and the Liquidating Agent is expressly authorized and empowered to execute any and all documents necessary or desirable to effectuate the liquidation and termination of the Company and the transfer of any assets. The Liquidating Agent shall apply and distribute the proceeds of the sale or liquidation of the assets and property of the Company in the following order of priority, unless otherwise required by nonwaivable provisions of applicable law:

(i) to pay (or to make provision for the payment of) all creditors of the Company (including Members who are creditors of the Company), in the order of priority provided by law or otherwise, in satisfaction of all debts, liabilities or obligations of the Company to its creditors;

(ii) after the payment (or the provision for payment) of all debts, liabilities and obligations of the Company in accordance with clause (i) above, any balance remaining shall be distributed to the Members having positive Capital Accounts in relative proportion to those Capital Accounts.

(b) The Liquidating Agent shall have sole discretion to determine whether to liquidate all or any portion of the assets and property of the Company and the consideration to be received for that property.

(c) Except as required by nonwaivable provisions of the Act, no Member shall have any obligation at any time to contribute any funds to replenish any negative balance in its Capital Account.

8.3 **Termination.** On compliance with the distribution plan described in Section 8.2, the Liquidating Agent shall execute, acknowledge and cause to be filed a certificate of termination, at which time the Company shall cease to exist as a limited liability company.

ARTICLE 9

MISCELLANEOUS

9.1 **Notices.** Any notice to be given under this Agreement must be in writing and delivered personally (including by courier), electronically, by facsimile transmission, or by express, certified or registered mail (a) if to the Company, to the registered agent of the Company at the registered address of the Company, (b) if to any Initial Member, to such Member at its address set forth on Exhibit A or, (c) if to any Member subsequently admitted, to the address set forth in the document in which it agreed to be bound by this Agreement, or in each case at such other address as any Person entitled to notice hereunder may designate by notice to

the Company and all of the Members. A notice is deemed given on receipt at the address so provided.

9.2 **Indemnification**. To the fullest extent permitted by law, the Company shall indemnify and hold harmless each Member, Manager and officer of the Company and their respective officers, directors, shareholders, managers, members, employees, agents, subsidiaries and assigns (each, a "Covered Person") from and against any and all losses, claims, demands, liabilities, expenses, judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative (each a "Claim"), in which the Covered Person may be involved, or threatened to be involved, as a party or otherwise, which relates to or arises out of the Company or its property, business or affairs; provided, however, that a Covered Person shall not be entitled to indemnification under this Section 9.2 with respect to (a) any Claim with respect to which the Covered Person has engaged in fraud, willful misconduct, bad faith or gross negligence or (b) any Claim initiated by a Covered Person unless that Claim (or part thereof) was brought to enforce that Covered Person's rights to indemnification under this Section 9.2. The Company shall pay in advance of the final disposition of any such Claim expenses incurred by a Covered Person in defending that Claim if, but only if, that Covered Person so requests and delivers to the Company an undertaking by or on behalf of that Covered Person to repay amounts so advanced if it ultimately is determined that the Covered Person is not entitled to indemnification under this Section 9.2.

9.3 **Entire Agreement**. This Agreement supersedes all prior agreements and understandings among the Members with respect to the Company.

9.4 **Amendments**. This Agreement may be modified only on the written consent of the Majority of Members; provided, however, that no amendment or alteration that affects any provision of this Agreement requiring the vote, consent or approval of the Manager or a specified number of Members or holders of a specified Percentage shall be effective unless the same has been approved by the Manager or the number of Members or holders of the Percentage, as the case may be, specified in the provision being amended or altered; and provided further, that any other amendment adversely affecting a Member's distributions, allocations, obligation to make contributions to the Company or rights to consent or approve is effective against that Member only if that Member agrees in writing.

9.5 **Waivers**. A waiver of any breach of any of the terms of this Agreement shall be effective only if in writing and signed by the Member against whom such waiver or breach is claimed. No waiver of any breach shall be deemed a waiver of any other subsequent breach.

9.6 **Severability**. If any provision of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining provisions shall not in any way be affected or impaired, unless that provision was fundamental to the objectives of this Agreement.

9.7 **Further Assurances.** Each Member shall execute such deeds, assignments, endorsements and other instruments and documents and shall give such further assurances as shall be reasonably necessary to perform its obligations under this Agreement.

9.8 **Governing Law.** This Agreement shall be governed by and construed in accordance with the law of the State of Delaware.

9.9 **Power of Attorney.** Each Member constitutes and appoints the Manager and the officers of the Company, and each of them, its true and lawful attorney with full power of substitution to make, execute, sign, acknowledge and file all certificates and instruments necessary to form or qualify, or continue the existence or qualification of, the Company in any jurisdiction or before any governmental authority. This grant of a power of attorney is coupled with an interest and shall survive a Member's disability, incompetence, death or assignment by such Member of its Membership Interest pursuant to this Agreement.

9.10 **Successors and Assigns.** Except as expressly provided to the contrary in this Agreement, this Agreement shall be binding on and inure to the benefit of the Members and their respective successors and permitted assigns.

9.11 **Counterparts.** This Agreement may be executed in any number of counterparts or with counterpart signature pages, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned Member has duly executed this Agreement as of the day and year first written above.

KCVN LLC

By: _____
William S. Osborn, Attorney-in-Fact

EXHIBIT A

NAMES, ADDRESSES AND PERCENTAGES OF INITIAL MEMBER

Name and Address for Notice	Percentage
KCVN LLC c/o William S. Osborn 515 Congress Avenue, Suite 2450 Austin, Texas 78701	100%
TOTAL	**100%**

ATTACHMENT 6

415382
Page 1 of 2
Requested By: OSBORN & GRIFFITH
Sharon Dubois, Recorder
Baca County, CO RF: $0.00
06-24-2011 01:21 PM Recording Fee $16.00

GENERAL POWER OF ATTORNEY

THE STATE OF COLORADO §
COUNTIES OF BACA, CHEYENNE, §
KIOWA AND PROWERS §
§
THE STATE OF KANSAS §
COUNTIES OF GREELEY, HAMILTON §
MORTON AND STANTON §
§
THE STATE OF TEXAS §
COUNTIES OF ARMSTRONG, CARSON §
DALLAM, DEAF SMITH, HANSFORD, §
HARTLEY, MOORE, OLDHAM, §
PARMER, POTTER, RANDALL §
AND SHERMAN §
§
THE STATE OF NEW MEXICO §
COUNTIES OF CURRY, QUAY §
AND ROOSEVELT §
§
THE STATE OF OKLAHOMA §
COUNTIES OF CIMARRON AND TEXAS §

Numerical Computer
State of Kansas, Greeley County, ss
This instrument was filed for Record on the 14th day of July A.D. 20 08 at 10:30 o'clock A.M. and duly recorded in Book 151 on page 227-228 fees $ 12.00
Diana K. Johnston
Register of Deeds
REGISTER OF DEEDS Seal GREELEY COUNTY, KANSAS

KNOW ALL MEN BY THESE PRESENTS:

THAT I, STEFAN Q. SOLOVIEV, acting on behalf of KCVN, LLC; KICT, LLC; KGCK, LLC; KBFF, LLC; and KHER, LLC, all Delaware limited liability companies, and Crossroads West Phoenix, LLC, an Arizona Limited Liability Company (the "Companies"), whose address is 515 Congress Avenue, Suite 2450, Austin, Texas 78701, have made, constituted, and by these presents do make, constitute, and appoint WILLIAM S. OSBORN ("Attorney-in-Fact"), whose address is 515 Congress Avenue, Suite 2450, Austin, Texas 78701, the true and lawful Attorney-in-Fact, for said Companies.

This power shall include, but not be limited to, any of the following acts, commitments or engagements:

> to act on behalf of the Companies with respect to the purchase, administration or sale of any real property, including but not limited to the power to enter into an earnest money contract to purchase or sell the property and to pay all costs and expenses as he may see fit; to make, sign, execute, acknowledge and deliver on behalf of the Companies all documents and to bind the Company pursuant thereto, on such form or forms containing such terms, provisions, stipulations, clauses, covenants, and agreements required by a title company; to accept or execute a Deed to the Property in the place and stead of the Companies; to execute any and all instruments, including, but not limited to, closing statements, disclosure statements, water district notices, waivers as may be required incident to or pursuant to such purchase or sale; to execute any and

all settlement statements and such other and further instruments and affidavits as may be reasonable and requisitely required by a title company insuring such transaction; to execute any leases in the place and stead of the Companies, to execute any applications for insurance or insurance claims in the place and stead of the Companies, to make any statutory filings with state regulatory agencies, to purchase and sell farm equipment, seed, fertilizer or other supplies, to sell harvested crops and to make certifications, filings or take actions of any kind with the United States Farm Service Agency or Commodity Credit Corporation regarding participation in all current and future programs.

As member of said Companies, I hereby give and grant unto said Attorney-in-Fact all power to do any act as any of said Companies ought to do acting in connection with any of the foregoing matters or other matters of general farm business on behalf of such companies; and covenant and agree to hold harmless any person who may act in reliance upon the authority granted to said Attorney-in-Fact, hereby. This Power of Attorney shall remain in force and effect until amended or revoked, and notice of amendment or revocation thereof is filed of record in the above cited counties. The companies indemnify and hold harmless William S. Osborn from any claims against him which may arise from the exercise of this power of attorney.

EXECUTED this the 30 day of July, 2007.

KCVN LLC, a Delaware limited liability company
KICT LLC, a Delaware limited liability company
KBFF LLC, a Delaware limited liability company
KHER LLC, a Delaware limited liability company
KGCK LLC, a Delaware limited liability company
Crossroads West Phoenix LLC, an Arizona limited liability company

By _____
STEFAN Q. SOLOVIEV, Member

THE STATE OF NEW YORK §
§
COUNTY OF NEW YORK §

This instrument was acknowledged before me on the 30th day of July, 2007, by STEFAN Q. SOLOVIEV, Member on behalf of KCVN, LLC; KICT, LLC; KGCK, LLC; KBFF, LLC; and KHER, LLC, all Delaware limited liability companies, and Crossroads West Phoenix, LLC, an Arizona Limited Liability Company.

_____
Notary Public, State of New York
MY COMMISSION EXPIRES: _____

STEVEN M. CHERNIAK, Notary Public
State of New York, No. 24-4603888
Qualified in Nassau County
Cert. Filed in New York County
Commission Expires April 30, 2010

GENERAL POWER OF ATTORNEY

THE STATE OF COLORADO § § § § § KNOW ALL MEN BY THESE PRESENTS

THAT, I, STEFAN Q. SOLOVIEV, acting on behalf of COLORADO PACIFIC RAILROAD, LLC; a Delaware limited liability company, (the "Company"), whose address is 515 Congress Avenue, Suite 2450, Austin, Texas 78701, have made, constituted, and by these presents do make, constitute and appoint WILLIAM S. OSBORN ("Attorney-in-Fact"), whose address is 515 Congress Avenue, Suite 2450, Austin, Texas 78701, the true and lawful Attorney-in-Fact, for said Company.

I hereby give and grant unto said Attorney-in-Fact all power to do any act in the name of said Company and covenant and agree to hold harmless any person who may act in reliance upon the authority hereby granted to said Attorney-in-Fact. This Power of Attorney shall become effective when recorded in Travis County, Texas and remains in force and effect until amended or revoked, and notice of amendment or revocation thereof is filed of record in said County. The Company indemnifies and holds harmless William S. Osborn from any claims against him which may arise from the exercise of this Power of Attorney.

EXECUTED this the 16th day of March, 2016.

COLORADO PACIFIC RAILROAD, LLC

By_____
STEFAN Q. SOLOVIEV, Manager

The State of Colorado §
County of Prowers §

This instrument was acknowledged before me on the 16th day of March 2016, by STEFAN Q. SOLOVIEV, _____ in the capacity stated herein.

ALICE NELSON
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20134068725
MY COMMISSION EXPIRES OCTOBER 31, 2017

Alice Nelson
Notary Public, State of Colorado
My Commission Expires: 10-31-2017

ATTACHMENT 7

charles SCHWAB

Schwab One® Account of
KCVN LLC

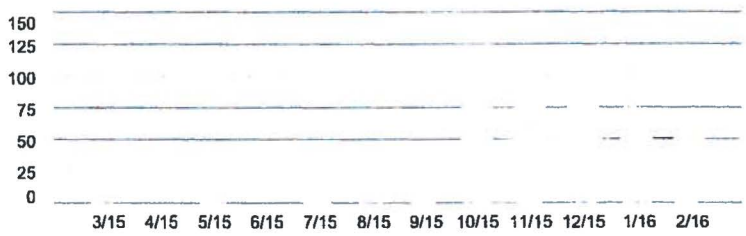
Account Number
2085-3243

Statement Period
February 1-29, 2016

Change in Account Value

	This Period	Year to Date
Starting Value	**$ 7,370,223.76**	**$ 8,506,863.30**
Cash Value of Purchases & Sales	0.00	0.00
Investments Purchased/Sold	0.00	0.00
Deposits & Withdrawals	(785,651.10)	(1,922,236.60)
Dividends & Interest[Z]	62.08	133.04
Fees & Charges	(175.00)	(300.00)
Transfers	0.00	0.00
Income Reinvested	0.00	0.00
Change in Value of Investments	0.00	0.00
Ending Value on 02/29/2016	**$ 6,584,459.74**	**$ 6,584,459.74**
Total Change in Account Value	**$ (785,764.02)**	**$ (1,922,403.56)**
(Totals Include Deposits & Withdrawals)	**(10.66)%**	**(22.60)%**

Account Value ($) Over Last 12 Months [in Hundred Thousands]



Asset Composition

	Market Value	% of Account Assets
Deposit Accounts[X,Z]	$ 6,584,459.74	100%
Total Assets Long	**$ 6,584,459.74**	
Total Account Value	**$ 6,584,459.74**	**100%**

Gain or (Loss) Summary

Realized Gain or (Loss) This Period

Short Term	$0.00
Long Term	$0.00

Unrealized Gain or (Loss)

All Investments	$0.00

Values may not reflect all of your gains/losses.

charles SCHWAB

Schwab One® Account of
KCVN LLC

Account Number
2085-3243

Statement Period
February 1-29, 2016

Income Summary

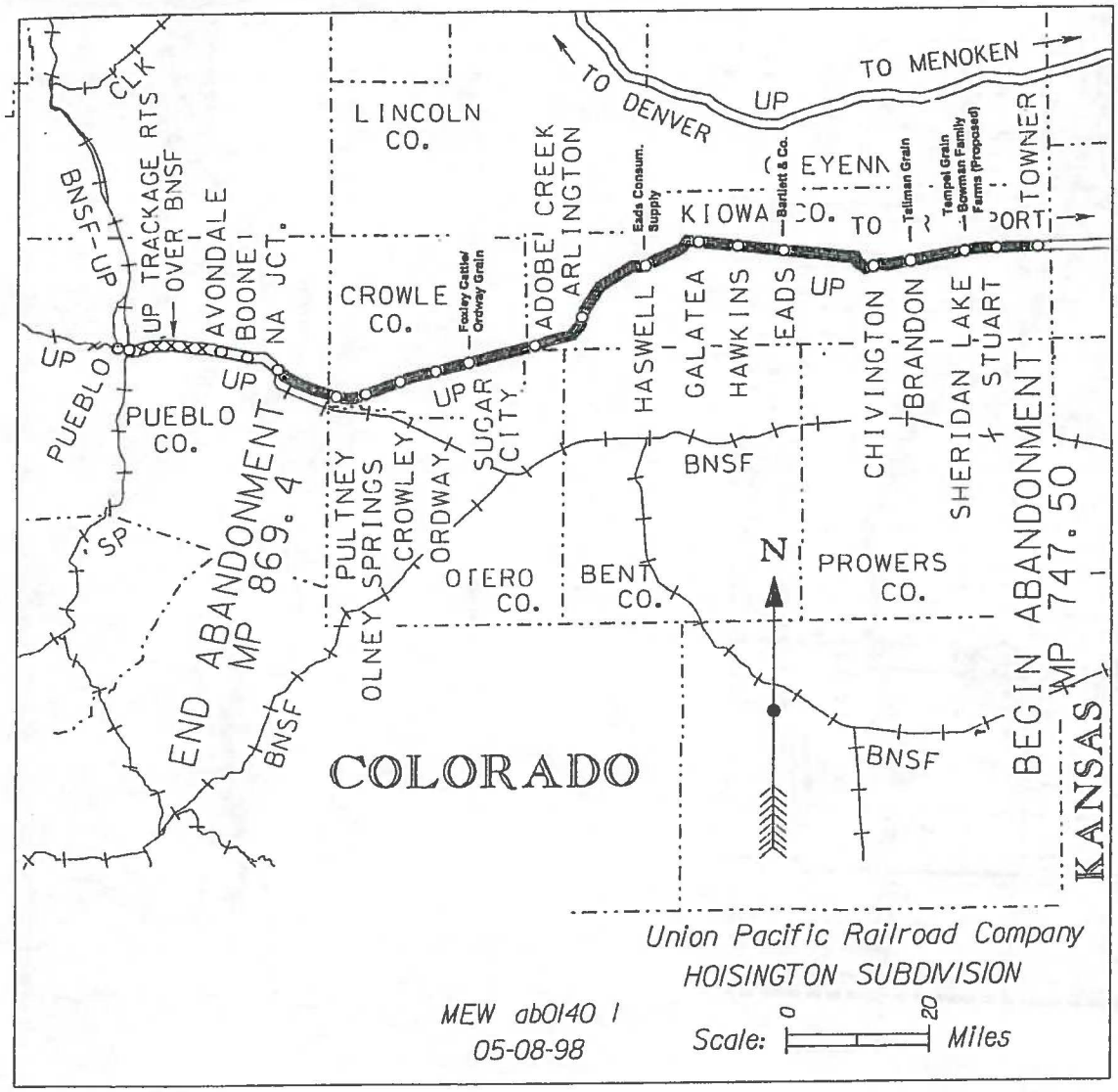
	This Period		Year to Date	
	Federally Tax-Exempt	Federally Taxable	Federally Tax-Exempt	Federally Taxable
Deposit Accounts Interest	0.00	62.08	0.00	133.04
Total Income	**0.00**	**62.08**	**0.00**	**133.04**

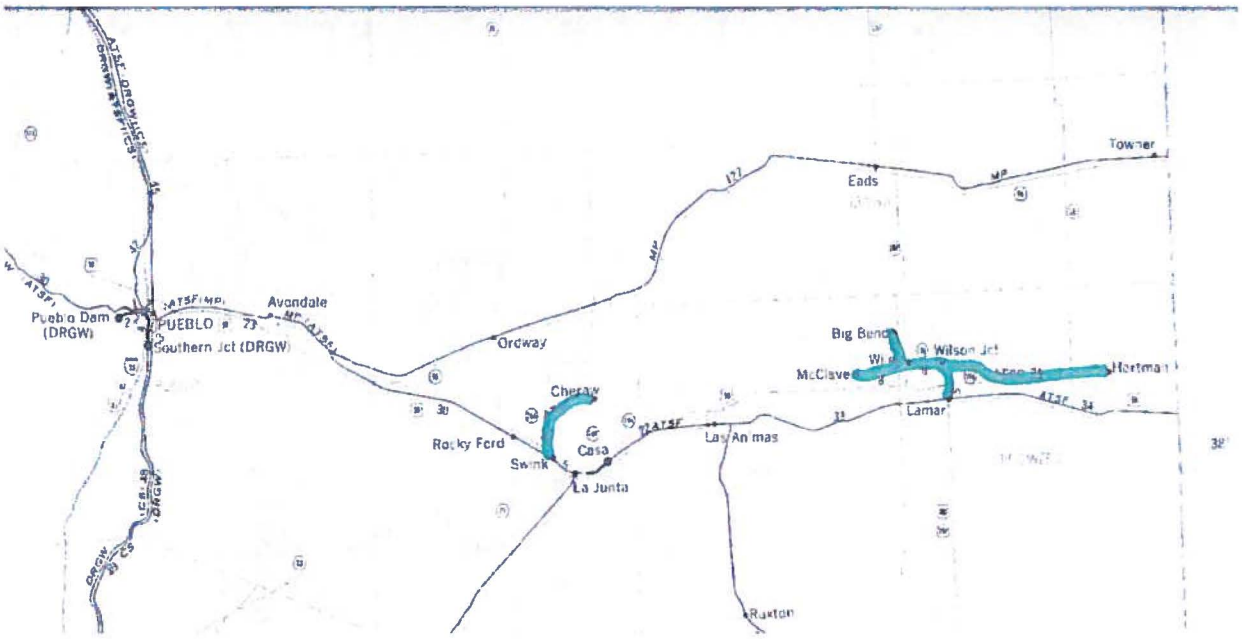
Investment Detail - Deposit Accounts

Deposit Accounts	Market Value	% of Account Assets
Deposit Accounts [x,z]	6,584,459.74	100%
Total Deposit Accounts	**6,584,459.74**	**100%**
Total Deposit Accounts	**6,584,459.74**	**100%**

Total Investment Detail	**6,584,459.74**
Total Account Value	**6,584,459.74**
Total Cost Basis	***N/A***

EXHIBIT B


TO MENOKEN
UP
TO DENVER
LINCOLN CO.
CLK
BNSF-UP
TRACKAGE RTS OVER BNSF
AVONDALE
BOONE
NA JCT.
UP
PUEBLO
PUEBLO CO.
END ABANDONMENT MP 869.4
SP
BNSF
CROWLE CO.
Foxley Cattle/ Ordway Grain
PULTNEY SPRINGS
OLNEY
CROWLEY
ORDWAY
SUGAR CITY
ADOBE CREEK
ARLINGTON
OTERO CO.
Eads Consum. Supply
HASWELL
BENT CO.
KIOWA CO.
Bartlett & Co.
GALATEA
HAWKINS
EADS
BNSF
COLORADO
N
Tellman Grain
CHIVINGTON
BRANDON
PROWERS CO.
Tempel Grain
Bowman Family Farms (Proposed)
SHERIDAN LAKE
STUART
BEGIN ABANDONMENT MP 747.50
KANSAS
Union Pacific Railroad Company
HOISINGTON SUBDIVISION
MEW ab0140 1
05-08-98
Scale: 0 20 Miles


Towner
Eads
Avondale
Pueblo Dam
(DRGW)
PUEBLO
Southern Jct (DRGW)
Ordway
Big Bend
Wilson Jct
McClave
Hartman
Lamar
Cheraw
Rocky Ford
Swink
Casa
La Junta
Las Animas
Ruxton

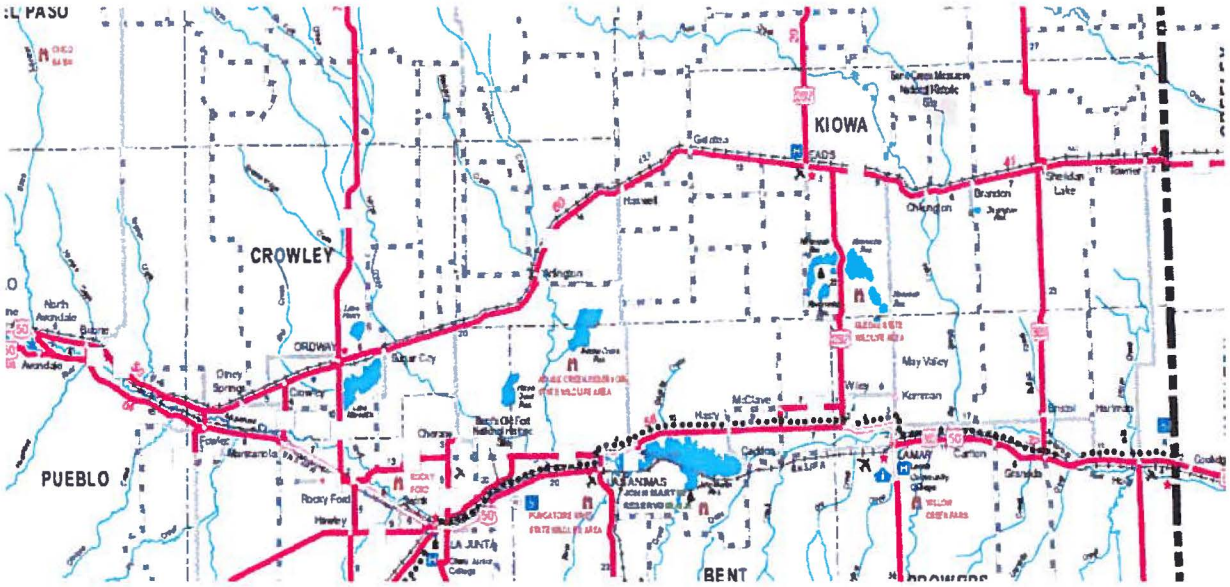

EL PASO
KIOWA
EADS
CROWLEY
ORDWAY
PUEBLO
Rocky Ford
LA JUNTA
LAS ANIMAS
BENT
McClave
CAMAY
Sheridan Lake
Brandon
May Valley
Kerman
Wiley
Cheraw
Sugar City
Crowley
Fowler
Manzanola
Avondale
North Avondale
Olney Springs
Hasty
Haswell
Wellington
Granada
Bristol
Hartman

EXHIBIT C

BEFORE THE
SURFACE TRANSPORTATION BOARD

Docket No. 35006

KCVN, LLC/COLORADO PACIFIC RAILROAD, LLC – FEEDER LINE APPLICATION – LINE OF V AND S RAILWAY, LLC, LOCATED IN CROWLEY, PUEBLO, OTERO, AND KIOWA COUNTIES, COLORADO

VERIFIED STATEMENT OF DOUG STORY

My name is Doug Story. I am the Vice President of Agricultural Marketing of Watco Transportation Services, LLC ("Watco") and have been in my current position at Watco since 2004. Watco is one of the largest privately-held short line railroad operators in the United States. The company operates 34 short line railroads on more than 4,700 miles of track in 36 states. Its affiliated companies also operate 28 industrial contract switching locations in 24 states and one in Western Australia, as well as23 railcar repair shops, 8 locomotive shops and 52 terminals. Watco specializes in transporting commodities including salt, aggregates, chemicals, metals and, as particularly relevant here, grain.

The Kansas and Oklahoma Railroad ("K&O") is one of the short line railroads owned and operated by Watco. The K&O operates over 840 miles of track located predominantly in western and central Kansas, making the K&O one of the largest single short line railroads in the United States. The tracks of the K&O are both owned by it and leased by it from the Union Pacific Railroad Company.

The K&O's system extends into eastern Colorado, where it physically connects to the eastern terminus of the Towner Line, the line of railroad owned by the V AND S Railway, LLC ("V&S") that is the subject of this Feeder Line Application. The K&O would be able to conduct freight railroad operations over the Towner Line due to this connection, and Watco has always been interested in expanding the K&O's ability to provide freight service west of Towner. However, we have never been able to expand our relationship with V&S, particularly since V&S stopped providing freight service over the line in 2012 and began taking steps to abandon it. In addition to reinstituting rail service to grain farmers located along the line, we believe that the Towner Line could eventually be restored to its historic status as part of a route running from points in Kansas to Pueblo, Colorado, to enable rail transportation of other commodities originating west and east of the Towner Line.

Over the past two years, KCVN, LLC ("KCVN") and Watco have engaged in discussions about the possibility of the K&O becoming the third party railroad operator of the Towner Line in the event that KCVN and/or Colorado Pacific Railroad, LLC ("CPRR"), a subsidiary of KCVN, was able to acquire the line from V&S. Accordingly, in conjunction with KCVN's initial attempt to purchase the line beginning in July, 2014, and continuing to the current period, Watco and the K&O have been involved in business negotiations with KCVN/CPRR regarding the possibility of entering into long term lease and operating agreement between K&O and CPRR should that transaction take place.

Specifically, the parties contemplate that under the proposed agreement K&O would lease the Towner Line for an initial period of 5-10 years, which would be automatically renewed for subsequent periods absent termination. The agreement would

also provide that K&O would have the exclusive rights to conduct common carrier railroad operations over the line, for which it would seek approval from this Board. These operations would be conducted with K&O locomotives, equipment and crews. K&O would also assume responsibility for rehabilitating, and maintaining the Towner Line to FRA Class I standards, and in compliance with applicable federal and state regulations.

In terms of rehabilitating the line to the point at which freight operations could safely be conducted over it again, KCVN and CPRR have done a preliminary analysis and KO will work with them to put together and execute a rehabilitation plan for the Railroad. In terms of specific operational aspects, the on-duty stations would be located at Scott City, KS and, if required, at Pueblo, CO. K&O service teams would provide track maintenance, mobile mechanical repair and locomotive repair services for the Towner Line operations. K&O is also willing and able to allocate at least two crew members to exclusively operate over the Towner Line, and the railroad has two locomotives and the fleet of at least 1,100 covered hopper rail cars available to serve the shippers located on the line. The service over the line would be provided on an "as needed" basis for the customers located over the line, and K&O is willing and able to enhance the number of crew members, locomotives and railcars according to the customers' needs. While negotiations are still ongoing, Watco and K&O have every reason to believe that the agreement will be finalized if, and as soon as, the line is acquired by KCVN/CPRR.

Watco and the K&O are extremely interested in the possibility of the K&O becoming the third party railroad operator of the Towner Line if it is acquired by the

KCVN/CPRR, and we believe the Towner Line has great potential to become an important transportation link to allow more wheat growers in this area of Colorado access to a variety of markets, and for shippers of other commodities located in the Midwest and Intermountain West to have them transported to markets to the east and west, respectively.

Verification Page

I, Doug Story, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to sponsor this testimony.

Executed, March 9, 2016

Doug Story

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Docket No. FD 36005

KCVN, LLC AND COLORADO PACIFIC RAILROAD, LLC – FEEDER LINE APPLICATION – LINE OF V AND S RAILWAY, LLC, LOCATED IN IN CROWLEY, PUEBLO, OTERO, AND KIOWA COUNTIES, COLORADO

FEEDER LINE APPLICATION

VOLUME II OF III

Thomas W. Wilcox
Svetlana Lyubchenko
GKG Law, P.C.
The Foundry Building
1055 Thomas Jefferson Street NW
Suite 500
Washington, DC 20007
(202) 342-5248

Attorneys for KCVN, LLC and Colorado Pacific Railroad, LLC

March 18, 2016

EXHIBIT D

BEFORE THE

SURFACE TRANSPORTATION BOARD

DOCKET NO. FD 36005,
KCVN, LLC AND COLORADO PACIFIC RAILROAD, LLC
- FEEDER LINE APPLICATION -
LINE OF V AND S RAILWAY, LLC LOCATED IN
CROWLEY, PUEBLO, OTERO, AND KIOWA COUNTIES

VERIFIED STATEMENT

OF

GERALD W. FAUTH III

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BEFORE THE

SURFACE TRANSPORTATION BOARD

DOCKET NO. FD 36005,
KCVN, LLC AND COLORADO PACIFIC RAILROAD, LLC
- FEEDER LINE APPLICATION -
LINE OF V AND S RAILWAY, LLC LOCATED IN
CROWLEY, PUEBLO, OTERO, AND KIOWA COUNTIES

VERIFIED STATEMENT

OF

GERALD W. FAUTH III

My name is Gerald W. Fauth III. I am President of G. W. Fauth & Associates, Inc., an economic consulting firm with offices at 116 South Royal Street, Alexandria, Virginia 22314. I have over 37 years of experience in the private sector and in the Federal government. The vast majority of my experience has involved Federal regulatory proceedings, litigations, arbitrations, legislative issues and other projects related to the North American freight railroad industry and the U.S. Surface Transportation Board ("STB").

I have extensive experience in STB regulatory proceedings, litigation and other projects involving railroad valuation issues. These matters have involved railroad valuation issues on a nation-wide, system-wide, individual rail line and individual rail movement scope and basis. A statement describing my background, experience, and qualifications is attached hereto as **Appendix GWF-1**.

I. INTRODUCTION

The subject of this STB proceeding concerns the so-called "*Towner Line*" in southeastern Colorado. The Towner Line is currently owned by V and S Railway, LLC ("V&S"). V&S is a short line railroad company headquartered in Salt Lake City, Utah. V&S owns other short line railroads.[1] V&S is also closely affiliated with A&K Railroad Materials, Inc. (A&K), a company specializing in acquiring and selling railroad scrap materials.[2]

In 2005, V&S acquired the Towner Line for $10,356,000 from State of Colorado Department of Transportation ("CDOT"), which had acquired the line from the Union Pacific Railroad Company ("UP") for approximately the same price in 1998.[3] The Towner Line was once part of the Missouri Pacific Railroad Company's ("MOPAC") main line running west from St. Louis, Missouri to Pueblo, Colorado.[4] MOPAC began operations over the Towner Line in

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1 V&S's website indicates that it also owns Grenada Railway, LLC; Natchez Railway Inc.; V&S Railway, LLC - Medicine Lodge Division; V&S Railway, LLC—Hutchinson Division (see: http://affiliatedrailroads.com/).

2 V&S and A&K share the same corporate address (i.e., 1505 South Redwood Road, Salt Lake City, Utah 84130) and V&S, in its reply statement dated October 30, 2014 in STB Docket No. NOR-42140, Colorado Wheat Administrative Committee, Colorado Association of Wheat Growers, Colorado Wheat Research Foundation and KCVN, LLC v. V and S Railway, LLC, describes A&K as an "affiliate" (page 5).

3 See December 1, 2005 Purchase Agreement between CDOT and V&S, page 4. CDOT acquired the line from UP in July 1998 for $10,217,521.

4 MOPAC Timetable No. 17 effective June 28, 1981, lists Towner as MP 746.6. STB Docket No. AB-3 (Sub-No.130), Missouri Pacific Railroad Company – Abandonment – Towner - NA Junction Line In Kiowa, Crowley, and Pueblo Counties, CO, served February 10, 1997, page 1, indicates MP 747.0 for Towner. V&S's Notice of Exemption filed in STB Finance Docket No. 34779, V & S Railway, Inc. - Acquisition and Operation Exemption - Rail Line of Colorado, Kansas & Pacific Railway Company, lists Towner as MP 747.5. UP apparently retained a small line segment in Towner and excluded it from the sale of the line to CDOT. Thus, V&S acquired 121.9 miles from CDOT.

1887 under the subsidiary name Pueblo and State Line Railroad, which was formally merged into MOPAC in 1910.[5] In 1982, MOPAC merged with UP. In 1995, UP proposed the abandonment of the Towner Line as part of UP's merger with Southern Pacific Rail Corporation (SP). The UP/SP merger and the abandonment of the Towner Line was subsequently approved by the STB in 1996. The abandonment was forestalled by CDOT's purchase of the Towner Line in 1998.

The Towner Line runs a distance of 121.9 route miles from Milepost (MP) 747.5 near Towner, Colorado (which is approximately 2 miles west of the Colorado/Kansas state line) to NA Junction, Colorado at MP 869.4 (which is approximately 27 miles east of Pueblo, Colorado). The Towner Line also contains approximately 12.2 miles of connecting rail sidings and spur tracks, which equals a total of 134.1 track miles.[6] The following map (Figure 1) is a copy of the southeastern portion of a 1975 railroad map of the State of Colorado prepared by the U.S. Department of Transportation ("USDOT"), which shows the Towner Line, then owned by MOPAC:

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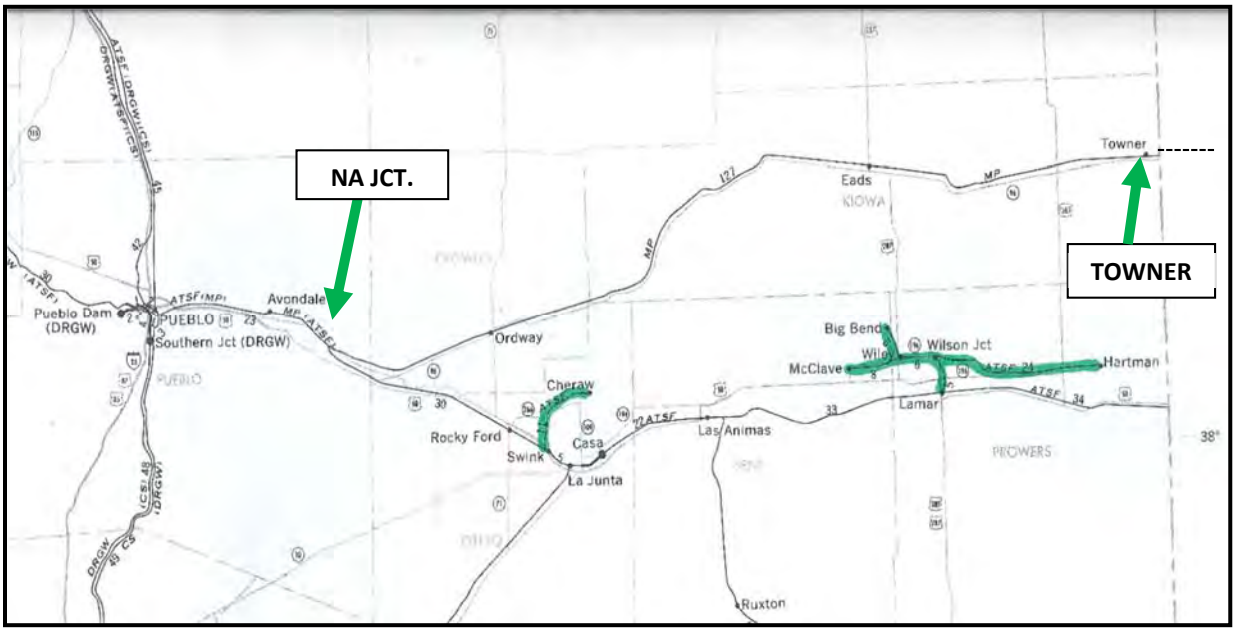
[5] See: http://www.kiowacounty-colorado.com/HaswellMoPacDepot-FinalSRB.pdf

[6] V&S indicates that there are 12.2 miles of sidings and tracks. However, Timetable No. 17, effective June 28, 1981, page 38, published by MOPAC, the original builder and owner of the line, indicates that that the line contains 49,062 feet of sidings, which equals 9.29 miles of track.

Figure 1

1975 U.S. DOT Railroad Map of
<u>Colorado Showing The Towner Line</u>



KCVN, LLC ("KCVN") owns approximately 58,000 acres of farm land in Cheyenne, Kiowa, and Powers County, Colorado. Colorado Pacific Railroad, LLC ("CPRR") is a wholly-owned non-carrier subsidiary of KCVN. The Towner Line has been out of service for several years.[7]

KCVN/CPRR are interested in acquiring the Towner Line from V&S, restoring the line and, through a party railroad operator, providing railroad freight service to current shippers on the line, shippers who may locate along the line and otherwise developing the line for transportation of other commodities by other shippers located at points beyond the termini of the line.

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[7] According to V&S, the last revenue carloads originated on the line occurred in the first six months of 2012.

On August 3, 2015, V&S filed a verified notice of exemption with the STB under 49 C.F.R. § 1152 F, Exempt Abandonments, to abandon the Towner Line and, on August 21, 2015, the STB issued a decision which formally noticed the proposed abandonment exemption.[8] On August 24, 2015, KCVN/CPRR, pursuant to 49 U.S.C. § 10904 and 49 C.F.R. § 1152.27 (c)(2)(i), filed a notice with the STB in which they formally expressed their intent to jointly file an Offer of Financial Assistance ("OFA") in order to acquire the Towner Line. However, on January 25, 2016, V&S notified the STB that it was withdrawing its abandonment exemption application.

KCVN/CPRR has previously sought to acquire the Towner Line via private negotiations with V&S and then through the STB's OFA process when V&S sought to formally abandon it. In light of V&S withdrawal of its abandonment exemption notice, KCVN/CPRR have decided to pursue the acquisition of the line through the STB's Feeder Line procedures set forth under 49 C.F.R. § 1151. I have been asked by KCVN/CPRR to determine the current value of the Towner Line based on STB's current Feeder Line standards and precedent.

Under the STB's Feeder Line procedures, the applicant must "pay the higher of the net liquidation value (NLV) or going concern value (GCV) of the line." (49 C.F.R. § 1151.3 (a)(3)(i)).

GCV is the value of the rail line as an ongoing business based on its current operations. The STB generally computes GCV by dividing current anticipated operating profit (revenues less

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[8] See STB Docket No. AB-603 (Sub-No.4X), V and S Railway, LLC – Abandonment Exemption – In Pueblo, Crowley and Kiowa Counties, Colorado

costs) by an earnings multiplier (the pre-tax equivalent of the railroad industry cost of capital rate).[9] Railroad services to shippers over the Towner Line have been discontinued by V&S. In 2012, V&S obtained formal authority from the STB to discontinue operations over the western portion of the Towner Line between NA Junction, at milepost 868.5, and Haswell, at milepost 808.3 ("Western Segment").[10] In 2015, V&S sought to discontinue service over the entire line and verified that there had been no traffic over the line for at least two years.[11] As a result, the Towner Line has no current operations and has not been operating as an ongoing business.[12] Consequently, the Towner Line has no GCV. Moreover, the line would require significant rehabilitation costs in order to restore rail service, which would significantly reduce any GCV of the line.

NLV is a minimum valuation standard which consists of the salvage value of tracks and materials plus the value of the real estate. The STB has often been called upon to determine the NLV of individual railroad lines, especially in abandonment cases. NLV normally includes two major components:

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[9] See STB Finance Docket No. 32479, Caddo Antoine and Little Missouri Railroad Company-Feeder Line Acquisition-Arkansas Midland Railroad Company Line Between Gordon and Birds Mill, AR, (STB served May 5, 2000) (Caddo Antoine).

[10] See STB Docket No. AB-603 (Sub-No.2X), V and S Railway, LLC – Discontinuance of Service Exemption—in Pueblo, Crowley and Kiowa Counties, Colo., served June 28, 2012.

[11] See V&S filing dated November 30, 2015 in STB Docket No. AB-603 (Sub-No.4X), V and S Railway, LLC – Discontinuance Exemption – In Pueblo, Crowley, Kiowa and Otero Counties, Colorado

[12] V&S indicates it "has been presented with a significant car storage opportunity" (see V&S filing in STB Docket No. AB-603 (Sub-No.4X), dated November 30, 2015, page 3, footnote 1). V&S has not provided any details concerning any revenues or expenses that may be associated with this car storage opportunity, nor does V&S maintain that this car storage opportunity results in a positive GCV.

(1) **Land Value** - the value of the underlying real estate or land value; and

(2) **Net Salvage Value ("NSV")** - the salvage value of track and materials (Gross Salvage Value of GSV less cost of removal).

Since the Towner Line has no GCV, NLV is the correct valuation standard in this proceeding. The land value component of NLV is often difficult to determine in STB cases. In this case, however, V&S has previously acknowledged that the real estate or land value is zero ($0) since large portions of the line were constructed on easements through public lands obtained under the General Railroad Right-of-Way Act of 1875 and there are questions concerning reversionary property rights to the real estate under Colorado statute C.R.S. 43-1-1306(4) if the line were to be abandoned. As a result, the NLV of the Towner Line is equal to the NSV.

I have been asked by KCVN/CPRR to develop and prepare an estimate of NLV of the Towner Line based on STB standards. There have been several previous NLV calculations of the Towner Line over the past 20 years:

- **1996 UP/SP Merger Decision** - In the decision which approved the UP/SP merger, the STB accepted a NLV of $10,262,124, which was based on a NSV of $9,811,169 and a land value of $450,955.[13]

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[13] See STB Docket FD No. 32760, Union Pacific Corporation, Union Pacific Railroad Company, And Missouri Pacific Railroad Company--Control And Merger--Southern Pacific Rail Corporation, Southern Pacific Transportation Company, St. Louis Southwestern Railway Company, SPCSLCorp., And The Denver And Rio Grande Western Railroad Company, served August 12, 1996, page 205.

- **1998 CDOT Korve Report** - A May,1998 report prepared for CDOT by Korve Engineering, Inc. ("Korve") is attached hereto as **Appendix GWF-2**.[14] This report estimated that the NLV of the line was $12,085,048 (page 30). This estimated NLV included $468,600 land value (page 30). The NLV excluding land would be $11,616,448. The 1998 CDOT Korve Report also estimated that the line required $1,067,200 to $1,725,400 for near term maintenance and improvements, including contingencies, in order to restore operations and freight service (page 32).

- **2004 CDOT PBQD Report** - An August, 2004 report prepared for CDOT by Parsons Brinckerhoff, Quade & Douglas, Inc. ("PBQD") is attached hereto as **Appendix GWF-3**.[15] This report concluded that the NLV of the Towner Line was $7,116,869. The 2004 CDOT PBQD Report utilized the signal removal cost ($459,000) in the 1998 CDOT Korve Report, but failed to account for track removal ($2,636,000) and Miscellaneous Removal/Cleanup ($131,800). With these adjustments, the corrected NLV would have been $3,890,069.[16]

- **2014-15 V&S RLB Calculations** - In its September 22, 2015 reply to the Notice of Intent to file an OFA filed by KCVN/CPRR in STB Docket AB 603 (Sub-No. 4X), V&S stated that the minimum purchase price for the Towner Line would be **$27,023,500**, which it maintained represented the NLV of the line.[17] V&S's NLV estimate was developed by R. L. Banks & Associates, Inc. ("RLB"). The RLB report dated August 5, 2015 which supports V&S's NLV estimate ("2015 V&S RLB Report") is attached hereto as **Appendix GWF-4**. A previous RLB NLV estimate dated September 30, 2014 ("2014 V&S RLB Report") is attached hereto as **Appendix GWF-5**.

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[14] Korve is now part of AECOM Technology Corporation (AECOM).
[15] PBQD is now part of WSP Global, Inc. (WSP).
[16] The 1998 CDOT Korve Report also included Bridge Removal cost ($1,540,000), which I have excluded since I have assumed that the bridges would remain in place.
[17] See V&S Reply dated September 22, 2015, page 1.

In addition to reviewing previous the Towner Line NLV estimates and other relevant material, I performed two two-day inspections (or a total of four days), of the entire Towner Line on December 2 and 3, 2014 and on October 5 and 6, 2015. The Towner Line closely follows and parallels Colorado Route 96 and contains over 80 public and private crossings. As a result, during my four days of inspecting the line, I was able to closely inspect the physical condition of the Towner Line and its sidings at many locations. Various photographs of the line that I took during my inspections and which will be referenced herein are included in **Appendix GWF-6**.

I have also conducted extensive virtual inspections of the Towner Line using Google Earth and other computer mapping applications. Therefore, I have acquired a good understanding of the physical characteristics, existing assets and current condition of the line. Based on STB standards and current relay, reroll and scrap rail prices, I have determined the NLV of the Towner Line to be **$2,594,551**. As I explain herein, V&S's 2015 NLV estimate of $27,023,500 was obviously and significantly overstated.

II. SUMMARY OF FINDINGS

The details of my NLV calculation are set forth in **Appendix GWF-7.** The following table (Figure 2) summarizes my NLV valuation assessment:

Figure 2

Summary of NLV Valuation
Assessment of The Towner Line

Ln.	Item	Amount
1.	Gross Salvage Value	$8,104,866
2.	Removal and Liquidation Costs	$5,510,315
3.	Net Salvage Value (L.1 minus L.2)	$2,594,551
4.	Real Estate/Land Value	$0
5.	**Net Liquidation Value (NLV) (L.3 plus L.4)**	**$2,594,551**

By all accounts, the most significant asset on the Towner Line is 134.1 track miles of steel rails, which equates to 28,909 tons. However, most of the steel rail in place (54.70% of the total miles and 50.61% of the total tons) is older and worn 85 to 115 lb. jointed rail produced in the 1940's and earlier. The Western Section of the line from near Arlington (MP 821.0) to NA Junction (MP 869.4) (49.30 miles) was upgraded and contains fairly good quality 136 lb. rail continuous welded rail ("CWR") produced in the 1970's.

The Towner Line is currently not in operation nor is it in operating condition. The line would require a significant amount of work to restore to Federal Railroad Administration ("FRA") Class 1 service.[18]

Although V&S has owned the Towner Line for more than a decade, it has made only limited and cursory efforts to provide rail service to the line and undertaken little or no annual maintenance (such as vegetation control and a tie replacement program), which has resulted in further deterioration of the road bed. As a result, most of the ties and ballast would be classified as fair to poor condition. The bridges are old and many need repair, but are generally in fair condition.

In addition, in the Summer of 2014 V&S took steps to harvest some of the rail and other track materials by removing pins and tie plates along a large section of the 136 lb. CWR rail on the Western Section of the Towner Line, which would have to be replaced in order to restore rail service over that section.

The costs to restore the Towner Line to Class 1 service (10 mph) will be substantial, but may not be significantly different than the cost to restore the line to Class 2 service (25 mph) or higher. For example, vegetation control, tie removal and replacement, ballast replacement and rail and track rehabilitation and inspections would be required regardless of the maximum speed limit. The STB has found in the past Feeder Line cases that such rehabilitation costs are not relevant in NLV determinations:

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[18] FRA categorizes track for freight in six classes, segregated by maximum speed limits: Class 1 – 10 mph; Class 2 – 25 mph; Class 3 – 40 mph; Class 4 – 60 mph; Class 5 - 80 mph; and Class 6 – 110 mph. See 49 CFR 213.9.

> Section 10907 requires us to set the price at the higher of the GCV and NLV of the Line. The calculation of the GCV of a line often considers rehabilitation costs, because the calculation assumes that the line will continue to be used to provide rail service. In contrast, rehabilitation costs are not considered in an NLV calculation, because the NLV calculation assumes that the subject line will be dismantled and taken out of service. In this case, the Port and CORP both agree that the Coos Bay Line has no GCV. Accordingly, we are precluded from considering rehabilitation costs in determining the constitutional minimum value.[19]

Rehabilitation costs, however, are relevant in regards to the determination of an applicant's financial responsibility and ability to cover the expenses associated with providing rail service over the line for the first 3 years after acquisition of the line.[20] As a result, KCVN/CPRR also asked me to estimate the cost of rehabilitating the Towner Line FRA Class 1 safety standards (10 mph for freight service). The following table (Figure 3) summarizes my findings:

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[19] See: STB Docket No. FD 35160, Oregon International Port of Coos Bay—Feeder Line Application—Coos Bay Line of The Central Oregon & Pacific Railroad, Inc.(Coos Bay), served October 31, 2008 (page 16).

[20] See: STB Docket No. FD 34890, Pyco Industries, Inc.—Feeder Line Application - Lines of South Plains Switching, Ltd. Co. (Pyco), served August 31, 2007, page 32. ("But the evidence that PYCO has submitted under seal regarding its financial condition shows that PYCO could pay for the rehabilitation.")

Figure 3

Estimated Rehabilitation Cost to
Restore Class 1 Service to The Towner Line

Ln.	Item	Amount
1.	Vegetation Control	$201,150
2.	Tie Replacement	$708,048
3.	Ballast Cleaning and Replacement	$901,152
4.	Rail and Track Rehabilitation	$1,486,901
5.	Track, Bridge & Crossing Inspections	$191,759
6.	**Total Estimated Cost to Restore Class 1 Rail Service**	**$3,489,010**

III. CHARACTERISITICS OF THE TOWNER LINE

The following table (Figure 4) shows the mileposts, freight stations and other locations along the Towner Line:

Figure 4

Mileposts and Stations on The Towner Line

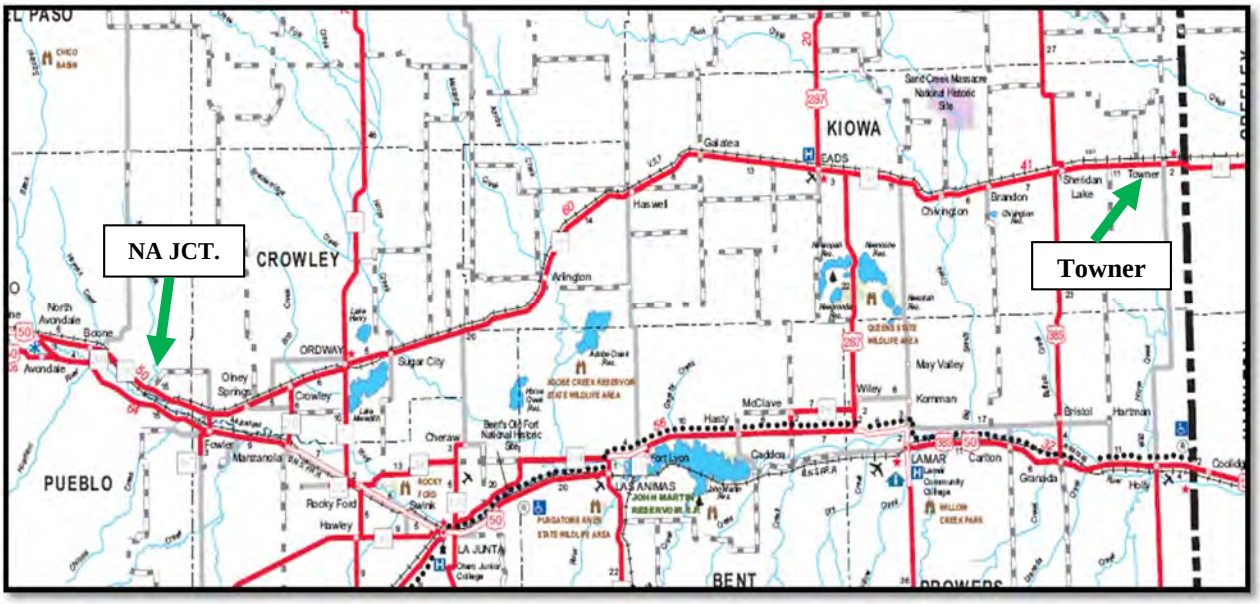
Milepost	Station	Miles from Start of Line
747.5	Start of Line	0.0
752.5	Stuart	5.0
758.1	Sheridan Lake	10.6
766.2	Brandon	18.7
771.8	Chivington	24.3
785.8	Eads	38.3
799.1	Galatea	51.6
807.7	Haswell	60.2
821.4	Arlington	73.9
830.5	Heath / Adobe Creek	83.0
841.2	Sugar City	93.7
846.4	Ordway	98.9
851.9	Crowley	104.4
857.3	Olney Springs	109.8
863.1	Pultney	115.6
869.4	NA Jct. (End of Line)	121.9
Total Route Miles		**121.9**

The Towner Line runs through a very sparsely populated rural area in south-eastern Colorado consisting mostly of farm land. The line traverses four Colorado counties: Kiowa, Crowley, Otero and Pueblo, but most of the Towner Line is in Kiowa County.

The elevation is relatively high, but the terrain is generally flat and level. For example, Eads has an elevation of 4,219 ft. and Ordway has an elevation of 4,311 ft.[21] The following highway map (Figure 5) shows the Towner Line, which follows closely and parallels Colorado Route 96:

Figure 5

Highway Map Showing The Towner Line



The Towner Line is single track. The1998 CDOT Korve Report stated that there are 83 public and private highway or road and railroad crossing on the line.[22] With the exception of a railroad bridge over Colorado Route 287 in Eads, Colorado, all of the crossings are "at-grade" crossings. I observed that most of these at-grade crossings only have railroad cross bucks signs and most lack operating gates and flashers.

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21 http://geonames.usgs.gov/

22 1998 CDOT Korve Report, Table 2.

The following table (Figure 6) summarizes the rail sizes, types, ages, miles and tons according to the V&S RLB Reports:

Figure 6

Summary of The Towner Line Rail Inventory

Rail Size and Type	Production Year	Main Track Miles	Side Track Miles	Total Miles	Percent Miles	Total Tons	Percent Tons
136 Lb. CWR	1975/1979	49.30	1.25	50.55	37.70%	12,102	41.86%
133 Lb. CWR	1982	0.35	0.00	0.35	0.26%	82	0.28%
132 Lb. CWR	n/a	0.00	3.75	3.75	2.80%	871	3.01%
115 Lb. CWR	1949	2.95	0.00	2.95	2.20%	597	2.07%
113 Lb. CWR	1944	3.15	0.00	3.15	2.35%	627	2.17%
CWR		**55.75**	**5.00**	**60.75**	**45.30%**	**14,278**	**49.39%**
115 Lb. Jointed	1949	52.40	0.00	52.40	39.08%	10,606	36.69%
112 Lb. Jointed	1945-1948	13.75	4.90	18.65	13.91%	3,676	12.72%
90 Lb. Jointed	1929	0.00	0.60	0.60	0.45%	95	0.33%
85 Lb. Jointed	n/a	0.00	1.70	1.70	1.27%	254	0.88%
Jointed		**66.15**	**7.20**	**73.35**	**54.70%**	**14,631**	**50.61%**
Total		**121.90**	**12.20**	**134.10**	**100.00%**	**28,909**	**100.00%**

For the purposes of this verified statement, I have accepted the main line and side track miles reflected in the V&S RLB Reports (i.e., 134.10 total track miles).

There is ample capacity on the line, which could be used as site locations to attract additional shippers to the line. The V&S RLB Reports indicate that there are 12.20 miles of side tracks. According to MOPAC Timetable 17, there are eight (8) sidings on the Towner Line, which total 9.29 miles of track. The 1998 CDOT Korve Report identified seven sidings totaling 8.5 miles of track, and an additional 1.4 miles of spur tracks. MOPAC Timetable 17 indicates that the Towner Line has sidings which can accommodate at least 923 cars.

The 1998 CDOT Korve Report stated that the line contains 44 bridges, which range in size from 23 ft. to 506 ft. and were installed from 1922 to 1974. Most of the bridges (31) are timber pile trestle bridges.[23]

According to V&S in an August 15, 2012 STB filing, it served only two shippers on the Towner Line after acquiring it in 2005: Tempel Grain Company ("Tempel"), at Haswell and Bartlett Grain Company (Bartlett), at Eads.[24] According to a 2012 STB decision, V&S stated that their shipments consisted primarily of outbound shipments of wheat and barley and that there were no inbound shipments. V&S further stated that, in 2010, Tempel and Bartlett together shipped 478 carloads of grain. V&S stated that Tempel ceased using its facility at Haswell in December 2010. Finally, according to V&S, in 2011, Bartlett shipped 27 carloads of grain, and in the first six months of 2012, Bartlett shipped 51 carloads of grain.[25] [26]

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[23] 1998 CDOT Korve Report, pages 27 and 29.

[24] Bartlett's website lists elevators at Eads and Haswell. See: https://www.bartlettandco.com/bartlett-grain-company/facilities/

[25] See STB Docket No. FD 35664, served November 13, 2012, page 2. In the STB decision, "Tempel" is misspelled as "Temple."

[26] Tempel's cessation of operations at Haswell is likely partially due to the suffocation death of a young worker in 2009 and a subsequent Occupational Safety & Health Administration(OSHA) lawsuit.(See: http://www.npr.org/2013/03/26/174828849/fines-slashed-in-grain-bin-entrapment-deaths.)

IV. CURRENT CONDITION OF THE TOWNER LINE

As stated above, I inspected the entire Towner Line on December 2 and 3, 2014 and again on October 5 and 6, 2015. The Towner Line is currently out of service and clearly in need of substantial repairs and maintenance in order to restore service.

The 1998 CDOT Korve Report and the 2004 CDOT PBQD report identified specific problems by MP number with the track, ties, ballasts, turnouts, bridges, crossings etc. The 1998 CDOT Korve Report, which was the most detailed study, identified eight specific action items and estimated that $1,067,200 to $1,728,450 would be needed for near term maintenance and improvements in order to restore the line to operating condition.[27] Some of the identified problems were subsequently addressed, while most others remain a problem or have grown worse. Since those 1998 and 2004 inspection reports, however, the condition of the line has significantly deteriorated.

Vegetation control was cited as a major problem in both the 1998 CDOT Korve report and the 2004 CDOT PBQD Report. During my inspections, I concluded that it appears there has been little or no ongoing vegetation control program in place on the line since the CDOT Korve Report was issued, which has clogged the ballast and greatly accelerated the deterioration of the ties.[28] Appendix GWF-6, Pictures 1-33, shows various photographs of the Towner Line, which I took during my inspection. Pictures 3 through 6 show examples of the lack of vegetation control and the deterioration of ties.

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[27] 1998 CDOT Korve Report, page 32.

[28] A July 29, 1999 addendum to the 1998 CDOT Korve Report indicates that a vegetation control mowing and spraying project was conducted in May 1999.

In addition to vegetation control, a significant number of ties will likely need to be replaced in order to restore Class 1 service to the line. The ballast is in very poor condition and nonexistent in many places. The ballast needs to be cleaned and a significant amount of ballast must be replaced in order to restore Class 1 service.

V&S has removed spikes and rail anchors from both rails for over 20 miles (leaving them in place only in approximately every fifth tie) in an area between MP 821 and MP 848. Appendix GWF-6, Pictures 13 through 15 show pictures of these areas. This has been done in an area of 136 lb. CWR. Un-spiked and un-anchored CWR can, over time and during periods with significant temperature changes, result in longitudinal rail movement and stress. The reinstallation of this track material can be costly, as many of the ties are deteriorated and will need to be replaced or plugged in order to hold spikes. There would also be FRA inspection and other costs associated with the reestablishment of rail service.

Although most of the rail on the line is in fairly good condition, the entire line needs to be stabilized, resurfaced, and inspected in order to restore Class 1 service to the line. During my most recent inspections of the Towner Line, I closely inspected the rail at many locations and measured the head wear of the rails using a calibrated rail wear gauge, which measures the horizontal and vertical wear in inches, and made other observation, such as the number of spikes per tie. I found significant head wear, especially on the older 112 lb. and 115 lb. jointed rail made in the 1940's.

V. STB'S NLV STANDARD

NLV is a minimum valuation regulatory standard that is relatively unique to the railroad industry. The valuation of individual railroad lines or segments is often an issue before the STB in railroad abandonment, feeder-line, and other regulatory proceedings. In such proceedings, the STB has often been called upon to determine the NLV of individual railroad lines. NLV includes two major components:

(1) The value of the underlying real estate or land value; and

(2) The Net Salvage Value (NSV) of the track and materials (Gross Salvage Value or GSV less cost of removal).

The statute provides that the "constitutional minimum value" of a railroad line shall not be less than "the net liquidation value of such line or the going concern value of such line, whichever is greater."[29] Since the Towner Line currently has no traffic or freight revenues and thus the line has no GCV value, NLV is the proper regulatory standard to apply for a valuation of the line.

The STB's NLV valuation standard assumes that the line which is the subject of the valuation is not a viable business operation and that the "highest and best use" of the property would be "non-rail use." Thus, a NLV valuation is based on the liquidation of the assets rather the operation of the line as a going concern.

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[29] See 49 U.S.C §10910 (b)(2).

Attached as **Appendix GWF-8** is an analysis of past STB decisions in which the Board accepted or established NLV determinations of railroad lines. The STB decides NLV on a case-by-case basis based on the best evidence of record, which is reflected in the wide variations of NLV determinations reflected in Appendix GWF-8.[30] For example, a 2.5-mile line can have a NLV of $125,000, whereas a 2.14-mile line can have a value of $3,328,758. The highest STB NLV valuation ever accepted was $16,585,760 for a 111-mile line near the Pacific coast in Oregon, which connected to a port and had a very high land value (the land value was established at $7.2 million in that case).[31] In several past cases (which are not included in the Appendix GWF-8 list), the STB used a NLV of $0 because the calculations were unsupported.[32]

In addition to being used to establish the sale price of a line, NLV is used as a component in the development of the opportunity cost, which reflects the economic loss experienced by a carrier from forgoing a more profitable alternative use of its assets. The opportunity cost of road property is computed on an investment base equal to the sum of: (1) allowable working capital; (2) the NLV of the line; and (3) current income tax benefits (if any) resulting from abandonment. The investment base (or valuation of the road properties) is multiplied by the current nominal rate of return, to yield the nominal return on value. The nominal return is then adjusted by applying a holding gain (or loss) to reflect the increase (or decrease) in value a carrier will expect

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[30] The cases listed in Appendix GWF-8 were developed based on my research of STB decisions. This list may be incomplete, as some early STB decisions are no longer available online.

[31] See STB decisions in Docket No. FD 35160, Oregon International Port of Coos Bay-Feeder Line Application - Coos Bay Line of The Central Oregon & Pacific Railroad, served November 20, 2008 and March 12, 2009.

[32] See, for example STB Docket No. AB 167 (Sub-No. 1167X), Consolidated Rail Corporation - Abandonment Exemption - In Wicomico County, MD, served February 19, 1997.

to realize by holding assets for 1 additional year. Thus, NLV is not always an important factor and often not a contested issue in abandonment cases. The NLV has been a much more important factor in cases involving line sales under the OFA process or under the so-called Feeder Line provisions, such as the instant proceeding. In such cases, the STB may be called upon to determine the NLV as it will become the sale price of the line.

VI. PREVIOUS NLV ESTIMATES OF THE TOWNER LINE

The following table (Figure 7) shows the NSV, land and NLV values included in the five previous NLV studies of the Towner Line:

Figure 7

Previous NLV Estimates of The Towner Line

Item	Net Salvage Value	Land	Net Liquidation Value
1996 STB UP/SP Merger	$9,811,169	$450,955	$10,262,124
1998 CDOT Korve Report	$11,616,448	$468,600	$12,085,048
2004 CDOT PBQD Report[33]	$3,890,069	$0	$3,890,069
2014 V&S RLB Report	$26,951,300	$0	$26,951,300
2015 V&S RLB Report	$27,023,500	$0	$27,023,500

The NLV estimates included in the 2014 and 2015 V&S RLB Reports ($26,951,300 and $27,023,500, respectively) are significantly higher than all the previous other NLV estimates of the Towner Line, are higher than any NLV established by the STB in any proceeding in its history.

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[33] The 2004 CDOT PBQD Report concluded that the NLV of the Towner Line was $7,116,869. However, the 2004 CDOT PBQD Report failed to account for track removal ($2,636,000) and Miscellaneous Removal/Cleanup ($131,800), which were included in the 1998 CDOT Korve Report. With these adjustments, the corrected NLV would have been $3,890,069.

VII. GROSS SALVAGE VALUE OF THE TOWNER LINE

The Gross Salvage Value (GSV) is the nominal value of the track assets (excluding land) such as rail, ties, ballast, signals and other track materials *before* adjustments to reflect removal and liquidation costs, which are necessary to determine the NSV of the assets. Figure 2 (page 10) summarizes the NLV of the Towner Line based on STB's NLV standards, which estimates that the GSV of the line is **$8,104,886**. The following table (Figure 8) shows a break-down of this GSV calculation:

Figure 8

Estimated GSV of The Towner Line

Line	Item	Amount
1.	Rail	$5,919,563
2.	Other Track Materials	$2,166,466
3.	Turnouts	$18,837
4.	Ties	$0
5.	Ballast	$0
6.	Signals	$0
7.	Crossing Equipment	$0
8.	Bridges	$0
9.	**Gross Salvage Value (GSV)**	**$8,104,866**

A. Rail Characteristics and Amounts

According to the previous valuations and my inspection of the Towner Line, the most valuable asset on the line is the rail, which amounts to 134.1 miles of track and 28,909 tons of steel rail.

Steel rail comes in various weights and sizes, usually referenced by pounds (lb.) per yard, and generally can range from 70 lbs. jointed (often on older lightly-used shortline railroads or on abandoned lines) to 141 lb. CWR (often used on high-density Class I railroad lines) depending on the age of the line, rail traffic and use. Since the Towner Line was once a high-volume MOPAC mainline, a significant portion of the rail on the line was upgraded with heavier rail. Most of the eastern section of the remaining line and most of the sidings are either 115 lb. or 112 lb. jointed rail manufactured between 1944 and 1949. Approximately 40% of the rail (37.70% of the miles and 41.86% of the tons) is heavier 136 lb. rail CWR produced in the mid-to-late 1970's, which was installed on the Western Section of the line from Arlington to NA Junction.

The 1998 CDOT Korve Report was the most detailed study of the line. The 2004 CDOT PBQD Report was essentially an update of the findings in the 1998 CDOT Korve Report. The Korve engineers who prepared the 1998 CDOT Korve Report were granted extraordinary access to the line by UP (then the owner of the line). This included the inspection of the entire line using two hi-rail vehicles and two-day follow-up inspections by automobile. The 1998 CDOT Korve Report concluded that the line contained 121.9 miles of track and approximately 9.9 miles of sidings and spurs.

The 2014 V&S RLB Report contained detailed lists of several different rail types and quantities that make up 134.10 miles of track (121.90 miles of main track and 12.20 miles of sidings) and 28,909 tons of rail.[34]

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[34] See Revised 2014 V&S RLB Report, Appendices Two and Three. I note that Appendix Two uses slightly different rail miles than shown in Appendix Three (i.e. 133.68 total miles versus 134.13 miles, respectively)

The following table (Figure 9) compares the rail amounts included in the 1998 CDOT Korve and 2004 CDOT PBQD Reports with the rail amounts included in the 2014 V&S RLB Report:

Figure 9

Comparison of Sizes, Types and Amounts of Rail on the Towner Line

Type of Rail	1998 CDOT Korve & 2004 CDOT PBQD		2014 V&S RLB Report	
	Miles	Tons	Miles	Tons
136 lb. CWR	51.90	12,423	50.55	12,102
133 lb. CWR	0.00	0.00	0.35	82
132 lb. CWR	0.00	0.00	3.75	871
115 lb. CWR	0.00	0.00	2.95	597
115 lb. Jointed	56.00	11,334	52.40	10,606
113 lb. CWR	0.00	0.00	3.15	627
112 lb. Jointed	20.40	4,021	18.65	3,676
85 & 90 lb. Jointed	3.50	524	2.30	349
Total Rail	**131.80**	**28,302**	**134.10**	**28,909**

Although the V&S track mile estimates are slightly higher as a result of using 12.2 miles versus 9.9 miles of sidings and spur tracks, I accepted the V&S rail sizes and amounts for the purposes of preparing my NLV calculations.

The rail types and quantities included 2014 V&S RLB Report were purportedly developed based on a one-day inspection performed by Crew S. Heimer, who was listed as RLB's Director of Transportation Engineering.

However, in my experience, it is doubtful that such a detailed list of rail types and quantities could be developed based on a one day inspection.[35] I believe it is more likely that RLB was supplied the rail categories and quantities from their client, V&S or A&K, based on a more detailed inspection of the line in connection with the planned harvesting the rail.

B. Salvaged Used Rail Categories

Used rail (and other track materials, such as tie plates and angle bars) can be classified and valued in three general categories:

(1) **Relay** - The best quality salvaged used rail which is suitable to be re-laid and reused in other railroad service. Used relay rail generally has the highest value, but the price of relay rail varies widely with the market for rail track. Even so, the retail value will almost always be lower than the cost of new rail. Used relay rail may also require additional grinding once it is installed;

(2) **Reroll** - Rail which has too much wear or flaws to be re-laid, but could be rerolled. Reroll rail, since it must be processed at a rolling mill, usually has a value which is only slightly higher than scrap; and

(3) **Scrap** - Rail with too much wear and flaws for relay or reroll. Scrap rail has the lowest salvage value.

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[35] Mr. Heimer's qualifications included in the 2014 V&S RLB Report indicates that he is RLB's Director of Transportation of Engineering. Mr. Heimer's *LinkedIn* profile, however, indicates that he is currently a Rail Technical Specialist II at Whitman Requardt & Associates, LLC and previously worked for RLB as a Transportation Engineer from January 1988 to April 2000. The recently revised 2015 V&S RLB Report dated August 7, 2015 was presented to A&K Rail Materials by Charles H. Banks, President of RLB, and makes no mention of Mr. Heimer. Moreover, RLB's website (http://www.rlbadc.com/about/staff) indicates that Lee Meadows is RLB's Director of Transportation Engineering.

C. Previous CDOT GSV for Rail Calculations

The 1998 CDOT Korve and 2004 CDOT PBQD studies used the same number of miles of track and tons, but used different unit costs. The following table (Figure 10) shows the details of those Gross Rail Salvage Value ("GRSV") calculations:

Figure 10

1998 CDOT Korve and 2004 CDOT PBQD
GSV For Rail Estimates

Type of Rail	Miles	Tons	Average Unit Price Per Ton	GSV Rail Amount
1998 CDOT Korve Report				
136 lb. CWR	51.9	12,423	$350.00	$4,348,050
115 lb. Jointed	56.0	11,334	$310.00	$3,513,540
112 lb. Jointed	20.4	4,021	$300.00	$1,206,300
85 & 90 lb. Rail	3.5	524	$75.00	$39,300
Total	**131.8**	**28,302**	**$321.79**	**$9,107,190**
2004 CDOT PBQD Report				
136 lb. CWR	51.9	12,423	$155.00	$1,925,565
115 lb. Jointed	56.0	11,334	$155.00	$1,756,770
112 lb. Jointed	20.4	4,021	$155.00	$623,255
85 & 90 lb. Jointed	3.5	524	$155.00	$81,220
Total	**131.8**	**28,302**	**$155.00**	**$4,386,810**

As can be seen, the 1998 CDOT Korve Report used unit prices ranging from $75.00 to $350.00 per ton, whereas the 2004 CDOT PRQD Report applied a single unit price of $155.00 per ton. Neither of these studies document the sources for the unit prices used in the studies. However, the 2004 CDOT PBQD Report indicates that the $155.00 unit price represented a current price for scrap steel.

D. Rail Salvage Category Allocations for The Towner Line

Based on my inspections of the Towner Line and the identified characteristics and condition of the rail, I have developed the GSV based on the following reasonable and logical allocations of the rail into the following categories:

- **Relay Rail -** 26.30 miles of the 136 lb. CWR rail (or 19.61% of the total track miles) could be sold as used relay rail;
- **Reroll Rail -** 28.35 miles of the remaining 136 lbs. CWR other CWR (or 21.14% of the total track miles) could be sold as reroll rail; and
- **Scrap Rail** – 79.45 miles (or 59.25 % of the total track miles) of the remaining CWR and jointed rail could be sold as scrap.

There are 50.55 miles of fairly good quality 136 lb. CWR on the Western Section of the Towner Line. It is reasonable to assume that some of the 136 lb. CWR in place could be sold as relay rail at a discounted price. Based on my inspection of the 136 lb. CWR rail on the Towner Line in many locations, I found that approximately 26.30 miles of the 136 lb. CWR is good quality, heavy-duty rail with relatively little head wear for its age.

The remaining 136 lb. and other CWR is likely not suitable for relay based on the age and wear of the rail and the fact that in mid-2014 V&S started removing pins and tie plates from a large segment of the 136 lb. CWR, which could have easily resulted in damage to the rail because of the severe temperature swings from the summer to winter months. As a result, it is reasonable to assume that 28.35 miles of the CWR would only be suitable for sale as reroll rail. The remaining 79.45 miles of the remaining older, worn, lighter and mostly jointed 115 lb., 112 lb., 90 lb. and l 85 lb. and 90 lb. rail would be suitable only for scrap.

Based on this approach, I have estimated the relay, reroll and scrap rail miles on the Towner Line in the following table (Figure 11):

Figure 11

Estimated Relay, Reroll and Scrap
Rail Track Miles on the Towner Line

Type of Rail	Total Miles	Relay Miles	Reroll Miles	Scrap Miles
136 lb. CWR	50.55	26.30	24.25	0.00
133 lb. CWR	0.35	0.00	0.35	0.00
132 lb. CWR	3.75	0.00	3.75	0.00
115 lb. CWR	2.95	0.00	0.00	2.95
115 lb. Jointed	52.40	0.00	0.00	52.40
113 lb. CWR	3.15	0.00	0.00	3.15
112 lb. Jointed	18.65	0.00	0.00	18.65
90 lb. Jointed	0.60	0.00	0.00	0.60
85 lb. Jointed	1.70	0.00	0.00	1.70
Total	**134.10**	**26.30**	**28.35**	**79.45**

E. Current Used Rail Relay, Reroll and Scrap Prices

As earlier stated, the used relay rail market is very difficult to access and verify. It is reasonable and logical to assume that, all things being equal, the price for used steel rail would be cheaper than the price for new steel rail. Indeed, the Class I railroads paid an average of $853.36 per ton for new rail (which was close to the average cost for new Plate steel) and only $381.75 for used rail in 2014, which represents more than a 50% discount.

The price *per ton* for new steel rail should not be significantly different on a per ton basis than the prices for HRB, CRC or Plate steel. If there is a relationship between the cost of new steel rail and new HRB, CRC or Plate steel, then the cost of new steel rail should have dropped significantly since September 30, 2014. As of February 8, 2016, the average prices for *new* HRB, CRC and Plate steel dropped from $668, 774, and $860 per ton to $402, $542, and $484 per ton, respectively.

Current new steel rail prices should be in this same range ($402 to $542 per ton). To be conservative, I have assumed that the current price for new steel rail price of $600.00 per ton, which is higher than the current HRB, CRC and Plate steel prices per ton. I have applied a conservative discount of 25% in order to estimate a current used relay rail price of **$450.00 per ton**.[36]

The current reroll value is based on American Metal Market ("AMM") prices for Rerolling Rails to Chicago. The most current (February 2016) Rerolling Rails price to Chicago $190.00 per gross ton (2,240 lbs.), which equates to $**169.64 per ton**. The current (February 2016) average scrap price for No. Heavy Melting Scrap (HMS) to Chicago is $150.00 per gross ton, which equates to **$133.93** per ton (February 2016 price).

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[36] The 2014 V&S RLB Report applied used relay rail prices ranging from $600 to $870 per ton, which it indicated were as of September 30, 2014. These 2014 used relay rail prices per ton were not significantly different than new steel prices at the time. The 2014 Class I average cost for new rail was $853.36 per ton. According to data published by *SteelBenchmarker*, as of September 22, 2014, the average prices for *new* HRB, CRC and Plate steel were $668,774 and $860 per ton, respectively.

F. GSV for Rail

Appendix GWF-7 (page 4) shows the details of my restatement of the GSV for the rail on the Towner Line. The following table (Figure 12) summarizes my restatement:

Figure 12

The Towner Line GSV for Rail

Type of Rail	Miles	Tons	GSV
136 lb. CWR	50.55	12,102	$3,702,973
133 lb. CWR	0.35	82	$13,481
132 lb. CWR	3.75	871	$143,356
115 lb. CWR	2.95	597	$77,568
115 lb. Jointed	52.40	10,606	$1,377,817
113 lb. CWR	3.15	627	$81,387
112 lb. Jointed	18.65	3,676	$477,594
90 lb. Jointed	0.60	95	$12,347
85 lb. Jointed	1.70	254	$33,039
Total	**134.10**	**28,909**	**$5,919,562**

G. GSV For Other Track Materials

The 1998 CDOT Korve Report determined that the Towner Line contained 16,299 tons of other track materials (OTM), such as joint bars, tie plates and spikes, which it valued at $300 per ton for a liquidation value of $4,889,700.[37] This indicates to me that in 1998 Korve considered some of the OTM to be of relay rail quality. The 2004 CDOT PBQD Report also

[37] 1998 CDOT Korve Report, page 29.

used 16,299 tons for OTM, but applied a scrap value unit price of $155 per ton for a total gross salvage value of $2,526,345.[38] This indicates to me that by 2004 none of the OTM material could be considered relay rail quality. Certainly, there may be a small market and some of the Towner Line OTM could be reused, but it is clearly unreasonable to assume, as V&S did in 2015,[39] that nearly all of the OTM would be sold as high-value relay OTM. Like relay rail, there is a significant amount of competition in the OTM market and the Class I railroads generally purchase new and imported OTM rather than used OTM.

I have restated the 2015 V&S RLB Report calculation using the updates scrap value ($133.93 per ton). The details of this restatement are shown in Appendix GWF-7, pages 5 and 6, and summarized in the following table (Figure 13):

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[38] 2004 PBQD Report, Appendix B

[39] Appendix Two of the 2015 V&S RLB Report includes a significantly higher value of $11,432,900 for OTM. Part of this difference results from the inclusion of railroad ties as OTM. Excluding railroad ties results in an OTM value of **$10,888,900** included in the 2015 V&S RLB Report. In a similar approach to the calculation of the rail GSV, the V&S RLB Reports assume that the vast majority of the OTM on the Towner Line was re-useable and could be sold as relay OTM rather than scrap. Indeed, approximately 97% of the $10,888,900 calculated OTM value was developed based on unsupported retail resale values rather than scrap values.

Figure 13

The Towner Line GSV For Other Track Materials

Type of Rail	2016 KCVN/CPRR GSV OTM
Relay Tie Plates	$0
Scrap Ties Plates	$1,858,053
Total Tie Plates GSV	$1,858,053
Relay Joint Bars	$0
Scrap Joint Bars	$162,089
Total Joint Bars GSV	$162,089
Relay Rail Anchors	$0
Scrap Rail Anchors	$53,162
Total Rail Anchors GSV	$53,162
Relay Spikes	$0
Scrap Spikes	$72,817
Total Spikes GSV	$72,817
Relay Bolts & Washers	$0
Scrap Bolts & Washers	$20,345
Total Bolts & Washers GSV	$20,345
Total Relay OTM	$0
Total Scrap OTM	$2,166,466
Total OTM GSV	**$2,166,466**

H. GSV for Turnouts

The 1998 CDOT Korve and 2004 PBQD Report indicated that there are twenty-eight (28) #10 manual turnouts on the Towner Line. Both reports used the same unit prices and values. The following table (Figure 14) shows the development of the gross salvage value of the turnouts:

Figure 14

1998 CDOT Korve and 2004 CDOT PBQD
Estimated GSV For Turnouts

Item	Quantity	Unit Price	GSV
#10 Turnout - 112 lb. Rail	4	$4,000	$16,000
#10 Turnout - 115 lb. Rail	12	$5,000	$60,000
#10 Turnout - 136 lb. Rail	12	$9,000	$108,000
Total	**28**		**$184,000**

This analysis assumes that that the turnouts are relay quality, however, the 1998 CDOT Korve Report does not provide the source for the unit prices used in its analysis. It does, however, indicate that there are problems with at least one of the turnouts. For example, the turnouts at the Stuart siding "have had the frog and one of the points removed."[40]

Appendix Two of the 2015 V&S RLB Report indicated that there are 29 turnouts on the line: eleven (11) 136 lb. #10 turnouts; seven (7) 115/112 lb. #10 turnouts; and eleven (11) unidentified turnouts. I have accepted these types and numbers of turnouts for my analysis.

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[40] 1998 CDOT Korve Report, page 5.

Like the relay rail and OTM markets, the relay turnout market is also difficult to estimate. This relay turnout market faces the same growing competition and same relatively small non-Class I market. The condition of relay turnouts is very important, since turnouts can be derailment locations.

Since these are older manual turnouts with significant age and wear, I have valued 28 turnouts and used a weight of 5 tons per turnout (also used in the 2015 V&S RLB Report). Using updated scrap values ($133.93 per ton), I have calculated GSV of turnout to be $18,837. The details of this restatement are shown in Appendix GWF-7, page 7, and summarized in the following table (Figure 15):

Figure 15

The Towner Line GSV For Turnouts

Type of Rail	**2016 KCVN/CPRR GSV**
Total Relay Turnouts	$0
Total Scrap Turnouts	$18,837
Total GSV for Turnouts	**$18,837**

I. GSV for Ties

The 1998 CDOT Korve Report and the 2004 CDOT PBQD Report indicate that the Towner Line contains 425,714 railroad ties.[41] However, the reports differ in the breakdown between good, fair, and bad ties and the value per tie. The following table (Figure 16) shows the tie breakdown and tie GSV in each report:

Figure 16

1998 CDOT Korve and 2004 CDOT PBQD
Estimated GSV for Ties

Item	1998 CDOT Korve	2004 CDOT PBQD
Total Ties	425,714	425,714
% Good Ties	88%	50%
Est. Good Ties	374,629	212,857
Good Tie Unit Price	$5.00	$1.00
Good Tie GSV	$1,873,145	$212,857
% Fair Ties	10%	45%
Est. Fair Ties	42,571	191,571
Fair Tie Unit Price	$3.00	$1.00
Fair Tie GSV	$127,713	$191,571
% Poor Ties	2%	5%
Est. Poor Ties	8,514	21,286
Poor Tie Unit Price	$0.00	$1.00
Poor Tie GSV	$0	$21,286
Total Tie GSV	**$2,000,858**	**$425,714**

[41] The Railroad Tie Association (RTA) indicates that ties are generally spaced at 19.5 inches on center, which equates to 3,249 ties per mile. Based on 131.8 miles of track on the Towner Line and RTA's estimated 3,249 ties per mile, there would be 428,218 ties on the line.

The studies indicate that the ties significantly deteriorated between 1998 and 2004, as the "good" ties dropped from 374,629 to 212,857 during that period. The 2004 CDOT PBQD Report states: "At this point in time; numerous sources indicate that there is virtually no market for and no net value in used ties. The cost of removal may actually exceed any residual value. At a maximum, it has been suggested that an analysis might show $1 per tie."[42]

In the decade since (i.e., 2004 to 2015), there has been very little or no vegetation control and the ballast has all but disappeared on the Towner Line, which has resulted in significant additional deterioration of the ties.

The following table (Figure 17) shows FRA standards (49 C.F.R. § 213.109 Crossties), which indicates that each 39-foot segment of track shall have at a minimum of the following minimum number of non-defective ties:

Figure 17

FRA Crossties Standards

Class of Track	Tangent Track and Curves < 2 degrees	Turnouts and Curves > 2 degrees
Class 1 (10 mph)	5	6
Class 2 (25 mph)	8	9
Class 3 (40 mph)	8	10
Class 4 (60 mph)	12	14
Class 5 (80 mph)	12	14

[42] 2004 CDOT PBQD Report, Appendix B.

Non-defective wooden ties should not be: (1) broken through; (2) split or otherwise impaired to the extent the crosstie will allow the ballast to work through, or will not hold spikes or rail fasteners; (3) so deteriorated that the crosstie plate or base of rail can move laterally 1/2 inch relative to the crosstie; or (4) cut by the crosstie plate through more than 40 percent of a crosstie's thickness.

In OFA and Feeder Line proceedings, the STB generally classifies and values ties in three categories: relay ties; landscaping ties; and scrap ties.[43] During my two-day inspection of the line, I closely evaluated the ties at many different locations. Appendix GWF-6, Pictures 10 through 12 are some representative pictures of the ties on the Towner Line. The ties are clearly old and in poor condition. At many locations, the vegetation has totally covered the ties.

Based on my inspections and estimates, I estimate that the so-called "good" or non-defective ties on the Towner Line would now be only 25% of the total. Because of the age of the ties and the lack of maintenance and vegetation control, the vast majority of the ties would fall into the "fair" or "poor" category and have little or no scrap value. This 25% estimate would equate to approximately 6 non-defective ties per 39 ft. section, which would be equal to FRA Class 1 standards. While the average number of non-defective ties may meet FRA Class 1 standards, there are a significant number of sections which will require tie replacements and an extensive tie replacement program will be required in order to continue operating the line. Only a very limited number of the remaining "good" ties would be suitable for relay. The vast majority of the ties in place are at the end of their useful service life. There are a few locations where some of the ties appear to have been recently replaced and may have some relay value, but

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[43] See, for example, STB decision in Coos Bay, served March 12, 2009, page 4, footnote 7.

I estimate that such suitable ties would represent less than one percent of the total.[44] I estimate that the ties, upon removal, would fall into the following categories:

- **Relay Quality Ties -** Approximately 0.50% of the ties would be relay quality. This equates to 2,178 ties, which may be able to be obtained from the few areas which have recently been repaired or upgraded;
- **Landscape Quality Ties -** Approximately 25% of the ties would be suitable for landscaping (12.5% Landscaping #1 and 12.5% Landscaping #2); and
- **Scrap Ties -** The remaining ties (74.5%) would be scrap ties with little or no value. Since the ties are so old, the tie removal process itself would turn many landscape quality ties into scrap ties.

I have used a unit prices of $28.00 per relay ties, $8.00 per landscape #1 ties, $4.00 per landscape #2 ties and ($2.00) for scrap ties (it will likely cost at least $2 per tie to dispose of the scrape ties in an environmentally safe manner). The details of this restatement are shown in Appendix GWF-7, page 8, and summarized in the following table (Figure 18):

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[44] On average, only 4.70% of salvaged railroad ties are in condition to be used as relay ties. (RTA, *Wood Crossties 2008 Benchmark Tie Disposal Survey*, page 3.) In contrast, the 2015 V&S Report assumed that the majority (63.50%) of the ties on the Towner Line would be suitable for resale as either relay of landscaping ties and that overall the ties have a GSV of $1,344,000:

Figure 18

The Towner Line GSV For Ties

Type of Rail	2016 KCVN/CPRR
Total Track Miles	134.1
Ties Per Mile	3,249
Total Ties	435,691
Relay Ties	$60,984
Landscaping #1 Ties	$435,688
Landscaping Ties	$217,844
Scrap Ties GSV	($649,182)
Total GSV for Ties	**$65,334**
Estimated Tie Removal Cost	**$871,382**
Total GSV for Ties, Less Removal	**($806,048)**
Total NLV for Ties	**$0**

As Figure 18 shows, I have estimated that the tie removal cost ($871,382) would far exceed the GSV of the ties ($65,334). However, the STB "has not permitted removal costs, no matter how great, to reduce the value of ties overall below zero in an OFA or Feeder Line case."[45] As a result, I have applied a zero value ($0) for both the GSV of the ties and the removal cost of the ties. Thus the net value of the ties on the Towner Line would be $0.

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[45] *Ibid.*

J. GSV for Ballast

Neither the 1998 CDOT Korve Report nor the 2004 CDOT PBQD Report included a value for ballast in their GSV or NLV calculations. Indeed, because of the lack of vegetation control and erosion in the road bed, only a limited amount of ballast remains on the road bed. As a result, the value of the ballast was set at zero ($0).

K. GSV for Signals

The 1998 CDOT Korve Report determined that there were 141 signals on the Towner Line, which it valued a $31,000.[46] The 2004 CDOT PBQD also used 141 signals, but determined that the "Railroad Signals and detectors are obsolete and have no value."[47] I agree with this conclusion that the signals would have no GSV. Most of the electronics have since been removed. The signals may have some limited scrap value, but the removal cost would likely far exceed the scrap value. The 1998 CDOT Korve Report indicates that the removal cost for the signals would be $459,000.[48] As a result, the value for signals was set at zero ($0).

L. GSV for Crossing Equipment

The 1998 CDOT Korve Report determined that there were 83 pieces of crossing equipment. However, values were only assigned to 6 crossings with lights only ($3,000 each) and 7 crossings with lights and gates ($5,000 each) for a total of $53,000.[49] The 2004 CDOT PBQD also valued these 13 crossing equipment at $53,000.[50] The antiquated crossing equipment

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[46] 1998 CDOT Korve Report, page 29.
[47] 2004 CDOT PBQD Report, page 9.
[48] 1998 CDOT Korve Report, page 30.
[49] 1998 CDOT Korve Report, page 29.
[50] 2004 CDOT PBQD Report, page 9.

on the Towner Line may have some limited scrap value, but the removal cost would likely far exceed the scrap value. As a result, the value for crossings equipment was set at zero ($0).

M. GSV for Bridges

The 1998 CDOT Korve Report indicates that the line contains 44 bridges, which range in size from 23 ft. to 506 ft. and were installed from 1922 to 1974.[51] Most of the bridges (31) are timber pile trestle bridges.[52] The 1998 CDOT Korve Report valued the bridges at $112,500, but estimated that the bridge removal cost would be $1,540,000.[53] The 2004 CDOT PBQD Report estimated that the bridge removal cost was "likely to exceed $2 million."[54] Based on my observation, the 44 bridges on the Towner Line may have a limited scrap value, but the removal cost would likely far exceed the scrap value. As a result, the value for bridges was set at zero ($0).

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[51] 1998 CDOT Korve Report, page 27.
[52] 1998 CDOT Korve Report, page 29.
[53] 1998 CDOT Korve Report, pages29 and 30.
[54] 2004 CDOT PBQD Report, page 8.

VIII. REMOVAL & LIQUIDATION COST

The 1998 CDOT Korve Report estimated that the total removal and liquidation cost would be $4,766,800.[55] This estimate included:

- Track Removal – 131.8 Miles x $20,000 per mile = $2,636,000;
- Signal Removal – 153 units x $3,000 per unit = $459,000;
- Bridge Removal – 44 Bridges x $35,000 per bridge = $1,540,000; and
- Misc. Removal/Cleanup – 131.8 miles x $1,000 per mile = $131,800.

The 2004 CDPT PBQD Report used the Signal removal cost estimated in the 1998 CDOT Korve Report ($459,000), but apparently failed to account for track removal ($2,636,000) and Misc. Removal/Cleanup ($131,800).

The removal and liquidation costs included in the 2015 V&S RLB Report ($6,626,600) are summarized in the following table (Figure 19):

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[55] 1998 CDOT Korve Report, page 30.

Figure 19

Estimated Removal & Liquidation Cost
Included in The 2015 V&S RLB Report [56]

Item	Unit		Unit Cost	Total
Fit Rail & OTM Removal	127.01	Miles	$16,000	$2,032,100
Scrap/Reroll Rail & OTM Removal	7.09	Miles	$12,000	$85,100
Fit Turnout Removal	18	Turnouts	$800	$14,400
Scrap Turnout Removal	11	Turnouts	$500	$5,500
Total Track Removal Cost				$2,137,100
Public Highway Crossing Restoration	64	Crossings	$2,000	$128,000
Private Highway Crossing Restoration	12	Crossings	$300	$3,600
Total Crossing Restoration				$131,600
Admin. & Marketing Relay Steel Materials	13%		$31,326,154	$4,112,900
Admin. & Marketing Reroll and Non-Steel Materials	5%		$2,012,200	$111,100
Total Administrative & Marketing				$4,183,500
Relay Steel Transportation by Rail to Chicago	25	Carloads	$5,776	$144,400
Total Removal & Liquidation Cost				**$6,626,600**

As discussed below, the unit costs utilized in the 2015 V&S RLB Report to determine the estimated removal and liquidation costs are understated. However, for the purposes of this proceeding, I have restated the removal and liquidation cost by utilizing most of the unit cost used in the 2015 V&S RLB Report, with the exception of the administrative and marketing percentages which are significantly understated. The details of this restatement are shown in Appendix GWF-7, pages 9 and 10, and summarized in the following table (Figure 20):

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[56] 2014 V&S RLB Report, Appendix One.

Figure 20

Estimated Removal & Liquidation
Cost For The Towner Line

Item	Amount
Fit Rail & OTM Removal	$420,800
Scrap/Reroll Rail & OTM Removal	$1,293,600
Fit Turnout Removal	$0
Scrap Turnout Removal	$14,500
Total Track Removal Cost	$1,728,900
Public Highway Crossing Restoration	$128,000
Private Highway Crossing Restoration	$3,600
Total Crossing Restoration	$131,600
Admin. & Marketing Relay Steel Materials	$549,568
Admin. & Marketing Reroll and Non-Steel Materials	$535,703
Total Administrative & Marketing	$1,085,271
Relay Steel Transportation by Rail to Chicago	$2,565,544
Total Removal & Liquidation Cost	**$5,510,315**

A. Track Removal Cost

The track removal estimate included in the 1998 CDOT Korve Report was based on a unit cost of $20,000 per mile. It is not clear if this cost includes the restoration of grade crossings (the report states that there are 83 highway/rail crossing on the line). Based on this unit cost, the 1998 CDOT Korve Report estimated that track removal cost would be $2,636,000. The 2004 CDOT PBQD Report failed to account for track removal and repair of grade crossings.

The 1998 CDOT Korve Report is now almost 18 years old. In order to obtain an updated figure, I reviewed the filings and evidence associated with the STB's most recent NLV finding, i.e., STB Docket No. AB 290 (Sub-No. 370X), Norfolk Southern Railway Company-Discontinuance Of Service Exemption-In Clermont, Brown, and Adams Counties, Ohio, served January 15, 2015. In the NLV determination for that proceeding, Norfolk Southern Corporation (NS) Witness Marcellus C. Kirchner, NS's Director Strategic Planning, estimated track removal and grade crossing repair to be $2.85 per foot, which equals $15,048 per mile.[57]

The 2015 V&S RLB Report utilized figures of $16,000 per mile for "Fit Rail & OTM Removal," i.e., track suitable for relay, and $12,000 per mile for "Scrap/Reroll Rail & OTM Removal." These figures appear low, if they include tie removal, which is not clear. The 2015 V&S RLB Report indicates that these costs are only for rail and OTM removal. Therefore, the 2015 V&S RLB Report includes the GSV for ties ($1,344,000), but apparently fails to include the tie removal cost, which (at a low figure of $2 per tie) would add up to $871,382 to the track removal cost. This exclusion obviously results in an overstatement of the NLV.

I have accepted the 2015 V&S RLB Report figures ($16,000 per mile for "Fit Rail & OTM Removal," and $12,000 per mile for "Scrap/Reroll Rail & OTM) for the purposes of this proceeding. Since I have determined that the GSV of the ties would be negative $43,486 and, therefore, have assigned no ($0) GSV to ties, the exclusion of the tie removal costs from these track removal figures is appropriate. As previously indicated, I have estimated that only 26.3 miles of the 136 lb. CWR would be suitable for relay.

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[57] STB Docket No. AB 290 (Sub-No.370X), Kirchner VS, Appendix 4, page 22.

According to the 1998 CDOT Korve Report, there are 28 turnouts on the Towner Line. The 2015 V&S RLB Report maintains there are 29 turnouts on the line. A unit cost of the $500 per turnout figure was used by NS in STB Docket No. AB 290 (Sub-No. 370X).[58] The $500 and $800 per turnout costs appears to be low considering the number of employees, amount of time and machinery that would be required to remove rails, guard rails, bolts, frogs, blocks, tie plates and other material. The details of this restatement are shown in Appendix GWF-7, page 9, and summarized in the following table (Figure 21):

Figure 21

Track Removal Cost for the Towner Line

Type of Rail	Amount
Fit Rail & OTM Removal	$420,800
Scrap Rail & OTM Removal	$1,293,600
Scrap Turnout Removal	$14,500
Total Track Removal Cost	**$1,728,900**

As Figure 21 indicates, I have determined that the track removal cost would be $1,728,900. This estimated track removal cost is also lower than the value used in the 1998 CDOT Korve Report ($2,636,000). As a result, this estimate appears to be conservative and likely results in an overstatement of the NLV.

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[58] STB Docket No. AB 290 (Sub-No.370X), Kirchner VS, Appendix 4, page 22.

B. Crossing Restoration Cost

The 1998 CDOT Korve report identified 61 public and 22 private crossings (83 total) and provided a detailed list of these crossings of the railroad right-of-way on the Towner Line by milepost. The 2015 V&S RLB Report indicated that there are 64 public highway crossings and 12 private crossings (76 total) on the Towner Line. The 2015 V&S RLB used restoration costs of $2,000 per public crossing and $300 per private crossing, which appear to be low considering the number of employees, amount of time and machinery that would be required to remove the track, regrade and/or repave the crossing areas. However, I have accepted these values for the purposes of this proceeding. The details of this restatement are shown in Appendix GWF-7, page 10, and summarized in the following table (Figure 22):

Figure 22

Crossing Restoration Cost for the Towner Line

Type of Rail	Amount
Public Crossing Restoration	$128,000
Private Crossing Restoration	$3,600
Total Restoration Cost	**$131,600**

C. Administrative & Marketing Cost

If the assets on the Towner Line are liquidated, there would be administrative costs to administer the liquidation of the rail, other track materials, and turnouts. I have used percentages of 20% for relay and 10% for scrap administrative and marketing cost, which are more reasonable considering the size of the Towner Line. The details of this restatement are shown in Appendix GWF-7, page 10, and summarized in the following table (Figure 23):

Figure 23

Administrative & Marketing Cost For The Towner Line

Type of Rail	Amount
Admin. & Marketing Cost for Relay	$549,568
Admin. & Marketing for Scrap	$535,703
Total Admin. & Marketing Cost	**$1,085,271**

D. Transportation Cost

For the purposes of this proceeding, I have accepted the transportation rate utilized in the 2015 V&S RLB Report ($5,776 per carload), however, I have included the cost of transporting relay rail, which was excluded from the 2015 V&S RLB Report. The details of this restatement are shown in Appendix GWF-7, page 10, and summarized in the following table (Figure 24):

Figure 24

Transportation Costs For Towner Line

Type of Rail	Amount
Transportation Cost for Relay	$352,336
Transportation Cost for Scrap	$2,212,208
Total Transportation Cost	**$2,564,544**

IX. THE MAJOR FLAWS IN THE V&S RLB REPORTS

As shown in the following table (Figure 25), the unit prices and the resulting gross salvage values included in the most recent 2015 V&S RLB Report (dated August 5, 2015) are significantly higher than those used in the 1998 CDOT Korve and 2004 CDOT PBQD Reports:

Figure 25

2015 V&S RLB Report
GSV for Rail Estimates[59]

Type of Rail	Miles	Tons	Average Unit Price Per Ton	Amount
136 lb. CWR	50.55	12,102	$735.13	$8,901,200
133 lb. CWR	0.35	82	$712.72	$58,400
132 lb. CWR	3.75	871	$287.44	$250,400
115 lb. CWR	2.95	597	$792.69	$473,300
115 lb. Jointed	52.40	10,606	$843.90	$8,950,200
113 lb. CWR	3.15	627	$630.45	$395,000
112 lb. Jointed	18.65	3,676	$817.26	$3,004,200
90 lb. Jointed	0.60	95	$70.50	$6,700
85 lb. Jointed	1.70	254	$278.00	$70,700
Total	**134.10**	**28,909**	**$764.81**	**$22,110,100**

[59] Figure 25 is based on an analysis of 2015 V&S RLB Report "Appendix Two." The actual unit prices used in the report are slightly higher, but were applied to only 97% of the tonnage. For example, a unit price $870.00 per ton was used for 115 lb. jointed rail, but this value was only applied to 10,288 tons, therefore, the weighted average price was $843.88 per ton. The unadjusted actual tons were used in Figure 12 for comparison purposes.

Although steel and scrap prices had *dropped* since the 2004 CDOT Korve Report (i.e., from $155 per ton to $146 per ton), the 2015 V&S RLB Report estimate is significantly higher and grossly overstated as a result of two main reasons:

- V&S erroneously claims that fully 97% (27,343 out of 28,909 total tons) of the rail tons salvaged from the Towner Line could be sold as high-quality, used relay rail; and
- V&S applied high and overstated retail used relay rail prices (i.e., $650 to $870 per ton) to the grossly inflated relay rail percentage it established.

This assumption that nearly all of the rail on the Towner Line could be sold today as high-value relay rail is erroneous and unrealistic based on both the characteristics (size, type, age and condition) of the rail and current market conditions for used rail track. Only a small percentage of the Towner Line track is of relay rail quality.

A. V&S Ignored the Sharp Market Decline In Steel and Scrap Markets

The 2015 V&S RLB Report stated that the unit prices reflected in the report represented current market prices as of August 5, 2015. Despite drastic changes in the new steel and scrap steel markets that took place since 2014, the unit prices included in the August 5, 2015 revised V&S RLB Report were not significantly different than the unit prices included in the 2014 V&S RLB Report (September 30, 2014). A comparison of the unit prices used in the two studies is shown in the following table (Figure 26):

Figure 26

2014 and 2015 V&S RLB Reports
Unit Prices for Rail on the Towner Line

Type of Rail	Total Tons	V&S RLB Report Unit Prices Per Ton		
		9/30/2014	8/05/2015	Change
136 lb. CWR, Fit #1	11,802	$775.00	$770.00	($5.00)
115 lb. Jointed, Fit#1	10,606	$870.00	$870.00	$0.00
112 lb. Jointed, Fit #1	3,629	$835.00	$850.00	$15.00
113 lb. CWR, Fit #2	627	$650.00	$650.00	$0.00
115 lb. CWR, Fit #2	450	$800.00	$800.00	$0.00
115 lb. CWR, Fit #1	147	$870.00	$850.00	($20.00)
133 lb. CWR, Fit #1	41	$700.00	$770.00	$70.00
133 lb. CWR, Fit #2	41	$630.00	$700.00	$70.00
Total / Average Relay Tons	**27,343**	**$817.54**	**$817.47**	**($0.07)**
132 lb. CWR, Reroll	871	$425.00	$296.00	($129.00)
136 lb. CWR, Reroll	299	$425.00	$296.00	($129.00)
85 lb. Jointed, Reroll	203	$425.00	$296.00	($129.00)
112 lb. Jointed, Reroll	34	$425.00	$296.00	($129.00)
90 lb. Jointed, Reroll	21	$425.00	$296.00	($129.00)
Total / Average Reroll Tons	**1,428**	**$425.00**	**$296.00**	**($129.00)**
85 lb. Jointed, Scrap	51	$323.00	$246.00	($77.00)
112 lb. Jointed, Scrap	14	$323.00	$246.00	($77.00)
90 lb. Jointed, Scrap	3	$323.00	$246.00	($77.00)
Total / Average Scrap Tons	**68**	**$323.00**	**$246.00**	**($77.00)**
Total / Avg. Tons	**28,909**	**$796.93**	**$790.30**	**($6.63)**

As can be seen, the 2015 V&S RLB Report assumed that the vast majority of the rail on the Towner Line (i.e., 27,343 tons out of 28,909 tons or 97%) would command high unit prices per ton, i.e., **$650 to $870 per ton**, as high-quality relay rail and most is assumed to be "Fit #1" or top-quality relay rail. This comparison also shows that, despite a recognized drop in both reroll (from $425 to $296 or $129 per ton) and scrap prices (from $323 to $246 or $77.00 per ton), the 2015 V&S RLB Report erroneously assumed that used relay rail prices have essentially remained the same in the last year from September 30, 2014 to August 5, 2015.

The source for the unit prices is listed in 2015 V&S RLB Report is listed as "Vendors, American Metal Markets and RLBA estimates."[60] These used relay rail unit prices (which are not significantly different from the prices used in the 2014 V&S RLB Report) are totally unsubstantiated, undocumented and unreliable. Moreover, reroll and scrap rail prices have dropped even more since August 2015.

B. Used Relay Rail Market & Values

The used relay rail market is very difficult to access and verify. Relay rail prices can be significantly impacted by several external economic factors. However, there are obvious and logical correlations and relationships between used relay rail prices, new rail prices, reroll and scrap values. All other things being equal, the price for used relay rail should logically be higher than scrap value and lower than the price of brand new rail. In general, after adjusting for transportation costs and other factors, used relay rail prices should logically range from a level just above the highest quality scrap value (reroll scrap) to somewhere well below the cost of new rail. Therefore, in evaluating the reasonableness of such used relay rail prices in NLV determinations, these prices should be compared to new rail, reroll and scrap prices.

There may be an obvious correlation between used relay rail prices and new rail prices, but these prices can be impacted by numerous factors such as: global steel prices; iron ore prices, scrap prices; volume of Asian imports; international demand; oil prices; and many other factors.

Moreover, there is a significant amount of competition in the used relay rail market, which, combined with a relatively small end user market, puts further downward pressure on used relay rail prices.

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[60] Revised 2015 V&S RLB Report, Appendix Seven.

C. Class I Railroad New and Relay Rail Market

The Class I railroads, which, according to the Association of American Railroads (AAR) 2014 Class I Railroad Statistics, operate over 161,240 track miles, represent the largest potential customers for relay rail. However, the Class I railroads replaced only 5,848 miles or 3.63% of the total Class I track miles in 2014.

The Class I railroads report new and relay replacement rail prices in the Annual R-1 report to the STB (Schedule 723). The most current data available is for the year 2014, which indicate that the weighted average cost per ton for new replacement rail was $853.36 per ton and the average cost for relay rail was only $381.75 per ton.[61] Since the Class I railroads are the largest consumers of new and relay rail, they generally buy rail in large volume. Therefore, the costs for new and relay rail for smaller railroads may be higher.

The 2014 Class I average cost for new rail was $853.36 per ton, which is lower than the highest value of $870.00 per ton for used relay rail reflected in the 2015 V&S RLB Report. Moreover, the 2014 Class I cost for used relay rail of $387.75 per ton is significantly lower than the lowest relay rail value of $650.00 per ton included in the 2015 V&S RLB Report.

Based on this analysis of Class I rail replacements, it appears that the relay rail prices included in the 2015 V&S RLB Report are significantly overstated. The assumption that 97% of the rail on the Towner Line could be sold as relay is equally erroneous and compounds the overstatement.

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[61] 2014 Class I R-1 Annual Reports, Schedule 723. These reported costs represent the average cost of new and relay rail, including the cost of loading at the point of purchase ready for shipment, the freight charges paid on foreign lines and the cost of handling rails in general supply and storage yards.

The relay rail market is affected by the fact that the Class I railroads primarily use new, rather than relay, replacement rail. According to STB Class I R-1 report data, the vast majority (85.19% of the miles) of the replacement rails laid by the Class I railroad in 2014 were new, rather than relay, rails.[62] The vast majority of the Class I replacement rails (97.23%) were also CWR rather than jointed or bolted rail. The following table (Figure 27) summarizes the 2014 Class I replacement rail miles:

Figure 27

Summary of 2014 Class I Railroad
Replacement Rail Types and Mile

Item	CWR	Jointed Rail	Total
New Rail Miles	4,912	70	4,981
Relay Rail Miles	774	92	866
Total Rail Miles	5,686	162	5,848
New Rail Miles %	84.00%	1.19%	85.19%
Relay Rail Miles %	13.24%	1.58%	14.81%
Total Rail Miles %	97.23%	2.77%	100.00%

As can be seen, in 2014 the Class I railroads used new replacement rails on 4,981 miles compared to using relay rails on only 866 miles. As a result, the Class I replacement relay rail market is very small. For example, the 2015 V&S RLB Report assumed that 127 miles out of 134.1 miles of rail on the Towner Line would be sold as relay. Such a large quantity of relay rail (127 miles) would represent approximately 15% of all Class I relay rail used nationwide in 2014.

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[62] Based on a GWF analysis of 2014 R-1 annual reports, Schedule 723.

Much of the relay rail used by the Class I railroads is self-generated, which limits the demand for used relay rail from outside suppliers, such as A&K. The Class I railroads generate their own relay rail for use on their system - a process known as "*cascading*" under which rail replaced with new rail (e.g. 141 lb. CWR) is used to replace other lessor quality rail (e.g. 136 lb. CWR, 115 lb. jointed rail, etc.) on their system.

This process further shrinks the Class I replacement relay rail market. As a result, the primary market for relay rail is essentially limited to smaller regional and shortline railroads and industry track owners, which generally have much smaller capital spending and maintenance projects and budgets.

D. Recent Decline in Steel Prices

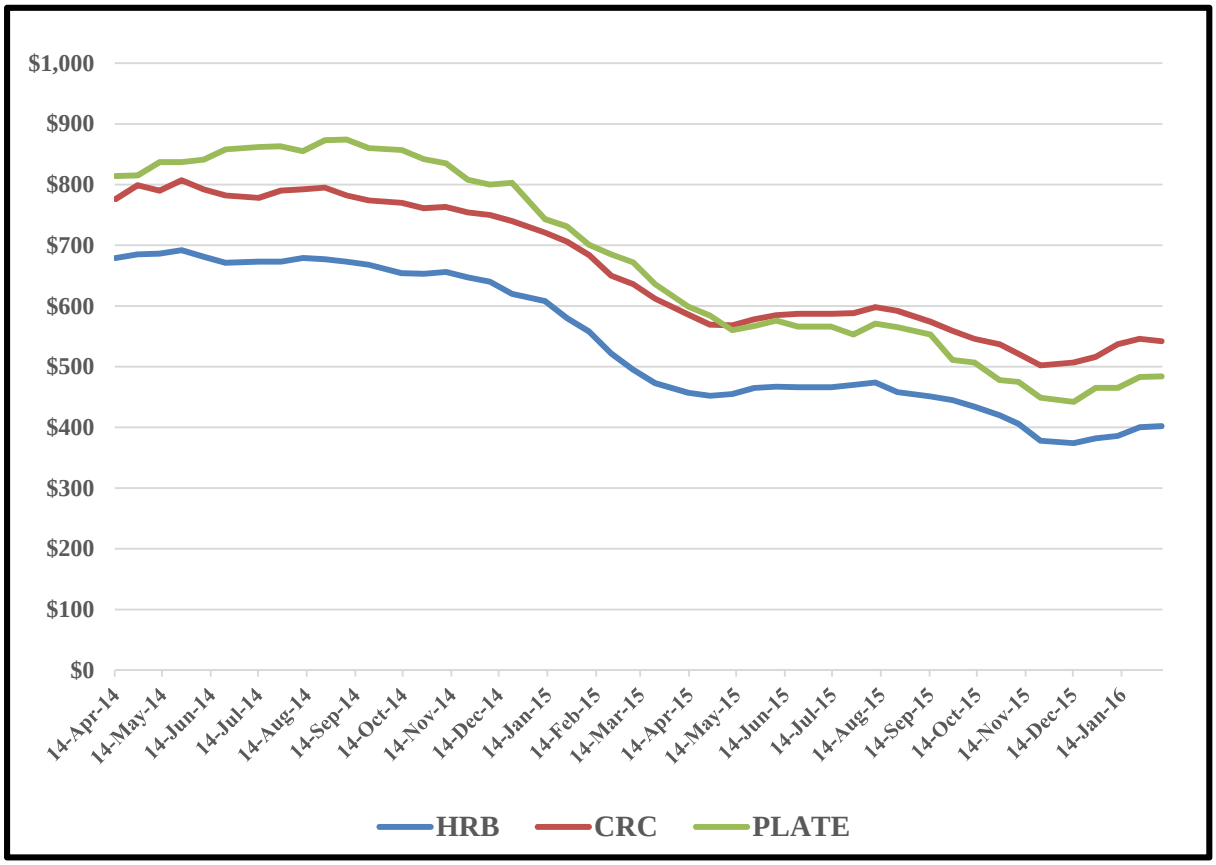
Steel rail prices have significantly decreased since 2014 as evidenced by several facts:

- Steel exports from China have increased to extraordinary levels. Chinese steel producers have cut export prices in response to a lower yuan and lower demand. Surging Chinese exports have contributed to global oversupply, reducing steel prices around the world.
- Prices for iron ore, the biggest ingredient in steelmaking, have plummeted.
- Two of the biggest U.S. steel makers, U.S. Steel Corp. and ArcelorMittal, have closed plants and laid off thousands of workers.
- In addition to the impacts associated with an increase in cheap steel imports from China, U.S. steel producers are facing a massive decrease in demand as a result of falling oil prices. Energy companies are massively scaling back drilling plans in the wake of the oil price slump, thereby affecting demand for steel in the energy market.

The following chart (Figure 28) illustrates the drop in U.S. steel prices for Hot Rolled Band (HRB), Cold Rolled Coil (CRC), and Plate steel since April 2014:[63]

Figure 28

Illustration Showing The Decline in
U.S. Steel Prices Per Net Ton Since April 2014



The data indicate that, at approximately the time of the first V&S RLB Report (i.e., September 22, 2014), HRB, CRC and Plate steel prices were $668, $774 and $860 per ton respectively. As of August 24, 2015, these steel prices had dropped to $458, $592 and $565 per ton, respectively. As February 8, 2016, steel prices have dropped to even more to $402, $542 and $484 per ton, respectively.

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63 Source: www.steelbenchmarker.com.

E. Recent Decline in USGS Published Scrap Values

In many past cases establishing the gross value of rail and other track materials, the STB has used figures published United States Geological Survey (USGS). For example, the STB used these values in Keokuk in 2004:

> Our valuation uses a unit price for scrap steel of $157.16 per ton, the composite monthly average for No. 1 heavy melt steel scrap from April 2003 (the month the feeder line application was filed) through July 2004 (the last month of available data). As shown in Appendix C, this composite monthly average is based on the Mineral Industry Surveys for Iron and Steel Scrap of the United States Geological Survey, which in turn is based on aggregated monthly data from AMM and Iron Age, another trade publication.[64]

Scrap steel prices increased in the decade since the 2004 CDOT PRQD Report ($155.00 per ton) and the Keokuk decision ($157.16 per ton). Scrap prices peaked in January, 2012 when they reached an average of $380.62 per net ton. In recent months, however, the average scrap price has significantly dropped. The following table (Figure 29) lists the most recent USGS published numbers:[65]

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[64] Keokuk, served October 28, 2004, page 15.

[65] USGS Mineral Industry Surveys, January 2015, page 13, Table 13. USGS's publishes numbers per long ton (2,240 lbs.) and per metric tons (2,204.62 lbs.), which have been converted to per short ton (2,000 lbs.). It should be noted that USGS now uses *Scrap Price Bulletin* prices instead of *Iron Age*.

Figure 29

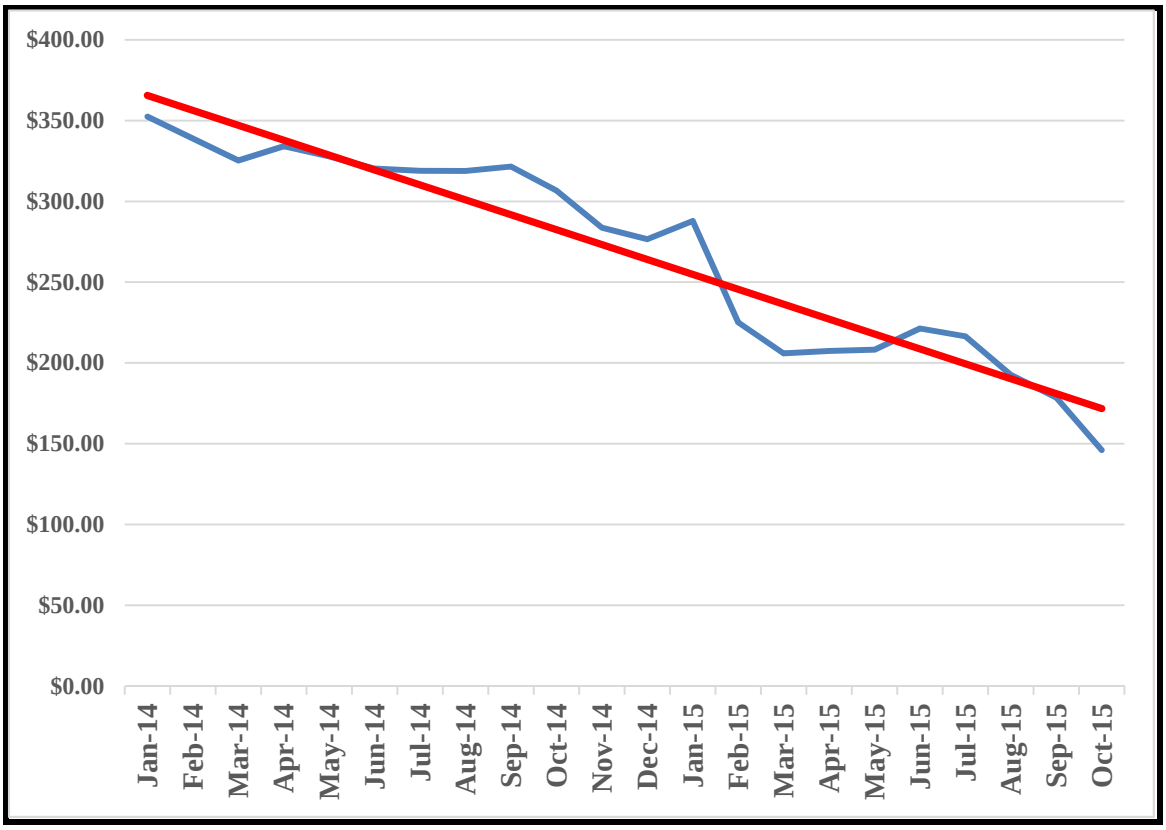
USGS Published Composite Prices for
No. 1 Heavy Melting Steel (HMS) Scrap

Month / Year		Average Price Per Net Ton (2,000 lbs.)		
		American Metal Market	Scrap Price Bulletin	Average
Average	2011	$366.95	$355.53	$361.24
Average	2012	$328.00	$326.14	$327.07
Average	2013	$308.13	$309.48	$309.07
January	2014	$352.00	$352.83	$352.42
February	2014	$338.35	$339.51	$338.93
March	2014	$325.33	$325.27	$325.30
April	2014	$333.28	$334.97	$334.13
May	2014	$326.91	$328.72	$327.82
June	2014	$319.88	$320.69	$320.29
July	2014	$318.52	$319.20	$318.86
August	2014	$318.46	$319.20	$318.83
September	2014	$320.24	$322.77	$321.51
October	2014	$307.51	$305.80	$306.66
November	2014	$281.73	$285.71	$283.72
December	2014	$275.41	$277.82	$276.62
Average	2014	$318.14	$319.37	$318.76
January	2015	$286.34	$289.43	$287.89
February	2015	$220.68	$229.54	$225.11
March	2015	$202.38	$209.31	$205.85
April	2015	$204.68	$210.12	$207.40
May	2015	$206.54	$209.67	$208.11
June	2015	$219.75	$222.82	$221.29
July	2015	$214.05	$218.83	$216.44
August	2015	$191.41	$193.84	$192.63
September	2015	$179.17	$177.83	$178.50
October	2015	$145.48	$146.58	$146.03

This recent decline in scrap prices is illustrated in the following graph (Figure 30), which show the average scrap price from January 2014 to October, 2015:

Figure 30

Recent Decline in the USGS Average
No. 1 Heavy Melting Steel (HMS) Scrap Price



The 2015 V&S RLB Report used a scrap value of $246.35 per ton, which was higher than the published August 2015 level ($192.63). Scrap values have since fallen to $133.93 per ton (February 2016). If the all the rail on the Towner Line was valued at the most recent average scrap price of $133.93 per ton, the total GSV for rail on the Towner Line would be only $3,871,782 ($133.93 per net ton x 28,909 tons).

F. Decline in Reroll Scrap Rail Values

In past cases, the STB has accepted reroll prices for rail. I have applied the most current (February 2016) Rerolling Rails American Metal Market (AMM) price to Chicago $190.00 per gross ton (2,240 lbs.), which equates to $169.64 per ton**.** For example, in Keokuk, the STB accepted a scrap value of $157.16 per ton and reroll rail value of $175.04 per ton, which represents a mark-up above the scrap value of only 1.11383.[66] The 2015 V&S RLB Report used a reroll value of $296.35 per ton.

G. Competition in the Used Relay Rail Market

There is also a significant amount of competition in the relay rail market and it is a relatively small market. There are many North American companies that are actively engaged and competing in the relay rail market, including, but not limited to:

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[66] Keokuk, served February 7, 2005, page 13.

- A&K Railroad Materials, Inc. (V&S's affiliate) [67]
- Atlantic Track & Turnout Co. [68]
- Crown Rail [69]
- East Coast Rail Services [70]
- L.B. Foster Company [71]
- Harmer Steel [72]
- Nevada Railroad Materials, Inc. [73]
- North American Rail Products [74]
- Omaha Track [75]
- Progress Rail Services [76]
- RailIron.com [77]
- Rail Ryder Services, LLC [78]
- Rail Service Group, Inc. [79]
- Ray's Transportation, Inc. [80]
- Recycling Consultants, LLC [81]
- UNITRAC Railroad Materials, Inc. [82]

Competition in the relay rail market has also significantly increased in recent years by the ability to buy relay rail on the internet via sites like Alibaba.com, which has hundreds of domestic and international listings for new and relay rail for sale. Not only is there significant competition in the used relay rail market, but the marketplace has shrunk and significantly changed in recently years.

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67 See: www.akrailroad.com/
68 See:www.atlantictrack.com/
69 See: www.crownrail.com/
70 See: www.eastcoastrailroadservices.com/
71 See:www.lbfoster.com/
72 See: www.harmersteel.com/
73 See: www.nevadarailroadmaterials.com/
74 See: www.narailproducts.com/
75 See: www.omahatrack.com/
76 See: www.progressrail.com/
77 See: www.railiron.com/
78 See: www.railryderservices.com/
79 See: www.railservicegroup.com/
80 See: www.raystransportation.com/
81 See: www.recycling-consultants.us/
82 See: www.unitracrail.com/

H. Differences in CWR and Jointed Relay Rail Demand

CWR is more economical than jointed rail and certainly in higher demand. There are fewer joints to maintain, fewer "bumps" to the wheels and trucks, and fewer railheads getting hit and split. And, as Figure 27 demonstrates, CWR in much higher demand than jointed rail.

While there may be some limited demand for the lighter, older, jointed relay rail, this demand is almost entirely from non-Class I railroads and industry switching facilities, since over 97% of the Class I replacement rails in 2014 were CWR rather than jointed or bolted rail.[83]

The smaller railroads also appear to have a higher demand for heavier CWR rail than lighter jointed rail. The following are excerpts from a Progressive Railroad article titled: "*Small freight railroads' infrastructure programs suggest a busy year*" appear to indicate that most of the largest shortline projects are using CWR:

- Conrail—"Rail: Install or replace 10.3 miles of rail, including new CWR installation, 136-pound RE common and heat treated, and relay CWR installation, 127-pound Dudley."
- Indiana Railroad—"Rail: Install or replace 10 miles of rail, including 5.8 miles of cut and slide and 4.2 miles of CWR."
- New York, Susquehanna, and Western Railway—Rail: Install or replace 9.6 miles of rail, with 136-pound CWR.
- Wheeling and Lake Erie Railway Co.—"Rail: Install or replace 13 track miles of rail, with 115- and 136-pound CWR."
- Carload Express, Inc.—"Rail: Install or replace 7.4 miles of rail, with 136-pound RE CWR.
- Wisconsin & Southern Railroad (WATCO)—"Rail: Install 11 miles of jointed rail (new construction) and rehab 8 miles of CWR."

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[83] Based on a GWF analysis of 2014 R-1 annual reports, Schedule 723.

The 2015 V&S RLB Report erroneously assumes that the price per ton for older (1947-1949) and lighter (115 lb.) jointed relay quality rail ($870 per ton) would be higher than the price per ton for the newer (1975-1979) and more economical CWR ($770 per ton). Apparently, this $100 per ton variation is due to the fact that the cost per mile would be lower for the 115 lb. jointed rail. For example, 115 lb. jointed rail requires 202.40 tons per mile, which would equate to cost of $176,088 per mile, whereas 136 lb. CWR requires 239.36 tons per mile, which would equate to a cost of $184,307 per mile. This $8,219 per mile difference is insignificant.

That 2015 V&S RLB Report used relay rail unit prices are significantly overstated; it is doubtful that a potential used relay rail consumer would pay effectively the same cost per mile for old and worn 115 lb. jointed rail from the 1940's and heavier 136 lb. CWR from the 1970's. It is much more logical to assume that the price per ton for older 115 lb. jointed relay rail would be significantly discounted below the price for 136 lb. CWR.

I. Transaction Size

Relay rail prices can also very significantly by the size of the transaction. If a railroad scrap company acquired the 134.1 miles of rail and other track materials on the Towner Line at a liquidation sale, it would be a huge transaction (28,909 tons of rail).[84] As previously indicated, it would represent approximately 15% of the total 2014 Class I relay rail market (866 miles). As a result, the scrap company purchasing the rail from V&S would expect a volume discounted price. Certainly, V&S's affiliate A&K would not pay the highest retail prices for the rail.

J. STB's Previous Use of Relay Rail Estimates

Because of the lack of reliable relay rail prices, the increasing competition in the relay rail market, and the recent and significant changes in the relay rail market, it is difficult to obtain and develop reliable and verifiable relay rail prices. The STB has accepted relay rail prices in the past, but usually carefully scrutinizes the figures. For example, in Keokuk, the STB adjusted the relay values downward to eliminate the retail profit component and to eliminate inventory costs:

> Our valuation relies on the unit values for relay rail and OTM that TP&W submitted in its original valuation charts. These unit values, and the unit values for reroll and relay turnouts, must be adjusted, however, because (unlike the AMM and Iron Age figures) they are based on retail, rather than wholesale, prices, and TP&W has not shown that the relay would be used on a specific project at a particular time and location to save it the cost of purchasing similar relay at retail prices. Thus, we reduce the retail price by 15% to eliminate the retail profit component, and by 5% to eliminate inventory costs.[85]

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[84] As indicated in Appendix GWF-7, this case would represent one of the largest cases in which the STB has established the NLV of a railroad line.

[85] Keokuk, served October 28, 2004, page 15.

This applied 15% retail profit adjustment is likely understated. Companies, such as A&K, obviously try to acquire used rail at or below scrap value (i.e., $146.03 per ton) using the October, 2015 market price and resell it at a handsome profit.

K. V&S RLB Report Erroneous Used Relay Rail Assumptions

As previously indicated, the 2015 V&S RLB Report erroneously assumed that approximately 97% of the rail on the line could be sold as relay rail and command high prices. The used relay rail unit prices included in the 2015 V&S RLB Report are overstated, unsubstantiated and undocumented.

The 2015 V&S RLB Report erroneously assumed that used relay steel prices were high and remained effectively unchanged from September 30, 2014 to August 5, 2015. These relay prices are summarized in the following table (Figure 31):

Figure 31

2014 and 2015 V&S RLB Reports
Unit Prices for Relay Rail

Type of Rail	Total Tons	2014 V&S RLB Report Unit Prices Per Ton		
		9/30/2014	8/05/2015	Change
136 lb. CWR, Fit #1	11,802	$775.00	$770.00	($5.00)
115 lb. Jointed, Fit#1	10,606	$870.00	$870.00	$0.00
112 lb. Jointed, Fit #1	3,628	$835.00	$850.00	$15.00
113 lb. CWR, Fit #2	627	$650.00	$650.00	$0.00
115 lb. CWR, Fit #2	450	$800.00	$800.00	$0.00
115 lb. CWR, Fit #1	147	$870.00	$850.00	($20.00)
133 lb. CWR, Fit #1	41	$700.00	$770.00	$70.00
133 lb. CWR, Fit #2	41	$630.00	$700.00	$70.00
Total / Average Relay Tons	**27,342**	**$817.54**	**$817.47**	**($0.07)**

The recent and dramatic decline in steel prices since 2014 has undoubtedly resulted in a concomitant decrease in used relay rail prices. The revised 2014 V&S RLB Report failed to account for this recent significant decline in relay rail prices. For the two largest types of rail, the report shows only a minor reduction of $5.00 per ton for 136 lb. CWR Fit #1 and no ($0) reduction for 115 lb. CWR Jointed Fit #1. The revised report also indicates that the relay prices for three other types of rail actually *increased* by $15.00 to $70.00 per ton. The fact that the revised report reflects used relay rail prices that have remained essentially unchanged from September 2014 to August 2015 further reduces the credibility of these so-called "market" prices.

The assumption that approximately 97% of the rail on the line could be sold as relay rail (including the lighter, old and worn jointed rail) at high premium prices is clearly erroneous and resulted in a significant overstatement of the GSV of the rail. These assumptions ignore several market factors, current market conditions and other factors:

- The significant decline a new steel prices, primarily resulting from increased steel imports from China, has and will impact the used relay rail market.
- There is a significant amount of competition in the relay rail market and competition has significantly increased in recent years with the ability to purchase relay rail on the internet;
- The relay rail market is relatively small. Class I railroads, which represent the largest group of potential buyers of the rail, primarily use new, imported rail (85.19% of the miles), rather than used relay rail, (14.81%) for replacement rail;
- Regional and smaller railroads are likely the best market for used relay rail, but these smaller railroads also have smaller projects and budgets;
- Class I, regional and shortline railroads prefer CWR over jointed rail and heavier rail over lighter rail. Over 97% of the rail miles replaced in 2014 by the Class I railroads were CWR. Therefore, the market for jointed relay rail is small;

- The heavy duty CWR rail market has changed in recent years. BNSF and UP (which are the two largest Class I railroads) have recently switched to using new head-hardened 141 lb. CWR rail on major coal routes and critical main-line corridors, which has a longer life despite carrying heavier trains. This will likely reduce demand for 136 lb. CWR relay rail;

- The cascading impacts from Class I rail replacements, such as the impacts from BNSF's recent increases in capital spending, will likely result in an increase in relay rail entering market that will likely negatively impact the relay rail market;

- The 2015 V&S RLB Report also erroneously assumes that approximately 91% of the rail miles on would be classified as "Fit #1" or the very best quality used relay rail. However, the rail is old and worn (especially the jointed rail) and would likely require resurfacing or grinding in order to qualify as "Fit #1."

The highest quality rail on the Towner Line is likely the 136 lb. CWR rail in the Western Section of the Towner Line, which was produced between 1975 and 1979.[86] Although it is fairly good quality rail, it is now over 40 years old and nearing the end of its economic service life. Rail fatigue defects increase with age and wear, which is usually measured in million gross ton miles. Although the line has not been active in recent years, it was a very active MOPAC main line for over a decade after the 136 lb. CWR rail was installed. As a result, the Towner Line likely experienced significant use and wear between from the 1970's to the 1990's.

Although there may be a limited market for some of the 136 lb. CWR on the Towner Line, it nearing the end of its economic service life and it doubtful that the majority of the 136 lb. CWR rail can simply be sold and re-laid without resurfacing and profile grinding, which would help extend the life of the rail, but also significantly reduce its relay value.

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[86] Based on 1998 CDOT Korve Report and GWF observations.

Most of the other rail on the Towner Line (indeed the majority of the rail on the line) is 115 lb. or 112 lb. jointed or bolted rail, which is much smaller and much older than the 136 lb. CWR rail.[87] Most of the production dates for the 115 lb. and 112 lb. jointed rail range from 1944 to 1949, whereas some of the 90 lb. rail is as old as 1929. There certainly does not appear to be a great demand for nearly 80 miles of 70-year-old relay 115 lb. and 112 lb. jointed rail, which amount of jointed rail would represent approximately 87% of the total used jointed relay rail installed by the Class I railroads in 2014 (92 miles).

As a result of the many erroneous assumptions and inflated prices used in the 2015 V&S RLB Report, the STB should reject V&S's estimated GSV for rail ($22,110,100).

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[87] The 1998 CDOT Korve Report identifies a few curves with 115 lb. CWR, such as a curve between MP 772.6 and MP 773.3 and between MP 774.4 to 776.1, but the vast majority of the lighter rail is jointed rail and not CWR.

X. REAL ESTATE VALUE

The 1998 CDOT Korve Report includes a real estate value of $468,600, which was based on a total of 1,562 acres held in fee out of a total 2,673 acres and a value of $300 per acre.[88] This value is slightly higher than the STB's 1996 accepted land value of $450,955 in the UP/SP merger case. The 1998 CDOT Korve Report does not describe the calculation of 1,562 fee simple acres nor how the $300 per acre value was determined. The 2004 CDOT PBQD Report includes land a $0 value.

The 2015 V&S RLB Report also included a $0 value. In its Notice of Exemption filing dated August 3, 2016, V&S states:

> "Portions of the Rail Line were constructed on easements through public lands obtained under the General Railroad Right-of-Way Act of 1876. Therefore, the uses of the Rail Lines right-of-way for other than rail purposes is limited."

In duplicate statements filed by Roger D. Nelson, President of Professional Land Surveyors of Colorado, Inc. (PLSC),on May 28, 2014in STB Docket Nos. AB 603 (Sub-No. 2X) and AB 603 (Sub-No. 3X), PLSC, Mr. Nelson stated in opposition to abandonment:

> In docket AB 603_3(x), Abandonment of the V&S Towner line from MP 787.5 (near Towner, CO) to MP808.3 (near Eads, CO), there is just short of half of the line that sits on 1875 Federal Grant R/W.
>
> In docket AB 603_2 (x), the same line between MP808.3 (near Haswell, CO) And MP 868.5 (at NA Junction, CO), the majority (in excess of 90%) of the line resides in 1875 Federal Grant R/W. (page 1)

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[88] 1998 CDOT Korve Report, page 30**.** The Towner Line is 121.9 miles (643,632 ft.) long. The right of way is 200 ft.in most cases. A total area of 2,673 acres equals an average 181 ft. wide right of way.

Mr. Nelson included copies of original ICC Valuation records to support his claim. A copy of Mr. Nelson's statement and attachments is attached hereto as **Appendix GWF-9**.

According to a recent Supreme Court decision in Docket No. 12-1173, Marvin M. Brandt Revocable Trust v. United States, the court held:

> When a railroad abandons the right of way granted under the General Railroad Right-of-Way Act of 1875, the private party who acquired the land underlying the right of way obtains full rights over the right of way, which was an easement terminated by the railroad's abandonment.[89]

As a result of the Supreme Court's decision, most of the right-of-way on the Towner Line would have zero ($0) value. Since most parcels were acquired under the General Railroad Right-of-Way Act of 1875, they would revert back to the original property owner upon abandonment. Mr. Nelson pointed to other problems as well, such as an area near MP 833.4, which "falls back to state control after abandonment."[90] This would also likely apply to the many highway and road crossings on the line.[91] The ICC valuation reports submitted by Mr. Nelson indicate that some of the parcels that were *not* acquired by the General Railroad Right-of-Way Act of 1875 or "U.S. Grant," were acquired via right of way deeds ("RWD" or "WD"). I have reviewed many RWD of railroad lines throughout the United States and many of these have reversion clauses. The valuation reports indicate that a few parcels were acquired via quit claim deed or by a judgment, which may not include reversion clauses, however, they may also not be considered as "fee simple" title.

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[89] http://www.scotusblog.com/case-files/cases/marvin-m-brandt-irrevocable-trust-v-united-states/

[90] Nelson statement in STB Docket Nos. AB 603 (Sub-No. 2X) and AB 603 (Sub-No. 3X), page 2.

[91] The 1998 CDOT Korve Report indicates there are 83 crossings. (Page 29.)

It is not clear if any of the real estate on the Towner Line would qualify as "fee simple." If V&S does hold fee simple deeds to some parcels, such areas would be limited, stranded and would likely have little or no value. The vast majority of the area is undeveloped farm land and the populated areas are very small and economically depressed. Haswell is the western most limit of productive dry land farming along the line. Points west receive too little rainfall to allow dryland farming.

The Board has historically relied on the adjusted "across-the-fence" (ATF) method to value real estate held in fee simple. In order to get an idea of the real estate values in this rural area, I have reviewed current listings and real estate sales near the Towner Line and found one current listings that may be relevant: 317 acres of undeveloped land southwest of Eads, CO for sale for $193,000 or $608.83 per acre. As previously indicated, Pueblo County has assessed V&S a value of $56,000 for 56 acres of land, or $1,000 per acre, which appears high.

If such values were applied to the fee simple right of way parcels on the Towner Line, the resulting total value would be adjusted downward to reflect the narrow size of the parcels and the costs of the sale. If, for example, there are 1,562 acres on the Towner Line held in fee simple with no reversionary clauses (which is unlikely), and the average ATF value was $500 per acre (which is conservative), the resulting unadjusted real estate value would be $781,000, which should be adjusted downward to reflect the narrow size of the parcels and the costs of the sale

Since the vast majority of the land on the Towner Line has zero value, I have included land at a value of $0.

XI. REHABILITATION OF THE TOWNER LINE

Both the 1998 CDOT Korve Report and the 2004 CDOT PBQD Report cite numerous repair and maintenance issues on the Towner Line. As previously indicated, the 1998 CDOT Korve Report, which was the most detailed study, identified eight specific action items and estimated that $1,067,200 to $1,728,450 would be needed for near term maintenance and improvements in order to restore the line to operating condition.[92] The 2004 CDOT PBQD Report estimated that it would only cost $7,500 to meet FRA Class 1 standards and $55,000 to meet FRA Class II standards.[93] I have also been asked to estimate the cost to rehabilitate the line to at least FRA Class 1 (10 mph for freight) service, which, as summarized in Figure 3, I have estimated to be **$3,489,010**. The following sections describe my development of this estimate:

A. Vegetation Control

Vegetation control was cited as a major problem in both the 1998 CDOT Korve Report and the 2004 CDOT PBQD Report. The 1998 CDOT Korve Report estimated that it would cost $74,000 to "Spray ballast sections to eliminate vegetation" and $45,000 to "Remove dirt and vegetation from culverts and bridges."[94] The 2004 CDOT PBQD Report states "Vegetation growth is out of control in many locations, often to the point that view of the roadbed is completely obscured."[95] The 2004 CDOT PBQD Report estimated that it would cost $15,000 to spray the entire line.[96]

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92 1998 CDOT Korve Report, page 32.
93 2004 CDOT PBQD Report, page 1.
94 1998 CDOT Korve Report, page 32.
95 2004 CDOT PBQD Report, page 3.
96 2004 CDOT PBQD Report, page 4.

My recent inspection confirms that vegetation control continues to be a major problem. There appears to have been little or no on-going vegetation control program in place on the line in the last decade, which has clogged the ballast and greatly accelerated the deterioration of the ties.[97] Appendix GWF-6, Pictures 3 through 6 show the lack of vegetation control and the deterioration of ties.

In order to restore service to the line, the entire line, including all sidings and spurs, would have to be chemically treated and sprayed, but there are also many locations where the trees, brush and weeds will have to be mechanically cut, chipped and removed and the cut stumps and stubble will have to be chemically treated to prevent re-sprouting. Mechanical treatments are generally more labor intensive and more expensive than chemical spraying.

The costs associated with vegetation control can vary significantly. For example, a detailed 1998 report prepare for the Alaska Railroad Corporation (ARC) studied the costs associated with various railroad vegetation control methods and determined that the costs per mile ranged from approximately $1,000 per mile to over $4,000 per mile for hand labor.[98]

I estimate that the cost for initial vegetation control on the Towner Line in order to restore Class 1 service would be approximately $1,500 per track mile, which would equal $201,150:[99]

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[97] A July 29, 1999 addendum to the CDOT Korve 1998 NLV Report indicates that a vegetation control mowing and spraying project was conducted in May 1999.

[98] See: Report to ARC titled, Controlling Unwanted Vegetation That Impacts Railroad Infrastructure—A Critique of the Trials of Five Potential Solutions and Review of Seven Other Potential Control Strategies, prepared by Charles E. Nash. (http://www.alaskarailroad.com/Portals/6/pdf/pr/1998%20Nash%20report.pdf **)**

[99] In STB Docket No.NOR-42124, E.I. DuPont De Nemours And Company v. Norfolk Southern Railway Company, served October 3, 2014, the STB accepted and utilized a vegetation control cost of $1,358 per mile ($9,969,433 / 7,343.55 route miles)

Figure 32

Estimated Vegetation Control Cost
Required to Restore Class 1 Service

Ln.	Item	Amount
1	Track Miles	121.9
2	Sidings and Spur Miles	12.2
3	Total Miles (L.1 + L.2)	134.1
4	Vegetation Control Cost Per Mile	$1,500.00
5	**Total Vegetation Control (L.3 x L.4)**	**$201,150**

This amount should approximate the cost to spray the entire line and mechanically and hand control some areas. The total costs may be higher, but some of the needed work on unused sidings or unused sections of the line may be able to be staged under a long-term maintenance program.

B. Tie Replacement

The 1998 CDOT Korve Report and the 2004 CDOT PBQD Report indicate that the ties significantly deteriorated between 1998 and 2004, as the "good" ties dropped from 374,629 to 212,857 during that period. The 2004 CDOT PBQD Report states: "At this point in time; numerous sources indicate that there is virtually no market for and no net value in used ties. The cost of removal may actually exceed any residual value. At a maximum, it has been suggested that an analysis might show $1 per tie."[100]

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[100] 2004 CDOT PBQD Report, Appendix B.

In the decade since (i.e., 2004 to 2015), there has been very little or no vegetation control and the ballast has all but disappeared on the Towner Line, which has resulted in a significant deterioration of the ties.Based on my inspections and estimates, the so-called "good" or non-defective ties on the Towner Line would now be only 25% of the total. Because of the age of the ties and the lack of maintenance and vegetation control, the vast majority of the ties would fall into the "fair" or "poor" category and have little or no scrap value. This 25% estimate would equate to approximately 6 non-defective ties per 39 ft. section, which would be equal to Class I standards.

While the average number of non-defective ties may meet FRA Class 1 standards, there are a significant number of 39-ft. sections which will require tie replacements and an aggressive tie replacement program will be required in order to operate the line. I estimate that at least 1 tie for every two (2) 39-ft. Sections (or one-half tie per 39-ft. section), will need to be replaced in order to pass a FRA Class 1 inspection, which equates to the replacement of 9,078 ties.[101]

In order to determine the cost of replacing 9,078 ties on the Towner Line, I have used recent cost estimates developed by Coos Bay Rail Link (CBRL) in connection with a Federal Tiger II grant application associated with a tie replacement program on 138-mile line in Oregon, which is similar in size to the Towner Line.[102] This calculation is shown in the following table (Figure 33):

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[101] 134.1 miles x 5,280 ft. per mile / 39 ft.= 17,155.08 39-ft.sections x .50 replacement ties per section.

[102] See:http://www.coosbayraillink.com/tiger2grants/railrehab/cost_estimate.pdf

Figure 33

Estimated Tie Replacement Cost to
Restore Class 1 Service

Ln.	Item	Amount
1	Track Miles	121.9
2	Sidings and Spur Miles	12.2
3	Total Miles (L.1 + L.2)	134.1
4	Total Track Feet (L.3 x 5,280 ft. per mile)	708,048
5	Number of 39-ft. Sections (L.4 / 39 ft.)	18,155.08
6	GWF Estimated Replacement Ties Per Section	0.50
7	Estimated Replacement Ties (L.5 x L.6)	9,078
8	CBRL Estimated Labor Cost Per Tie	$23.00
9	CBRL Estimated Materials Cost Per Tie	$42.00
10	Total CBRL Estimated Cost Per Tie (L.2 + L.3)	$65.00
11	Total Estimated Labor & Materials Cost (L.7 x L.10)	$590,040
12	CBRL Design, Permitting, Construction Management (L.11 x 10%)	$59,004
13	CBRL Contingency (L.11 x 10%)	$59,004
14	Total Estimated Tie Replacement Cost (L.11 + L.12 + L.13)	$708,048

C. Ballast Cleaning & Replacement

In order to determine the cost of replacing ballast on the Towner Line, which has significantly deteriorated as a result of the lack of maintenance and vegetation control, I have also used recent cost estimates developed by CBRL in connection with a Federal Tiger II grant application associated with a tie replacement program on 138-mile line in Oregon. This calculation is shown in the following table (Figure 34):

Figure 34

Estimated Ballast Cleaning and Replacement Cost
Required to Restore Class 1 Service

Ln.	Item	Amount
1	Track Miles	121.9
2	Sidings and Spur Miles	12.2
3	Total Miles (L.1 + L.2)	134.1
4	CBRL Estimated Ballast Tons Per Mile	400.00
5	Estimated Ballast Tons (L.3 x L.4)	53,640
6	CBRL Ballast Labor Cost Per Ton	$3.00
7	CBRL Ballast Materials Cost Per Ton	$11.00
8	CBRL Total Ballast Cost Per Ton	$14.00
11	Total Estimated Ballast Labor & Materials Cost (L.5 x L.8)	$750,960
12	CBRL Design, Permitting, Construction Management (L.11 x 10%)	$75,096
13	CBRL Contingency (L.11 x 10%)	$75,096
14	Total Estimated Ballast Replacement Cost (L.11 + L.12 + L.13)	$901,152

D. Track and Rail Rehabilitation

In addition to the replacement of ties and ballast, a significant amount of track rehabilitation work will be required. Missing spikes and other track material will need to be replaced. Loose spikes will need to be reseated. Loose joints will need to be tightened, especially in the areas with jointed-rail and turn-outs. As previously noted, in the Summer of 2014 V&S removed spikes and rail anchors from both rails for approximately 10 miles (leaving approximately every fifth tie) before KCVN obtained a court injunction to halt the demolition. Appendix GWF-6, Pictures 13-15 show pictures of these areas. This has been done in an area of CWR. The reinstallation of this track material can be costly, as many of the ties are deteriorated and will need to be replaced or plugged in order to hold spikes.

CBRL's Tiger II application included the cost for "a complete surfacing program" on complete "corridor (main, side and yard tracks)" which "provides a stable surface for train operation and eliminates surface profile irregularities."[103] Like the CBRL line, the Towner Line has been out of service for many years. Although the rail itself is adequate size and in fairly good condition, it will need to be stabilized, especially in the area that the spikes and other track materials have been removed by V&S. Many other areas may require grinding. I have used CBRL's based the estimated cost of this resurfacing at a cost of $9,240 per mile in the following table (Figure 35):

Figure 35

Estimated Track and Rail Rehabilitation Cost
Required to Restore Class 1 Service

Ln.	Item	Amount
1	Track Miles	121.9
2	Sidings and Spur Miles	12.2
3	Total Miles (L.1 + L.2)	134.1
4	CBRL Estimated Surface and Line Cost Per Mile	$9,240.00
5	Estimated Cost (L.3 x L.4)	$1,239,084
6	CBRL Design, Permitting, Construction Management (L.5 x 10%)	$123,908
7	CBRL Contingency (L.5 x 10%)	$123,908
8	**Total Estimated Track Rehabilitation Cost (L.5 + L.6 + L.7)**	**$1,486,901**

[103] See:http://www.coosbayraillink.com/tiger2grants/railrehab/cost_estimate.pdf

E. Track, Bridge & Crossing Inspections

In order to restore Class 1 railroad service to the Towner Line, the line will require a significant amount of inspections of the 131.8 track miles, 44 bridges, and 83 crossings. This would involve mechanical rail flaw detection inspections and track geometry inspections, as well as manual inspections of all bridges and crossings, based on FRA standards. In addition, many of the rail/highway crossings will have to be cleared or repaved. In order to estimate these additional costs, I have used values that were recently accepted by the STB in STB Docket No. NOR-42124, E.I. DuPont De Nemours And Company v. Norfolk Southern Railway Company, served October 3, 2014 (DuPont). This estimate is shown in the following table (Figure 36):

Figure 36

Estimated Track, Bridge &Crossing Inspection Costs
Required to Restore Class 1 Service

Ln.	Item	Amount
1	Track Miles	121.9
2	Sidings and Spur Miles	12.2
3	Total Miles (L.1 + L.2)	134.1
4	DuPont Rail Flaw Detection Testing	$5,080,447
5	DuPont Track Geometry Testing	$2,402,989
6	DuPont Bridge Inspection	$935,379
7	DuPont Repaving Crossings	$2,060,240
8	Total DuPont Testing & Inspection Costs (L.4+L.5+L.6+L.7)	$10,479,055
9	DuPont Route Miles	7,343.55
10	DuPont Track & Inspection Cost Per Mile (L.3 x L.10)	$1,426.97
11	**Total Est. Track, Bridge & Crossings Inspection Cost (L.3 x L. 10)**	**$191,759**

F. Communications & Signaling

I have not included a cost for new communications and signaling equipment and devices that may be required to handle significant rail traffic levels and for efficient and safer operations. Such modern communication and signaling system can be very expensive and differ significantly depending upon the traffic and needs. For example, in DuPont, the STB determined that the hypothetical stand-alone railroad would require over $2 billion in communications and signaling costs, which include Positive Train Control (PTC) systems. If the DuPont at costs was applied on a mileage basis to the Towner Line, the total cost would be nearly $37 million.

G. Installation of Interchange Tracks at Towner and NA Junction

The major difference between the two reports is the 1998 CDOT Korve Report's inclusion of $775,000 to $1,350,000 as the cost to design and construct interchange tracks at NA Junction and Towner.[104] The 1998 CDOT Korve Report describes the problem:[105]

> If UP and the CKR (Central Kansas Railway) do not allow trackage rights to Pueblo and Horace, KS, then interchange tracks will be required at NA Junction and Towner. If interchange tracks are not provided, cars will have to be pushed from the nearest sidings (Pultney on the west and Stuart on the east) to the end of the main line where they can be picked up by the connecting railroad. This would require a backup movement of 5.8 miles and 4.8 miles which is not necessarily a safe and easy movement with 50 to 100 cars. Each arrangement of interchange tracks will need the main line and two interchange tracks. One interchange tracks is used for outbound cars and the other is used for inbound cars. This arrangement is common for interchange locations. In order to accommodate unit grain trains of 50 to 100 cars, each of the two interchange tracks should be 3,000 feet to 6,000 feet in length. In addition to the track, 4 turnouts will also be needed at each location. Therefore, a total of 8 turnouts and 12,000 to 24,000 feet of track will be required for the interchanges.[106]

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[104] 1998 CDOT Korve Report, page 32.
[105] 1998 CDOT Korve Report, pages 31 and 32.

The construction of interchange tracks at NA Junction and Towner would certainly improve railroad operations over the Towner Line, however, the construction of such tracks and turnouts would likely now cost over $2 million. Since the lack of interchange tracks at Towner and NA Junction would not preclude railroad service or operations at a FRA Class 1 level, I have excluded this cost from my estimate of the rehabilitation costs.

H. Stabilize Previously Repaired Wash-Out Areas

On July 14 and 15, 2014, the Pueblo area was hit by torrential rains, which resulted in two significant wash-outs of the Towner Line approximately two miles east of NA Junction near a grade crossing with Route 96. The following pictures (Figure 37) show the washout damage:[107]

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[106] Central Kansas Railway is now known as Kansas & Oklahoma Railroad (KO), which is owned by Watco Companies, LLC (WATCO). profiles_d-k/ko/index.htm

[107] See: http://www.drgw.net/gallery/v/news/TownerLineWashout/vs-track-najunction_co-_20-jul-2014_-000.jpg.html

Figure 37

Pictures of the Towner Line Wash-Outs

Appendix GWF-6, Pictures 16 through 18 show the subsequent repairs of these wash-out areas. The wash-out repairs appear to be temporary and consisted of essential refilling the washouts with fill dirt. It appears that the road beds were not reestablished in places (i.e. these areas are with-out ballast and sub-ballast) and the filled grading is not reinforced or stabilized.

The aforementioned tie and ballast replacements on the line would help stabilize this wash-out area, especially since much of the repaired area does not have ballast. With the additional ballast, replacement ties, and track stabilization, the area should be able to handle trains at a Class 1 service level. As a result, I have excluded a cost for this problem. It should be noted, however, that higher railroad service levels would likely require additional stabilization.

I. Bridge & Culvert Replacement

A long-term capital improvement program should include the possible enlargement or replacement of some culverts on the line, especially those prone to wash-outs. Otherwise, these wash-outs could be repeated. Indeed, wash-out may be more likely at these areas with the unstable filled-in areas.

In addition to the culverts, there are many old bridges that are nearing the end of their service lives and may need replacing in the near future. Most of the bridges are wood timber pile trestle bridges which built in the 1930's. The oldest bridge is a 23-ft. bridge built in 1922 and the newest bridge is a 42-ft. bridge built in 1974.[108] Heavier traffic levels may necessitate the reinforcement or replacement of some bridges.

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[108] 1998 CDOT Korve Report, page 30.

XII. CONCLUSION

Based on STB standards and current and realistic relay, reroll and scrap rail prices and allocations, the NLV of the Towner Line is $2,594,551. The NLV estimate provided by V&S ($27,023,500) is clearly and significantly overstated

as a result of two main reasons:

- V&S erroneously and unrealistically assumes that 97% (27,343 out of 28,909 total rail tons) of the rail and OTM salvaged from the Towner Line would be sold as high-quality used relay; and
- V&S applied high and overstated retail used relay prices (i.e., $650 to $870 per ton for relay rail, which fail to account for the recent significant drop in steel and scrap prices) to the inflated relay tonnage values.

In addition to these clear overstatements, V&S has failed to properly account for tie removal cost and the transportation costs for relay rail and OTM, which resulted in an additional overstatement of the NLV. As a result, V&S's NLV estimate should be rejected by the Board.

There are numerous repair and maintenance issues on the Towner Line. I estimate the cost of rehabilitating the Towner Line FRA Class 1 safety standards (10 mph for freight service) would be approximately $3,489,010.

STATEMENT
OF
BACKGROUND, QUALIFICATIONS AND EXPERIENCE
OF
GERALD W. FAUTH III

My name is Gerald W. Fauth III. I am President of G. W. Fauth & Associates, Inc. (**GWF**), an economic consulting firm with offices at 116 S. Royal Street, Alexandria, Virginia 22314. I a recognized expert on transportation issues with over 37 years of experience in the private sector and in the Federal government.

This statement generally describes my background, qualifications and experience. The majority of experience has involved economic, regulatory, public policy and legislative issues primarily associated with, or related to, the U. S. railroad industry. Most of my work has involved regulatory proceedings and related projects before, or related to, the U.S. Surface Transportation Board (STB) and its predecessor, the Interstate Commerce Commission (ICC).

I have extensive experience in working in regulatory and other proceedings and projects involving railroad mergers, transactions, acquisitions, rail line construction, rail line abandonments, rate reasonableness and other railroad related issues. These matters have involved railroad issues on a nation-wide, system-wide and individual railroad line basis.

GWF has been engaged in the economic consulting business for over 50 years. My part time affiliation with GWF began in 1972. I began working for GWF on a full-time basis on May 15, 1978 and was employed by GWF continuously until November 1, 1999 at which time I took a leave of absence in order to take a position with the STB.

At the STB, I served as Chief of Staff for one of the three Board Members appointed by the President, Vice Chairman Wayne O. Burkes. I returned to GWF and consulting work effective June 23, 2003 after Mr. Burkes resigned his position to run for a political office.

Over the years, I have submitted expert testimony before ICC, STB, state regulatory commissions, courts and arbitration panels on a wide-variety of issues in numerous proceedings. In addition, I worked for 3½ years at the STB where I reviewed, analyzed and made recommendations on over 600 written formal decisions that were decided by the entire Board. These proceedings and decisions involved all matters of STB jurisdiction and had an impact on the transportation industry and the national economy.

Railroad transactions have long been the subject of ICC and STB regulatory proceedings and other matters involving: railroad merger and acquisition approval and oversight proceedings; railroad line abandonment proceedings; line sales; feeder line application proceedings; and other railroad transaction-related proceedings. I have been involved in numerous such proceedings and projects as an expert witness and as an STB staff advisor.

For example, I was an expert witness in the last two major Class I railroad merger proceedings: STB Finance Docket No. 32760, Union Pacific Corporation, et al. – Control and Merger – Southern Pacific Rail Corporation, et al. and STB Finance Docket No. 33388, CSX Corporation, et al., Norfolk Southern Corporation, et al. – Control and Operating Leases / Agreements – Conrail, Inc., et al.. My testimony in these major merger proceedings concerned the potential adverse competitive impact of these mergers on two key areas.

In addition to my work in major railroad merger proceedings, I have submitted expert testimony in other railroad finance docket and abandonment proceedings before the ICC and STB. In these proceeding, I have developed and submitted evidence relating to the impacted railroad traffic and the valuation and economics of the railroad line at issue (such as: going concern and net liquidation values; freight revenues and traffic; operating costs; maintenance costs: right-of-way valuation; etc).

In addition to my testimony in railroad mergers and other rail finance and transaction proceedings, I served as an original member of the Conrail Transaction Council, which was established by the Board in Finance Docket No. 33388. This council consisted of representatives of the CSX, NS and shipper organization and provided a forum for timely and efficient communication of information and problems concerning the transaction. I was one of the original members of the Conrail Transaction Council and attended every meeting of the council until my employment with the Board.

During my time at the Board, I was actively involved in the STB merger oversight proceedings associated with the UP/SP and Conrail transactions. Perhaps the most significant merger-related proceedings that I was involved in during my time at the Board were STB Ex Parte No. 582, Public Views on Major Rail Consolidations and STB Ex Parte No. 582 (Sub-No.1), Major Rail Consolidation Procedures. These STB major rulemaking proceedings involved extensive oral hearings and written testimony from hundreds of witnesses. The Board concluded that its existing rules governing railroad mergers and consolidations, which had been developed nearly 20 years earlier, were not adequate for addressing the broad concerns expressed and initiated a major rulemaking proceeding which resulted in a major revision to the Board's railroad merger rules.

I have a significant amount of experience in issues involving railroad rate reasonableness. I was actively involved in the initial ICC regulatory proceedings over 30 years ago in which the ICC first proposed and established guidelines which have since evolved into the STB's current railroad rate reasonableness guidelines. I was actively involved in several of the first cases to test the ICC's then proposed guidelines. For example, I was the primary expert witness in ICC Docket No. 40073, South-West Railroad. Car Parts Co. v. Missouri. Pacific Railroad, which was the *first* case to test the ICC's proposed simplified guidelines, which have since evolved into STB's Three-Benchmark approach.

I submitted extensive written and oral testimony in STB Ex Parte No. 646 (Sub-No. 1), Simplified Standards For Rail Rate Cases, on behalf of a group of 30 major stakeholders and my testimony was cited by the Board in its decision served September 5, 2007. My work and testimony in these ICC/STB proceedings has helped shape the STB's current railroad rate reasonableness guidelines.

I have extensive experience in working in STB regulatory proceedings, litigation and other projects involving railroad valuation issues. These matters have involved railroad valuation issues on a nation-wide, system-wide, individual line and individual movement scope and basis.

Many of our projects have involved the development of railroad variable cost analyses based on the application of URCS and its predecessor, Rail Form A (RFA). URCS is used to determine STB jurisdiction and is an integral component of the STB's Full-SAC method, new Simplified-SAC standard and recently modified Three-Benchmark approach. I have an extensive working knowledge of the development and application of URCS and RFA. I have prepared URCS cost analyses for thousands of individual railroad movements. I also submitted expert testimony in ICC Ex Parte No. 431 (Sub-No.1), Adoption of the Uniform Railroad Costing System as a General Purpose Costing System for Regulatory Costing Purposes and more recently in STB Ex Parte No. 431 (Sub-No. 3), Review of the Surface Transportation Board's General Costing System.

Proceedings before the Board often involve traffic and market analyses using the Board's Waybill Sample, which is a computer database of approximately 600,000 records of sampled railroad movements. I am extremely familiar with this railroad traffic database. Over the years, I have performed hundreds of analyses using this data which has been used as evidence in merger and other proceedings before the Board.

I am a 1978 graduate of Hampden-Sydney College in Hampden-Sydney, Virginia where I earned a Bachelor of Arts degree. My major areas of study were history and government. My senior paper in college dealt with the History of Railroad Deregulation. I am a 1974 graduate of St. Stephen's School for Boys (now St. Stephen's and St. Agnes School), located in Alexandria, Virginia. My senior project and paper in high school dealt with the ICC and the Energy Crisis of 1973.

My professional memberships included the Transportation Research Forum and the Association of Transportation Law Professionals.

Appendix GWF-2

1998 CDOT Korve Report

ATTACH #3

COLORADO DEPARTMENT OF TRANSPORTATION

ACQUISTION OF THE

TOWNER - NA JUNCTION RAIL LINE

PHYSICAL INSPECTION REPORT

Prepared For

Colorado Department of Transportation

By

Korve Engineering

May 1998

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1. PURPOSE

This report documents the results of the physical inspection of the Towner – NA Junction Railroad Line, provides an estimate of the net liquidation value (NLV) of the line, identifies repairs which require immediate attention, and items and issues which will need to be addressed in the near term. The estimated costs for the immediate repairs and the near term issues are also provided. In addition, two sets of photographs (242 photographs per set) taken during the line inspection are enclosed. The photographs are numbered and are labeled with milepost numbers and other basic information so as to be easily referenced to the information contained in the inspection report. A list of all of the rail/highway crossing locations, a list of all of the railroad signal locations, and a list of all of the bridge locations are provided at the end of Section 5, Physical Inspection - Field Notes, in the report.

2. BACKGROUND

The physical inspection was conducted from May 12, 1998 through May 15, 1998. On May 12th, a trip over the line was made in two hi-rail equipped vehicles. One vehicle was provided by the Union Pacific Railroad, the current owner of the line and the other vehicle was rented from MidWest Railroad Construction and Maintenance Corp. Following the hi-rail trip, detailed inspections were conducted of the entire line by private automobile on May 13th through 15th. At various locations, ties were inspected and counted to determine the ratio of ties in good, fair, and bad condition. Bad ties were identified in accordance with the Federal Railroad Administration (FRA) Track Safety Standards (Title 49, Part 213). Fair ties were identified as ties that are currently acceptable, but should be replaced within one to five years. Wherever tie counts were made, track gage (specified distance between the inside of the rails) and cross level (specified relationship between the elevation of the top of the rails) measurements were also made. Attention was also given to all bridges, highway/rail crossings, culverts, sidings, and other relevant features associated with the line.

The Towner – NA Junction Line consists of the following basic features:

- 121.9 miles of main line track (plus approximately 9.9 miles of sidings and spur tracks for a total of 131.8 track miles)
- 425,714 timber ties
- 83 highway/rail crossings (13 have flashers only or flashers and gates)
- 44 bridges (with a total length of 5,010 feet or 0.95 miles)
- 134 culverts
- 100 automatic block signals (ABS) on 81 signal masts
- 1,562 acres of right-of-way held in fee (of 2673 acres total)

TABLE 1 Station Locations

The communities and other notable locations along the line are as follows:

Community/ Location	Milepost	Distance (Miles)	Remarks
Towner	746.6		East of line limits
		(0.9)	
Eastern limit	747.5		East limit of line sale
		5.0	
Stuart	752.5		6,069' siding
		5.6	
Sheridan Lake	758.1		Spur track
		8.1	
Brandon	766.2		Spur tracks
		5.6	
Chivington	771.8		6,181' siding
		14.0	
Eads	785.8		6,365' siding plus spur tracks
		13.3	
Galatea	799.1		Spur track
		8.6	
Haswell	807.7		6,527' siding plus spur track
		13.7	
Arlington	821.4		Spur track
		9.1	
Adobe Creek	830.5		6,392' siding
		10.7	
Sugar City	841.2		Industrial siding
		5.2	
Ordway	846.4		7,234' siding
		5.5	
Crowley	851.9		Industrial siding
		5.4	
Olney Springs	857.3		Spur track
		5.8	
Pultney	863.1		6,070' siding
		6.3	
NA Junction	869.4		West limit of line sale
Total Distance of Line		121.9	Miles

3. SUMMARY OF LINE CONDITION

Overall, the line is in relatively good condition. It has not had much time to deteriorate since the last train was operated in October 1997. Prior to the end of operations, the maximum operating speed limit for the line was 60 mph for all trains. The more common speed limit over the line was 40 mph. Except for the track located between milepost 772.6 and milepost 773.3 which has extensively damaged ties due to a derailment, the line should be capable of being safely operated at a maximum speed of at least 40 mph. More thorough inspection and measurement of the entire line will be necessary in order to determine the safe maximum speed for specific locations of the line. The more thorough inspection should include non-destructive testing of the rail if it has not been done within the past year. Specific maintenance actions and costs which could result in an increase in the maximum operating speed limit for specific locations could also be determined from more complete inspection and measurement of the line. The following items and issues will need to be addressed in the near term:

- Several broken ties destroyed by a derailment should be replaced in the vicinity of mileposts 772.6 to 773.3.
- Rail anchors need to be adjusted and additional anchors applied in areas with CWR as skewed ties were common.
- Missing tie plates need to be replaced.
- At least one cracked rail joint bar exists (east end of SH 287 bridge in Eads).
- Vegetation needs to be eliminated in the ballast section of the track.
- Most of the culverts and some of the bridges need to have dirt, tumbleweeds and other vegetation removed.
- A tie replacement program needs to be implemented to preclude having to replace a large number of ties all at one time in the future. Based upon the limited sample inspections conducted, approximately 2% of the ties are in bad condition and approximately 10% of the ties will need to be replaced within the next five years.

4. PHYSICAL INSPECTION - GENERAL

The observations and findings from the physical inspection of the line are documented below. The data is organized by milepost starting at milepost 746.6 in Towner (the line sale actually begins at milepost 747.5, but a few notes about Towner are in order) and ending at milepost 869.4 at NA Junction. Common terms and abbreviations used in the text are as follows:

CBC – Concrete box culvert.

CIP - Cast iron pipe.

CMP – Corrugated metal pipe culvert.

CPT – Concrete pile trestle.

Cross level – The difference between the elevation of the two rails when measured transversely. The amount of design elevation (superelevation) for a curve must be subtracted from any difference between the elevation of the rails.

CWR – Continuous welded rail.

Derail – A track structure or arrangement for deliberately derailing rolling stock as a safety measure or in case of an emergency.

Gage (of track) – The distance between the gage lines (specified as a line on the inside of each rail) measured at right angles thereto. Standard gage is 4 feet 81/2 inches.

MP – Milepost. Mileposts denote distance and location along a rail line. For the Towner Line, mileage increases from east to west.

Rail (112#, 115#, 136#, etc.) – Rail is identified by its weight per yard of length. Thus 112# rail weighs 112 pounds per yard, 136# rail weighs 136 pounds per yard, and so on. The heavier rail sections, such as 132# and 136#, are typically used in track where heavy and frequent trains are operated.

Siding – A double-ended track which can be accessed from the main line in either direction.

Skewed tie – A tie that is not perpendicular to the rails.

Spur – A single-ended track which can be accessed from the main line in only one direction.

TPT – Timber pile trestle.

Turnout – An arrangement of a switch and a frog with closure rails to allow rolling stock to be diverted from one track to another.

5. PHYSICAL INSPECTION FIELD NOTES

Field notes from the physical inspection of the Towner – NA Junction Line are presented below.

MP 746.6
Towner is located 0.9 mile east of the eastern limit of the line sale at MP 746.6. A siding serves two elevators on the south side of the main line and a spur track with access from the west serves one elevator on the north side of the main line. (See photos 5, 6, and 7).

MP 747.5
This is the eastern limit of the Towner – NA Junction Line sale. The north rail of the main line has been cut to form a derail and a red (metal) flag has been installed in order to prevent a train from operating over the line. (See photos 8 and 9).

MP 747.5 to MP 752.3
This section is typical of much of the line in that SH96 parallels the right-of-way to the south, a Union Pacific power and communications pole line is located on the north side of the track, and the right-of-way is approximately 100 feet in width. In addition, a Sunflower Telephone Line parallels SH96 and the track on the south side. The main line is 115# CWR from east of MP 747.5 to MP 750.5. (See photos 10 and 11). Two public crossings (Road 76 at MP 749.0 and Road 75 at MP 750.0) and two private crossings (at MP 748.0 and 751.0) are located in this section. The public crossings and one of the private crossings have crossbucks while the private crossing at MP 748.0 has no signs (no photos). Four culverts are located in this section. A 36" CIP at MP 748.2, two 30" CMP at MP 748.5 and a 30" CMP at MP 750.0 (no photos).

MP 752.3 to MP753.7
The community of Stuart is located at MP 752.5. A 6,069 foot long siding was also located on the south side of the main line. While the siding track is still in place, the turnouts at each end of the siding have had the frog and one of the points removed. The siding consists of CWR and the main line is 115# jointed rail. (See photos 12 through 14). Photo 15 shows two missing tie plates (the flat steel plate located between the rail and the tie) at a rail joint located near the west end of Stuart Siding. A private crossing with no signage is located at MP 752.5 (no photo). A 4' x 3' CBC and a 52" CMP are located at MP 753.7 (no photos).

MP 754.0
Road 71 crossing. Crossing has crossbucks.

MP 755.0
Private road crossing. Timber construction without crossbucks or other warning signs. (See photo 16).

MP 757.02
Concrete box culvert (8'x6') built in 1928 and three 54" diameter corrugated metal pipe culverts are full of tumbleweeds. (See photos 17 and 18).

MP 757.8 to MP 758.2
Sheridan lake is located at MP 758.1. A spur track which serves two elevators is located on the south side of the main line. The spur is accessible from the east. Some rail, old ties, two concrete foundations, and other items are located between the main line and the spur. At MP 758.2 at the west end of town, SH385 crosses the main line. The crossing is constructed of timber and the crossing arms have been removed from the crossing gate warning equipment. A pair of railroad signals are located at MP 758.2. (See photos 19 through 25).

MP 758.6 to 759.2
Three culverts, a 60" CMP at MP 758.6, a 36" CMP at MP 758.8, and a 48" CMP at MP 759.2 are located in this area (no photos).

MP 760.5
Timber pile trestle, ballasted deck, 78' in length appears to be in fair to good condition. (See photo 26).

MP 760.8
Private crossing without any signage (no photo).

MP 761.2
Timber pile trestle, ballasted deck, built in 1938, 41' in length appears to be in fair to good condition. (See photo 27).

MP 761.9 to 762.0
Sample tie count and rail measurements taken on tangent track. Of a total of 336 ties, 22 were found to be bad and 46 were identified as needing replacement within the next 5 years. Rail gage readings were 4'-8 5/8", 4'-8 11/16", and 4'-8 ¾ " which are well within tolerance. Cross level readings were 0", 3/16", and 7/16" which are also well within tolerance. The north rail was lower than the south rail. (See photo 28). Road 63 which has crossbucks is located at MP 762.0 (no photo).

MP 763.7
Timber pile trestle, ballasted deck, built in 1938, 65' in length appears to be in fair to good condition. The ballast guard on the south side is deteriorating, but it does not impact the integrity of the bridge structure. (See photos 29 and 30).

MP 764.0
Road 61 crossing has crossbucks (no photo).

MP 764.6
An unidentified utility line crosses the right-of-way. (See photo 31).

MP 765.3

Timber pile trestle, ballasted deck, built in 1938, 91' in length appears to be in fair to good condition. The rail across the bridge is 115# CWR. No bridge or culvert is provided under SH96 at this location. (See photos 32 and 33).

MP 765.7 to MP 766.5
The community of Brandon is located at MP 766.2. Two spur tracks, one on the north and one on the south side of the main line serve one elevator each. The spur to the east is located north of the main line and is accessible from the east. The spur to the west is located on the south side of the main line and is accessible from the west. Typical of most of the turnouts on the line, the turnouts at Brandon are #10 turnouts and are in good condition. (See photos 34 through 39).

MP 767.0
Road 58 crossing has crossbucks (no photo).

MP 767.3 to MP 767.5
A concrete box culvert (5' x 5'), two 54" diameter corrugated metal pipes, and six 48" diameter corrugated metal pipes are located in this area. Some of the CMP culverts are plugged with ballast and other debris. (See photos 40 and 41).

MP 768.0
Private crossing constructed with timber has no signage (no photo).

MP 769.7
An example of a single mast, two head signal is located here. (See photos 42 and 43).

MP 770.2
The bridge over Big Sandy Creek is a 288' long ballasted deck concrete structure built in 1953. Many areas on the caps and slabs have spalling. While not a major problem, some of the concrete slabs have shifted outward as far as the restraints on the caps. The leaking of ballast at bent 7 still exists as reported by a UP inspection conducted in May 1997. (See photos 44 through 51).

MP 771.1 to 772.4
Road 54 crossing is timber with crossbucks and is located adjacent to the east Chivington siding turnout at MP 771.1. Road 52 crossing located at MP 771.8 has crossbucks (no photos). Main line is 115# jointed rail dated 1949 and the siding is CWR. The west siding turnout of the 6,181 foot long siding is located at MP 772.3. A pair of typical signals is located at MP 772.4 (See photos 52, 53, and 54).

MP 772.5
The bridge over Rush Creek is a concrete pile trestle built in 1934 and is 369' in length. It is in fair to good condition. (See photo 55).

MP 772.6 to MP 773.3
The worst tie conditions on the entire line are located in this area. Approximately 73% of the ties have been destroyed or badly damaged due to derailment. A sample tie count was made on the curve between MP 773.1 and MP 773.2. Of a total of 329 ties inspected, 124 (38%) were found to be bad and 116 (35%) were identified as needing replacement within the next 5 years. The rail on the curve is 115# CWR dated November 1950. A private crossing constructed of timber and equipped with crossbucks is located at MP 773.2. The timber crossing is also badly damaged from the derailment. (See photos 56, 57, and 58).

MP 773.4 to 774.4
While almost all of the ties in this section have wheel flange marks caused by one or more derailments, the tie are actually in reasonable condition. A sample tie count was made on tangent track between MP 774.0 to 774.2. Of approximately 662 ties inspected, none were found to be bad and only 11 were identified as needing replacement within 5 years. The rail in this section is 115# jointed rail dated July 1949. (See photos 59 through 63). Eight culverts are also located in this area. Two 36" CMP each are located at MP 773.4 and 773.5, three 48" CMP at MP 773.7, and a 5' x 4' CBC built in 1919 is located at MP 774.2 (no photos).

MP 774.4 to 776.1
This section is located approximately 1/2 mile north of SH96. Most of the ties in this segment also have wheel derailment marks. A sample tie count and rail measurements were made on the curve between MP 774.4 and 74.6. Of approximately 621 ties inspected, none were found to be bad, but 62 were identified as needing replacement within the next 5 years. The rail on the curve is 115# CWR dated February 1957. The curve has a design elevation of 3-1/4 inches. Rail measurements were taken at two locations on the curve. At the first location, track gage readings were 4'-9 1/4", 4'-9", and 4'-9 1/8" and the crosslevel readings were 3 3/4", 3 1/2", and 3 3/8" with the north rail being the lower rail. At the second location, track gage readings were 4'-9", 4'-8 7/8", and 4'-9" and the crosslevel readings were 3 3/4", 3 1/2", and 3 3/8" with the north rail being the lower rail. While the track gage is within the tolerances for Class 3 and Class 4 track, it should be closely monitored to ensure that it does not get any worse. (See photos 64, 65, and 66). Seven culverts; two 42" CMP each at MP 774.6, 775.1, and 775.4, and a 4' x 7' CBC built in 1932 at MP 775.9 are also located in this section (no photos).

MP 777.0
Road 49 crossing is a timber crossing on a dirt road. The gate arms have been removed from the flasher and gate warning devices. (See photo 67).

MP 779.1
Private timber crossing without any signage (no photo).

MP 780.5
Three 30" CIP culverts are blocked with dirt and ballast (no photo).

MP 781.0
Private timber crossing without any signage (no photo).

MP 782.1
Road 44 crossing has crossbucks and is constructed of timber on a dirt road (no photo). Two 36" CIP culverts are located on the west side of the Road 44 crossing (see photo 68).

MP 783.1
Road 43 crossing is timber on a dirt road and has crossbucks (no photo).

MP 783.7
Private timber crossing without any signage (no photo). A sample tie count and rail measurements were made on tangent track between MP 783.6 and MP 783.7. Of 322 ties inspected, 31 were found to be bad and 56 were identified as needing replacement within 5 years. Track gage readings were 4'-8 1/2", 4'- 8 3/8", and 4'-8 3/8". Crosslevel readings were 5/8", 13/16", and 15/16" which are well within the tolerance for deviation in crosslevel for Class 3 and 4 track (see photos 69, 70, and 71).

MP 784.6 to MP 786.0
Eads is located at MP 785.8. A 6,365 foot long passing siding is located on the north side of the main line. The rail in the siding is 136# "no head" CWR. A double-ended

industrial siding which serves the Bartlett Elevator is located north of the passing siding. A spur serving one elevator is accessible from the east and is located on the south side of the main line. At-grade crossings located in Eads consist of Rittgers across 2 tracks with the gate arms removed from the flashers and gates at MP 785.7 and Main Street across 4 tracks with the gate arms removed from the flashers and gates at MP 785.87 (see photos 72 through 81). A 42" CMP culvert is located at MP 785.4 (no photo).

MP 786.1
The ballasted deck concrete and steel bridge over SH 287 was built in 1939 and is 106 feet in length with a highway vertical clear height of 16'-8". The bridge has walkways and pipe railings on each side. The rail on the bridge is 133# jointed rail dated 1948. The rail on each end of the bridge is 115# jointed rail dated 1949. The bridge is in fair to good condition with spalling on the piers and concrete deck. A broken joint bar exists on the inside of the north rail near signal 7860. (See photos 82 through 86).

MP 786.3
Timber pile trestle with ballasted deck built in 1939 is 153 feet in length with wood railings on each side. Like the other TPT's on the line, the bridge is in fair to good condition (see photos 87, 88, and 89).

MP 788.1
Road 38 crossing is timber with crossbucks (no photo).

MP 789.1
Road 37 crossing is timber with crossbucks (no photo).

MP 789.3
Two 36" CMP culverts.

MP 790.1
Road 36 crossing is timber with crossbucks (no photo).

MP 790.5
Three 36" CMP and a 24" CIP need ballast and dirt removed (no photo).

MP 791.0
A 24" CIP culvert is blocked by ballast and dirt (no photo).

MP 792.1
A private or possibly County Road has timber surface and crossbucks (no photo). A hotbox and dragging equipment detector is located just west of the crossing (see photos 90 and 91).

MP 792.5
A 2' x 3' CBC built in 1917 is blocked with dirt and ballast (no photo).

MP 793.1
Road 33 crossing has a timber surface and crossbucks (no photo).

MP 793.2
Open deck timber pile trestle built in 1961 is 42 feet in length and has a wood post/wire railing on the south side. The bridge is in good condition (see photo 92).

MP 794.1
Concrete bridge built in 1954 is 96 feet in length with a wood railing on the south side. The bridge is good condition (see photo 93).

MP 795.1
Road 31 crossing has a timber surface and crossbucks (no photo).

MP 796.1
Road 30 crossing has a timber surface and crossbucks (no photo).

MP 796.8
Two 54" CMP culverts (no photo).

MP 797.0
Tumbleweeds cover the track on a high fill (see photo 94).

MP 797.7
A 5' x 3' CBC built in 1920 (no photo).

MP 798.5
Ballasted deck timber pile trestle built in 1939 is 105 feet in length. It is in fair to good condition (see photo 95).

MP 799.2
County Road 27 crossing at Galatea is timber with crossbucks (no photo). A short spur track with access from the west is located west of the crossing (see photo 96).

MP 799.4
Timber pile trestle with ballasted deck built in 1936 is 105 feet in length. It is in fair to good condition (see photo 97).

MP 800.3
Timber pile trestle with ballasted deck built in 1937 is 79 feet in length. It is in fair to good condition (see photo 98).

MP 800.8
Timber pile trestle with ballasted deck built in 1947 is 53 feet in length. It is in fair to good condition (see photo 99).

MP 801.7
Three 36" CMP culverts are blocked with vegetation (no photo).

MP 802.75
Road 24 crossing is timber with crossbucks (no photo).

MP 805.0
Private crossing without signage (no photo).

MP 806.1
Road 21 crossing is timber with crossbucks (no photo).

MP 806.5
Private crossing without signage (no photo).

MP 807.2 to MP 807.8
Haswell is located at MP 807.7. A 6,527 foot long passing siding with 136# CWR is located on the north side of the main line. A double-ended industrial siding serves the COOP elevator and another elevator that are located on the south side of the main line. At-grade crossings in Haswell consist of Main Street across 3 tracks with flashers only at MP 807.7 and 4th Street with crossbucks at MP 807.8. (See photos 100 through 103).

MP 808.6
One 4' x 4' CBC culvert built in 1922 is blocked with dirt and ballast (no photo).

MP 809.2
One 6' x 4' CBC culvert built in 1922 is full of tumbleweeds (no photo).

MP 809.4
One 36" CMP culvert (no photo).

MP 809.5
One 60" CMP culvert (no photo).

MP 810.1
Ballasted deck timber pile trestle built in 1937 is 65 feet in length. It is in fair to good condition (see photo 104).

MP 810.8
Three 60" CMP culverts (no photo).

MP 811.0
Two 4' x 4' CBC built in 1922 (no photo).

MP 811.6
Timber pile trestle with ballasted deck built in 1940 is 40 feet in length. The bridge is in fair to good condition and has tumbleweeds under the structure (see photo 105).

MP 812.0
Private crossing without signage (no photo).

MP 812.3
Open deck timber pile trestle built in 1922 is 23 feet in length. The bridge is in fair to good condition and has tumbleweeds under the structure (see photo 106).

MP 813.4
Four 36" CMP and one 24" CPC culverts are located in this area (no photo).

MP 813.9
One 4' x 4' CBC culvert (no photo).

MP 814.5
Ballasted deck timber pile trestle built in 1945 is 40 feet in length and is in fair to good condition (see photo 107).
MP 815.7
Two 3' x 3' CBC culverts (no photo).

MP 815.9
One 24" pipe culvert (no photo).

MP 816.9
Open deck timber pile trestle built in 1962 is 42 feet in length and is in good condition (see photos 109 and 110).

MP 817.0
A sample tie count was taken on tangent track west of the TPT at MP 816.9. Of 192 ties inspected, 1 was found to be bad and 20 were identified as needing replacement within 5 years (no photo).

MP 818.0
Four 48" CMP and one 3' x 3' CBC culverts are located in this area (see photo 111).

MP 819.2
Three 52" CMP culverts and one 6' x 3' CBC culvert built in 1921 are located here (no photo).

MP 819.6
Two 16' x 10' CBC culverts built in 1935 is partially filled with dirt and vegetation (see photos 112 through 115).

MP 820.0
East end of 136# CWR which extends west to NA Junction, a distance of 49.4 miles (no photo).

MP 820.1
Timber pile trestle with ballasted deck built in 1939 is 78 feet in length and is in fair to good condition (see photo 116).

MP 820.2
Timber pile trestle with ballasted deck built in 1939 is 78 feet in length and is in fair to good condition (see photo 117).

MP 820.3
Concrete pile with ballasted steel deck bridge over Adobe Creek built in 1935 is 328 feet in length and is in good condition (see photos 119 and 120).

MP 820.4
Open deck timber pile trestle built in 1961 is 70 feet in length with a metal walkway and a metal and cable railing on the south side. The bridge is in fair to good condition (see photo 121).

MP 821.1
Ballasted deck timber pile trestle built in 1941 is 53 feet in length and is in fair to good condition (see photo 122).

MP 821.1 to 821.3
A sample tie count and rail measurements were made on tangent track from the west end of the TPT and the west side of the Road F crossing located at MP 821.2. Of the 648 ties inspected, none were found to be bad, but 22 were identified as needing replacement within 5 years. Track gage readings were 4'-8 7/16", 4'-8 1/2", and 4'-8 1/2". Crosslevel readings were 9/16", 7/16", and 5/16" which are well within tolerance. Again, the north rail was the lower of the two rails. The rail in this area is 136# CWR dated September1979 (see photo 123).

MP 821.4
Short spur track accessible from the west and the timber 6th Street crossing with crossbucks at Arlington (see photos 124 and 125).

MP 822.9
Timber pile trestle with ballasted deck built in 1936 is 66 feet in length. Bridge is away from SH96 and was not inspected due to lack of safe parking. It is assumed to be in fair to good condition like most of the other TPT's on the line (see photo 126).

MP 823.7
Open deck timber pile trestle built in 1974 is 42 feet in length and is in good condition. A 6' x 6' CBC built in 1920 is located at the west end of the TPT (see photo 127).

MP 824.1
One of the several locations where the communication/power lines have been cut and/or removed (see photo 128).

MP 824.8
Private crossing without signage (no photo).

MP 827.0
Timber pile trestle with ballasted deck built in 1940 is 90 feet in length and is in fair to good condition (see photo 129).

MP 827.4
Location of a pair of solar powered signals (see photo 130).

MP 827.4
Two 3' x 3' CBC built in 1925 are blocked with dirt and vegetation (no photo).

MP 828.7
Road 4 crossing is timber with crossbucks (no photo).

MP 828.8
Ballasted deck timber pile trestle built in 1929 is 95 feet in length. A private road with 10'-8" clearance passes under the structure. The bridge is in fair to good condition (see photos 131 and 132).

MP 828.8 to MP 829.0
A sample tie count was made on curved track with 136# CWR dated September and October 1979. Of 648 ties inspected, 3 were found to be bad and 57 were identified as needing replacement within 5 years (see photo 133 and 134).

MP 829.7 to MP 830.8
Adobe Creek siding is 6,392 feet in length with 112# jointed rail. A pair of solar powered signals are located at the east end of the siding. Culverts in this section include a 36" CIP and four 24" CMP culverts. (See photos 135 through 139).

MP 831.0
Timber pile trestle with ballasted deck built in 1940 is 65 feet in length and is in fair to good condition (see photo 140).

MP 831.1
Two 10' x 7' CBC built in 1932 are blocked with dirt and vegetation (see photo 141).

MP 832.1
Two 36" CMP and one 24" pipe culvert (no photo).

MP 832.4
County Road 1 crossing is timber with crossbucks (no photo).

MP 832.7
Location of a single mast, double head, solar powered signal (see photo 142).

MP 833.0
Timber pile trestle with ballasted deck built in 1936 is 65 feet in length and is in fair to good condition (see photo 143).

MP 834.25
Lane 29 crossing is timber with crossbucks. The track on both ends of the crossing is fouled with mud (see photo 144).

MP 835.0
Location of a 4' x 4' CBC built in 1920 is blocked with dirt and vegetation (no photo).

MP 836.25
Lane 27 crossing is timber with crossbucks (no photo).

MP 837.25
Private crossing without signage (no photo).

MP 837.5
Concrete pile trestle over Black Slough Creek built in 1933 is 225 feet in length and is in fair to good condition (see photo 145).

MP 839.4
Private crossing without signage (no photo).

MP 839.6
Concrete pile trestle over Horse Creek built in 1956 is 506 feet in length is in good condition. Old automobiles are used as a retaining wall on the north side of the bridge (see photo 146).

MP 840.8
Lane 23 located east of Sugar City is timber with crossbucks (see photo 147).

MP 840.9 to MP 841.6
Sugar City is located at MP 841.2. A double-ended industrial siding serves an elevator on the south side of the main line. SH 96/Colorado Street crossing crosses 2 tracks, has flashers only, and is located at MP 841.2. Montana Street crossing is timber with crossbucks and is located at MP 841.4. At approximately MP 841.15 is an irrigation ditch with two 36" CMP built in 1994. The ditch runs under the main line and the industrial siding. The ground on the north side of the main line is saturated close to the ballast. This should be monitored to ensure that it does not get worse. A private dirt crossing crosses the industrial siding just west of the irrigation ditch. (See photos 148 through 153). A CDOT facility is located north of the main line at MP 841.0.

MP 841.7
Two 24" pipe culverts, one is concrete and one is a CMP, are located in this area (no photo).

MP 841.8
Lane 22 crossing is timber with crossbucks (no photo).

MP 841.9
One 36" CIP culvert (no photo).

MP 842.4
Combination ballasted deck timber pile trestle (38') / steel deck (31') / Timber pile trestle (26') built in 1923 is a total of 95 feet in length. The bridge is in fair to good condition (see photo 154).

MP 842.9
Lane 21 is timber on a paved road with crossbucks (see photo 155). A 3' x 3' CBC is located just west of the Lane 21 crossing (no photo).

MP 843.2
One 36" CMP culvert (no photo).

MP 843.4
Private crossing without signage (no photo).

MP 843.6
One 72" metal pipe culvert (no photo).

MP 843.9
Lane 20 crossing is timber with crossbucks. Two 4' x 2' CBC are located west of the Lane 20 crossing (no photo).

MP 844.5
A private crossing for the Ordway Feed Lot has no signage. Two 6' x 4' CBC and a 60" CMP are located east of the crossing (no photo).

MP 844.9
Location of a 42" CMP culvert (no photo).

MP 845.0
Open deck timber pile trestle built in 1961 is 42 feet n length and is in fair to good condition (see photo 156). A culvert located just east of the TPT is covered with ballast.

MP 845.9
Two 96" metal pipe arch with concrete walls and wings (no photo).

MP 846.0
SH 71 crossing at junction with SH 96 is timber on paved road with cantilever flashers and gates. The gate arms have been removed. Two CMP and concrete culverts are located just west of the SH 71 crossing. (see photos 157, 158, and 159).

MP 846.25 to MP 847.1
Ordway is located at MP 846.4. A spur track with access from the east that does not serve any industry is located on the south side of the main line. The spur ends at Colorado Blvd on the west. The longest siding on the line, a 7,234 foot long passing siding is located on the north side of the main line at Ordway. The main line is 136# CWR dated December 1979 and the siding is 112# jointed rail dated September 1945. Another spur track that was located at the west end of town on the south side of the main line has been removed. Four at-grade crossings located in Ordway are Lake Street with timber and crossbucks at MP 846.25, Sherman Street with timber and flashers only across 2 tracks at MP 846.4, Colorado Blvd with timber and flashers only across 1 track at MP 846.6, and Lane 17 with timber and crossbucks across 2 tracks at MP 847.1. A communications shed (that will remain UP's ?) is located between the

main line and the spur to the south. (See photos 160 through 168). A 3' x 2' CBC is located east of the Lane 17 crossing at MP 847.03.

MP 847.4
Double ballasted deck concrete pile trestles built in 1956 are 64 feet in length with a pipe railing on the south side of the south structure. The north bridge carries Ordway siding and the south structure carries the main line. The structures appear to be in good condition (see photo 169).

MP 848.1
Lane 16 crossing is timber with crossbucks. One 18" pipe culvert is located just east of the crossing (no photo).

MP 848.2
Ballasted deck timber pile trestle built in 1941 is 65 feet in length and is in fair to good condition (see photo 170).

MP 849.1
Lane 15 crossing is timber with crossbucks (no photo).

MP 849.6
Lane 14.5 crossing is timber with crossbucks (no photo).

MP 849.9
One 60" CMP culvert built in 1994.

MP 850.5
Hotbox and dragging equipment detector (see photo 171).

MP 850.6
One 18" pipe culvert (no photo).

MP 850.7
Open steel deck on concrete piles over Bob Creek built in 1932 is 92 feet in length. The structure appears to be in fair to good condition (see photos 172 and 173).

MP 851.1
Lane 13 crossing is timber with crossbucks (no photo).

MP 851.3
Location of an 8' x 4' CBC built in 1995 (see photos 174 and 175).

MP 851.9 to MP 852.2
Crowley is located at MP 851.9. A short spur with access from the west that does not serve any industry is located on the south side of the main line. Lane 12 crosses the main line at MP 852.2. The crossing is timber and is equipped with flashing lights only. (See photos 176 through 179).

MP 852.4
Two 54" CMP culverts (no photo).

MP 853.2
One CBC built in 1937 and one 30" pipe culvert are located in this area (see photo 180).

MP 853.75
Lane 10.5 crossing is timber with crossbucks. An underground Mountain Bell cable is located between, and parallel to, the track and SH 96 (see photo 181).

MP 854.3
Lane 10 crossing is timber with crossbucks (no photo). A 52" CMP culvert is located just west of the crossing (see photos 182 and 183).

MP 854.6
One 3' x 3' CBC built in 1917 is blocked with dirt (no photo).

MP 854.8
Lane 9.5 crossing is timber with crossbucks (no photo).

MP 855.4
Lane 9 crossing is timber with crossbucks (no photo). A 3' x 2' CBC is located just west of the crossing (see photo 184).

MP 855.5
Location of a 3' x 3' CBC built in 1917 (no photo).

MP 855.9
Lane 8.5 crossing is timber with crossbucks (no photo).

MP 855.95 to MP 856.1
One 18" CMP, one 24" CIP, and one 3' x 3' CBC culvert are located in this area. Some erosion exists on the north side of the CBC located at MP 856.1 (see photos 185 and 186).

MP 856.5
Lane 8 crossing is timber with crossbucks. Standing water was present adjacent to SH 96. A 4' x 4' CBC built in 1917 is located on the east side of the Lane 8 crossing and is blocked by dirt and vegetation. (see photos187 and 188).

MP 856.7
Ballasted deck timber pile trestle built in 1930 is 54 feet in length. The structure has only about a foot of clearance due to the channel filling with silt and vegetation. The bridge appears to be in fair to good condition (see photo 189).

MP 857.04
Location of a 12' pipe culvert (see photo 190).

MP 857.05 to MP 857.5
Olney Springs is located at MP 857.3. A short unused spur track with an east facing switch is located on the south side of the main line. The spur ends at Gould Avenue on the west. At-grade crossings located in Olney Springs include Schulyler Avenue with timber and crossbucks at MP 857.1, Gould Avenue with timber and flashing lights only at MP 857.25, Stith Avenue with timber and crossbucks at MP 857.4, and Lane 7 with timber and crossbucks at MP 857.5. Two pedestrian crossings are also located in Olney Springs; one at MP 857.2 from Helen Avenue and one at MP 857.35 from Lincoln Avenue. A 24" CIP culvert is located at MP 857.5 on the east side of the Lane 7 crossing. (See photos 191 through 197).

MP 857.55
One 24" pipe culvert (no photo).

MP 857.75
Location of a culvert that is almost overflowing with water on the north side of the main line. This culvert needs to be carefully monitored (see photos 198 and 199).

MP 858.2
Two 8' x 8' concrete box culverts built in 1926 (no photo).

MP 858.6
Ballasted deck timber pile trestle built in 1937 is 78 feet in length and is in fair to good condition (see photo 200).

MP 858.9
Ballasted deck timber pile trestle built in 1934 is 79 feet in length and is in fair to good condition (see photo 201).

MP 859.2
One 4' x 3' CBC built in 1920 (no photo).

MP 859.5
Two 30" CMP culverts (no photo).

MP 859.8
One 48" CMP culvert (no photo).

MP 860.0
One 30" CMP culvert and one 4' x 4' CBC built in 1920 (no photo).

MP 860.1
One 30" pipe culvert (no photo).

MP 860.3
One 44" pipe culvert (no photo).

MP 860.6
One 3' x 3' CBC (no photo).

MP 860.9
One 64" pipe culvert (see photo 202 for general area view).

MP 861.1
One 18" CIP culvert (no photo).

MP 861.3
Location of a 6' x 4' CBC (no photo).

MP 861.5
A sample tie count and track measurements were made on curved track (with a design elevation of 2 1/4") between MP 861.5 and 861.7. Of 634 ties inspected, 12 were found to be bad and 89 were identified as needing replacement within 5 years. Track measurements were taken in two locations on the curve. At the first location, track gage readings were 4'-8 5/8", 4'-8 5/8", and 4'-8 3/4". Crosslevel readings were 2 1/8", 2 1/4", and 2 5/16". At the second location, track gage readings were 4'-8 3/4", 4'-8 7/8", and 4'-8 11/16". Crosslevel readings were 2 5/16", 2 5/8", and 2 5/8". All of the measurements are well within tolerances for Class 3 and 4 track. (See photo 203).

MP 861.7
Lane 3 crossing is timber with crossbucks (no photo).

MP 862.1
One 8' x 8' CBC built in 1926 (see photo 204).

MP 862.5 to MP 863.6
Pultney is located at MP 863.1. A 6,070 foot long siding is located on the north side of the main line. The main line is 136# CWR dated December 1979 and the siding is 112# jointed rail dated March 1934. A private crossing with timber and crossbucks is located at MP 862.5. Another private crossing without signage is located at MP 863.1. Culverts in this section include two 18" CIP at MP 862.5, two 5' x 3' CBC built in 1923 at MP 862.6, one 4' x 3' CBC built in 1919 at MP 862.8, one 18" CIP at MP 863.1, and one 4' x 3' CBC (no built date) at MP 863.3. (See photos 205 through 212).

MP 863.7
Ballasted deck steel beam on concrete pile bridge built in 1936 is 159 feet in length with a wood railing on the north side. The structure is in fair to good condition (see photos 213, 214, and 215).

MP 864.1
One 5' x 3' CBC built in 1919 (no photo).

MP 864.3
One 36" CMP culvert (no photo).

MP 864.6
One 64" concrete pipe culvert (no photo).

MP 865.1
Ballasted deck concrete pile trestle built in 1961 is 129 feet in length and is in good condition (see photo 216).

MP 865.3
One 3' x 3' CBC built in 1917 (no photo).

MP 865.5
One 5' x 3' CBC built in 1921 (no photo).

MP 865.7
Private crossing without signage (see photo 217).

MP 866.0
One 4' x 3' CBC built in 1919 (no photo).

MP 866.2
SH 96 crossing is timber with flashing lights and gates. The gate arms have been removed. A 6' x 5' CBC is located just east of the crossing. A 34" concrete pipe with stone wall and wings is located west of the crossing at MP866.25. (See photos 218, 219, and 220).

MP 866.5
One 6' x 6' CBC built in 1928, one 30" pipe culvert, and one 36" CMP culvert are located in this area (no photo).

MP 866.8
One 6' x 4' CBC (no photo.

MP 867.0
Ballasted deck timber pile trestle built in 1940 is 53 feet in length and is in fair to good condition (see photos 221 and 222).

MP 867.3
One 4' x 6' CBC (no photo).

MP 867.5
Track occupancy detector for approach to NA Junction (see photo 223).

MP 867.7
Pair of signals in approach to NA Junction (see photo 224). A 4' x 3' CBC built in 1922 is also located in this area.

MP 867.9
Two 4' x 3' CBC built in 1922 (no photo).

MP 868.1
Two 4' x 3' CBC built in 1922 (no photo).

MP 868.2
Private crossing without signage (see photo 225).

MP 868.3
One 5' x 4' CBC built in 1921 (no photo).

MP 868.5
Nepesta Road (CR-613) crossing is timber with flashing lights and gates. The gate arms have been removed (see photos 226 and 227).

MP 868.6
Ballasted deck concrete slab on steel pile bridge over Kramer Creek built in 1943 is 394 feet in length. Spalling is evident on the slabs and caps. There are several bad ties on the structure. (See photos 228 through 233).

MP 869.1
Two 7' x 6' CBC built in 1931 (see photo 234).

MP 869.0 to 869.4
At MP 869.0 a red (metal) flag marks the location where the rail has been cut and bent to form a derail. NA Junction is located at MP 869.4 (see photos 235 through 242).

The following tables provide a summary of the locations of highway/railroad crossings, railroad signals, and bridges. The locations are listed by ascending milepost from Towner to NA Junction. Table 2 contains highway/railroad crossing locations, Table 3 contains railroad signal locations, and Table 4 contains bridge locations.

TABLE 2 Highway/Railroad Crossing Locations

Milepost	Crossing Name	Warning Devices
748.0	Private	None
749.0	County Road 76	Crossbucks
750.0	County Road 75	Crossbucks
751.0	Private	Crossbucks
752.5	Private	None
754.0	County Road 71	Crossbucks
755.0	Private	None
758.2	State Highway 385	Flashers & Gates
760.8	Private	None
762.0	County Road 63	Crossbucks
764.0	County Road 61	Crossbucks
767.0	County Road 58	Crossbucks
768.0	Private	None
771.1	County Road 54	Crossbucks
771.8	County Road 52	Crossbucks
773.2	Private	Crossbucks
777.02	County Road 49	Flashers & Gates
779.1	Private	None
781.0	Private	None
782.1	County Road 44	Crossbucks
783.1	County Road 43	Crossbucks
783.7	Private	None
785.7	Rittgers (Eads)	Flashers & Gates
785.87	Main Street (Eads)	Flashers & Gates
788.15	County Road 38	Crossbucks
789.1	County Road 37	Crossbucks
790.1	County Road 36	Crossbucks
792.1	County Road 34	Crossbucks
793.1	County Road 33	Crossbucks
795.1	County Road 31	Crossbucks
796.1	County Road 30	Crossbucks
799.2	County Road 27	Crossbucks
802.75	County Road 24	Crossbucks
805.0	Private	None
806.1	County Road 21	Crossbucks
806.5	Private	None
807.7	Main Street (Haswell)	Flashers only
807.75	4th Street	Crossbucks
812.0	Private	None
821.2	County Road F	Crossbucks
821.4	6th Street (Arlington)	Crossbucks
824.8	Private	None
828.7	County Road 4	Crossbucks
832.44	County Road 1	Crossbucks

TABLE 2 Highway/Railroad Crossing Locations

834.25	Lane 29	Crossbucks
836.25	Lane 27	Crossbucks
837.25	Private	None
839.4	Private	None
840.8	Lane 23	Crossbucks
841.2	SH 96/Colorado ST	Flashers only
841.4	Montana St (Sugar City)	Crossbucks
841.85	Lane 22	Crossbucks
842.9	Lane 21	Crossbucks
843.4	Private	None
843.9	Lane 20	Crossbucks
844.5	Private (Ordway Feed)	None
846.0	SH 71 (Ordway)	Flashers & Gates
846.25	Lake	Crossbucks
846.4	Sherman	Flashers only
846.6	Colorado (Ordway)	Flashers only
847.1	Lane 17	Crossbucks
848.1	Lane 16	Crossbucks
849.15	Lane 15	Crossbucks
849.65	Lane 14.5	Crossbucks
851.07	Lane 13	Crossbucks
852.2	Lane 12 (Crowley)	Flashers only
853.75	Lane 10.5	Crossbucks
854.3	Lane 10	Crossbucks
854.8	Lane 9.5	Crossbucks
855.4	Lane 9	Crossbucks
855.9	Lane 8.5	Crossbucks
856.5	Lane 8	Crossbucks
857.1	Schulyler Av (Olney Spgs)	Crossbucks
857.25	Gould Ave	Flashers only
857.4	Stith Ave (Olney Springs)	Crossbucks
857.5	Lane 7	Crossbucks
861.7	Lane 3	Crossbucks
862.5	Private	Crossbucks
863.1	Private	None
865.7	Private	None
866.2	SH 96	Flashers & Gates
868.2	Private	None
868.57	Nepesta Road (CR-613)	Flashers & Gates

NOTE: Some roads listed as private may actually be County Roads. They are listed as being Private if no road sign could be found.

TABLE 3 Railroad Signal Locations

Signal Number(s)*	Signal Style	Signal Function
7498 & 7499	Single mast, double head	Intermediate
7522 & 7523	Single mast, double head	Stuart Siding
7536 & 7537	Pair, single mast, single head	Stuart Siding
7554 & 7555	Single mast, double head	Intermediate
7572 & 7573	Pair, single mast, single head	Sheridan Lake Spur
7582 & 7583	Pair, single mast, single head	Sheridan Lake Spur
7598 & 7599	Single mast, double head	Intermediate
7657	Single mast, single head	Brandon Spur
7664	Single mast, single head	Brandon Spur
7696 & 7697	Single mast, double head	Intermediate
7710 & 7711	Single mast, double head	Chivington Siding
7724 & 7725	Pair, single mast, single head	Chivington Siding
7738 & 7739	Single mast, double head	Intermediate
7768 & 7767	Single mast, double head	Intermediate
7818 & 7817	Pair, single mast, single head	Intermediate
7848 & 7847	Single mast, double head	Eads Siding & Spurs
7860 & 7859	Single mast, double head	Eads Siding & Spurs
7862 & 7861	Single mast, double head	Eads Siding & Spurs
7878 & 7877	Pair, single mast, single head	Intermediate
7916 & 7915	Single mast, double head	Intermediate
7956 & 7955	Single mast, double head	Intermediate
7989	Single mast, single head	Galatea Spur
7992	Single mast, single head	Galatea Spur
8018 & 8019	Pair, single mast, single head	Intermediate
8048 & 8049	Pair, single mast, single head	Intermediate
8062 & 8063	Single mast, double head	Haswell Siding
8078 & 8079	Pair, single mast, single head	Haswell Siding
8094 & 8095	Pair, single mast, single head	Intermediate
8120 & 8121	Pair, single mast, single head	Intermediate
8150 & 8151	Single mast, double head	Intermediate
8188 & 8189	Single mast, double head	Intermediate
8213	Single mast, single head	Arlington Spur
8218	Single mast, single head	Arlington Spur
8232 & 8231	Pair, single mast, single head	Intermediate
8280 & 8281	Pair, single mast, single head	Intermediate (solar)
8296 & 8297	Pair, single mast, single head	Adobe Crk Siding (solar)
8308 & 8309	Pair, single mast, single head	Adobe Creek Siding
8326 & 8327	Single mast, double head	Intermediate (solar)
8361	Single mast, single head	Intermediate
8364	Single mast, single head	Intermediate
8393 & 8394	Single mast, double head	Intermediate
8432 & 8433	Pair, single mast, single head	Intermediate
8460 & 8461	Pair, single mast, single head	Ordway Siding & Spur
8480 & 8481	Pair, single mast, single head	Ordway Siding & Spur

TABLE 3 Railroad Signal Locations

8510 & 8511	Pair, single mast, single head	Crowley Industrial Siding
8536 & 8537	Pair, single mast, single head	Crowley Industrial Siding
8566 & 8567	Pair, single mast, single head	Olney Springs Spur
8592 & 8593	Single mast, double head	Olney Springs Spur
8608 & 8609	Pair, single mast, single head	Intermediate
8624 & 8625	Pair, single mast, single head	Pultney Siding
8636 & 8637	Pair, single mast, single head	Pultney Siding
8652 & 8653	Pair, single mast, single head	Intermediate
8676 & 8677	Pair, single mast, single head	Approach to NA Jct
8694 & 8695	Pair, single mast, single head	NA Junction

* Signal numbers represent the approximate milepost locations.

TABLE 4 Bridge Locations

Milepost	Bridge Type	Bridge Length (ft)	Year Built
760.5	Timber Pile Trestle	78	No date
761.2	Timber Pile Trestle	41	1938
763.7	Timber Pile Trestle	65	1938
765.3	Timber Pile Trestle	91	1938
770.2	Concrete Pile Trestle	288	1953
772.5	Concrete Pile Trestle	369	1934
786.1	Steel Beam, Concrete Pile	106	1939
786.3	Timber Pile Trestle	153	1939
793.2	Timber Pile Trestle	42	1961
794.1	Concrete Pile Trestle	96	1954
798.5	Timber Pile Trestle	105	1939
799.4	Timber Pile Trestle	105	1936
800.3	Timber Pile Trestle	79	1937
800.8	Timber Pile Trestle	53	1947
810.1	Timber Pile Trestle	65	1937
811.6	Timber Pile Trestle	40	1940
812.3	Timber Pile Trestle	23	1922
814.5	Timber Pile Trestle	40	1945
816.9	Timber Pile Trestle	42	1962
820.1	Timber Pile Trestle	78	1939
820.2	Timber Pile Trestle	78	1939
820.3	Concrete Pile, Steel Deck	328	1935
820.4	Timber Pile Trestle	70	1961
821.1	Timber Pile Trestle	53	1941
822.9	Timber Pile Trestle	66	1936
823.7	Timber Pile Trestle	42	1974
827.0	Timber Pile Trestle	90	1940
828.8	Timber Pile Trestle	95	1929
831.0	Timber Pile Trestle	65	1940
833.0	Timber Pile Trestle	65	1936
837.5	Concrete Pile Trestle	225	1933
839.6	Concrete Pile Trestle	506	1956
842.4	TPT / Steel Deck / TPT	95	1923
845.0	Timber Pile Trestle	42	1961
847.4	Double Concrete Pile Trestles	64	1956
848.2	Timber Pile Trestle	65	1941
850.7	Steel Deck, Concrete Pile	92	1932
856.7	Timber Pile Trestle	54	1930
858.6	Timber Pile Trestle	78	1937
858.9	Timber Pile Trestle	79	1934
863.7	Steel Beam, Concrete Pile	159	1936
865.1	Concrete Pile Trestle	129	1961
867.0	Timber Pile Trestle	53	1940
868.6	Concrete Trestle on Steel Pile	394	1943

6. NET LIQUIDATION VALUE

The net liquidation value (NLV) of the Towner - NA Junction line is estimated to be $12,085,048. This is $1,867,527 more than the purchase price. The NLV is based upon current scrap and typical resale prices as well as demolition costs. The details of the NLV calculation are shown in Table 5.

Table 5 ESTIMATED NET LIQUIDATION VALUE (AS OF 5/27/98)

LINE	ITEM DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	LIQUIDATION VALUE	REMARKS
1, a	RAIL, 85# / 90#	524	TON	75	39,300	SIDING= 3.5 MI
1, b	RAIL, 112#	4,021	TON	300	1,206,300	ML= 16.5 MI, SIDING= 3.9 MI
1, c	RAIL, 115#	11,334	TON	310	3,513,540	ML= 56.0 MI, SIDING= 0.0 MI
1, d	RAIL, 136#	12,423	TON	350	4,348,050	ML= 49.4 MI, SIDING= 2.5 MI
1, e	OTHER TRACK MATERIAL	16,299	TON	300	4,889,700	JOINT BARS, TIE PLATES, ETC.
	RAIL SUBTOTAL	44,601	TON		13,996,890	ML=121.9, SDG=9.9, TOTL=131.8
2, a	#10 TURNOUT, 112# RAIL	4	EACH	4,000	16,000	INCLUDING TIES
2, b	#10 TURNOUT, 115# RAIL	12	EACH	5,000	60,000	INCLUDING TIES
2, c	#10 TURNOUT, 136# RAIL	12	EACH	9,000	108,000	INCLUDING TIES
	TURNOUT SUBTOTAL	28	EACH		184,000	
3, a	TIMBER TIE, GOOD (88%)	374,629	EACH	5.00	1,873,145	
3, b	TIMBER TIE, FAIR (10%)	42,571	EACH	3.00	127,713	
3, c	TIMBER TIE, BAD (2%)	8,514	EACH	0.00	0	
	TIMBER TIE SUBTOTAL	425,714	EACH		2,000,858	
4	DETECTOR	2	EACH	2,500	5,000	HOT BOX & DRAGGING EQUIP
5, a	SIGNAL, ABS, DBL HEAD	19	EACH	500	9,500	1 WITH SOLAR PANEL
5, b	SIGNAL, ABS, SNGL HEAD	62	EACH	250	15,500	2 PAIR WITH SOLAR PANEL
5, c	SIGNAL BATTERY CABINET	60	EACH	100	6,000	QUANTITY ESTIMATED
	SIGNAL SUBTOTAL	141	EACH		31,000	
6, a	XING EQ, LIGHTS ONLY	6	EACH	3,000	18,000	INCLUDING EQUIP CABINET
6, b	XING EQ, WITH GATES	7	EACH	5,000	35,000	INCL EQ CABNT, GATES REMVD
6, c	XING W/ CROSSBUCK	51	EACH	0	0	
6, d	PVT XING, UNMARKED	19	EACH	0	0	
	CROSSING SUBTOTAL	83	EACH		53,000	
7, a	BRIDGE, TIMBER PILE	31	EACH	2,500	77,500	
7, b	BRIDGE, CONCRETE PILE	8	EACH	2,000	16,000	REINFORCED STRUCTURE
7, c	BRIDGE, STEEL DECK	2	EACH	5,000	10,000	SH 287 AT EADS & BOB CREEK
7, d	BRIDGE, TMBR/CONC/STL	3	EACH	3,000	9,000	COMBINED STRUCTURE TYPES
	BRIDGE SUBTOTAL	44	EACH		112,500	
8, a	CULVERT, CONC BOX	52	EACH	0	0	
8, b	CULVERT, CONC PIPE	16	EACH	0	0	
8, c	CULVERT, METAL PIPE	66	EACH	0	0	
	CULVERT SUBTOTAL	134	EACH		0	
9	STRUCTURE, MATL SHED	2	EACH	0	0	1 AT EADS, 1 AT HASWELL

10	RIGHT-OF-WAY	1,562	ACRE	300	468,600	HELD IN FEE. (2673 AC. TOTAL)
	TOTAL VALUE				**$16,851,848**	EXCLUDES DEMOLITION COST

LINE	ITEM DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	LIQUIDATION VALUE	REMARKS
11,a	TRACK REMOVAL	131.8	MILE	-20,000	-2,636,000	
11,b	SIGNAL REMOVAL	153	EACH	-3,000	-459,000	
11,c	BRIDGE REMOVAL	44	EACH	-35,000	-1,540,000	
11,d	MISC REMOVAL/CLEANUP	131.8	MILE	-1,000	-131,800	
	DEMOLITION SUBTOTAL				**-4,766,800**	

NET LIQUIDATION VALUE	**$12,085,048**	

Purchase Price		$10,217,521
Value vs. Purchase Price	+	$1,867,527

7. NEAR TERM MAINTENANCE AND IMPROVEMENTS

There will be certain near term maintenance work and fixed plant improvements that will need to be accomplished on the Towner – NA Junction Line prior to and immediately after the startup of operations by a new owner and/or operator. The need for maintenance work and fixed plant improvements is necessary because of the change in ownership and function of the line. The change in ownership alters the status of the line from inactive to active. This requires that crossing equipment and track switches be operational and that such things as locks and signage be changed. The change in function from essentially a through route for traffic to a shortline style of local service requires consideration for such items as interchange trackage, de-activation of the ABS signal system, and fueling and servicing facilities. Thorough inspection of the track, bridges, fences, and other fixed plant facilities will be required to ensure the safety of the employees and the public. This section documents the maintenance work and fixed plant improvements that have been identified to date. Rough order of magnitude cost estimates are also provided.

1. Replace locks on all switches, signal cabinets, and crossing cabinets if UP takes the existing locks and replace owner's name and emergency phone number on the 6 crossings that are equipped with flashers and the 7 crossings that are equipped with flashers and gates. An estimated total of 220 locks will be needed.

2. Replace the cut and bent rails at the ends of the line. One 136#, 39' rail will be needed at the NA Junction end and one 115#, 39' rail will be needed at the Towner end.

3. Re-install the arms at the 7 crossings with gates and inspect and test the 6 crossings with flashers only. A total of 14 arms will have to be re-installed and the gates tested for operability, any broken lenses or other items will need to be replaced, the batteries and circuitry will have to be checked, and the flashers will have to be tested.

4. A location will have to be identified for locomotive fueling and servicing. Eads is a likely location as it is near the areas where most traffic will be generated. The locomotives can be fueled from a highway tank truck, but a drip pan or catch area will be needed in case of fuel spills. A metal shed will also be needed for the storage of supplies and materials. The fueling and servicing could be performed on one of the existing spur tracks or on the siding.

5. If UP and the CKR (Central Kansas Railway) do not allow trackage rights to Pueblo and Horace, Ks, then interchange tracks will be required at NA Junction and Towner. If interchange tracks are not provided, cars will have to be pushed from the nearest siding (Pultney on the west and Stuart on the east) to the end of the main line where they can be picked up by the connecting railroad. This

would require a backup movement of 5.8 and 4.8 miles which is not necessarily a safe or easy movement with 50 to 100 cars. Each arrangement of interchange tracks will need the main line and two interchange tracks. One interchange track is used for outbound cars and the other is used for inbound cars. This arrangement is common for interchange locations. In order to accommodate unit grain trains of 50 to 100 cars, each of the two interchange tracks should be 3,000 feet to 6,000 feet in length. In addition to the track, 4 turnouts will also be needed at each location. Therefore; a total of 8 turnouts and 12,000 to 24,000 feet of track will be required for the interchanges.

6. Some of the broken ties located at the derailment site between MP 772.6 and MP 773.3 need to be replaced and the track surfaced in order to maintain 40 mph or higher speed. Approximately 124 ties should be replaced.

7. The ballast section of the right-of-way should be sprayed to eliminate the vegetation that is growing in the track area. The vegetation restricts drainage which encourages faster deterioration of the track structure and is a potential fire hazard.

8. The dirt, tumbleweeds, and other vegetation at culverts and some bridges should be removed to allow water to be drained away from the track and to reduce the potential fire hazard.

The estimated cost for the above projects is as follows:

1.	Replace locks and change crossing information	$ 7,000
2.	Replace cut and bent rail at ends of line	$ 2,000
3.	Re-install gate arms and test crossing equipment	$ 8,000
4.	Provide for locomotive fueling and servicing	$ 10,000
5.	Design and construct interchange tracks	$775,000 to $1,350,000
6.	Replace broken ties between MP 772.6 and 773.3	$ 7,000
7.	Spray ballast section to eliminate vegetation	$ 74,000
8.	Remove dirt and vegetation from culverts and bridges	$ 45,000
		=========
	Total	$928,000 to $1,503000

The cost estimate would be $1,067,200 to $1,728450 if a 15% contingency were applied to the above totals.

ADDENDUM TO PHYSICAL INSPECTION REPORT

Prepared July 29, 1999

CDOT funded a vegetation control project on the line in the Spring of 1999. The contractor completed this spraying and mowing contract in May, 1999.

An isolated summer thunderstorm that occurred during 1998 caused some flood damage approximately at milepost 801.5. CDOT will be responsible for the payment for the repair of the flood damage at this particular location. The repair of this flood damage shall be limited to the following: a) removal of any ballast with clumps of dirt and other debris; b) dumping new ballast and tamping it into place; c) dressing ballast shoulders and tops of ties; and d) re-contouring the drainage ditches on both sides of the track.

Appendix GWF-3

2004 CDOT PBQD Report

Executive Summary

August 20, 2004

Towner Railroad Line
Condition Inspection and Net Liquidation Value Assessment

prepared for
Colorado Department of Transportation
by
Parsons Brinckerhoff Quade & Douglas, Inc

Introduction:

The 122 mile Towner Line was purchased by the State of Colorado from the Union Pacific Railroad in July of 1998 for $10, 217,521. CDOT has leased the line for nearly five years to the Colorado Kansas and Pacific Railway Co. (CKP). The line has been out of service since February 2004.

In July 2004, the Colorado Department of Transportation (CDOT) retained Parsons Brinckerhoff Quade & Douglas (PBQ&D) to inspect track and facility conditions and to assess the current Net Liquidation Value of the line.

Findings:

The inspection findings concluded that the line is in relatively good condition.

The inspection identified several locations that require spot improvements to correct deteriorated track or tie condition in order to re-instate safe railroad operation.

To efficiently operate a rail line of this length, it is recommended that FRA Class 2 operating standards be restored across the entire line. Such improvements are estimated to cost $55,000. These improvements include the repair of an important passing track near the west end of the line, the repair of the siding to a major grain customer in Eads, and spraying the vegetation that is a serious safety problem in many locations along the line. These expenditures would allow a railroad operating speed of 25 MPH. If the line is only improved to FRA Class 1 standards (10 MPH maximum speed) the initial cost is estimated to be $7,500. Such improvements would restrict rail movements at only 10 MPH in those locations that do not meet Class 2 standards.

Assessment of Net Liquidation Value (NLV) of the Line

Shortly before the State acquired the Towner Line, a consultant to CDOT estimated the NLV of the line at that time (May, 1998) to be $12,085,048. This figure was $1,867,527 higher than the State's purchase price from the Union Pacific Railroad. Shortly after that 1998 analysis of NLV, the price of steel fell sharply and there were estimates over the past few years that the NLV may be as low as $4 million. The current assessment of NLV on the line is $7,116,869. This takes into account the price of scrap steel currently high due to demand by Pacific Rim countries.

Final Report

August 20, 2004

Towner Railroad Line
Condition Inspection and Net Liquidation Value Assessment

prepared for
Colorado Department of Transportation
by
Parsons Brinckerhoff Quade & Douglas, Inc

Introduction:

On July 20, 2004, the Colorado Department of Transportation (CDOT) retained Parsons Brinckerhoff Quade & Douglas (PBQ&D) to inspect track and facility conditions on the approximately 122 mile long Towner line, between NA Junction and Towner, CO. The Towner Line was purchased by the State of Colorado from the Union Pacific Railroad in July of 1998 for $10, 217,521. CDOT has leased the line for nearly five years to the Colorado Kansas and Pacific Railway Co. (CKP). The line has been out of service since February 2004.

An estimate of current Net Liquidation Value of the line is provided in Appendix B.

Inspection Procedures:

PB's project team conducted the inspection the week of July 26, 2004 using a hi-rail vehicle. Traveling at a speed between ten and fifteen mph (depending on conditions) all relevant conditions were noted. Observations and notes were made, including a comparison of conditions found in the May, 1998 CDOT Physical Inspection Report as follows:

Surface and line, gage and crosslevel

Rail, crosstie, rail anchor and ballast condition

Vegetation

Rail-highway crossing surface and protective devices

Structures (bridges and culverts)

Digital photographs were taken during the course on the inspection and have been provided to CDOT on a CD. An index of the photos is attached as Appendix A.

The inspection was conducted utilizing Federal Railroad Administration (FRA) Track Safety Standards (Excerpts from Part 213, Subpart A to F; Class of Track 1-5 are included in Appendix D).

General Inspection Findings:

Rail is generally in good condition. Jointed rail has some batter and vertical bent ends, but meets FRA Class 3 Track Safety Standards (TSS).

Ties, with minor exceptions, meet Class 3 TSS.

Ballast section, with minor exceptions, meets Class 3 TSS.

Surface and line meets Class 3 TSS.

Vegetation needs to be addressed since track visibility is severely limited.

Bridges and structures are adequate for service.

Power to all grade crossing systems appears to have been turned off.

Cross bucks at numerous crossing are missing and/or damaged.

Flangeways at gravel road public and private crossings are fouled.

Train signal system was taken out of service in 1998/1999 with the approval of the Surface Transportation Board and FRA; signals remain in place but the signal heads have been turned.

Recommendations:

CDOT requested that PB prepare an interim report for repairs needed to permit the movement of TTX cars currently stored on the line. That report was provided to CDOT on August 5, 2004 and included the following repairs to meet FRA Class 2 Safety Standards:

1. First, it is our recommendation that the track be restored to FRA Class 2 conditions. Based on our observations, this will be a significant increment above Class 1 restoration in both time and cost. At 10 mph, it will take several days and considerably higher operating costs to get all of the TTX equipment off the line. Correcting the spot conditions to permit an operating speed of 25 mph would reduce the time to possibly one day for each string of cars moved. It is recommended that a move of TTX cars consist of no more than 50 cars per move.
2. Getting the TTX equipment prepared for movement will require a thorough inspection by a qualified car equipment maintainer. Many of the cars have their undersides thoroughly inundated in tumbleweeds, which will have to be removed to perform the inspection. Hand removal of these tumbleweeds will be needed. An air brake test will be required when the locomotive is coupled to each string of cars. It will be necessary to hand flag movements at road crossings, due both to lack of protective devices, and to lack of public expectation of trains on the line after so long a shutdown. It is important to avoid shoving this lightweight equipment as much as possible, due to higher likelihood of derailment in curves and turnouts.
3. Due to the possibility of damage occurring between the last inspection and the start of train movements, the line must be inspected either during the first move with a locomotive at a speed slow enough to stop short of obstruction, or on the preceding day by Hi-Rail.
4. Vegetation growth is out of control in many locations, often to the point that view of the roadbed is completely obscured. It would enhance the safety of movement of the TTX equipment and allow 25 mph operation to conduct general application of a contact systemic weed control chemical. Isolated manual mowing and chemical application should be considered at certain road crossings to maintain sight distances. Chemical application alone will suffice if no train movements are made within seven days after completion.
5. Flangeways at grade crossings were observed to be filled with rocks and dirt in numerous locations. These flangeways should be checked and cleared in order to avoid potential derailments.
6. The following conditions and recommended repairs (identified by *italics*) are required to achieve Class 2 Track Safety Standards. Also noted are those specific locations identified by CDOT prior to the inspection as requiring “Special Damage Checks”:

MP 866.22 **SH 96 Signal mast with lights and gate down; struck by vehicle.** ***Remove damaged equipment from ROW. The replacement equipment for this State Highway crossing should be repaired and restored to operation as soon as possible.***

862.5 **Derailment damage (August 2003) at Pultney siding; repair of the east end of this siding would facilitate move of TTX cars if cars are delivered to**

owners at NA Jct. (Since most of the TTX cars are on the east end of the property, it would be easier to deliver TTX cars to owners at Towner if they would consider that.) Est. cost = $30,000

865	Adjacent to relay case. Pull apart, no bolts in one rail. *Close joint and put two bolts in each rail end.* *Est. cost = $600*
856.0	Vegetation 3' high in track. S*pray entire line. Contact systemic chemical application would knock down weeds in 5 to 7 days; therefore mowing would not be required for the TTX move. This cost would include additional spraying of 150 feet on either side of all public at-grade crossings.* *Est. cost = $15,000*
845	Few ties partially cut over structure for locomotive inspection; no repair required. Just east of this location, short weeds are so dense that track cannot be seen. See mow/spray comment and cost above.
831.3	Tie damage and anchors off – apparent derailment at some unknown point in time. *Replace/add anchors as necessary* *Est. cost = $500*
819.7	2" open joint, North rail, no bolts in East end of bars. *Close joint and put two bolts in each rail end. Anchors not applied to some of newly installed rail; replace and add anchors as necessary.* *Est. cost = $2000*
	Damage to concrete wing walls on bridge is of cosmetic nature and no need to repair.
801.6	Track wash over in late summer of 1998 has been repaired.
785	Bartlett Grain house track damaged by oversized vehicle using public crossing in Eads; will need to be repaired prior to any Bartlett grain move. Est. cost = $2,000
773++	Derailment site. Needs about 15 ties, 100+/- anchors. *Replace ties, add anchors, surface and line track. Work can be performed while vegetation and other items are handled.* *Est. cost = $4000*
759	Track and ties damaged by semi-truck accident at this location have been satisfactorily repaired
755.8	North rail – Open ½ inch - *Need drill and 2 bolts* *Est. cost = $600*

Total Estimated cost of improvements (including Pultney Siding and Bartlett House Track) to allow Class 2 operation prior to TTX car move = $54,700

If only Class 1 Operation is required; the items to be addressed to meet Class 1 TTS are as follows:

MP 865	$600	
MP 819.7	$2,000	
MP 773++	$4,000	
MP 755.8	$600	Total Estimated Cost to achieve Class 1 = $7,200

Appendix A

Photo Index – Towner Line Condition Inspection

Photo #	Image #	Milepost	Description
#1	1584	MP 868.5	Nepesta Road – Hi-rail vehicle sets on eastbound
#2	1585	MP 868.5	Nepesta Road stop sign at State Highway (SH) 96
#3	1586	MP 866.2	SH 96 crossing; damage to flashing lights and gate arms on east side of highway
#4	1587	MP 866.2	Damaged signal equipment on rail right of way
#5	1588	MP 863.1	Private crossing without signage along Pultney siding
#6	1589	MP 862.5	120 + foot of Pultney siding damaged/removed from August 2003 derailment
#7	1590	MP 862.5	Eastward view of damaged east end of Pultney siding
#8	1591	MP 862.5	Westward view of damaged east end of Pultney siding
#9	1592	MP 862.5	Eastward view of private timber crossing near east end of Pultney siding
#10	1593	MP 862.5	Eastward close-up view of timber crossing @ east end of derailment damage
#11	1594	MP 859.6	Checking track super elevation
#12	1595	MP 857.1	Westward view into Olney Springs @ east end of unused spur track; abandoned ballast regulator in foreground
#13	1596	MP 852.5	Eastward view west of Crowley
#14	1597	MP 847.4	Track signals showing heads turned away from tracks
#15	1598	MP 847.4	Eastward view west of Ordway @ west end of longest siding on line (7,234 feet)
#16	1599	MP 846.4	Colorado Blvd. crossing in Ordway; flashers across 1 track
#17	1600	MP 844.5	Westward view or private crossing @ Ordway feed lot, dense weed growth
#18	1601	MP 844.5	Eastward view east of Ordway feed lot; weeds too dense to operate greater than 10 MPH
#19	1602	MP 834.15	Two wheel burns on track
#20	1603	MP 830.7	Westward view of west end of Adobe Creek siding
#21	1604	MP 830.6	Eastward view of TTX cars in Adobe Creek siding

Photo #	Image #	Milepost	Description
#22	1605	MP 830.5	Close-up of TTX cars in Adobe Creek siding
#23	1606	MP 821.4	Switch at spur track just east of Arlington
#24	1607	MP 821.3	Broken joint bar
#25	1608	MP 819.7	Eastward view of location of March 2003 derailment of 30+ TTX cars
#26	1609	MP 819.7	Same view; close-up of repaired track condition
#27	1610	MP 819.7	Cosmetic damage (non-structural) to culvert's eastern wing walls
#28	1611	MP 819.7	Cosmetic damage (non-structural) to culvert's western wing walls
#29	1612	MP 819.7	Westward view of derailment site showing SH 96 structure also damaged in derailment.
#30	1613	MP 819.7	2 inch open joint; north rail
#31	1614	MP 819.6	112# 39 foot rail manufactured by CF&I
#32	1615	MP 807.7	Active protection on crossing in Haswell; mainline and siding
#33	1616	MP 807.7	Eastward view of mainline and siding with TTX cars in Haswell
#34	1617	MP 807.7	Westward view of west end on Haswell siding
#35	1618	MP 785.87	Damage to Bartlett elevator house track on Main Street in Eads
#36	1619	MP 785.87	Eastward view from Main Street along Bartlett elevator house track.
#37	1620	MP 785.87	Westward view from Main Street crossing in Eads; Bartlett house track to the right
#38	1621	MP 785.87	Section of removed broken house track from Main Street crossing
#39	1622	MP 785.87	Eastward view of damage to Bartlett house track
#40	1623	MP 785.87	Eastward view of damage to Bartlett house track
#41	1624	MP 785.87	Asphalt patch over removed broken rail
#42	1625	MP 785.87	Approaches to crossing showing scrapes to pavement
#43	1626	MP 785.87	Approaches to crossing showing scrapes to pavement

Photo #	Image #	Milepost	Description
#44	1627	MP 785.87	Approaches to crossing showing scrapes to pavement
#45	1628	MP 785.87	Northward view of house track damage on Main Street
#46	1629	MP 778.16	Broken Pole on north side of track east of Eads
#47	1630	MP 773+	Damaged ties and anchors from dragging equipment from 1996 derailment
#48	1631	MP 773.1	Westward view of private crossing @ 773.2 showing severely damaged ties.
#49	1632	MP 773.1	Eastward view of severely damaged ties west of Rush Creek
#50	1633	MP 773.1	Eastward view of burned/damaged ties in curve west of Rush Creek
#51	1634	MP 758.8	Westward view of repair of damaged track and ties due to semi-truck accident off of US highway 385
#52	1635	MP 758.8	Ballast partially missing from semi-truck accident site
#53	1636	MP 758.8	Same location, several missing anchors
#54	1637	MP 747.0	Westward view from Kansas and Oklahoma (K&O) onto CDOT property; note effective K&O vegetation control.

Appendix B

Estimate of Net Liquidation Value of Towner Line (Estimate as of August 2004)

An estimate of Net Liquidation Value (NLV) of the Towner Line was conducted for CDOT in 1998. As of May 27, 1998, the estimated NLV was $12,085,048. This figure was $1,867,527 higher than the State's purchase price from the Union Pacific Railroad of $10,217,521.

Based on PB's current (August 2004) inspection and evaluation of the Towner Line, essentially all of the net liquidation value of the Towner line is in the price of the steel associated with the railroad track and other track materials (OTM) on the 121 mile railroad. Since 1998, the price of steel has fluctuated greatly, affecting "back of the envelope" estimates of "current" salvage value by CDOT staff and others. As recently as 18 months ago, the deflated prices of steel caused estimates of Towner Line's salvage value to be as low as $4,000,000. However, the current increase in steel exports to China and other Pacific Rim locations has increased the prices for scrap steel. All salvage companies indicate that this is a very dynamic market; prices fluctuate daily, and could fall significantly at any time.

The following analysis concludes with a current estimated NLV of $7,1166,869. The assessment concentrates on the value of steel in the various types of railroad track along the Towner line. The 1998 analysis conducted for CDOT included $2,000,000 in liquidation value for the timber railroad ties. At this point in time; numerous sources indicate there is virtually no market for and no net value in used railroad ties. The cost of removal may actually exceed any residual value. At a maximum, it has been suggested that an analysis might show $1 per tie.

The 1998 NLV estimate conducted for CDOT identified a liquidation value of $112,500 for bridges. However, the 1998 removal cost for the bridges on the line was $1,540,000 and today is likely to exceed $2 million. It is our recommendation that the bridges be left in place and not included in this analysis; avoiding a reduction of nearly $2 million in net liquidation value.

Item	Quantity/Units	Unit Price	Est. Liq. Val.	Comments
136# CWR	12,423 ton			51.9 miles ML / siding
115# Rail	11,334 ton			56.0 miles ML
112# Rail	4,021 ton			20.4 miles ML / siding
85 & 90# Rail	524 ton			3.5 miles siding
Other track material	16,299 ton			tie plates, joint bars, etc.
Rail Subtotal	44,601 ton	$155/ton	**$6,913,155**	**121.9 mi. ML; siding 9.9 Mi.**
#10 Turnout/112# rail	4	$4,000	$16,000	
#10 Turnout/115# rail	12	$5,000	$60,000	
#10 Turnout/136# rail	12	$9,000	$108,000	
Turnout Subtotal			**$184,000**	
Timber ties, Good (50%)	212,857	$1 each max		
Timber ties, Fair (45%)	191,571			
Timber ties, Poor (5%)	21,286			
Ties Subtotal	**425,714**		**$425,714**	

*** Hot Box and Drag. Equip. Detectors**	**2**
Signals, ABS Dbl Hd.	19
Signals, ABS Sngl Hd.	62
Signal Battery Cabinet	60
*** Signals Subtotal**	**141**

* (Railroad Signals and detectors are obsolete and have no value)

Cross. Eq. Lights Only	6	3,000	$18,000
Cross. Eq. w/Gates	7	5,000	$35,000
Crossing Equip. Sub.	**13**		**$53,000**
Total Liquidation Value			***$7,575,869***
Signal Removal	**153**	**$3,000 each**	**$459,000**
Removal Subtotal			***$459,000***

Net Liquidation value $7,116,869

This estimate assumes the current high value of steel (as of August 13, 2004) as well as the maximum amount of $1 per used timber tie. Assuming a price of steel @ 30% less ($108.50 per ton) and no net value for ties would yield a Net Liquidation Value of $4,617,209.

Appendix C

Towner Line Condition Inspection Miscellaneous Notes:

All conditions Class II or better except as noted below in Bold

Tuesday, July 27, 2004

M.P.	Location & Observation	
868.15	NA Junction-On Track	
868.5	Begin 136RE CWR	
866.22	**SH 96**	**Signal mast with lights and gate down. Struck by vehicle**
866.17	Culvert	Good
865.7	Pvt Crossing	
865.1	129' concrete pile trestle	
865	**By relay case. Pull apart, no bolts in one rail**	
863.6	P.S left hand #10 t/o to 6070' passing siding	
863.1	Private Crossing	
862.5	260' rail missing east end of siding (late 2003 derailment damage; does not affect mainline)	
857.75	Ditch/culvert fouled	
857.05	Left hand trailing point t/o short spur track	Abandoned ballast regulator
856.7	54' timber trestle	
856.0	**Vegetation 3' high in track**	
854.8	Crowley County Lane (CL) 9.5 crossing with cross bucks	
851.3	Box culvert	
850.7	92' steel trestle, timber deck	
850.5	Dragging equipment/hotbox detector	
848.1	North cross buck missing @ CL 16	
848.05	LH F/P T/O Passing siding	
	End Crowley Block, begin Ordway Block	
847.05	CL 17, no protection	
845.0	42' timber deck trestle, ties cut for locomotive inspection	
844	18" vegetation in gage	
842.4	95' bridge, flowing stream	
841.4	Montana Street in Sugar City; south cross buck missing	
841.15	Sugar City spur track	
839.6	Horse Creek, 506' concrete pile trestle	

837.5	Black Slough
837.4	Private crossing – NW cross buck missing
836.25	CL 27; north cross buck missing
834.25	CL 29; Mud, 1 cross buck
834.15	2 pair driver burns
831.3	**Tie damage and anchors off – apparent derailment**
831	West end Adobe Creek siding – F/P L/H T/O #10
830.5	TTX cars on siding
828.8	95' timber trestle
827.1	90' timber trestle
824.9	Private Xing – 1 cross buck
823.7	42' Long open deck timber pile trestle
821.4	Spur track at Arlington

Wednesday, July 28, 2004

M.P.	Location & Observation
821.2	CR F, north cross buck missing
820.1	112# RE Jointed 39'
819.7	Track class 2
	2" open joint, North rail, no bolts in East end of bars; anchors missing.
	Site of TTX derailment. Severe (but cosmetic; not structural) damage to culvert wing walls
General	112 RE 39' rails, 4-hole bars
	Ballast generally good
	Ties Class 3+
	Rail ends - .030" batter, plus
	- .030" bent
810.15	RH curve. 100' low spot, both rails – CWR in curve
808.8	LH curve Westerly ¼ of curve jointed high rail Okay
807.9	Flashers on Haswell's Main Street in working order; TTX on siding. Siding 136RE CWR
806.2	East end siding
805.0	112RE to 115RE Ties Class 3; Anchors shy 20%; Ballast good; Rail ends chipped
801.0	Mile long curve; 0 Deg 59', 1"
799.0	Spur to South; CR 27 both cross bucks missing
796.1	CR 30; both cross bucks missing
795.0	CR 31; missing south cross buck

793.2	Open deck trestle – good; 6-hole bars
793.1	CR 33; both cross bucks missing
788.1	CR 38; both cross bucks missing
786.3	SH 287 overpass structure
785.87	Eads main Street crossing; northernmost of 4 tracks (Bartlett Elevator House track) broken; repaired with asphalt patch
785.7	Low hanging wire over track; could not pass with hi-rail vehicle
784	Eads; Siding to S; TTX cars;
781.1	E/Eads; get off track, run around TTX cars on main line
	115RE 6-hole bars; see 805.0 for condition
781 – 777	Almost no vegetation along line in this area
778.6	Broken pole
777.5	Driver burns on rail
777.0	CR 49; flashers (now have gate arms in place; not in 1998 inventory
774.5	Ballast inadequate due to previous derailment
773.0 – 772.5	**Derailment site. Needs about 15 ties, 100+/- anchors**
772.4	RH T/O – siding – TTX cars
771.8	CR 52; 2 Xbucks
771.1	CR 54; 1 Xbuck
770.2	Big Sand Creek
766.2	Brandon; off track

Thursday, July 29, 2004

M.P.	Location & Observation
766.2	On track at Brandon; high weeds
766.0	CR 59 sign says 2 tracks; only 1 track in place
766 - 763	Significant sunflower/weed growth
762.0	CR 63; north cross buck missing
758.8	Site of semi-truck accident where rail and ties damaged; track repair okay
757.9	Sheridan Lake; TTX in mill siding; weeds moderate
756	Joints good
755.8	**N/rail open ½"; need drill and 2 bolts**
754	TTX on main. Run around; heavy tumbleweeds
750.0	CR 75 – on track – 115RE CWR; south cross buck missing
749	CRL 76; moderate to heavy weeds
748.8	Sand in track. Okay

Off track in Towner

Appendix D

Excerpts from FRA Track Safety Standards, Part 213, Subpart A to F;
Class of Track 1-5. *Note: This excerpted material is for reference only. Refer to the entire publication for application instructions.*

§213.103 Ballast; general
Unless it is otherwise structurally supported, all track shall be supported by material which will --
(a) Transmit and distribute the load of the track and railroad rolling equipment to the subgrade;
(b) Restrain the track laterally, longitudinally, and vertically under dynamic loads imposed by railroad rolling equipment and thermal stresses imposed by the rails;
(c) Provide adequate drainage for the track; and
(d) Maintain proper track crosslevel, surface, and alignment.

§213.109 Crossties

Class of track	Tangent track and curves < 2 degrees	Turnouts and curved track over 2 degrees
1	5	6
2	8	9
3	8	10
4 and 5	12	14

(e) Crossties counted to satisfy the requirements set forth in the table in paragraph (d) of this section shall not be –
(1) Broken through;
(2) Split or otherwise impaired to the extent the crossties will allow the ballast to work through, or will not hold spikes or rail fasteners;
(3) So deteriorated that the tie plate or base of rail can move laterally 1/2-inch relative to the crossties; or
(4) Cut by the tie plate through more than 40 percent of a crosstie's thickness.

(f) Class 1 and Class 2 track shall have one crosstie whose centerline is within 24 inches of each rail joint location, and Classes 3 through 5 track shall have one crosstie whose centerline is within 18 inches of each rail joint location or, two crossties whose centerlines are within 24 inches either side of each rail joint location.

§213.113 Defective rails
(a) When an owner of track to which this part applies learns, through inspection or otherwise, that a rail in that track contains any of the defects listed in the following table, a person designated under §213.7 shall determine whether or not the track may continue in use. If he determines that the track may continue in use, operation over the defective rail is not permitted until --
(1) The rail is replaced; or
(2) The remedial action prescribed in the table is initiated.
Note: See TSS Part 213 Subpart A to F for details.

§213.115 Rail end mismatch
Any mismatch of rails at joints may not be more than that prescribed by the following table --

Class of track	Any mismatch of rails at joints may not be more than the following	
	On the tread of the rail ends (inch)	On the gage side of the rail ends (inch)
1	1/4	1/4
2	1/4	3/16
3	3/16	3/16
4 and 5	1/8	1/8

§213.119 Continuous welded rail (CWR); general
Each track owner with track constructed of CWR shall have in effect and comply with written procedures which address the installation, adjustment, maintenance and inspection of CWR, and a training program for the application of those procedures, which shall be submitted to the Federal Railroad Administration by March 22, 1999. FRA reviews each plan for compliance with the following:

Note: See TSS Part 213 Subpart A to F for details.

§213.121 Rail joints

(a) Each rail joint, insulated joint, and compromise joint shall be of a structurally sound design and dimensions for the rail on which it is applied.
(b) If a joint bar on Classes 3 through 5 track is cracked, broken, or because of wear allows excessive vertical movement of either rail when all bolts are tight, it shall be replaced.
(c) If a joint bar is cracked or broken between the middle two bolt holes it shall be replaced.
(d) In the case of conventional jointed track, each rail shall be bolted with at least two bolts at each joint in Classes 2 through 5 track, and with at least one bolt in Class 1 track.
(e) In the case of continuous welded rail track, each rail shall be bolted with at least two bolts at each joint.
(f) Each joint bar shall be held in position by track bolts tightened to allow the joint bar to firmly support the abutting rail ends and to allow longitudinal movement of the rail in the joint to accommodate expansion and contraction due to temperature variations. When no-slip, joint-to-rail contact exists by design, the requirements of this paragraph do not apply. Those locations when over 400 feet in length, are considered to be continuous welded rail track and shall meet all the requirements for continuous welded rail track prescribed in this part.
(g) No rail shall have a bolt hole which is torch cut or burned in Classes 2 through 5 track. [This paragraph (g) is applicable September 21, 1999.]
(h) No joint bar shall be reconfigured by torch cutting in Classes 3 through 5 track.

Application
Rail joints are considered to be a necessary discontinuity and require special attention by railroad maintenance personnel and safety Inspectors.
As far as possible, a rail joint should provide the same relative strength, stiffness, flexibility, and uniformity as the rail itself.

The TSS recognize these important aspects of rail joints and begin this section with a requirement that rail joints be of a structurally sound design and dimension for the rail on which they are applied.
For proper rail-load transfer to occur, rail joints must contact the head and base of rail when the bolts are tight. Many rail-joint designs have been used with varying degrees of success, and the TSS do not attempt to single out any particular design as the only acceptable joint. This would inhibit innovation in modern track design.
The TSS only requires structural soundness and bolt condition based on authorized operating train speed. Inspectors must be alert to locations where different rail sections are jointed by rail joints not designed as compromise joints and not identified as fitting both rail sections. Figure 5-22 illustrates the proper application of compromise joint bars.

§213.123 Tie plates

(a) In Classes 3 through 5 track, where timber crossties are in use, there must be tie plates under the running rails on at least 8 of any 10 consecutive ties.

(b) In Classes 3 through 5 track no metal object which causes a concentrated load by solely supporting a rail shall be allowed between the base of the rail and the bearing surface of the tie plate. This paragraph (b) is applicable September 21, 1999.

§213.127 Rail fastenings

Track shall be fastened by a system of components which effectively maintains gage within the limits prescribed in §213.53(b). Each component of each such system shall be evaluated to determine whether gage is effectively being maintained.

§213.133 Turnouts and track crossing generally

(a) In turnouts and track crossings, the fastenings must be intact and maintained so as to keep the components securely in place. Also, each switch, frog, and guard rail must be kept free of obstructions that may interfere with the passage of wheels.

(b) Classes 3 through 5 track shall be equipped with rail anchoring through and on each side of track crossings and turnouts, to restrain rail movement affecting the position of switch points and frogs. For Class 3 track, this paragraph (b) is effective September 21, 1999.

(c) Each flangeway at turnouts and track crossings must be at least 1-1/2 inches wide.

§213.135 Switches

(a) Each stock rail must be securely seated in switch plates, but care shall be used to avoid canting the rail by overtightening the rail braces.

(b) Each switch point shall fit its stock rail properly, with the switch stand in either of its closed positions to allow wheels to pass the switch point. Lateral and vertical movement of a stock rail in the switch plates or of a switch plate in a tie shall not adversely affect the fit of the switch point to the stock rail. Broken or cracked switch point rails will be subject to the requirements of §213.113, except that where remedial actions C, D, or E require the use of joint bars, and joint bars cannot be placed due to the physical configuration of the switch, remedial action B will govern, taking into account any added safety provided by the presence of reinforcing bars on the switch points.

(c) Each switch shall be maintained so that the outer edge of the wheel tread cannot contact the gage side of the stock rail.

(d) The heel of each switch rail shall be secure and the bolts in each heel shall be kept tight.

(e) Each switch stand and connecting rod shall be securely fastened and operable without excessive lost motion.

(f) Each throw lever shall be maintained so that it cannot be operated with the lock or keeper in place.

(g) Each switch position indicator shall be clearly visible at all times.

(h) Unusually chipped or worn switch points shall be repaired or replaced. Metal flow shall be removed to insure proper closure.
(i) Tongue & Plain Mate switches, which by design exceed Class 1 and excepted track maximum gage limits, are permitted in Class 1 and excepted track.

§213.137 Frogs

(a) The flangeway depth measured from a plane across the wheel-bearing area of a frog on Class 1 track may not be less than 1-3/8 inches, or less than 1-1/2 inches on Classes 2 through 5 track.
(b) If a frog point is chipped, broken, or worn more than 5/8-inch down and 6 inches back, operating speed over that frog may not be more than 10 m.p.h.
(c) If the tread portion of a frog casting is worn down more than 3/8-inch below the original contour, operating speed over that frog may not be more than 10 m.p.h.
(d) Where frogs are designed as flange-bearing, flangeway depth may be less than that shown for Class 1 if operated at Class 1 speeds.

§213.143 Frog guard rails and guard faces; gage

The guard check and guard face gages in frogs must be within the limits prescribed in the following table:

Class of track	**Guard check gage The distance between the gage line of a frog to the guard line1 of its guard rail or guarding face, measured across the track at right angles to the gage line2 , may not be less than**	**Guard face gage The distance between guard lines1, measured across the track at right angles to the gage line2, may not be more than**
1	4' 6-1/8"	4' 5-1/4"
2	4' 6-1/4"	4' 5-1/8"
3 & 4	4' 6-3/8"	4' 5-1/8"
5	4' 6-1/2"	4' 5"

1 - A line along that side of the flangeway which is nearer to the center of the track and at the same elevation as the gage line.
2 - A line 5/8-inch below the top of the centerline of the head of the running rail or corresponding location of the tread portion of the track structure.

§213.205 Derails

(a) Each derail shall be clearly visible.
(b) When in a locked position, a derail shall be free of lost motion which would prevent it from performing its intended function.
(c) Each derail shall be maintained to function as intended.
(d) Each derail shall be properly installed for the rail to which it is applied. [This paragraph (d) is applicable September 21, 1999.]

§213.33 Drainage
Each drainage or other water carrying facility under or immediately adjacent to the roadbed must be maintained and kept free of obstruction, to accommodate expected water flow for the area concerned.

§213.233 Track Inspection
Frequency of inspection:

Class of Track	Type of Track	Required Frequency
Excepted track and Class 1, 2 , and 3 track	Main track and sidings	*Weekly* with at least 3 calendar days interval between inspections, or *before use*, if the track is used less than once a week, or *twice weekly* with at least 1 calendar day interval between inspections, if the track carries passenger trains or more than 10 million gross tons of traffic during the preceding calendar year.
Excepted track and Class 1, 2, and 3 track	Other than main track and sidings	*Monthly* with at least 20 calendar days interval between inspections.
Class 4 and 5 track		*Twice weekly* with at least 1 calendar day interval between inspections.

§213.37 Vegetation
Vegetation on railroad property which is on or immediately adjacent to roadbed shall be controlled so that it does not –

(a) Become a fire hazard to track-carrying structures;
(b) Obstruct visibility of railroad signs and signals:
  (1) along the right-of-way, and
  (2) at highway-rail crossings;
(c) Interfere with railroad employees performing normal trackside duties;
(d) Prevent proper functioning of signal and communication lines; or
(e) Prevent railroad employees from visually inspecting moving equipment from their normal duty stations.

Gage must be within the limits prescribed in the following table:

Class of Track	The gage must be at least	But not more than
Excepted track	N/A	4'10-1/4"
1	4' 8"	4'10"
2 and 3	4' 8"	4' 9-3/4"
4 and 5	4' 8"	4' 9-1/2"

§213.55 Alignment
Alignment may not deviate from uniformity more than the amount prescribed in the following table:

Class of Track	Tangent Track	Curved Track	
	The deviation of the mid-offset from a 62-foot line1may not be more than --	**The deviation of the mid-ordinate from a 31-foot chord2may not be more than --**	**The deviation of the mid-ordinate from a 62-foot chord2may not be more than --**
1	5"	3N/A	5"
2	3"	3 N/A	3"
3	1-3/4"	1-1/4"	1-3/4"
4	1-1/2"	1"	1-1/2"
5	3/4"	1/2"	5/8"

1The ends of the line must be at points on the gage side of the line rail, five-eighths of an inch below the top of the railhead. Either rail may be used as the line rail, however, the same rail must be used for the full length of that tangential segment of track.
2The ends of the chord must be at points on the gage side of the outer rail, five-eighths of an inch below the top of the railhead.
3N/A - Not Applicable.

§213.57 Curves; elevation and speed limitations
(a) The maximum crosslevel on the outside rail of a curve may not be more than 8 inches on track Classes 1 and 2 and 7 inches on Classes 3 through 5. Except as provided in § 213.63, the outside rail of a curve may not be lower than the inside rail.
(b)(1) The maximum allowable operating speed for each curve is determined by the formula shown in Part 213.

§213.63 Track surface

Each owner of the track to which this part applies shall maintain the surface of its track within the limits prescribed in the following table:

Track Surface	Class of Track				
	1	**2**	**3**	**4**	**5**
The runoff in any 31 feet of rail at the end of a raise may not be more than	3-1/2"	3"	2"	1½"	1"
The deviation from uniform profile on either rail at the mid-ordinate of a 62-foot chord may not be more than	3"	2-3/4"	2-1/4"	2"	1-1/4"
The deviation from zero crosslevel at any point on tangent or reverse crosslevel elevation on curves may not be more than	3"	2"	1-3/4"	1-1/4"	1"
The difference in crosslevel between any two points less than 62 feet apart may not be more than * **1, 2**	3"	2-1/4"	2"	1-3/4"	1-1/2"
***** Where determined by engineering decision prior to the promulgation of this rule, due to physical restrictions on spiral length and operating practices and experience, the variation in crosslevel on spirals per 31 feet may not be more than	2"	1-3/4"	1-1/4"	1"	3/4"

1 Except as limited by §213.57(a), where the elevation at any point in a curve equals or exceeds 6 inches, the difference in crosslevel within 62 feet between that point and a point with greater elevation may not be more than 1-1/2 inches. (Footnote 1 is applicable September 21, 1999).

2 However, to control harmonics on Class 2 through 5 jointed track with staggered joints, the crosslevel differences shall not exceed 1-1/4 inches in all of six consecutive pairs of joints, as created by 7 low joints. Track with joints staggered less than 10 feet shall not be considered as having staggered joints. Joints within the 7 low joints outside of the regular joint spacing shall not be considered as joints for purposes of this footnote. (Footnote 2 is applicable September 21, 1999).

§213.9 Classes of track; operating speed limits

(a) Except as provided in paragraph (b) of this section and §213.57(b), 213.59(a), 213.113(a), and 213.137(b) and (c), the following maximum allowable operating speeds apply:

Over track that meets all of the requirements prescribed in this part for	The maximum allowable speed for freight trains is	The maximum allowable speed for passenger trains is
Excepted	10	N/A
1	10	15
2	25	30
3	40	60
4	60	80
5	80	90

Appendix GWF-4

2015 V&S RLB Report

R.L. BANKS & ASSOCIATES, INC.

ECONOMICS | ENGINEERING | SERVICE PLANNING

Doug Davis, Esquire
General Counsel
A&K Railroad Materials
P.O. Box 30076
Salt Lake City, UT 84130

August 7, 2015

SUBJECT: Updated Net Liquidation Valuation of V&S Railway Towner Line

Dear Mr. Davis:

Per your request, RLBA has updated the report entitled "Track Asset Valuation of the V&S Railway, Towner Junction, CO – NA Junction, CO (originally transmitted October, 2 2014)" to reflect current market prices. The update was achieved by applying current track material unit prices to the track inventory quantities observed by RLBA's September 30, 2014 track inspection of the subject trackage. The new track material unit prices are current as of August 5, 2015. Otherwise, the methodology and mathematics RLBA employed to derive the updated NLV are identical to the approaches employed in the derivation of the original NLV amount communicated last October.

Below is the updated estimated net liquidation value of the V&S Towner Line, adjusted to reflect the current track material prices.

V&S Tower Liner Net Liquidation Valuation Summary Table			
Milepost Start	Milepost End	Salvage Value	Net Total
747.5	869.4	$33,650,100	$27,023,500

Enclosed with the remainder of this communication are RLBA's worksheets used to derive the above value.

Again, on behalf of my colleagues and myself, I wish to thank you for offering RLBA the opportunity to be of assistance to you and A&K Railroad Materials.

Sincerely,

Charles H. Banks

Charles H. Bank

WASHINGTON, D.C. AREA OFFICE

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Appendix One

Net Liquidation Value of Track Assets
V&S Railway
Towner Jct. To NA Jct., CO (Mileposts 747.5 - 869.4)
As of August 05, 2015

	Unit	Unit Cost	Total	Grand Total
Track Nominal Value:				
Relay Railroad Materials			$31,637,900	
Scrap and Reroll Materials (net of transportation)			$668,200	
Ties and Non-steel Materials			$1,344,000	
Gross Value				**$33,650,100**
Preparation Cost Adjustments:				
Fit Rail & OTM Removal (miles)	127	$16,000	-$2,032,100	
Scrap/Reroll Rail & OTM Removal (miles)	7	$12,000	-$85,100	
Fit Turnout Removal (each)	18	$800	-$14,400	
Scrap Turnout Removal (each)	11	$500	-$5,500	
Total Adjustments				**-$2,137,100**
Restoration Cost Adjustments:				
Public Highway Crossing (each)	64	$2,000	-$128,000	
Private Highway Crossing (each)	12	$300	-$3,600	
Total Adjustments				**-$131,600**
Track Salvage Value				**$31,381,400**
Administrative, Marketing and Transportation Expense				
Relay Steel Materials - 13 percent			-$4,112,900	
Scrap, Reroll and Non-steel Materials - 5 percent			-$100,600	
Transportation - Carloads to Chicago	25 @	$5,776	-$144,400	
Total Estimated Expense				**-$4,357,900**
Net Liquidation Value				**$27,023,500**

Notes: Dollar amounts are rounded to the nearest hundred; units to the nearest tenth. Values may not appear to add due to rounding.

Appendix Two

Gross Liquidation Value of Track Assets
V&S Railway
Towner Jct. To NA Jct., CO (Mileposts 747.5 - 869.4)
As of August 05, 2015

Rail:

Miles Fit	Miles Scrap		Description	Condition	Unit	Quantity per mile	Unit	Total	Re-Useable Percent	Re-Useable Unit Value	Re-Useable Value (a)	Scrap and Reroll Percent	Scrap and Reroll Unit Value	Scrap and Reroll Value (b)	Grand Total (a+b)
49.30		136	RE CWR	Fit #1		239.4	Ton	11,802	97 %	$770.00	$8,815,200				$8,815,200
	1.25	136	RE CWR	Reroll		239.4	Ton	299				97 %	296	$86,000	$86,000
0.18		133	RE CWR	Fit #1		234.1	Ton	41	97 %	$770.00	$30,600				$30,600
0.18		133	RE CWR	Fit #2		234.1	Ton	41	97 %	$700.00	$27,800				$27,800
	3.75	132	RE CWR	Reroll		232.3	Ton	871				97 %	296	$250,400	$250,400
0.73		115	RE CWR	Fit #1		202.4	Ton	147	97 %	$870.00	$123,800				$123,800
2.23		115	RE CWR	Fit #2		202.4	Ton	450	97 %	$800.00	$349,500				$349,500
52.40		115	RE	Fit #1		202.4	Ton	10,606	97 %	$870.00	$8,950,200				$8,950,200
3.15		113	RE CWR	Fit #2		198.9	Ton	627	97 %	$650.00	$395,000				$395,000
18.41		112	RE	Fit #1		197.1	Ton	3,628	97 %	$850.00	$2,991,000				$2,991,000
	0.18	112	RE	Reroll		197.1	Ton	34				97 %	296	$9,900	$9,900
	0.07	112	RE	Scrap		197.1	Ton	14				97 %	246	$3,300	$3,300
	0.13	90	RA	Reroll		158.4	Ton	21				97 %	296	$5,900	$5,900
	0.02	90	RA	Scrap		158.4	Ton	3				97 %	246	$800	$800
	1.36	85	AS	Reroll		149.6	Ton	203				97 %	296	$58,500	$58,500
	0.34	85	AS	Scrap		149.6	Ton	51				97 %	246	$12,200	$12,200
127.01	**7.10**		**Rail Total**								**$21,683,100**			**$427,000**	**$22,110,100**

Other Track Material:

Miles Fit	Miles Scrap		Description	Condition	Unit	Quantity per mile	Unit	Total	Re-Useable Percent	Re-Useable Unit Value	Re-Useable Value (a)	Scrap Percent	Scrap Unit Value	Scrap Value (b)	Grand Total (a+b)
121.90		Ties	Relay		Each	3,249	Each	396,053	2 %	$28.00	$240,300				$240,300
121.90		Ties	Landscape #1		Each	3,249	Each	396,053				27 %	$8.00	$842,300	$842,300
121.90		Ties	Landscape #2		Each	3,249	Each	396,053				35 %	$4.00	$550,500	$550,500
121.90		Ties	Scrap		Each	3,249	Each	396,053				37 %	(2.00)	-$289,100	-$289,100
0.35	3.70	Tie Plates	8 x 16 DS Pand	Relay	Each	6,498	Each	26,317	97 %	$9.00	$229,700				$229,700
49.30	1.30	Tie Plates	8 x 14 DS	Relay	Each	6,498	Each	328,799	97 %	$9.00	$2,870,400				$2,870,400
76.91	0.25	Tie Plates	8 x 13 DS	Relay	Each	6,498	Each	501,321	97 %	$9.00	$4,376,500				$4,376,500
0.45		Tie Plates	7 x 11 SS	Relay	Each	6,498	Each	2,924	97 %	$7.00	$19,900				$19,900
	1.85	Tie Plates	7 x 11 SS	Scrap	Ton	108.9	Ton	201				95 %	246	$47,200	$47,200
52.40		Jt. Bars 115# 36"		Relay	Pair	271	Pair	14,188	97 %	$80.00	$1,101,000				$1,101,000
18.41		Jt. Bars 112# 24"		Relay	Pair	271	Pair	4,984	97 %	$41.90	$202,500				$202,500
0.45		Jt. Bars 90#		Relay	Pair	320	Pair	144	97 %	$28.80	$4,000				$4,000
	0.12	Jt. Bars 112#24"		Scrap	Ton	9.5	Ton	1				100 %	246	$300	$300
	0.15	Jt. Bars 90#		Scrap	Ton	9.5	Ton	1				100 %	246	$400	$400
	1.70	Jt. Bars 85#		Scrap	Ton	9.5	Ton	16				95 %	246	$3,800	$3,800
54.48		Rail Anchors Welded		Relay	Each	6,498	Each	354,004	80 %	$2.40	$679,700				$679,700
72.53		Rail Anchors Jointed		Relay	Each	2,708	Each	196,389	80 %	$2.40	$377,100				$377,100
	7.10	Rail Anchors		Scrap	Ton	3.7	Ton	27				80 %	246	$5,200	$5,200
127.01	7.10	Spikes		Scrap	Ton	5.1	Ton	679				80 %	246	$133,800	$133,800
127.01	7.10	Bolts & Washers		Scrap	Ton	1.4	Ton	190				80 %	246	$37,400	$37,400
			Other Track Material Total								**$10,101,100**			**$1,331,800**	**$11,432,900**

Turnouts:

Turnouts Fit	Turnouts Scrap	Description	Condition	Unit	Quantity	Unit	Total	Re-Useable Percent	Re-Useable Unit Value	Re-Useable Value (a)	Scrap Percent	Scrap Unit Value	Scrap Value (b)	Grand Total (a+b)
11		Turnouts (136#10)	Fit	Each	1	Each	11	100 %	$6,000.00	$66,000				$66,000
7		Turnouts (115/112#10)	Fit	Each	1	Each	7	100 %	$4,000.00	$28,000				$28,000
		Turnouts (Long)	Fit	Each		Each		100 %						$0
	11	Scrap Turnouts	Scrap	Ton	5	Ton	55				97 %	$246	$13,100	$13,100
18	**11**	**Turnouts Total**								**$94,000**			**$13,100**	**$107,100**

Grand Total											**$31,878,000**			**$1,772,000**	**$33,650,000**

Notes: Dollar amounts are rounded to the nearest hundred; tons to the nearest tenth; units to the nearest integer. Values may not appear to add due to rounding.
Source: Vendors, and RLBA estimates.

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Appendix Three

Summary of Rail Evaluated
V&S Railway
Towner Jct. To NA Jct., CO (Mileposts 747.5 - 869.4)
As of August 05, 2015

Main Track:

Milepost		Rail				
South	North	Section	Rolled	Type	Control Cooled	Miles
747.50	750.65	113	1944	CWR	Yes	3.15
750.65	770.35	115	1949	Jointed	Yes	19.70
770.35	770.70	133	1982	CWR	Yes	0.35
770.70	805.00	115	1949	Jointed	Yes	34.30
805.00	820.10	112	1947/1948	Jointed	Yes	15.10
820.10	869.40	136	1975/1979	CWR	Yes	49.30
	Main Track Total					**121.90**

Yard Tracks and Sidings:

Milepost		Rail				
South	Name	Section	Rolled	Type	Control Cooled	Miles
752.4	Stuart	132HF		CWR	Yes	1.20
757.3	Sheridan Lake	85		Jointed	No	0.40
766.5	Brandon	90	1929	Jointed	No	0.30
771.1	Chivington	132HF/136		Jointed		1.20
784.8	Eads north 1	132HF/136		Jointed		1.30
785.7	Eads north 2	90		Jointed		0.20
785.7	Eads south	85		Jointed		0.40
799.2	Galatea	90		Jointed		0.10
806.4	Haswell North	132HF		Jointed		1.30
807.2	Haswell South	112		Jointed		0.60
821.4	Arlington	85		Jointed		0.10
829.6	Heath	112		Jointed	No	1.30
840.9	Sugar City	112/85		Jointed	No	0.60
846.3	Ordway	85		Jointed	No	0.20
846.5	Ordway	112	1947	Jointed	No	1.40
852.1	Crowley	85		Jointed	Yes	0.20
857.0	Olney Springs	85		Jointed	No	0.20
862.4	Pultney	112	1945	Jointed	No	1.20
	Yard Track & Siding Total					**12.20**

Track Miles Grand Total **134.10**

Source: RLBA On-site Inspection

Appendix Four

Summary of Turnouts
V&S Railway
Towner Jct. To NA Jct., CO (Mileposts 747.5 - 869.4)
As of August 05, 2015

Location	Rail	Frog			Condition	
MP	Weight	Type	Size (#)	Weight	Relay	Scrap
752.4	115	RBM	10	115		1
753.7	115	RBM	10	115		1
757.3	115	RBM	10	115	1	
766.5	115	RBM	10	115		1
771.1	115	RBM	10	115	1	
772.3	136	RBM	10	136	1	
784.6	115	RBM	10	115	1	
785.7	115	RBM	10	115		1
785.6	115	RBM	10	115	1	
785.9	115	RBM	10	115		1
785.9	115	RBM	10	115	1	
786.0	115	RBM	10	115		1
799.2	115	RBM	10	115	1	
806.4	136	RBM	10	136	1	
807.2	112	RBM	10	112		1
807.7	112	RBM	10	112		1
807.8	112	RBM	10	112		1
821.4	136	RBM	10	136	1	
829.6	136	RBM	10	136	1	
830.9	136	RBM	10	136		1
840.9	136	RBM	10	136	1	
841.5	136	RBM	10	136	1	
846.3	136	RBM	10	136	1	
846.5	136	RBM	10	136		1
848.0	136	RBM	10	136	1	
852.1	136	RBM	10	136	1	
857.0	136	RBM	10	136	1	
862.4	136	RBM	10	136	1	
863.7	136	RBM	10	136	1	0
	115/112 Weight Total				**7**	**9**
	132 Weight Total				**11**	**2**
Grand Total					**18**	**11**

Source: RLBA On-site Inspection

Appendix Five

Summary of Tie Condition
V&S Railway
Towner Jct. To NA Jct., CO (Mileposts 747.5 - 869.4)
As of August 05, 2015
(Sample Blocks of 100)

Location	Condition (%)			
MP	Relay	Landscape #1	Landscape #2	Scrap
755	1	25	39	35
765	3	16	35	46
775	0	24	35	41
785	0	15	39	46
795	1	42	40	17
805	3	32	38	27
815	1	16	45	38
825	2	29	35	34
835	1	23	22	54
844	1	19	36	44
855	5	48	27	20
865	8	30	26	36
Average Total (%)	**2**	**27**	**35**	**37**

With tie spacing of	19.5	inches
Inches on center equates to	3,249	ties per mile

Estimated average of	70	Relay ties per mile
	864	Landscape #1 ties per mile
	1,129	Landscape #2 ties per mile
	1,186	Scrap ties per mile

Notes: Units are rounded to the nearest integer.
Source: RLBA On-site Inspection

Appendix Six

Summary of Rail Class By Mileage
V&S Railway
Towner Jct. To NA Jct., CO (Mileposts 747.5 - 869.4)
As of August 05, 2015

Main Line Miles

Location				Condition/Type of Rail (%)																											
					CWR	CWR	CWR	Jointed	Jointed	Jointed	CWR	CWR	Jointed	Jointed	CWR 136	CWR 136	CWR 133	CWR 133	CWR 132	CWR 115	CWR 115	Jointed 115	CWR 113	Jointed 112	Jointed 112	Jointed 112	Jointed 90	Jointed 90	Jointed 90	Jointed 85	Jointed 85
Note	MP	MP	Miles	Weight	Fit #1	Fit #2	Fit #3	Fit #1	Fit #2	Fit #3	Reroll	Scrap	Reroll	Scrap	Fit #1	Reroll	Fit #1	Fit #2	Reroll	Fit #1	Fit #2	Fit #1	CWR#2	Fit #1	Reroll	Scrap	Fit #1	Reroll	Scrap	Reroll	Scrap
	747.50	750.65	3.15	113		100%									0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.15	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	750.65	770.35	19.70	115				100%							0.00	0.00	0.00	0.00	0.00	0.00	0.00	19.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	770.35	770.70	0.35	133	50%	50%									0.00	0.00	0.18	0.18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	770.70	772.90	2.20	115				100%							0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	772.90	773.20	0.30	115		100%									0.00	0.00	0.00	0.00	0.00	0.00	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	773.20	774.40	1.20	115				100%							0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	774.40	775.70	1.30	115	50%	50%									0.00	0.00	0.00	0.00	0.00	0.65	0.65	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	775.70	805.00	29.30	115				100%							0.00	0.00	0.00	0.00	0.00	0.00	0.00	29.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	805.00	808.30	3.30	112				100%							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	808.30	808.60	0.30	112				100%							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(Curve)	808.60	809.00	0.40	115		100%									0.00	0.00	0.00	0.00	0.00	0.00	0.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	809.00	809.30	0.30	112				100%							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(Curve)	809.30	809.55	0.25	115		100%									0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	809.55	810.00	0.45	112				100%							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(Curve)	810.00	810.45	0.45	115		100%									0.00	0.00	0.00	0.00	0.00	0.00	0.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	810.45	815.90	5.45	112				100%							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(Curve)	815.90	816.05	0.15	115	50%	50%									0.00	0.00	0.00	0.00	0.00	0.07	0.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(Curve)	816.05	816.20	0.15	112				100%							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.15	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	816.20	819.30	3.10	112				100%							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(Curve)	819.30	819.40	0.10	115		100%									0.00	0.00	0.00	0.00	0.00	0.00	0.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(Curve)	819.40	819.50	0.10	112				100%							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	819.50	820.10	0.60	112				100%							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	820.10	868.50	48.40	136	100%										48.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	868.50	869.40	0.90	136	100%										0.90	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Main Line Miles Total			**121.90**												**49.30**	**0.00**	**0.18**	**0.18**	**0.00**	**0.73**	**2.23**	**52.40**	**3.15**	**13.75**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**

Sidings & Yard Track Miles

Location				Condition/Type of Rail (%)																											
					CWR	CWR	CWR	Jointed	Jointed	Jointed	CWR	CWR	Jointed	Jointed	CWR 136	CWR 136	CWR 133	CWR 133	CWR 132	CWR 115	CWR 115	Jointed 115	CWR 113	Jointed 112	Jointed 112	Jointed 112	Jointed 90	Jointed 90	Jointed 90	Jointed 85	Jointed 85
Note	MP	MP	Miles	Weight	Fit #1	Fit #2	Fit #3	Fit #1	Fit #2	Fit #3	Reroll	Scrap	Reroll	Scrap	Fit #1	Reroll	Fit #1	Fit #2	Reroll	Fit #1	Fit #2	Fit #1	CWR#2	Fit #1	Reroll	Scrap	Fit #1	Reroll	Scrap	Reroll	Scrap
	752.4	Stuart	1.20	132 HF							100%				0.00	0.00	0.00	0.00	1.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	757.3	Sheridan Lake	0.40	85									80%	20%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.32	0.08
	766.5	Brandon	0.30	90				90%					10%		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.27	0.03	0.00	0.00	0.00
	771.1	Chivington	0.60	136							100%				0.00	0.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	771.1	Chivington	0.60	132 HF							100%				0.00	0.00	0.00	0.00	0.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	784.8	Eads north 1	0.65	136							100%				0.00	0.65	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	784.8	Eads north 2	0.65	132 HF							100%				0.00	0.00	0.00	0.00	0.65	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	785.7	Eads north 2	0.20	90				90%					10%		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.18	0.02	0.00	0.00	0.00
	785.7	Eads south	0.40	85									80%	20%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.32	0.08
	799.2	Galatea	0.10	90									80%	20%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.08	0.02	0.00	0.00
	806.4	Haswell North	1.30	132 HF							100%				0.00	0.00	0.00	0.00	1.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	807.2	Haswell South	0.60	112				95%					5%		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.57	0.03	0.00	0.00	0.00	0.00	0.00	0.00
	821.4	Arlington	0.10	85									80%	20%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.08	0.02
	829.6	Heath	1.30	112				95%					5%		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.24	0.07	0.00	0.00	0.00	0.00	0.00	0.00
	840.9	Sugar City	0.40	112				95%					5%		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.38	0.02	0.00	0.00	0.00	0.00	0.00	0.00
	840.9	Sugar City	0.20	85									80%	20%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.16	0.04
	846.3	Ordway	0.20	85									80%	20%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.16	0.04
	846.5	Ordway	1.40	112				95%						5%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.33	0.00	0.07	0.00	0.00	0.00	0.00	0.00
	852.1	Crowley	0.20	85									80%	20%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.16	0.04
	857.0	Olney Springs	0.20	85									80%	20%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.16	0.04
	862.4	Pultney	1.20	112				95%					5%		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.14	0.06	0.00	0.00	0.00	0.00	0.00	0.00
Sidings & Yard Track Miles Total			**12.20**												**0.00**	**1.25**	**0.00**	**0.00**	**3.75**	**0.00**	**0.00**	**0.00**	**0.00**	**4.66**	**0.18**	**0.07**	**0.45**	**0.13**	**0.02**	**1.36**	**0.34**
Total Mileage			**134.10**												**49.30**	**1.25**	**0.18**	**0.18**	**3.75**	**0.73**	**2.23**	**52.40**	**3.15**	**18.41**	**0.18**	**0.07**	**0.45**	**0.13**	**0.02**	**1.36**	**0.34**

Source: RLBA On-site Inspection

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Appendix Seven

Track Material Unit Prices
V&S Railway
Towner Jct. To NA Jct., CO (Mileposts 747.5 - 869.4)
As of August 05, 2015

	Unit Prices per	
Steel (Rail)	Component	Net Ton
Rail 136 pound per yard, CWR, Fit #1		$770.00
Rail 133 pound per yard, CWR, Fit #1		$770.00
Rail 133 pound per yard, CWR, Fit #2		$700.00
Rail 115 pound per yard, CWR, Fit #1		$870.00
Rail 115 pound per yard, CWR, Fit #2		$800.00
Rail 115 pound per yard, Jointed, Fit #1		$870.00
Rail 115 pound per yard, Jointed, Fit #2		$800.00
Rail 113 pound per yard, CWR, Fit #2		$650.00
Rail 112 pound per yard, Jointed, Fit #1		$850.00
Rail 112 pound per yard, Jointed, Fit #2		$800.00
Rail 90 pound per yard, CWR, Fit #1		$800.00
Rail Reroll (Gross Ton)		$296.35
Rail Scrap (Gross Ton)		$246.35

Steel (OTM)	Component	Gross Ton
Scrap OTM		$246.35
Tie Plates, D/S, 16" long, 6" base, Fit	$9.00	
Tie Plates, D/S, 14" long, 6" base, Fit	$9.00	
Tie Plates, D/S, 13" long, 5.5" base, Fit	$9.00	
Tie Plates, S/S, 11" long, 5.125 - 5.375" base, Fit	$7.00	
Tie Plates, D/S, 11" long, 5.5" base, Fit	$7.00	
Joint Bars, 133/132/131 pound per yard, Fit	$80.00	
Joint Bars, 119/112 pound per yard, Fit	$80.00	
Joint Bars, 115 pound per yard, Fit	$80.00	
Joint Bars, 90 pound per yard, Fit	$60.00	
Anchors, Fit	$2.40	

Timber (Ties)	Component
Relay	$28.00
Landscape #1	$8.00
Landscape #2	$4.00
Scrap	(2.00)

Turnouts	Component
Fit (136#10)	$6,000.00
Fit (115/112#10)	$4,000.00

Source: Vendors, American Metal Markets & RLBA Estimates

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Appendix Eight

Summary of Shipmnet Volumes
V&S Railway
Towner Jct. To NA Jct., CO (Mileposts 747.5 - 869.4)
As of August 05, 2015

	Total	Rail Weight											
		80	85	90	100	105	110	112	115	119	131	132	136
Tons per gon (scrap & reroller rail) =		100	100	100	100	100	100	100	100	100	100	100	100
Net Tons of Reroller Rail =	1429	0	203	21	0	0	0	34	0	0	0	871	299
Number of cars (reroller rail) =	**14**	**0**	**2**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**9**	**3**
Net Tons of Scrap Rail =	68	0	51	3	0	0	0	14	0	0	0	0	0
Number of cars (scrap rail) =	**1**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net Tons of Scrap OTM (tie plates) =	191	0	191	0	0	0	0	0	0	0	0	0	0
Number of cars (scrap tie plates) =	**2**	**0**	**2**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net Tons of Scrap OTM (jt. bars) =	18	0	15	1	0	0	0	1	0	0	0	0	0
Number of cars (scrap jt. bars) =	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net Tons of Scrap OTM (anchors) =	21												
Number of cars (scrap anchors) =	**0**												
Net Tons of Scrap OTM (spikes/bolts) =	695												
Number of cars (spikes/bolts) =	**7**												
Net Tons of Scrap Turnouts) =	53												
Number of cars (scrap Turnouts) =	**1**												
Total cars (reroller rail) =	**14**												
Total cars (scrap rail) =	**2**												
Total cars (scrap OTM) =	**9**												
Railcars Grand Total	**25**												

Shipping Cost

Routing	Railroad Price (per car)
Cost to ship rail car from NA Jct. CO to Chicago, IL =	$5,618
Cost to ship rail car from NA Jct. CO to Hedwisch, IL =	$5,465
Cost to ship rail car from NA Jct. CO to Burns Harbor, IL =	$6,244
Cost to ship rail car from NA Jct. CO to Chicago Area =	**$5,776**

Notes: Use full 100 ton gon, stacked rails per gon varies by size (one inch board between layers) and 100 .ton load for OTM. Assume tie plate weights of 12# for < or = 90# rail, 15# for 100# rail, 17# for 105/110# rail, 21# for 112/113/115/119/127/130# rail, 23 # for and 35# for 131/132/133/136/140/141# rail (big). Assume joint bar weights (per pair) of 40# for rail up to 85# rail, 50# for 85# rail, 65# for 90/100/105/110# rail, 105# for 112/113/115/119/127/130# rail, 115# for 131/132/133/136/140/141# rail. Tie plates are grouped together by base width with the predominate size showing the total number.

Source: Gross Liquidation Value of Track Assets (Attachment Two)

Appendix GWF-5

2014 V&S RLB Report

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Track Asset Valuation
of the
V&S Railway
Towner Junction, CO - NA Junction, CO

Prepared
By
R.L. Banks & Associates, Inc.
October 2, 2014

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Track Asset Valuation
of the
V&S Railway

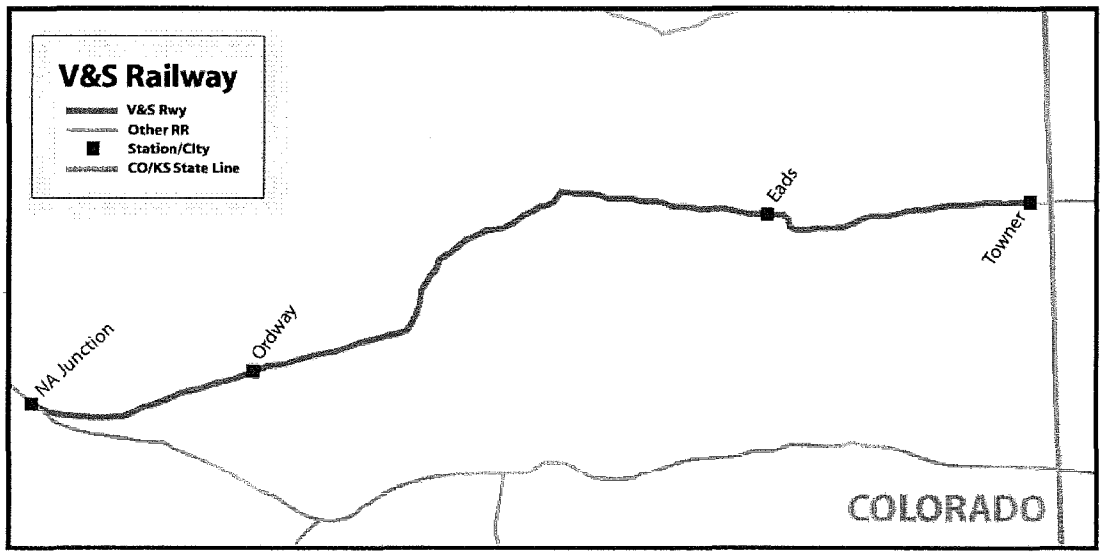
Introduction

The V&S Railway (V&S) is a currently inactive railroad consisting of 121.9 mainline miles and 134.1 total miles of track in eastern Colorado. The railroad extends from west Towner Junction at milepost 747.5 to NA Junction at milepost 869.4 . R.L. Banks & Associates, Inc. (RLBA) was retained by A&K Railroad Materials of Salt Lake City, UT to perform a valuation of track assets constituting the entire railroad between Towner, Colorado and a location outside Avondale, Colorado.

This effort determines the Net Liquidation Value (NLV) of track assets in the subject property as of September 30, 2014 based on findings recorded during a physical inspection of the assets which occurred on October 1, 2014 conducted by Crew Heimer, , RLBA's Director, Transportation Engineering. This report presents findings of the research and discusses the factors which influence the value of railroad rail, other track material (OTM), ties and ballast.

A summary of the track evaluated appears in Appendix One, which identifies key rail asset characteristics by milepost location. The evaluation covers rail, ties, ballast, switches and other track material (OTM) including joint bars, anchors, tie plates and spikes.

Map of the V&S Railway



Net Liquidation Value

As summarized below in Table 1 and seen in greater detail on Appendix Two with respect to each segment, the NLV is $26,951,300 as of September 30, 2014. That figure was determined via desktop application of current market prices to the physical inventory.

RLBA arrived at this NLV as a result of four principal steps: first, computation of Gross Liquidation Value (GLV), the market value of salvageable assets (primary components with a value greater than related salvage expenses); second, calculation of various liquidation expenses; third, Track Salvage Value (TSV), that value remaining after deductions of Liquidation Expenses due to removal and restoration as necessary to render assets saleable and preparation of the corridor for non-rail use and fourth, Net Liquidation Value (NLV), that value remaining after deductions of administration/marketing expense and conduct of the sales process such as transportation of materials.

Methodology to Compute NLV

NLV was determined utilizing exactly the same process RLBA always employs as in the previous valuation through application of a multiple step process, the building blocks of which are summarized below:

1. Gross Liquidation Value
   a) Fixed Asset Ownership
   b) Fixed Asset Inventory
   c) Inventory Adjustment for Wear and Recovery Reductions and
   d) Application of Market Value Unit Prices
2. Liquidation Expenses
   a) Removal Expenses and
   b) Restoration Expenses
3. Track Salvage Value
4. Administrative, Marketing and Transportation Expenses and
5. Net Liquidation Value.

That approach, by design, adheres to the methodology employed by the Surface Transportation Board, as manifest in decisions made by its Commissioners involving abandonments and other, related issues involving the prescribed use of NLV.

Gross Liquidation Value

GLV in the context of this analysis was defined as current retail market value (with the exception of ties, which would be wholesaled) of all fixed assets as if they were available for immediate sale.

TABLE 1: V&S Railway Net Liquidation Value Summary

Net Liquidation Value - *Total* Track Assets

V&S Railway

Towner Jct. - NA Jct. (mileposts 747.5 -869.4)

As of September 30, 2014

	Unit	Unit Cost	Total	Grand Total
Track Nominal Value:				
Relay Railroad Materials			$31,326,400	
Scrap and Reroll Materials (net of transportation)			964,700	
Ties and Non-steel Materials			1,258,200	
Gross Value				$33,549,300
Preparation Cost Adjustments:				
Fit Rail & OTM Removal (miles)	127	$16,000	-$2,032,100	
Scrap/Reroll Rail & OTM Removal (miles)	7	12,000	-85,100	
Fit Turnout Removal (each)	18	800	-14,400	
Scrap Turnout Removal (each)	11	500	-5,500	
Total Adjustments				-2,137,100
Restoration Cost Adjustments:				
Public Highway Crossing (each)	64	$2,000	-$128,000	
Private Highway Crossing (each)	12	300	-3,600	
Total Adjustments				-131,600
Track Salvage Value				$31,280,600
Administrative, Marketing and Transportation Expense				
Relay Steel Materials - 13 percent			-4,072,400	
Scrap, Reroll and Non-steel Materials - 5 percent			-111,100	
Steel Transportation (by rail) - carloads to *Chicago*	25 @	$5,831	-145,800	
Total Estimated Expense				-4,329,300
Net Liquidation Value				**$26,951,300**

Notes: Dollar amounts are rounded to the nearest hundred; units to the nearest tenth.
Values may not appear to add due to rounding.

Bridges, highway crossing devices, ballast and culverts, as will be explained later, yield no positive NLV value because of high removal costs.

Fixed Asset Ownership In performing this track-related NLV evaluation, RLBA assumed that V&S owns all the rail assets in fee simple including all yard, siding and industry spur tracks.

Fixed Asset Inventory To assess the physical condition of the track assets, the valuation was based on field inspections. Data concerning track condition and inventory obtained during that field inspection was used to inform the development of this NLV report.

Steel. The most significant marketable materials reflected in this valuation were steel track components, assumed to be sold for railroad reuse or as steel mill scrap, depending upon condition. Generally, rail in the main track designated as "fit" or "relay" can be reused in other railroad applications, if it weighs at least 85 pounds per yard or greater. Rail may have a functional use and life with wear up to and exceeding ½ inch vertical or horizontal head wear but is not generally considered worth installing again into a relay, (cascading) position if it exhibits more than 1/4 inch wear. At the time of this valuation it was found that certain V&S rail met two suitable, relay categories: Fit #1, which includes all rail with less than 1/8 of an inch head wear and Fit #2, all rail with less than 3/16 of an inch head wear. The retail price of Fit #1 is set at a premium relative to Fit #2. If not suitable for rail relay, the next highest value application is as reroll, where rail is rolled into new, non-rail products. Rail not suitable for reroll because of excessive side head wear, excessive metal flow, holes mid-rail, short length or attached asphalt or concrete is suitable only as scrap. Reroll rail generally brings higher dealer prices than scrap subject to market demands by the US electric steel mills. Scrap is divided into two categories: rail and other track material (OTM) such as joint bars, tie plates, rail anchors, nuts, bolts, washers and spikes. OTM commands a higher price than rail because the melting of OTM avoids the extra effort required by mills to cut rail into sections suitable for melting. Table 2 displays the values assigned to each rail and OTM classification.

Turnouts were determined or estimated as scrap or relay if their rail size was of 115 pounds per yard or heavier. All relay switches were #10 turnouts having rail-bound manganese (RBM) frogs in good condition. All double shoulder main track tie plates used on 132 pound rail were classified as relay, even if the rail they supported was classified as scrap because they would be matched with other relay rail featuring less desirable tie plates. All other single shoulder tie plates except high quality 9 ½" and 10 ½" were scrapped due to low market demand. If rail reuse as relay was warranted, joint bars and rail anchors were assumed reused whereas if rail were assumed scrapped or rerolled, the joint bars and rail anchors were assumed to be scrapped. All other track material (OTM) such as nuts, bolts, washers and spikes were valued as scrap.

TABLE 2: Unit Market Prices, September 30, 2014

Unit Market Prices Applicable to Track Materials
As of Week - September 30, 2014

	Unit Prices per Component	Unit Prices per Ton
Steel (Rail)		
Rail 136 pound per yard, CWR, Fit #1		$775.00
Rail 133 pound per yard, CWR, Fit #1		$700.00
Rail 133 pound per yard, CWR, Fit #2		$630.00
Rail 115 pound per yard, CWR, Fit #1		$850.00
Rail 115 pound per yard, CWR, Fit #2		$800.00
Rail 115 pound per yard, Jointed, Fit #1		$870.00
Rail 115 pound per yard, Jointed, Fit #2		$820.00
Rail 113 pound per yard, CWR, Fit #2		$650.00
Rail 112 pound per yard, Jointed, Fit #1		$835.00
Rail 112 pound per yard, Jointed, Fit #2		$700.00
Rail 90 pound per yard, CWR, Fit #1		$600.00
Rail Reroll		$425.00
Rail Scrap		$323.00
Steel (OTM)		
Scrap OTM		$363.00
Tie Plates, D/S, 16" long, 6" base, Fit	$10.00	
Tie Plates, D/S, 14" long, 6" base, Fit	$9.75	
Tie Plates, D/S, 13" long, 5.5" base, Fit	$9.00	
Tie Plates, S/S, 11" long, 5.125 - 5.375" base, Fit	$8.00	
Tie Plates, D/S, 11" long, 5.5" base, Fit	$8.00	
Joint Bars, 133/132/131 pound per yard, Fit	$75.00	
Joint Bars, 119/112 pound per yard, Fit	$40.00	
Joint Bars, 115 pound per yard, Fit	$75.00	
Joint Bars, 90 pound per yard, Fit	$25.00	
Anchors, Fit	$1.25	
Timber (Ties)		
Relay (ea)	$18.00	
Landscape #1 (ea)	$8.00	
Landscape #2 (ea)	$4.00	
Scrap (ea)	(2.00)	
Turnouts		
Fit (136#10)	$6,000.00	
Fit (115/112#10)	$4,000.00	
Fit (Long)	$0.00	

Sources: American Metal Market, Unitrac, A&K 11AUG14 similar sale, and RLBA estimates.

Ties. Because tie installation costs often approach tie material costs, only recently installed ties are suitable for rail reuse. The cost to sort, handle, transport and inventory ties is high, and in comparison with the wholesale prices they command, generally yield only a low net salvage value. Overall tie condition on the inspected V&S track was fair to poor.

Ballast. There is not a substantial quantity of ballast on the track bed; therefore, recovery of ballast was not considered.

Other Track Assets. No net salvage value was assigned to signals and communications facilities, highway crossing signals, highway crossing panels, bridges or culverts on the line in the calculation of the NLV. Highway crossing signals generally yield little or no alternative use value. Use by even a short line railroad to replace a damaged signal is unlikely; typically, no inventory is kept on-hand and new replacements are ordered from standard suppliers and immediately installed. Marketing costs to inform railroads of second-hand availability and handling costs likely would exceed the amount that could be recovered through sale. Signal materials scrap value would not exceed salvage costs. Likewise, there is no ready market in which to sell used, highway crossing panels and so they are not included in NLV calculations.

Bridge and culvert removal costs and proceeds traditionally approximate each other and therefore have no net effect on NLV and so are omitted from NLV calculations.

Inventory Adjustment Reflection of Wear and Recovery Reductions

Due to material age, condition and the economics of expedited removal procedures, it was determined that not all railroad assets in the existing right-of-way would be recovered. Instead, liquidation of the property was assumed to yield the following recovery rates, based on the theoretical weight of new rail:

97 percent of fit rail, remainder as scrap rail;
97 percent of scrap and reroll rail;
97 percent of tie plates on fit rail;
95 percent of tie plates on scrapped rail;
97 percent of joint bars on fit rail;
95 percent of joint bars on scrapped rail;
97 percent of scrap turnout material;
80 percent of fit rail anchors and
80 percent of rail anchors, bolts, spikes, washers and other scrap materials.

The recovery rate assumption as to scrap and reroll rail reflects a three percent reduction applied to gross rail weight as an adjustment recognizing average rail wear. Fit tie plates and joint bars were

assumed sold by unit; therefore no weight reduction was assumed. However, five percent of OTM gross weight was judged likely to be lost as a result of the removal process. Ninety-five percent of OTM was assumed to be recovered in connection with scrapped rail. Rail anchors salvaged from fit rail were assumed to be fifty percent acceptable as relay. Finally, twenty percent of anchors, bolts, spikes, washers and other materials were estimated as rusted or lost during salvage operations, leaving only eighty percent to be salvaged as scrap.

Application of Market Value Unit Prices

The GLV and NLV estimates were based on the application of actual unit market prices as at September 30, 2014, as supplied by specifically identified market participants and displayed in Table 2.

RLBA assumed that the seller would use its own personnel and/or contract out efforts to remove, organize and sell released materials as opposed to a single bulk transaction to a rail or scrap broker at an in-place price. However, used crossties were assumed sold in bulk to a broker at a net wholesale price reflecting removal by the broker. As is readily apparent, relay steel (rail and OTM) materials are the significant components of the NLV.

RLBA determined that reroll rail and railroad scrap loaded in railcars in the NA Junction, CO area and delivered to the Chicago, IL area would command larger net value based on metal prices and rail transportation costs.

Liquidation Expenses

Two fundamental assumptions were employed in development of expenses that were netted against gross liquidation values:

1) costs associated with removal, sorting and transporting railroad materials reflected a deliberate and efficient liquidation and
2) restoration expenses were assumed to be required in connection with highways, including coordination with local governments.

Removal Expenses

The cost of taking up track, including disassembly, sorting, stacking and loading of materials for shipment and disposing of ties was estimated at $16,000 per mile where rail was classified as relay and $12,000 per mile where classified as scrap. Turnout removal was estimated at $800 per fit turnout and $500 per scrap turnout.

Restoration Expenses

As a condition of service termination and non-rail reuse of the real property, governments frequently require correction of some existing conditions that might cause the public sector to incur future expense. Such regulations affect the subject NLV determination in three principal asset categories: 1) bridges and culverts, 2) highway crossings and 3) structures.

RLBA assumed that the cost to remove bridge superstructures would approximate salvage proceeds, resulting in no impact on NLV. While removal expense likely could exceed salvage proceeds, because some trestles are constructed of timber and may be in environmentally sensitive areas, it is not unusual for bridges and culverts to be left in place in the event a line is converted to a trail. Such a disposition would yield the same NLV as that assumed in the estimate. Supporting and sub-structures are assumed to be allowed to remain in place, thereby generating neither proceeds nor expenses.

All tracks in roadways and crossing protection devices must be removed and pavement restored as a condition of service termination. The removal of track materials from pavement and restoration of pavement was estimated at $2,000 per public crossing and $300 per private crossing. Removal of crossing protection devices was estimated to equate to salvage value.

Track Salvage Value

Track salvage value is equal to gross liquidation value less liquidation expense.

Administrative, Marketing and Transportation Expenses

RLBA's standard methodology to determine cost to administer liquidation and market steel assets so as to achieve retail prices arrived at an estimation of fifteen percent of retail GLV (excluding transportation) regarding relay steel materials and five percent of GLV re scrap, reroll and non-steel materials. This methodology assumes liquidation is either performed by the railroad itself, which presumable has limited liquidation experience, or by a hired, third party at a premium. However, because liquidation and marketing of rail assets is one of A&K's primary lines of business, RLBA assumes the company could complete the liquidation process more efficiently and at less cost. As such, RLBA has decreased cost to administer liquidation and market steel assets to thirteen percent in an effort to reflect the more efficient practices of an experienced liquidator such as A&K. Transportation of reroll and scrap steel materials was assumed to be shipped by rail to Chicago to maximize income with carload transportation costs reflecting same. Relay materials were estimated to be shipped to Chicago by rail to obtain maximum, net market prices.

Net Liquidation Value

NLV is the remainder after liquidation expenses were deducted from GLV. This is a reasonable expectation of what a seller (acting as its own broker) could receive were the line liquidated in October 2014.

Railroad Rail Market

The predominant component of railroad track asset value is the rail itself. The rail market consists of four primary products: new rail and the three, previously described grades of used rail: relay, reroll and scrap. Since the V&S line is entirely comprised of older, second-hand rail, the discussion which follows is limited to the used rail markets. The NLV depends not only on the wear experienced on the subject rail but also on the situation in those markets.

Relay Rail

Rail replaced because of wear or defects on a busy or fast main track is eminently suitable to install on slower speed or lighter traffic lines. At the slow speeds operated in yards, few broken rails result in derailments. In turn, welded replacement rail installed on secondary lines is superior to older rail still in use in some yards. Relay rail tonnages installed consistently exceed new rail tonnages because rail removed from a main line and installed on a branch line frequently generates an additional rail cascade to yard tracks. At each step, however, a portion of the rail is scrapped, usually resulting in short lengths of rail (from cuts made at road crossings and switches) or rail with excessive curve wear.

Through the cascading process, relay rail is generated by installing new rail (or other relay rail). In addition, some liquidated rail lines generate relay rail, though abandonment rail is frequently light, worn sections which are scrapped. While most relay material generated by a railroad is used on its own lines, there is a very active commercial relay market; several brokers supply material to regional and short line railroads and shipper-owned spurs, which neither require nor can justify the cost of new rail.

At lower levels of remaining useful life, rail becomes unattractive to sell in the relay market because the expenses of marketing, transportation and installation of rail on a regional or short line railroad would constitute an excessive share of total value.

Most rail relay programs include welding the rail before installation. Welding significantly reduces maintenance expenses incurred in the joint area associated with surfacing and bolt tightening. In addition, by removing the location of greatest rail wear, rail life is extended.

Reroll and Scrap Rail

Rail is a premium scrap grade because it is hard steel with known chemistry. While the scrap steel market includes many grades, used rail enters the scrap market as reroll or as charging material (heavy melting scrap) to be melted in furnaces and made into other steel products. Reroll is the designation attached to clean lengths of rail that can be rerolled into new products (construction rebar, fence posts, etc.). Scrap material is required in charging both integrated mills and in mini-mill electric furnaces. The mini-mill demand for scrap is expected to remain strong. While most mills will accommodate rails up to five feet in length, some buyers prefer shorter lengths of two or three feet.

User Categories

The primary categories of rail users are Class I (large), regional, short line railroads and industrial plants with rail sidings and/or yards. Class I railroads primarily purchase new rail and generate relay rail internally with light weight rail sold as scrap.

Use of relay rail by weight depends on specific railroad practice but, in general, on Class I (major) railroads, 112 pounds per yard and heavier will be reinstalled on secondary main lines if within wear limits, otherwise it will be installed in yard tracks. Good relay rail is required in yard turnouts. Rail between 100 and 112 pounds per yard is suitable in yard and industry tracks, though if generated in abundance in any one year, it may be sold into the second-hand market. Rail sections less than 100 pounds per yard are generally scrapped when taken up by Class I railroads.

Regional railroads are in need of second-hand rail and demand for repair rail has propelled second-hand prices on medium and heavy rail to a high value proportionate to prices of new rail with respect to remaining life as indicated by rail wear. This anomaly results because at typical regional railroad annual traffic levels of three to five million gross tons (MGT), half-worn rail may last another 50 - 80 years and so is a relative bargain at $800 per ton compared with new rail at about $1,200 per ton.

From the distinct economic perspective of regional railroads, by contrast with Class I railroads, paying one-half to three-quarters the price of new rail for half-worn rail can provide savings because replacement expenditures are years away. Rail weighing 115 pounds per yard or greater is preferred for replacement. Rail designated 132RE or greater (RE designation representing rail that adheres to AREMA specifications) would be considered if the costs, including shipping and other track materials, were the same or less than a 115RE section of rail. Similar economics drive the decision of Class I railroads to cascade worn rail, with little in-place economic life to another line on the system with lower traffic density rather than continuing to wear the rail down to scrap condition at its original location.

Short line railroads use any rail from new 136RE to second-hand 85 pounds per yard rail, depending on traffic volume and financial strength. Generally, 100 pounds per yard rail or heavier is preferred but some lines still install less than 100-pound rail (to replace even lighter weight installments). If predominant traffic is carried in 100 ton cars, 100 pounds per yard is a minimum standard although some western railroads in dryer climates, and hence better subgrade conditions, use 90 pounds per yard section. (The demand for relay quality 90 and 100 pounds per yard rail is still there but appears to be more regionalized, resulting in decreasing value due to the shift of the railroad industry toward being able to handle even greater axle loads.) Only a few short lines, generally those owned by the primary company they serve, can finance new rail purchases.

Industrial users can use any weight rail but prefer 100 pounds per yard or heavier section. A nearly universal specification by civil engineering firms of 115RE rail (instead of 115RE or heavier) on new sidetrack construction has driven the relay price per ton of that rail section higher than most other sections. The high volume of 115RE rail installed in mainline tracks during the 1950's and 1960's followed by a shift to heavier 119, 132 and 136RE rail has lead to a scarcity of available 115RE repair rail. During the last few years, the relative bargain of 119 and 132RE rail has been recognized and those prices also have risen to match that of 115RE at least on a lineal foot basis. .

Qualifications to Estimate

The findings of this cost estimate are subject to several qualifications and limiting conditions which are stated as follows:

> It is assumed that all rail valued was manufactured according to AREMA and ASCE recommended practices and that the rail assets are in full compliance with all FRA standards;
>
> Further, RLBA assumes full compliance with all applicable Federal, state and local regulations and laws;
>
> RLBA takes no responsibility for changes in market conditions which may occur after the date of valuation or for the inability of the rail owner to identify a qualified purchaser;
>
> With regards to the valuation, RLBA has not conducted any title search or verification of legal ownership. RLBA has conducted this valuation under the assumption that the entire rail described herein is owned by NRL free and clear of any liens and encumbrances;
>
> No employee or representative of RLBA will be required to give testimony or attend court or appear at any governmental hearing with reference to the subject rail material, unless prior

arrangements have been made directly with RLBA;

RLBA takes no responsibility for changes in track structure under portions of the railroad that were covered by material obstructing physical inspection or areas not inspected;

RLBA has not conducted any environmental remediation investigation and as such has not factored in any environmental remediation costs that may result from actual liquidation of line.

Certification

I, Crew Heimer, do hereby certify that to the best of my knowledge and belief:

The statements of fact contained in this report are true and correct.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and is my personal, unbiased, professional analyses, opinions and conclusions.

I have no specified or unspecified present or prospective interest in the properties that are the subject of this report and I have no personal interest or bias with respect to the parties involved.

My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result or the occurrence of a subsequent event.

I made a personal inspection of the property that is the subject of this report on September 30, 2014.

Submitted,

Crew Heimer

Appendix One

Net Liquidation Value - *Total* Track Assets

V&S Railway

Towner Jct. - NA Jct. (mileposts 747.5 -869.4)

As of September 30, 2014

R.L. Banks & Associates, Inc.

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	Unit	Unit Cost	Total	Grand Total
Track Nominal Value:				
Relay Railroad Materials			$31,326,400	
Scrap and Reroll Materials (net of transportation)			964,700	
Ties and Non-steel Materials			1,258,200	
Gross Value				$33,549,300
Preparation Cost Adjustments:				
Fit Rail & OTM Removal (miles)	127	$16,000	-$2,032,100	
Scrap/Reroll Rail & OTM Removal (miles)	7	12,000	-85,100	
Fit Turnout Removal (each)	18	800	-14,400	
Scrap Turnout Removal (each)	11	500	-5,500	
Total Adjustments				-2,137,100
Restoration Cost Adjustments:				
Public Highway Crossing (each)	64	$2,000	-$128,000	
Private Highway Crossing (each)	12	300	-3,600	
Total Adjustments				-131,600
Track Salvage Value				$31,280,600
Administrative, Marketing and Transportation Expense				
Relay Steel Materials - 13 percent			-4,072,400	
Scrap, Reroll and Non-steel Materials - 5 percent			-111,100	
Steel Transportation (by rail) - carloads to *Chicago*				
	25 @	$5,831	-145,800	
Total Estimated Expense				-4,329,300
Net Liquidation Value				**$26,951,300**

Notes: Dollar amounts are rounded to the nearest hundred; units to the nearest tenth.
Values may not appear to add due to rounding.

Source: Appendix Two - *Segment or Total.*

Appendix Two
Gross Value - *Total* Track Assets
V&S Railway
Towner Jct. - NA Jct. (mileposts 747.5 -869.4)
As of September 30, 2014

Miles Fit	Miles Scrap	Description	Condition	Quantity per mile	Unit	Total	Re-Useable Percent	Re-Useable Unit Value	Re-Useable Value (a)	Scrap and Reroll Percent	Scrap and Reroll Unit Value	Scrap and Reroll Total (b)	Grand Total (a+b)
		RAIL:											
49.30		136 RE CWR	Fit #1	239.4	Ton	11,802	97 %	775	8,872,500				8,872,500
	1.25	136 RE CWR	Reroll	239.4	Ton	299				97 %	425	123,400	123,400
0.18		133 RE CWR	Fit #1	234.1	Ton	41	97	700	27,800			-	27,800
0.18		133 RE CWR	Fit #2	234.1	Ton	41	97	630	25,000			-	25,000
	3.75	132 RE CWR	Reroll	232.3	Ton	871				97	425	359,100	359,100
0.73		115 RE CWR	Fit #1	202.4	Ton	147	97	850	121,000			-	121,000
2.23		115 RE CWR	Fit #2	202.4	Ton	450	97	800	349,500			-	349,500
52.40		115 RE	Fit #1	202.4	Ton	10,606	97	870	8,950,200			-	8,950,200
3.15		113 RE CWR	Fit #2	198.9	Ton	627	97	650	395,000			-	395,000
18.41		112 RE	Fit #1	197.1	Ton	3,628	97	835	2,938,200			-	2,938,200
	0.24	112 RE	Reroll	197.1	Ton	46				97	425	19,100	19,100
	0.01	112 RE	Scrap	197.1	Ton	2				97	323	600	600
0.45		90 RA	Fit #1	158.4	Ton	71	97	0	-			-	-
	0.13	90 RA	Reroll	158.4	Ton	21			-	97	425	8,500	8,500
	0.02	90 RA	Scrap	158.4	Ton	3			-	97	323	1,000	1,000
	1.36	85 AS	Reroll	149.6	Ton	203			-	97	425	83,900	83,900
	0.34	85 AS	Scrap	149.6	Ton	51			-	97	323	15,900	15,900
127.01	7.10	TOTAL RAIL							$21,679,200			$611,500	$22,290,700

Miles Fit	Miles Scrap	Description	Condition	Quantity per mile	Unit	Total	Re-Useable Percent	Re-Useable Unit Value	Re-Useable Value (a)	Scrap and Reroll Percent	Scrap and Reroll Unit Value	Scrap and Reroll Total (b)	Grand Total (a+b)
		OTHER TRACK MATERIAL:											
121.90	0.00	Ties Relay	Each	3,249	Each	396,053	2 %	$18.00	$154,500				$154,500
121.90	0.00	Ties Landscape #1	Each	3,249	Each	396,053				27 %	$8.00	$842,300	842,300
121.90	0.00	Ties Landscape #2	Each	3,249	Each	396,053				35 %	$4.00	$550,500	550,500
121.90	0.00	Ties Scrap	Each	3,249	Each	396,053				37	(2.00)	-289,100	-289,100
0.35	3.70	Tie Plates 8 x 16 DS Pan	Relay Each	6,498	Each	26,317	97	10.00	255,300				255,300
49.30	1.30	Tie Plates 8 x 14 DS	Relay Each	6,498	Each	328,799	97	9.75	3,109,600				3,109,600
76.91	0.25	Tie Plates 8 x 13 DS	Relay Each	6,498	Each	501,321	97	9.00	4,376,500				4,376,500
0.45		Tie Plates 7 x 11 SS	Relay Each	6,498	Each	2,924	97	8.00	22,700				22,700
	1.85	Tie Plates 7 x 11 SS	Scrap Ton	108.9	Ton	201				95	363	69,500	69,500
52.40		Jt. Bars 115# 36"	Relay Pair	271	Pair	14,188	97	75.00	1,032,200				1,032,200
18.41		Jt. Bars 112# 24"	Relay Pair	271	Pair	4,984	97	41.90	202,500				202,500
0.45		Jt. Bars 90#	Relay Pair	320	Pair	144	97	28.80	4,000				4,000
	0.12	Jt. Bars 112#24"	Scrap Ton	9.5	Ton	1				97	363	400	400
	0.15	Jt. Bars 90#	Scrap Ton	9.5	Ton	1				97	363	500	500
	1.70	Jt. Bars 85#	Scrap Ton	9.5	Ton	16				95	363	5,600	5,600
54.48		Rail Anchors Welded	Relay Each	6,498	Each	354,004	80	1.25	354,000				354,000
72.53		Rail Anchors Jointed	Relay Each	2,708	Each	196,411	80	1.25	196,400				196,400
	7.10	Rail Anchors	Scrap Ton	3.7	Ton	27				80	363	7,700	7,700
127.01	7.10	Spikes	Scrap Ton	5.1	Ton	679				80	363	197,200	197,200
127.01	7.10	Bolts & Washers	Scrap Ton	1.4	Ton	190				80	363	55,100	55,100
		TOTAL OTHER TRACK MATERIAL							$9,707,700			$1,439,700	$11,147,400

TURNOUTS:

Turnouts Fit	Turnouts Scrap	Description	Condition	Quantity	Unit	Re-Useable Total	Re-Useable Percent	Re-Useable Unit Value	Re-Useable Value	Scrap Percent	Scrap Unit Value	Scrap Value	Total Value
11		Turnouts (136#10)	Fit Each	1	Each	11	100 %	$6,000	$66,000				$66,000
7		Turnouts (115/112#10)	Fit Each	1	Each	7	100 %	$4,000	$28,000				$28,000
	11	Scrap Turnouts	Scrap Ton	5	Ton	55				97 %	$323	$17,200	17,200
18	11	TOTAL TURNOUTS							$94,000			$17,200	$111,200
GRAND TOTAL									**$31,481,000**			**$2,068,000**	**$33,549,000**

Notes: Dollar amounts are rounded to the nearest hundred; tons to the nearest tenth; units to the nearest integer. Values may not appear to add due to rounding.

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Appendix Three

Yard Tracks and Sidings Summary - *Total* Track Assets
V&S Railway
Towner Jct. To NA Jct. (mileposts 747.5 -869.4)
As of September 30, 2014

			Mileage (by Rail Weight)						
Segment	MP	Location	136	133	132	115	112	90	85
1	752.4	Stuart			1.2				
1	757.3	Sheridan Lake							0.4
1	766.5	Brandon						0.3	
1	771.1	Chivington	0.6						
1	771.1	Chivington			0.6				
1	784.8	Eads north 1	0.65						
1	784.8	Eads north 2			0.65				
1	785.7	Eads north 2						0.2	
1	785.7	Eads south							0.4
2	799.2	Galatea						0.1	
2	806.4	Haswell North			1.3				
2	807.2	Haswell South					0.6		
3	821.4	Arlington							0.1
3	829.6	Heath					1.3		
3	840.9	Sugar City					0.4		
3	840.9	Sugar City							0.2
3	846.3	Ordway							0.2
3	846.5	Ordway					1.4		
3	852.1	Crowley							0.2
3	857.0	Olney Springs							0.2
3	862.4	Pultney					1.2		
		Subtotals =	**1.25**	**0.00**	**3.75**	**0.00**	**4.90**	**0.60**	**1.70**

Grand Total (All Yard Tracks & Sidings) = 12.2 Miles

Note: Total may vary slightly due to rounding.

Source: RLBA

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Appendix Four

Turnout Summary - *Total* Track Assets
V&S Railway
Towner Jct. To NA Jct. (mileposts 747.5 -869.4)
As of September 30, 2014

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	Location	Condition		Rail	Frog			
Town	MP	Relay	Scrap	Weight	Type	Size (#)	Weight	Comments
Stuart	752.4		1	115	RBM	10	115	broken casting heel and rail on RBM 1962 rail
Stuart	753.7		1	115	RBM	10	115	C Clamps
Sheridan Lake	757.3	1		115	RBM	10	115	
Brandon	766.5		1	115	RBM	10	115	
Chivington	771.1	1		115	RBM	10	115	1957 weld frog
Chivington	772.3	1		136	RBM	10	136	
Eads N1	784.6	1		115	RBM	10	115	
Eads N2	785.7		1	115	RBM	10	115	
Eads S	785.6	1		115	RBM	10	115	
Eads N2	787.9		1	115	RBM	10	115	
Eads N1	785.9	1		115	RBM	10	115	
Eads S	786.0		1	115	RBM	10	115	
Galatea	799.2	1		115	RBM	10	115	
Haswell	806.4	1		136	RBM	10	136	
Haswell	807.2		1	112	RBM	10	112	
Haswell	807.7		1	112	RBM	10	112	
Haswell	807.8		1	112	RBM	10	112	
Arlington	821.4	1		136	RBM	10	136	
Heath	829.6	1		136	RBM	10	136	
Heath	830.9		1	136	RBM	10	136	
Sugar City	840.9	1		136	RBM	10	136	
Sugar City	841.5	1		136	RBM	10	136	
Ordway	846.3	1		136	RBM	10	136	
Ordway	846.5		1	136	RBM	10	136	
Ordway	848.0	1		136	RBM	10	136	
Crowley	852.1	1		136	RBM	10	136	
Olney Springs	857.0	1		136	RBM	10	136	
Pultney	862.4	1		136	RBM	10	136	
Pultney	863.7	1	0	136	RBM	10	136	
	Subtotal 115/112	7	9					
	Subtotal 136	11	2					
	Totals:	18	11					

Source: RLBA

Appendix Five

Tie Summary - *Total* Track Assets
V&S Railway
Towner Jct. To NA Jct. (mileposts 747.5 -869.4)
As of September 30, 2014
(Sample Blocks of 100)

	Location	Relay	Landscape #1	Landscape #2	Scrap
MP	755	1	25	39	35
MP	765	3	16	35	46
MP	775	0	24	35	41
MP	785	0	15	39	46
MP	795	1	42	40	17
MP	805	3	32	38	27
MP	815	1	16	45	38
MP	825	2	29	35	34
MP	835	1	23	22	54
MP	844	1	19	36	44
MP	855	5	48	27	20
MP	865	8	30	26	36
	Average % Totals	**2**	**27**	**35**	**37**

With tie spacing of 19.5 inches on center equates to : 3,249 ties per mile

Expect average of **70** Relay ties per mile
864 Landscape #1 ties per mile
1,129 Landscape #2 ties per mile
1,186 Scrap ties per mile

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Notes: Units are rounded to the nearest integer.

Source: RLBA

Appendix Six Total - V&S Railway Rail Mileages

	MP	MP	Miles	Enter Weight	CWR Fit #1	CWR Fit #2	CWR Fit #3	Enter Percent Jointed Fit #1	CWR Reroll	CWR Scrap	Jointed Reroll	Jointed Scrap	Check Col	CWR 136 Fit #1	CWR 136 Reroll	CWR 133 Fit #1	CWR 133 Fit #2	CWR 132 Reroll	CWR 115 Fit #1	CWR 115 Fit #2	Jointed 115 Fit #1	CWR 113 CWR#2	Jointed 112 Fit #1	Jointed 112 Reroll	Jointed 112 Scrap	Jointed 90 Fit #1	Jointed 90 Reroll	Jointed 90 Scrap	Jointed 85 Reroll	Jointed 85 Scrap	Total (Row)
Main Lin	747.50	750.65	3.15	113		100%				0%	0%	0%	3.15	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.15	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.15
	750.65	770.35	19.70	115				100%		0%	0%	0%	19.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	19.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	19.70
	770.35	770.70	0.35	133	50%	50%				0%	0%	0%	0.35	0.00	0.00	0.18	0.18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.35
	770.70	772.90	2.20	115				100%		0%	0%	0%	2.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.20
	772.90	773.20	0.30	115		100%				0%	0%	0%	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.30
	773.20	774.40	1.20	115				100%		0%	0%	0%	1.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.20
	774.40	775.70	1.30	115	50%	50%				0%	0%	0%	1.30	0.00	0.00	0.00	0.00	0.00	0.65	0.65	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.30
	775.70	805.00	29.30	115				100%		0%	0%	0%	29.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	29.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	29.30
	805.00	808.30	3.30	112				100%		0%	0%	0%	3.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.30
	808.30	808.60	0.30	112				100%		0%	0%	0%	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.30
(Curve)	808.60	809.00	0.40	115		100%				0%	0%	0%	0.40	0.00	0.00	0.00	0.00	0.00	0.00	0.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.40
	809.00	809.30	0.30	112				100%		0%	0%	0%	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.30
(Curve)	809.30	809.55	0.25	115		100%				0%	0%	0%	0.25	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25
	809.55	810.00	0.45	112				100%		0%	0%	0%	0.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.45
(Curve)	810.00	810.45	0.45	115		100%				0%	0%	0%	0.45	0.00	0.00	0.00	0.00	0.00	0.00	0.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.45
	810.45	815.90	5.45	112				100%		0%	0%	0%	5.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.45
(Curve)	815.90	816.05	0.15	115	50%	50%				0%	0%	0%	0.15	0.00	0.00	0.00	0.00	0.00	0.07	0.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.15
(Curve)	816.05	816.20	0.15	112				100%		0%	0%	0%	0.15	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.15	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.15
	816.20	819.30	3.10	112				100%		0%	0%	0%	3.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.10
(Curve)	819.30	819.40	0.10	115		100%				0%	0%	0%	0.10	0.00	0.00	0.00	0.00	0.00	0.00	0.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.10
(Curve)	819.40	819.50	0.10	112				100%		0%	0%	0%	0.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.10
	819.50	820.10	0.60	112				100%		0%	0%	0%	0.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.60
	820.10	868.50	48.40	136	100%					0%	0%	0%	48.40	48.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	48.40
	868.50	869.40	0.90	136	100%					0%	0%	0%	0.90	0.90	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.90
All Sidings												100%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	752.4	Stuart	1.20	132					100%			0%	1.20	0.00	0.00	0.00	0.00	1.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.20
	757.3	Sheridan	0.40	85							80%	20%	0.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.32	0.08	0.40
	766.5	Brandon	0.30	90				90%			10%	0%	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.27	0.03	0.00	0.00	0.00	0.30
	771.1	Chivingtc	0.60	136					100%			0%	0.60	0.00	0.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.60
	771.1	Chivingtc	0.60	132					100%			0%	0.60	0.00	0.00	0.00	0.00	0.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.60
	784.8	Eads nor	0.65	136					100%			0%	0.65	0.00	0.65	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.65
	784.8	Eads nor	0.65	132					100%			0%	0.65	0.00	0.00	0.00	0.00	0.65	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.65
	785.7	Eads nor	0.20	90				90%			10%	0%	0.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.18	0.02	0.00	0.00	0.00	0.20
	785.7	Eads sou	0.40	85							80%	20%	0.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.32	0.08	0.40
	799.2	Galatea	0.10	90							80%	20%	0.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.08	0.02	0.00	0.00	0.10
	806.4	Haswell !	1.30	132					100%			0%	1.30	0.00	0.00	0.00	0.00	1.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.30
	807.2	Haswell !	0.60	112				95%			5%	0%	0.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.57	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.60
	821.4	Arlingtor	0.10	85							80%	20%	0.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.08	0.02	0.10
	829.6	Heath	1.30	112				95%			5%	0%	1.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.24	0.07	0.00	0.00	0.00	0.00	0.00	0.00	1.30
	840.9	Sugar Cit	0.40	112				95%			5%	0%	0.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.38	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.40
	840.9	Sugar Cit	0.20	85							80%	20%	0.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.16	0.04	0.20
	846.3	Ordway	0.20	85							80%	20%	0.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.16	0.04	0.20
	846.5	Ordway	1.40	112				95%				5%	1.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.33	0.00	0.07	0.00	0.00	0.00	0.00	0.00	1.40
	852.1	Crowley	0.20	85							80%	20%	0.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.16	0.04	0.20
	857.0	Olney Sp	0.20	85							80%	20%	0.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.16	0.04	0.20
	862.4	Pultney	1.20	112				95%			10%	-5%	1.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.14	0.12	-0.06	0.00	0.00		0.00	0.00	1.20
														49.30	1.25	0.18	0.18	3.75	0.73	2.23	52.40	3.15	18.41	0.24	0.01	0.45	0.13	0.02	1.36	0.34	**134.10**

Main Line Miles	121.90
Sidings & Yard Tracks	12.20
Total Mileage	**134.10**

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Appendix Seven

Rail Summary - *Total* Track Assets

V&S Railway

Towner Jct. To NA Jct. (mileposts 747.5 -869.4)

As of September 30, 2014

Milepost		Rail			Control	
South	North	Section	Rolled	Type	Cooled	Miles
Main Track:						
747.50	750.65	113	1944	CWR	Yes	3.15
750.65	770.35	115	1949	Jointed	Yes	19.70
770.35	770.70	133	1982	CWR	Yes	0.35
770.70	805.00	115	1949	Jointed	Yes	34.30
805.00	820.10	112	1947/1948	Jointed	Yes	15.10
820.10	869.40	136	1975/1979	CWR	Yes	49.30
					Main Track Subtotal =	121.90
Yard Tracks and Sidings:						
752.4	Stuart	132HF		CWR	Yes	1.20
757.3	Sheridan Lake	85		Jointed	No	0.40
766.5	Brandon	90	1929	Jointed	No	0.30
771.1	Chivington	132HF/136		Jointed		1.20
784.8	Eads north 1	132HF/136		Jointed		1.30
785.7	Eads north 2	90		Jointed		0.20
785.7	Eads south	85		Jointed		0.40
799.2	Galatea	90		Jointed		0.10
806.4	Haswell North	132HF		Jointed		1.30
807.2	Haswell South	112		Jointed		0.60
821.4	Arlington	85		Jointed		0.10
829.6	Heath	112		Jointed	No	1.30
840.9	Sugar City	112/85		Jointed	No	0.60
846.3	Ordway	85		Jointed	No	0.20
846.5	Ordway	112	1947	Jointed	No	1.40
852.1	Crowley	85		Jointed	Yes	0.20
857.0	Olney Springs	85		Jointed	No	0.20
862.4	Pultney	112	1945	Jointed	No	1.20
					YT & Siding Subtotal =	12.20
					Total Miles =	**134.10**

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Source: RLBA

Appendix Eight

Unit Market Prices Applicable to Track Materials

As of Week - September 30, 2014

	Unit Prices per Component	Unit Prices per Ton
Steel (Rail)		
Rail 136 pound per yard, CWR, Fit #1		$775.00
Rail 133 pound per yard, CWR, Fit #1		$700.00
Rail 133 pound per yard, CWR, Fit #2		$630.00
Rail 115 pound per yard, CWR, Fit #1		$850.00
Rail 115 pound per yard, CWR, Fit #2		$800.00
Rail 115 pound per yard, Jointed, Fit #1		$870.00
Rail 115 pound per yard, Jointed, Fit #2		$820.00
Rail 113 pound per yard, CWR, Fit #2		$650.00
Rail 112 pound per yard, Jointed, Fit #1		$835.00
Rail 112 pound per yard, Jointed, Fit #2		$700.00
Rail 90 pound per yard, CWR, Fit #1		$600.00
Rail Reroll		$425.00
Rail Scrap		$323.00
Steel (OTM)		
Scrap OTM		$363.00
Tie Plates, D/S, 16" long, 6" base, Fit	$10.00	
Tie Plates, D/S, 14" long, 6" base, Fit	$9.75	
Tie Plates, D/S, 13" long, 5.5" base, Fit	$9.00	
Tie Plates, S/S, 11" long, 5.125 - 5.375" base, Fit	$8.00	
Tie Plates, D/S, 11" long, 5.5" base, Fit	$8.00	
Joint Bars, 133/132/131 pound per yard, Fit	$75.00	
Joint Bars, 119/112 pound per yard, Fit	$40.00	
Joint Bars, 115 pound per yard, Fit	$75.00	
Joint Bars, 90 pound per yard, Fit	$25.00	
Anchors, Fit	$1.25	
Timber (Ties)		
Relay (ea)	$18.00	
Landscape #1 (ea)	$8.00	
Landscape #2 (ea)	$4.00	
Scrap (ea)	(2.00)	
Turnouts		
Fit (136#10)	$6,000.00	
Fit (115/112#10)	$4,000.00	
Fit (Long)	$0.00	

Sources: American Metal Market, Unitrac, A&K 11AUG14 similar sell and RLBA estimates.

Appendix Nine Shipping Cost Summary - *Total* Track Assets

V&S Railway

Towner Jct. To NA Jct. (mileposts 747.5 -869.4)

As of September 30, 2014

	Rail Size							
	Total	85	90	112	115	132	133	136
Tons per gon (scrap & reroller rail) =		100	100	100	100	100	100	100
Net Tons of Reroller Rail =	1,441	203	21	46	-	871	-	299
Number of cars (reroller rail) =	14	2	0	0	0	9	0	3
Net Tons of Scrap Rail =	56	51	3	2	-	-	-	-
Number of cars (scrap rail) =	1	1	0	0	0	0	0	0
Net Tons of Scrap OTM (tie plates) =	191	191	0	0	0	0	0	0
Number of cars (scrap tie plates) =	2	2	0	0	0	0	0	0
Net Tons of Scrap OTM (jt. bars) =	18	15	1	1	0	0	0	0
Number of cars (scrap jt. bars) =	0	0	0	0	0	0	0	0
Net Tons of Scrap OTM (anchors) =	21							
Number of cars (scrap anchors) =	0							
Net Tons of Scrap OTM (spikes/bolts) =	695							
Number of cars (spikes/bolts) =	7							
Net Tons of Scrap Turnouts) =	53							
Total cars (scrap Turnouts) =	1							
Number of cars (reroller rail) =	14							
Number of cars (scrap rail) =	2							
Number of cars (scrap OTM) =	9							
Total	**25**							

Notes: Use full 100 ton gon, stacked rails per gon varies by size (one inch board between layers) and 100 .ton load for OTM

Assume tie plate weights of 12# for < or = 90# rail, 15# for 100# rail, 17# for 105/110# rail, 21# for 112/113/115/119/127/130# rail, 23 # for 131/132/133/136/140/141# rail (small) and 35# for 131/132/133/136/140/141# rail (big).

Assume joint bar weights (per pair) of 40# for rail up to 85# rail, 50# for 85# rail, 65# for 90/100/105/110# rail, 105# for 112/113/115/119/127/130# rail, 115# for 131/132/133/136/140/141# rail.

Tie plates are grouped together by base width with the predominate size showing the total number.

Source: Attachment Three.

	Railroad Price (per car)			
Cost to ship rail car from NA Jct. CO to Chicago, IL =	$5,618	$56	per ton	Reroll
Cost to ship rail car from NA Jct. CO to Hedwisch, IL =	$5,465	$55	per ton	Scrap Rail
Cost to ship rail car from NA Jct. CO to Burms Harbor, IL =	$6,244	$62	per ton	Srcap OTM
Cost to ship rail car from NA Jct. CO to Chicago Area IL =	$5,831	Weighted Average of Above		

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Appendix Ten Qualification of

Crew S. Heimer, P.E.

Director of Transportation Engineering

Education
BS in Civil Engineering, Cum Laude, University of Maryland, 1976

Professional Registration
Professional Engineer, West Virginia, # 9099

Professional Certifications and Affiliations
AREMA, American Railway Engineering and Maintenance Association and past Committee Chairman of Committee 16 - Economics of Railway Engineering & Operations. While Committee Chairman, my committee put on a day-long seminar about Rail Line Capacity Modeling with 35 attendees.

Years of Transportation Experience
36

Qualifications
Since joining RLBA in 1988, Mr. Heimer has inspected or appraised over 6,200 miles of track, conducting numerous rail and bridge physical asset inspections to determine costs to obtain a state of good repair as well to estimate various railroad capital and operating costs. To this end, over 4,600 miles of these inspections have been by hi-rail while more than 1,600 miles have been completed by walking and driving. These physical inspections of many railroads have addressed audit of adherence to safe practices, compliance with FRA track safety standards, track condition, maintenance requirements and rehabilitation costs. Mr. Heimer has inspected/ appraised rail lines owned by the following: Amtrak, BNSF Railway, Canadian Pacific, Conrail, CSX Transportation, Delaware & Hudson Railway, Iowa Interstate Railroad, Kansas City Southern, Norfolk Southern Railway, San Pedro & Southwestern, Soo Line Railroad, Union Pacific Railroad, Vermont Railway, Wheeling & Lake Erie Railway and Wisconsin Southern Railroad.

Relevant Project Experience:

- ***Johnson County Public Works Department (KS)*** Conducted a physical inspection of existing rail facilities as a point of departure for developing minimum and maximum Kansas – suburban commuter rail investment scenarios. Assisted in selection of station sites.

- ***Orange County Transportation Commission (OCTC)*** Examined the feasibility and cost of alternative approaches to accessing right-of-way owned by The Atchison, Topeka and Santa Fe Railway Company (Santa Fe) to host an enduring commuter rail operation between Orange County transit centers and the Los Angeles Union Passenger Terminal. Access was obtained via a combination of operating trackage rights and a sale transaction. Appraised the value of rail assets.

- ***San Diego Association of Governments, Orange County Transportation Commission, San Bernardino Associated Governments, Riverside County Transportation Commission*** Inspected track and prepared asset valuations, prior to public agency rail line acquisition. Evaluated cost estimates of upgrading freight trackage to accommodate commuter rail operations, recommended station design standards, and analyzed operating issues, including dispatching, in support of a trackage rights agreement drafted by RLBA

- ***Nashville Metropolitan Transportation Authority*** Inspected five Nashville area rail lines to assess condition and track capacity to develop and analyze alternative commuter rail alignments. Assisted in selection of station sites.

- ***Chittenden County (Vermont) Metropolitan Planning Organization*** Evaluated and inspected the infrastructure in the Burlington-Essex corridor as part of a regional rail feasibility study. Assisted in selection of station sites.

- ***Tri-County Regional Planning Commission and the McLean County Planning Commission*** Inspected the existing rail lines, evaluated alternatives, identified possible station sites, and calculated capital and costs reflecting various levels of service in connection with exploring the feasibility of providing regional rail passenger transportation service along a corridor between Peoria and Bloomington/Normal combining tracks of the Norfolk Southern, Union Pacific, and Peoria and Pekin Union railroads.

- ***LAKETRAN (OH)*** Inspected Norfolk Southern and Conrail trackage potentially useful in the development of a cost-effective commuter rail service linking Cleveland with cities in Lake and Ashtabula counties. Determined capital improvements and investment cost necessary to develop attractive commuter rail alternatives.

- ***Pennsylvania Department of Transportation*** Directed consulting team evaluating Keystone Corridor right-of-way physical plant. Assessed infrastructure condition and costs associated with bringing it to a state of good repair as well as increasing speed. Inspected and reported on the Philadelphia-Harrisburg route bridge condition and rehabilitation costs.

- ***Santa Clara Valley Transportation Authority (CA)*** Estimated all infrastructure capital costs associated with analyzing the feasibility of linking San Jose with the Bay Area Rapid Transit (BART) system via any one of three roues and more combinations.

- ***Northeast Indiana Regional Planning Commission*** Inspected three alternative rail corridors as to feasibility and cost of diverting rail traffic from a fourth corridor. To avoid increasing rail traffic on a line with many highway crossings, identified three alternative corridors, evaluated and detailed additional tracks required to hand rail traffic if moved from the existing corridor, developed length and potential speed of required rail connections, evaluated the reductions in highway crossing conflicts and estimated costs for each alternative.

- ***City of Dartmouth, Nova Scotia*** evaluated existing and proposed operating patterns to determine impacts, feasibility and costs associated with relocating downtown rail yards from city centers.

- ***Confidential Client*** developed a computerized format with standard activities and unit costs to apply in annual maintenance planning so that improved maintenance efficiency may be realized through a planned approach. Provided counsel to prioritize and prepare a coherent long term plan that would also provide information to the finance and transportation departments and executive management.

Prior Work Experience

At CSXT Transportation (1976-87), Mr. Heimer held several engineering and operating posts, starting as an Assistant Engineer surveying and designing track installations. As a Roadmaster on passenger main line and terminal territories, he prepared maintenance programs, managed track forces and oversaw construction. As Trainmaster, he directed Yardmasters in switching and train delivery and prepared proposals to expedite train movements. Additionally, Mr. Heimer served at the Passenger Rail Manager/Principal Project Manager for the Georgia Regional Transportation Authority (2000-2012), where he directed various projects supporting the regional bus system (Xpress) totally in over $625 million of capital investments. He also assembled a State negotiating team to purchase a Norfolk Southern Railway line, in additional to drafting purchase and operating agreements for Macon-Atlanta commuter rail.

Pictures From Gerald W. Fauth III's
<u>Inspections of The Towner Line</u>

Picture 1

NA Junction Looking East - Towner Line on Left

Pictures From Gerald W. Fauth III's
<u>Inspections of The Towner Line</u>

Picture 2

BNSF Train Approaching NA Junction From The West

Pictures From Gerald W. Fauth III's
Inspections of The Towner Line

Picture 3

Example of Lack of Vegetation Control on the Towner Line

Pictures From Gerald W. Fauth III's
<u>Inspections of The Towner Line</u>

Picture 4

Example of Lack of Vegetation Control on the Towner Line

Pictures From Gerald W. Fauth III's
Inspections of The Towner Line

Picture 5

Example of Lack of Vegetation Control on the Towner Line

Pictures From Gerald W. Fauth III's
<u>Inspections of The Towner Line</u>

Picture 6

Example of Lack of Vegetation Control on the Towner Line

Pictures From Gerald W. Fauth III's
<u>Inspections of The Towner Line</u>

Picture 7

Example of Areas on the Towner Line
With a Lack of Ballast and Poor Tie Condition

Pictures From Gerald W. Fauth III's
Inspections of The Towner Line

Picture 8

Example of Areas on the Towner Line
With a Lack of Ballast and Poor Tie Condition

Pictures From Gerald W. Fauth III's
Inspections of The Towner Line

Picture 9

Example of Areas on the Towner Line
With a Lack of Ballast and Poor Tie Condition

Pictures From Gerald W. Fauth III's
Inspections of The Towner Line

Picture 10

Example of Poor Tie Condition on the Towner Line

Pictures From Gerald W. Fauth III's
Inspections of The Towner Line

Picture 11

Example of Poor Tie Condition on the Towner Line

Pictures From Gerald W. Fauth III's
Inspections of The Towner Line

Picture 12

Example of Poor Tie Condition on the Towner Line
(Note Single Remaining Spike)

Pictures From Gerald W. Fauth III's
Inspections of The Towner Line

Picture 13

Example of Area on the Towner Line
Where Spikes Have Been Pulled (Tie Plates Remain in Place)

Pictures From Gerald W. Fauth III's
<u>Inspections of The Towner Line</u>

Picture 14

Example of Area on the Towner Line
Where Spikes Have Been Pulled, Track Plates Have Been Removed
Leaving One Spike to Hold the Rail in Place

Pictures From Gerald W. Fauth III's
<u>Inspections of The Towner Line</u>

Picture 15

Example of Area on the Towner Line
Where Spikes Have Been Pulled, Track Plated Have Been Removed
Leaving One Spike to Holed the Rail in Place

Pictures From Gerald W. Fauth III's
Inspections of The Towner Line

Picture 16

Repaired Wash-Out Area on The Towner Line
Which Shows the Filled Areas

Pictures From Gerald W. Fauth III's
<u>Inspections of The Towner Line</u>

Picture 17

Repaired Wash-Out Area on The Towner Line
Which Shows the Filled Areas

Pictures From Gerald W. Fauth III's
Inspections of The Towner Line

Picture 18

Repaired Wash-Out Area on The Towner Line
Which Shows the Filled Areas

Pictures From Gerald W. Fauth III's
<u>Inspections of The Towner Line</u>

Picture 19

Example of CWR Rail on the Towner Line

Pictures From Gerald W. Fauth III's
<u>Inspections of The Towner Line</u>

Picture 20

Example of CWR Rail on the Towner Line
(Close-up Showing Head Wear)

Pictures From Gerald W. Fauth III's
Inspections of The Towner Line

Picture 21

Example of Jointed Rail on the Towner Line
(Note Missing Bolts and Head Wear)

Pictures From Gerald W. Fauth III's
<u>Inspections of The Towner Line</u>

Picture 22

Example of Wooden Timber Pile Trestle
Bridge on the Towner Line

Pictures From Gerald W. Fauth III's
Inspections of The Towner Line

Picture 23

Concrete Bridge on the Towner Line in Need of Repair

Pictures From Gerald W. Fauth III's
<u>Inspections of The Towner Line</u>

Picture 24

Covered Tracks and Damaged Crossing Gate at Road Crossing
(Towner Line MP 777.02)

Pictures From Gerald W. Fauth III's
Inspections of The Towner Line

Picture 25

Railroad Bridge Over Highway in Eads. Colorado

Pictures From Gerald W. Fauth III's
<u>Inspections of The Towner Line</u>

Picture 26

Bartlett Grain Elevator Near Eads, Colorado

Pictures From Gerald W. Fauth III's
Inspections of The Towner Line

Picture 27

Grain Elevator and Storage Facility
Near Haswell, Colorado

Pictures From Gerald W. Fauth III's
Inspections of The Towner Line

Picture 28

Grain Elevator and Storage Facility
Near Brandon, Colorado

Pictures From Gerald W. Fauth III's
<u>Inspections of The Towner Line</u>

Picture 29

Grain Elevator and Storage Facility
Near Sheridan Lake, Colorado

Pictures From Gerald W. Fauth III's
Inspections of The Towner Line

Picture 30

Towner Welcome Sign

Pictures From Gerald W. Fauth III's
Inspections of The Towner Line

Picture 31

Locomotive SMNR 3518

Pictures From Gerald W. Fauth III's
Inspections of The Towner Line

Picture 32

A&K Rail Removal Machine

Pictures From Gerald W. Fauth III's
Inspections of The Towner Line

Pictures 33

VSR Flat Cars with Rail Racks

KCVN/CPRR Development of Net Liquidation Value (NLV) For The Towner Line

Ln.	Item	Source	Amount
1	Relay Rail Fit #1 GSV	App. GWF-7, Page 4	$2,747,841
2	Relay Rail Fit #2 GSV	App. GWF-7, Page 4	$0
3	Total Relay Rail GSV	L.1 +L.2	$2,747,841
4	Reroll Rail GSV	App. GWF-7, Page 4	$1,111,970
5	Scrap Rail GSV	App. GWF-7, Page 4	$2,059,752
6	Total Reroll and Scrap Rail GSV	L.4 + L.5	$3,171,722
7	Total Rail GSV	L.3 + L.6	$5,919,563
8	Total Rail Tons	App. GWF-7, Page 4	28,909
9	Average Rail GSV Per Ton	L.7 / L.8	$204.77
10	Relay Other Track Material GSV	App. GWF-7, Page 6, L.90	$0
11	Scrap Other Track Material GSV	App. GWF-7, Page 6, L.91	$2,166,466
12	Total Other Track Material GSV	L.10 + L.11	$2,166,466
13	Relay Turnouts GSV	App. GWF-7, Page 7, L.11	$0
14	Scrap Turnouts GSV	App. GWF-7, Page 7, L.18	$18,837
15	Total Turnouts GSV	L.13 + L.14	$18,837
16	Relay Ties GSV	App. GWF-7, Page 8	$0
17	Landscape #1 Ties GSV	App. GWF-7, Page 8	$0
18	Landscape #2 Ties GSV	App. GWF-7, Page 8	$0
19	Scrap Ties GSV	App. GWF-7, Page 8	$0
20	Total Ties GSV	L.16 + L.17 + L.18 + L.19	$0
21	Total Relay Materials GSV	L.3 + L.10 + L.13 + L.16	$2,747,841
22	Total Reroll and Scrap Materials GSV	L.6 + L.11 + L.14 + L.17 + L.18 + L.19	$5,357,025
23	**Total Gross Salvage Value (GSV)**	**L.21 + L.22**	**$8,104,866**
24	Fit Rail and OTM Removal	App. GWF-7, Page 9, L.3	$420,800
25	Scrap Rail & OTM Removal	App. GWF-7, Page 9, L.6	$1,293,600
26	Fit Turnout Removal	App. GWF-7, Page 9, L.9	$0
27	Scrap Turnout Removal	App. GWF-7, Page 9, L.12	$14,500
28	Total Track Removal Cost	L.24 + L.25 + L.26 + L.27	$1,728,900
29	Total Tie Removal Cost	App. GWF-7, Page 8	$0
30	Restoration of Public Crossings	App. GWF-7, Page 9, L.16	$128,000
31	Restoration of Private Crossings	App. GWF-7, Page 9. L.19	$3,600
32	Total Crossing Restoration Costs	L.30 + L.31	$131,600
33	Administrative & Marketing of Relay Materials	App. GWF-7, Page 10, L.6	$549,568
34	Administrative & Marketing of Scrap Materials	App. GWF-7, Page 10, L.13	$535,703
35	Total Administrative & Marketing Costs	L.33 + L.34	$1,085,271
36	Transportation Cost to Chicago	App. GWF-7, Page 10, L.38	$2,564,544
37	**Total Liquidation Costs**	**L.28 + L.29 + L.32 + L.35 + L.36**	**$5,510,315**
38	**Total Real Estate Value**	**V&S**	**$0**
39	**Total Net Liquidation Value (NLV)**	**(L.23 - L.36) + L.38**	**$2,594,551**

Rail Asset Inventory on the Towner Rail Line - Towner Jct., CO (MP 747.50) to NA Junction, CO (MP 869.40)

Milepost	Station	Milepost	Station	Miles	85 Jointed ??	90 Jointed 1929	112 Jointed 1947-48	113 CWR 1944	115 Jointed 1947-49	115 CWR 1949	132 CWR ??	133 CWR 1982	136 CWR 1975-79
747.50	Towner Jct.	750.65	Milepost	3.15	0.00	0.00	0.00	3.15	0.00	0.00	0.00	0.00	0.00
750.65	Milepost	752.50	Stuart	1.85	0.00	0.00	0.00	0.00	1.85	0.00	0.00	0.00	0.00
752.50	Stuart	758.10	Sheridan Lake	5.60	0.00	0.00	0.00	0.00	5.60	0.00	0.00	0.00	0.00
758.10	Sheridan Lake	766.20	Brandon	8.10	0.00	0.00	0.00	0.00	8.10	0.00	0.00	0.00	0.00
766.20	Brandon	770.35	Milepost	4.15	0.00	0.00	0.00	0.00	4.15	0.00	0.00	0.00	0.00
770.35	Milepost	770.70	Milepost	0.35	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.35	0.00
770.70	Milepost	771.80	Chivington	1.10	0.00	0.00	0.00	0.00	1.10	0.00	0.00	0.00	0.00
771.80	Chivington	772.90	Milepost	1.10	0.00	0.00	0.00	0.00	1.10	0.00	0.00	0.00	0.00
772.90	Milepost	773.20	Milepost	0.30	0.00	0.00	0.00	0.00	0.00	0.30	0.00	0.00	0.00
773.20	Milepost	774.40	Milepost	1.20	0.00	0.00	0.00	0.00	1.20	0.00	0.00	0.00	0.00
774.40	Milepost	775.70	Milepost	1.30	0.00	0.00	0.00	0.00	0.00	1.30	0.00	0.00	0.00
775.70	Milpost	785.80	Eads	10.10	0.00	0.00	0.00	0.00	10.10	0.00	0.00	0.00	0.00
785.80	Milepost	799.10	Galatea	13.30	0.00	0.00	0.00	0.00	13.30	0.00	0.00	0.00	0.00
799.10	Galatea	805.00	Milepost	5.90	0.00	0.00	0.00	0.00	5.90	0.00	0.00	0.00	0.00
805.00	Milepost	807.70	Haswell	2.70	0.00	0.00	2.70	0.00	0.00	0.00	0.00	0.00	0.00
807.70	Haswell	808.60	Milepost	0.90	0.00	0.00	0.90	0.00	0.00	0.00	0.00	0.00	0.00
808.60	Milepost - Curve	809.00	Milepost - Curve	0.40	0.00	0.00	0.00	0.00	0.00	0.40	0.00	0.00	0.00
809.00	Milepost	809.30	Milepost	0.30	0.00	0.00	0.30	0.00	0.00	0.00	0.00	0.00	0.00
809.30	Milepost - Curve	809.55	Milepost - Curve	0.25	0.00	0.00	0.00	0.00	0.00	0.25	0.00	0.00	0.00
809.55	Milepost	810.00	Milepost	0.45	0.00	0.00	0.45	0.00	0.00	0.00	0.00	0.00	0.00
810.00	Milepost - Curve	810.45	Milepost - Curve	0.45	0.00	0.00	0.00	0.00	0.00	0.45	0.00	0.00	0.00
810.45	Milepost	815.90	Milepost	5.45	0.00	0.00	5.45	0.00	0.00	0.00	0.00	0.00	0.00
815.90	Milepost - Curve	816.05	Milepost - Curve	0.15	0.00	0.00	0.00	0.00	0.00	0.15	0.00	0.00	0.00
816.05	Milepost	819.30	Milepost	3.25	0.00	0.00	3.25	0.00	0.00	0.00	0.00	0.00	0.00
819.30	Milepost - Curve	819.40	Milepost - Curve	0.10	0.00	0.00	0.00	0.00	0.00	0.10	0.00	0.00	0.00
819.40	Milepost - Curve	819.50	Milepost - Curve	0.10	0.00	0.00	0.10	0.00	0.00	0.00	0.00	0.00	0.00
819.50	Milepost	820.10	Milepost	0.60	0.00	0.00	0.60	0.00	0.00	0.00	0.00	0.00	0.00
820.10	Milepost	821.40	Arlington	1.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.30
821.40	Arlington	830.50	Heath / Adobe Creek	9.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.10
830.50	Heath / Adobe Creek	841.20	Sugar City	10.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10.70
841.20	Sugar City	846.40	Ordway	5.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.20
846.40	Ordway	851.90	Crowley	5.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.50
851.90	Crowley	857.30	Olney Springs	5.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.40
857.30	Olney Springs	863.10	Pultney	5.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.80
863.10	Pultney	869.40	NA Junction	6.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.30
Total Main Track Miles				**121.90**	**0.00**	**0.00**	**13.75**	**3.15**	**52.40**	**2.95**	**0.00**	**0.35**	**49.30**
752.40	Stuart			1.20	0.00	0.00	0.00	0.00	0.00	0.00	1.20	0.00	0.00
757.30	Sheridan Lake			0.40	0.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
766.50	Brandon			0.30	0.00	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00
771.10	Chivington			0.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.60
771.10	Chivington			0.60	0.00	0.00	0.00	0.00	0.00	0.00	0.60	0.00	0.00
784.80	Eads North 1			0.65	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.65
785.70	Eads North 2			0.65	0.00	0.00	0.00	0.00	0.00	0.00	0.65	0.00	0.00
785.70	Eads North 3			0.20	0.00	0.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00
785.70	Eads South			0.40	0.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
799.20	Galatea			0.10	0.00	0.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00
806.40	Haswell North			1.30	0.00	0.00	0.00	0.00	0.00	0.00	1.30	0.00	0.00
807.20	Haswell South			0.60	0.00	0.00	0.60	0.00	0.00	0.00	0.00	0.00	0.00
821.40	Arlington			0.10	0.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
829.60	Heath			1.30	0.00	0.00	1.30	0.00	0.00	0.00	0.00	0.00	0.00
840.90	Sugar City			0.40	0.00	0.00	0.40	0.00	0.00	0.00	0.00	0.00	0.00
840.90	Sugar City			0.20	0.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
846.30	Ordway			0.20	0.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
846.50	Ordway			1.40	0.00	0.00	1.40	0.00	0.00	0.00	0.00	0.00	0.00
852.10	Crowley			0.20	0.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
857.00	Olney Springs			0.20	0.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
862.40	Pultney			1.20	0.00	0.00	1.20	0.00	0.00	0.00	0.00	0.00	0.00
Total Sidings Miles				**12.20**	**1.70**	**0.60**	**4.90**	**0.00**	**0.00**	**0.00**	**3.75**	**0.00**	**1.25**
Total Rail Miles				**134.10**	**1.70**	**0.60**	**18.65**	**3.15**	**52.40**	**2.95**	**3.75**	**0.35**	**50.55**
Percent of Total				**100.00%**	**1.39%**	**0.49%**	**15.30%**	**2.58%**	**42.99%**	**2.42%**	**3.08%**	**0.29%**	**41.47%**

V&S Calculation of Gross Salvage Value for The Rail Asset Inventory on the Towner Rail Line

Item	Total	85 Jointed ??	90 Jointed 1929	112 Jointed 1947-48	113 CWR 1944	115 Jointed 1947-49	115 CWR 1949	132 CWR ??	133 CWR 1982	136 CWR 1975-79
Total Main Track Miles	121.90	0.00	0.00	13.75	3.15	52.40	2.95	0.00	0.35	49.30
Total Sidings Miles	12.20	1.70	0.60	4.90	0.00	0.00	0.00	3.75	0.00	1.25
Total Rail Miles	134.10	1.70	0.60	18.65	3.15	52.40	2.95	3.75	0.35	50.55
V&S Relay Fit #1 Miles	121.46	0.00	0.45	18.41	0.00	52.40	0.73	0.00	0.18	49.30
V&S Relay Fit #2 Miles	5.55	0.00	0.00	0.00	3.15	0.00	2.23	0.00	0.18	0.00
V&S Total Relay Miles	127.01	0.00	0.45	18.41	3.15	52.40	2.95	0.00	0.35	49.30
V&S Reroll Miles	6.67	1.36	0.13	0.18	0.00	0.00	0.00	3.75	0.00	1.25
V&S Scrap Miles	0.43	0.34	0.02	0.07	0.00	0.00	0.00	0.00	0.00	0.00
V&S Total Reroll and Scrap Miles	7.09	1.70	0.15	0.24	0.00	0.00	0.00	3.75	0.00	1.25
Total Rail Miles	134.10	1.70	0.60	18.65	3.15	52.40	2.95	3.75	0.35	50.55
Pounds Per Yard	-------	85	90	112	113	115	115	132	133	136
Rails Per Yard	-------	2	2	2	2	2	2	2	2	2
Yard Per Mile	-------	1,760	1,760	1,760	1,760	1,760	1,760	1,760	1,760	1,760
Pounds per Mile	-------	299,200	316,800	394,240	397,760	404,800	404,800	464,640	468,160	478,720
Tons Per Mile	-------	149.60	158.40	197.12	198.88	202.40	202.40	232.32	234.08	239.36
V&S Tons Per Mile	-------	149.60	158.40	197.10	198.90	202.40	202.40	232.30	234.10	239.40
V&S Relay Fit #1 Tons	26,295.78	0.00	71.28	3,628.61	0.00	10,605.76	146.74	0.00	40.97	11,802.42
V&S Relay Fit #2 Tons	1,117.84	0.00	0.00	0.00	626.54	0.00	450.34	0.00	40.97	0.00
V&S Total Relay Tons	27,413.62	0.00	71.28	3,628.61	626.54	10,605.76	597.08	0.00	81.94	11,802.42
Percent of Total Tons	94.83%	0.00%	0.25%	12.55%	2.17%	36.69%	2.07%	0.00%	0.28%	40.83%
V&S Reroll Tons	1,428.92	203.46	20.59	34.49	0.00	0.00	0.00	871.13	0.00	299.25
V&S Scrap Tons	66.84	50.86	3.17	12.81	0.00	0.00	0.00	0.00	0.00	0.00
V&S Total Reroll and Scrap Tons	1,495.76	254.32	23.76	47.30	0.00	0.00	0.00	871.13	0.00	299.25
Percent of Total Tons	5.17%	0.88%	0.08%	0.16%	0.00%	0.00%	0.00%	3.01%	0.00%	1.04%
V&S Total Tons By Rail Type	28,909	254	95	3,676	627	10,606	597	871	82	12,102
Percent of Total Tons	100.00%	0.88%	0.33%	12.72%	2.17%	36.69%	2.07%	3.01%	0.28%	41.86%
Reusable Percentage	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%
V&S Relay Fit #1 Reusable Tons	25,506.91	0.00	0.00	3,519.75	0.00	10,287.59	142.34	0.00	39.74	11,448.35
V&S Relay Fit #1 Unit Price Per Ton	-------	$0.00	$800.00	$850.00	$0.00	$870.00	$870.00	$0.00	$770.00	$770.00
V&S Relay Fit #1 GSV	$20,911,651	$0	$0	$2,991,790	$0	$8,950,201	$123,834	$0	$30,599	$8,815,227
V&S Rounded Relay Fit #1 GSV	$20,910,800	$0	$0	$2,991,000	$0	$8,950,200	$123,800	$0	$30,600	$8,815,200
V&S Relay Fit #2 Reusable Tons	1,084.31	0.00	0.00	0.00	607.74	0.00	436.83	0.00	39.74	0.00
V&S Relay Fit #2 Unit Price Per Ton	-------	$0.00	$800.00	$800.00	$650.00	$800.00	$800.00	$0.00	$700.00	$0.00
V&S Relay Fit #2 GSV	$772,313	$0	$0	$0	$395,031	$0	$349,464	$0	$27,818	$0
V&S Rounded Relay Fit #2 GSV	$772,300	$0	$0	$0	$395,000	$0	$349,500	$0	$27,800	$0
V&S Total Relay GSV	$21,683,964	$0	$0	$2,991,790	$395,031	$8,950,201	$473,298	$0	$58,417	$8,815,227
V&S Total Rounded Relay GSV	$21,683,100	$0	$0	$2,991,000	$395,000	$8,950,200	$473,300	$0	$58,400	$8,815,200
V&S Reroll Reusable Tons	1,386.05	197.35	19.97	33.46	0.00	0.00	0.00	844.99	0.00	290.27
V&S Reroll Unit Price Per Ton	-------	$296.35	$296.35	$296.35	$296.35	$296.35	$296.35	$296.35	$296.35	$296.35
V&S Reroll GSV	$410,753	$58,485	$5,918	$9,916	$0	$0	$0	$250,413	$0	$86,022
V&S Rounded Reroll GSV	$410,700	$58,500	$5,900	$9,900	$0	$0	$0	$250,400	$0	$86,000
V&S Scrap Reusable Tons	64.84	49.34	3.07	12.43	0.00	0.00	0.00	0.00	0.00	0.00
V&S Scrap Unit Price Per Ton	-------	$246.35	$246.35	$246.35	$246.35	$246.35	$246.35	$246.35	$246.35	$246.35
V&S Scrap GSV	$15,973	$12,155	$756	$3,062	$0	$0	$0	$0	$0	$0
V&S Rounded Scrap GSV	$16,300	$12,200	$800	$3,300	$0	$0	$0	$0	$0	$0
V&S Total Reroll and Scrap GSV	$426,726	$70,639.58	$6,674.40	$12,978.00	$0.00	$0.00	$0.00	$250,412.79	$0.00	$86,021.51
V&S Total Rounded and Scrap GSV	$427,000	$70,700.00	$6,700.00	$13,200.00	$0.00	$0.00	$0.00	$250,400.00	$0.00	$86,000.00
Total V&S Rail GSV	**$22,110,690**	**$70,640**	**$6,674**	**$3,004,768**	**$395,031**	**$8,950,201**	**$473,298**	**$250,413**	**$58,417**	**$8,901,249**
Total V&S Rounded Rail GSV	**$22,110,100**	**$70,700**	**$6,700**	**$3,004,200**	**$395,000**	**$8,950,200**	**$473,300**	**$250,400**	**$58,400**	**$8,901,200**

KCVN/CPRR Restatement of Gross Salvage Value for The Rail Asset Inventory on the Towner Rail Line

Item	Total	85 Jointed ??	90 Jointed 1929	112 Jointed 1947-48	113 CWR 1944	115 Jointed 1947-49	115 CWR 1949	132 CWR ??	133 CWR 1982	136 CWR 1975-79
Total Main Track Miles	121.90	0.00	0.00	13.75	3.15	52.40	2.95	0.00	0.35	49.30
Total Sidings Miles	12.20	1.70	0.60	4.90	0.00	0.00	0.00	3.75	0.00	1.25
Total Rail Miles	134.10	1.70	0.60	18.65	3.15	52.40	2.95	3.75	0.35	50.55
KCVN/CPRR Relay Fit #1 Miles	26.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	26.30
KCVN/CPRR Relay Fit #2 Miles	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
KCVN/CPRR Total Relay Miles	26.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	26.30
KCVN/CPRR Reroll Miles	28.35	0.00	0.00	0.00	0.00	0.00	0.00	3.75	0.35	24.25
KCVN/CPRR Scrap Miles	79.45	1.70	0.60	18.65	3.15	52.40	2.95	0.00	0.00	0.00
KCVN/CPRR Total Reroll and Scrap Miles	107.80	1.70	0.60	18.65	3.15	52.40	2.95	3.75	0.35	24.25
Total Rail Miles	134.10	1.70	0.60	18.65	3.15	52.40	2.95	3.75	0.35	50.55
Pounds Per Yard	-------	85.00	90.00	112.00	113.00	115.00	115.00	132.00	133.00	136.00
Rails Per Yard	-------	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Yards Per Mile	-------	1,760	1,760	1,760	1,760	1,760	1,760	1,760	1,760	1,760
Pounds per Mile	-------	299,200	316,800	394,240	397,760	404,800	404,800	464,640	468,160	478,720
Tons Per Mile	-------	149.60	158.40	197.12	198.88	202.40	202.40	232.32	234.08	239.36
KCVN/CPRR Tons Per Mile	-------	149.60	158.40	197.12	198.88	202.40	202.40	232.32	234.08	239.36
KCVN/CPRR Relay Fit #1 Tons	6,295.17	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,295.17
KCVN/CPRR Relay Fit #2 Tons	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
KCVN/CPRR Total Relay Tons	6,295.17	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,295.17
Percent of Total Tons	21.78%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	21.78%
KCVN/CPRR Reroll Tons	6,757.61	0.00	0.00	0.00	0.00	0.00	0.00	871.20	81.93	5,804.48
KCVN/CPRR Scrap Tons	15,854.96	254.32	95.04	3,676.29	626.47	10,605.76	597.08	0.00	0.00	0.00
KCVN/CPRR Total Reroll and Scrap Tons	22,612.57	254.32	95.04	3,676.29	626.47	10,605.76	597.08	871.20	81.93	5,804.48
Percent of Total Tons	78.22%	0.88%	0.33%	12.72%	2.17%	36.69%	2.07%	3.01%	0.28%	20.08%
KCVN/CPRR Total Tons By Rail Type	28,908	254	95	3,676	626	10,606	597	871	82	12,100
Percent of Total Tons	100.00%	0.88%	0.33%	12.72%	2.17%	36.69%	2.07%	3.01%	0.28%	41.86%
Reusable Percentage	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%
KCVN/CPRR Relay Fit #1 Reusable Tons	6,106.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,106.31
KCVN/CPRR Relay Fit #1 Unit Price Per Ton	-------	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$450.00
KCVN/CPRR Relay Fit #1 GSV	$2,747,841	$0	$0	$0	$0	$0	$0	$0	$0	$2,747,841
KCVN/CPRR Relay Fit #2 Reusable Tons	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
KCVN/CPRR Relay Fit #2 Unit Price Per Ton	-------	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
KCVN/CPRR Relay Fit #2 GSV	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
KCVN/CPRR Total Relay Gross Salvage Value	$2,747,841	$0	$0	$0	$0	$0	$0	$0	$0	$2,747,841
KCVN/CPRR Reroll Reusable Tons	6,554.88	0.00	0.00	0.00	0.00	0.00	0.00	845.06	79.47	5,630.35
KCVN/CPRR Reroll Price Per Ton (2/16 AMM Chicago)	-------	$169.64	$169.64	$169.64	$169.64	$169.64	$169.64	$169.64	$169.64	$169.64
KCVN/CPRR Reroll GSV	$1,111,970	$0	$0	$0	$0	$0	$0	$143,356	$13,481	$955,133
KCVN/CPRR Scrap Reusable Tons	15,379.31	246.69	92.19	3,566.00	607.68	10,287.59	579.17	0.00	0.00	0.00
KCVN/CPRR Scrap Price Per Ton (2/16 AMM #1 HM Chicago)	-------	$133.93	$133.93	$133.93	$133.93	$133.93	$133.93	$133.93	$133.93	$133.93
KCVN/CPRR Scrap GSV	$2,059,752	$33,039	$12,347	$477,594	$81,387	$1,377,817	$77,568	$0	$0	$0
KCVN/CPRR Total Reroll and Scrap GSV	$3,171,722	$33,039	$12,347	$477,594	$81,387	$1,377,817	$77,568	$143,356	$13,481	$955,133
Total KCVN/CPRR Rail GSV	**$5,919,562**	**$33,039**	**$12,347**	**$477,594**	**$81,387**	**$1,377,817**	**$77,568**	**$143,356**	**$13,481**	**$3,702,973**

KCVN/CPRR Development of Gross Salvage Value For Other Track Materials (OTM)

Ln.	Item	Source	Amount
1	Relay #1 Tie Plates Miles	KCVN/CPRR	0.00
2	Relay #1 Tie Plates Per Mile	V&S Appendix Two	6,498
3	Total Relay #1 Tie Plates	L. 1 x L.2	0
4	Re-Usable Percentage	V&S Appendix 2	97%
5	Total Reusable Relay #1 Tie Plates	L.3 x L.4	0
6	Unit Price	V&S Appendix 2	$9.00
7	Total Relay #1 Tie Plates GSV	L.5 x L.6	$0
8	Relay #2 Tie Plates Miles	KCVN/CPRR	0.00
9	Relay #2 Tie Plates Per Mile	V&S Appendix 2	6,498
10	Total Relay #2 Tie Plates	L.8 x L.9	0
11	Re-Usable Percentage	V&S Appendix 2	97%
12	Total Reusable Relay #2 Tie Plates	L.10 x L.11	0
13	Unit Price	V&S Appendix 2	$7.00
14	Total Relay #2 Tie Plates GSV	L.12 x L.13	$0
15	Total Relay Tie Plates GSV	L.7 + L.14	$0
16	Scrap Tie Plates Miles	KCVN/CPRR	134.10
17	Tons Per Mile	V&S Appendix 2	108.90
18	Total Scrap Tie Plates Tons	L.16 x L.17	14,603.49
19	Re-Useable Percentage	V&S Appendix 2	95%
20	Total Re-Useable Scrap Tie Plates Tons	L.18 x L.19	13,873.32
21	Unit Price (2/16 AMM #1 HMS Chicago)	KCVN/CPRR	$133.93
22	Total Scrap Tie Plates GSV	L.20 x L.21	$1,858,053
23	**Total Tie Plates GSV**	**L.15 + L.22**	**$1,858,053**
24	Relay #1 Joint Bars Miles	KCVN/CPRR	0.00
25	Relay #1 Joint Bars Per Mile	V&S Appendix Two	270.76
26	Total Relay #1 Joint Bars	L.24 x L.25	0
27	Re-Usable Percentage	V&S Appendix 2	97%
28	Total Reusable Relay #1 Joint Bars	L.26 x L.27	0
29	Unit Price	V&S Appendix 2	$80.00
30	Total Relay #1 Joint Bars GSV	L.28 X L.29	$0
31	Relay #2 Joint Bars Miles	KCVN/CPRR	0.00
32	Relay #2 Joint Bars Per Mile	V&S Appendix Two	270.76
33	Total Relay #2 Joint Bars	L.31 x L.32	0
34	Re-Usable Percentage	V&S Appendix 2	97%
35	Total Reusable Relay #2 Joint Bars	L.33 x L.34	0
36	Unit Price	V&S Appendix 2	$9.00
37	Total Relay #2 Joint Bars GSV	L.36 x L.37	$0
38	Relay #3 Joint Bars Miles	KCVN/CPRR	0.00
39	Relay #3 Joint Bar Per Mile	V&S Appendix Two	320.00
40	Total Relay #3 Joint Bars	L.38 x L.39	0
41	Re-Usable Percentage	V&S Appendix 2	97%
42	Total Reusable Relay #3 Joint Bars	L.40 x L.41	0
43	Unit Price	V&S Appendix 2	$9.00
44	Total Relay #3 Joint Bars GSV	L.42 x L.43	$0
45	Total Relay Joint Bars GSV	L.30 + L.37 + L.44	$0
46	Scrap Joint Bars Miles	KCVN/CPRR	134.10
47	Scrap Joint Bars Tons Per Mile	V&S Appendix 2	9.50
48	Total Scrap Joint Bars Tons	L.46 x L.47	1,273.95
49	Re-Useable Percentage	V&S Appendix 2	95%
50	Total Re-Useable Scrap Joint Bars Tons	L.48 x L.49	1,210.25
51	Unit Price (2/16 AMM #1 HMS Chicago)	KCVN CPRR	$133.93
52	Total Scrap Joint Bars GSV	L.50 x L.51	$162,089
53	**Total Joint Bars GSV**	**L.45 + L.52**	**$162,089**

KCVN/CPRR Development of Gross Salvage Value For Other Track Materials (OTM) (*Continued*)

Ln.	Item	Source	Amount
54	Relay Rail Anchors Welded Miles	KCVN/CPRR	0.00
55	Relay Rail Anchors Welded Per Mile	V&S Appendix 2	6,498
56	Total Relay Rail Anchors Welded	L.54 x L.55	0
57	Re-Usable Percentage	V&S Appendix 2	80%
58	Total Reusable Relay Rail Anchors Welded	L.56 x L.57	0
59	Unit Price	V&S Appendix 2	$2.40
60	Total Relay Rail Anchors Welded GSV	L.58 x L.59	$0
61	Relay Rail Anchors Jointed Miles	KCVN/CPRR	0.00
62	Relay Rail Anchors Jointed Per Mile	V&S Appendix 2	2,708
63	Total Relay Rail Anchors Jointed	L.61 x L.62	0
64	Re-Usable Percentage	V&S Appendix 2	80%
65	Total Reusable Relay Rail Anchors Jointed	L.63 x L.64	0
66	Unit Price	V&S Appendix 2	$2.40
67	Total Relay Rail Anchors Welded GSV	L.65 x L.66	$0
68	Total Relay Rail Anchors GSV	L.60 + L.67	$0
69	Scrap Rail Anchor Miles	KCVN/CPRR	134.10
70	Tons Per Mile	V&S Appendix 2	3.70
71	Total Scrap Rail Anchors Tons	L.69 x L.70	496.17
72	Re-Useable Percentage	V&S Appendix 2	80%
73	Total Re-Useable Rail Anchor Tons	L.71 x L.72	396.94
74	Unit Price (2/16 AMM #1 HMS Chicago)	KCVN/CPRR	$133.93
75	Total Scrap Rail Anchors Welded GSV	L.73 x L.75	$53,162
	Total Rail Anchors GSV	**L.68 + L.75**	**$53,162**
76	Scrap Spike Miles	KCVN/CPRR	134.10
77	Scrap Spike Tons Per Mile	V&S Appendix 2	5.068
78	Total Scrap Spike Tons	L.76 x L.77	679.62
79	Re-Useable Percentage	V&S Appendix 2	80%
80	Total Re-Useable Scrap Spikes Tons	L.78 x L.79	543.70
81	Unit Price (2/16 AMM #1 HMS Chicago)	KCVN/CPRR	$133.93
82	**Total Scrap Spikes GSV**	**L.80 x L.81**	**$72,817**
83	Scrap Bolts & Washers Miles	KCVN/CPRR	134.10
84	Scrap Bolts & Washers Tons Per Mile	V&S Appendix 2	1.416
85	Total Scrap Bolt & Washers Tons	L.83 x L.84	189.89
86	Re-Useable Percentage	V&S Appendix 2	80%
87	Total Re-Useable Scrap Bolts & Washers Tons	L.85 x L.86	151.91
88	Unit Price (2/16 AMM #1 HMS Chicago)	KCVN/CPRR	$133.93
89	**Total Scrap Bolts & Washers GSV**	**L.87 x L.88**	**$20,345**
90	Total Relay OTM GSV	L.15 + L.45 + L.68	$0
91	Total Scrap OTM GSV	L.22+L.52+L.75+L.82+L.89	$2,166,466
92	**Total OTM GSV**	**L.90 + L.91**	**$2,166,466**

KCVN/CPRR Development of Gross Salvage Value For Turnouts

Ln.	Item	Source	Amount
1	Relay #1 Turnouts	KCVN/CPRR	0
2	Re-Usable Percentage	V&S Appendix 2	100%
3	Total Reusable Relay #1 Turnouts	L.3 x L.4	0
4	Unit Price	V&S Appendix 2	$6,000
5	Total Relay #1 Turnouts GSV	L.4 x L.5	$0
6	Relay #2 Turnouts	KCVN/CPRR	0
7	Re-Usable Percentage	V&S Appendix 2	100%
8	Total Reusable Relay #2 Turnouts	L.6 x L.7	0
9	Unit Price	V&S Appendix 2	$4,000
10	Total Relay #2 Turnouts GSV	L.8 x L.9	$0
11	Total Relay Turnouts GSV	L.5 + L.10	$0
12	Scrap Turnouts	KCVN/CPRR	29
13	Tons Per Turnout	V&S Appendix 2	5
14	Total Scrap Turnout Tons	L.12 x L.13	145
15	Re-Usable Percentage	V&S Appendix 2	97%
16	Total Reusable Turnout Tons	L.14 x L.15	140.65
17	Unit Price	V&S Appendix 2	$133.93
18	Total Scrap Turnouts GSV	L.16 x L.17	$18,837
19	**Total Turnouts GSV**	**L.11 + L.18**	**$18,837**

KCVN/CPRR Development of Gross Salvage Value For Ties

Ln.	Item	Source	Amount
1	Total Miles (**V&S Excluded 12.2 Siding Miles*)	KCVN/CPRR	134.10
2	Ties Per Mile	V&S Appendix Two	3,249
3	Total Ties	L.1 x L.2	435,691
4	Relay Ties Per Mile	L.6 / L.1	16
5	Relay Percentage	KCVN/CPRR	0.50%
6	Total Relay Ties	L.3 x L.5	2,178
7	Unit Price	V&S Appendix 2	$28.00
8	Total Relay Ties GSV	L.6 x L.7	$60,984
9	Landscape #1 Ties Per Mile	L.11 / L.1	406
10	Landscape #1 Ties Percentage	KCVN/CPRR	12.50%
11	Total Landscape #1 Ties	L.3 x L.10	54,461
12	Unit Price	V&S Appendix 2	$8.00
13	Total Landscape #1 GSV	L.11 x L.12	$435,688
14	Landscape #2 Ties Per Mile	L.16 / L.1	406
15	Landscape #2 Ties Percentage	KCVN/CPRR	12.50%
16	Total Landscape #2 Ties	L.3 x L.15	54,461
17	Unit Price	V&S Appendix 2	$4.00
18	Total Landscape #2 Ties GSV	L.16 x L.17	$217,844
19	Scrap Ties Per Mile	L.21 / L.1	2,437
20	Scrap Percentage	KCVN/CPRR	74.50%
21	Total Scrap Ties	L.3 x L.20	324,591
22	Unit Price	V&S Appendix 2	($2.00)
23	Total Scrap Ties GSV	L.21 x L.22	($649,182)
24	**Total Ties GSV**	**L.8+L.13+L.18+L.23**	**$65,334**
25	Estimated Tie Removal Cost Per Tie	KCVN/CPRR	$2.00
26	Estimated Tie Removal Cost (**Excluded by V&S*)	L.3 x L.25	$871,382
27	**Total Ties NLV**	**L.24 minus L.26**	**($806,048)**
28	**STB NLV For Ties**	**L.27 or Zero**	**$0**

KCVN/CPRR Development of Removal & Restoration Costs

Ln.	Item	Source	Amount
1	Fit Rail & OTM Miles	KCVN/CPRR	26.30
2	Fit Rail & OTM Removal Cost Per Mile	V&S Appendix 1	$16,000
3	Total Fit Rail & OTM Removal Cost	L.1 x L.2	$420,800
4	Scrap Rail & OTM Miles	KCVN/CPRR	107.80
5	Scrap Rail & OTM Removal Cost Per Mile	V&S Appendix 1	$12,000
6	Total Scrap Rail & OTM Removal Cost	L.4 x L.5	$1,293,600
7	Fit Turnouts	KCVN/CPRR	0
8	Fit Turnout Removal Cost Per Turnout	V&S Appendix 1	$800
9	Total Fit Turnout Removal Cost	L.7 x L.8	$0
10	Scrap Turnouts	KCVN/CPRR	29
11	Scrap Turnout Removal Cost Per Turnout	V&S Appendix 1	$500
12	Total Scrap Turnouts Removal Cost	L.10 x L.11	$14,500
13	**Total Track Removal Cost**	**L.3+L.6+L.9+L.12**	**$1,728,900**
14	Public Highway Crossings	V&S Appendix 1	64
15	Public Crossing Restoration Cost Per Crossing	V&S Appendix 1	$2,000
16	Total Public Crossing Restoration Cost	L.14 x L.15	$128,000
17	Public Highway Crossings	V&S Appendix 1	12
18	Public Crossing Restoration Cost Per Crossing	V&S Appendix 1	$300
19	Total Public Crossing Restoration Cost	L.17 x L.18	$3,600
20	**Total Crossings Restoration Cost**	**L.16 + L.19**	**$131,600**

KCVN/CPRR Development of Administrative, Marketing and Transportation Costs

Ln.	Item	Source	Amount
1	Total Relay Rail GSV	App. GWF-7, Page 4	$2,747,841
2	Total Relay OTM GSV	App. GWF-7, Page 6, L.90	$0
3	Total Relay Turnouts GSV	App. GWF-7, Page 7, L.11	$0
4	Total Relay Steel Materials	L.1 + L.2 + L.3	$2,747,841
5	Admin. & Marketing Relay Steel Cost %	KCVN/CPRR	20%
6	Total Admin. & Marketing Relay Cost	L.4 x L.5	$549,568
7	Total Scrap Rail GSV	App. GWF-7, Page 4	$3,171,722
8	Total Scrap OTM GSV	App. GWF-7, Page 6, L.91	$2,166,466
9	Total Scrap Turnouts GSV	App. GWF-7, Page 7, L.19	$18,837
10	Total Ties GSV	App. GWF-7, Page 8, L.28	$0
11	Total Non-Relay Steel Materials	L.7+L.8+L.9+L.10	$5,357,025
12	Admin. & Marketing Scrap Cost %	V&S Appendix 1	10%
13	Total Admin. & Marketing Scrap Cost	L.11 x L.12	$535,703
14	**Total Admin. & Marketing Cost**	**L.6 + L.13**	**$1,085,271**
15	Relay Rail Tons	App. GWF-7, Page 4	6,106.31
16	Relay Rail Tons Per Car	V&S Appendix 8	100
17	Relay Rail Carloads (**Excluded from V&S NLV*)	L.15 / L.16	61
18	Reroll Rail Tons	App. GWF-7, Page 4	6,554.88
19	Reroll Rail Tons Per Car	V&S Appendix 8	100
20	Reroll Rail Carloads	L.18 / L.19	66
21	Scrap Rail Tons	App. GWF-7, Page 4	15,379.31
22	Scrap Rail Tons Per Car	V&S Appendix 8	100
23	Scrap Rail Carloads	L.24 / L.25	154
24	Relay Tie Plates Tons (**Excluded from V&S NLV*)	Based on V&S Miles and Tons	0
25	Relay Joint Bars Tons (**Excluded from V&S NLV*)	Based on V&S Miles and Tons	0
26	Relay Anchors Tons (**Excluded from V&S NLV*)	Based on V&S Miles and Tons	0
27	Scrap Tie Plates Tons	App. GWF-7, Page 5, L.20	13,873.32
28	Scrap Joint Bars Tons	App. GWF-7, Page 5, L.50	1,210.25
29	Scrap Anchors Tons	App. GWF-7, Page 6, L.73	396.94
30	Scrap Spike Tons	App. GWF-7, Page 6, L.80	543.70
31	Scrap Bolts & Washers Tons	App. GWF-7, Page 6, L.87	151.91
32	Scrap Turnouts Tons	App. GWF-7, Page 7, L.16	140.65
33	Total Non-Rail Scrap Tons	Sum - L.27 to L.32	16,316.76
34	Scrap Tons Per car	V&S Appendix 8	100
35	Non-Rail Scrap Carloads	L.33 / L.34	163
36	Total Rail Carloads (**V&S Used 25 Carloads*)	L.17+L.20+L.23+L.35	444
37	Estimated Shipping Cost	V&S Appendix 8	$5,776.00
38	**Total Transportation Costs**	**L.36 x L.37**	**$2,564,544**

STB Decisions Establishing NLV of Railroad Lines

Ln.	STB Docket Number	Service Date	Railroad(s)	Miles	NLV
1	AB-290 (Sub-No. 370X)	1/15/15	NS	40.70	$4,315,525
2	AB 55 (Sub-No. 712X)	9/19/2014	CSXT	9.67	$771,201
3	AB 55 (Sub-No. 727X)	10/24/2013	CSXT	0.76	$111,736
4	AB 55 (Sub-No. 726X)	6/6/2013	CSXT	1.55	$222,031
5	AB 6 (Sub-No. 482)	4/19/2013	BNSF	2.14	$3,328,785
6	AB 1072X	8/3/2012	IRRR	34.35	$3,263,250
7	AB 1076X	1/18/2012	CALM	32.20	$3,304,256
8	AB 1053 (Sub-No. 2X)	10/19/2011	MALR	5.45	$4,879,000
9	AB 6 (Sub-No. 476)	8/17/2011	BNSF	45.84	$4,114,689
10	AB 1043 (Sub-No.1)	12/27/2010	MMA	233.00	$16,071,044
11	AB 415 (Sub-No. 2X)	9/27/2010	ELS	42.93	$6,519,496
12	FD 34890	6/11/2010	SAW	25.30	$2,350,918
13	FD 35160	3/12/2009	COPR	111.02	$16,585,760
14	AB-1020X	1/28/2009	ESPN	8.60	$2,162,018
15	FD 35111	12/15/2008	SAW/WTL	3.57	$345,252
16	AB-103 (Sub-No. 21X)	2/22/2008	KCSR	2.35	$504,615
17	AB-1081X	4/13/2006	SPROC	76.20	$5,632,644
18	FD 34335	2/7/2005	KJR/TPW	76.00	$4,165,742
19	AB-55 (Sub-No. 643X)	4/30/2004	CSXT	32.97	$1,974,041
20	AB-55 (Sub-No. 640)	12/24/2003	CSXT	23.25	$261,203
21	AB-55 (Sub-No. 618)	10/28/2002	CSXT	1.10	$136,000
22	AB-565 (Sub-No. 3X)	7/12/2002	NYCL	1.91	$342,361
23	AB-33 (Sub-No.170)	6/19/2002	UP	3.72	$611,046
24	AB-492 (Sub-No.2X)	11/1/2001	FWRC	23.20	$615,400
25	AB-581X	10/18/2001	1411 Corp.	2.50	$125,000
26	FD 32479	5/20/2000	CALM/AMR	52.00	$961,096
27	AB-556 (Sub-No.2X)	1/07/2000	RVI	35.70	$1,080,560
28	AB 33 (Sub-No. 140)	12/17/1999	UP	57.72	$2,869,499
29	AB 31 (Sub-No. 33)	12/24/1998	GTW	18.20	$1,195,225
30	AB 33 (Sub-No.119X)	11/12/1998	UP	15.00	$978,270
31	AB-32 (Sub-No. 83)	7/01/1998	B&M	9.50	$1,382,416
32	FD 33285	6/24/1998	RA/DV	9.80	$359,000
33	FD 31974	5/15/1998	MLR/Conrail	127.75	$4,000,000
34	AB-32 (Sub-No. 83)	4/02/1998	B&M	9.50	$1,530,240
35	AB-491	2/20/1998	RJCP	9.60	$341,774
36	AB-447 (Sub-No.2X)	1/16/1998	OTC	6.00	$120,500
37	AB-33 (Sub-No. 112X)	12/03/1997	UP	1.88	$300,947
38	AB-441 (Sub-No.2X)	11/12/1997	SWKR	41.50	$1,485,000
39	AB 33 (Sub-No. 13)	11/12/1997	UP	17.80	$1,758,423
40	AB 33 (Sub-No.101)	3/28/1997	UP	99.00	$4,696,468
41	NOR 41230	3/11/1997	AMR/PRC	52.00	$500,000
42	AB 43 (Sub-No. 163)	1/17/1997	IC	21.70	$918,963

Appendix GWF-9

Statement of Roger D. Nelson

President of Professional Land Surveyors of Colorado, Inc. (PLSC)

Submitted on May 28, 2014 in

STB Docket Nos. AB 603 (Sub-No. 2X) and AB 603 (Sub-No. 3X)

PROFESSIONAL LAND SURVEYORS OF COLORADO, INC.

P.O. Box 460022 Glendale, CO. 80246
AFFILIATE – NATIONAL SOCIETY OF PROFESSIONAL SURVEYORS
MEMBER- WESTERN FEDERATION OF PROFESSIONAL SURVEYORS

Ms. Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

May 27, 2014

RE: AB603_3(X): V AND S RAILWAY, LLC--ABANDONMENT EXEMPTION-IN KIOWA COUNTY, COLO.

and

AB603_2(X): V & S RAILWAY, LLC-DISCONTINUANCE OF SERVICE EXEMPTION-- IN PUEBLO, CROWLEY AND KIOWA COUNTIES, COLO.

Dear Ms. Brown:

The Professional Land Surveyors of Colorado, Inc. (PLSC) wishes to comment on the two above mentioned filings for exemption(s) to the Surface Transportation Board (STB) in response to misleading comments in filing number 236044 (5/14/2014) and decision number 42467 (June 28, 2012, related filings now missing from the STB website) by A&K Materials dba V&S Railway regarding abandonment of the former Missouri Pacific Towner Line between Towner near the CO/KS state line and NA Junction near Avondale in Pueblo County, Colorado. In both cases, PLSC believes that the board needs to be made aware that some crucial facts are missing. PLSC would also request that certain conditions be met prior to either of these proposed "abandonments" going forward to protect the citizens of southeastern Colorado, their local government agencies and the surveying profession that serves both groups.

FIRST – V&S Railway contends that their rail line appears to not involve any federal granted rights of way. From what is shown in the old Interstate Commerce Commission Form DV-107s and in the Bureau of Land Management Colorado Master Title Plats (MT-Plats), this statement would appear to be blatantly false. In docket AB603_3(x), Abandonment of the V&S Towner line from MP 787.5 (near Towner, CO) to MP 808.3 (near Eads, CO), there is just short of half of the line that sits on 1875 Federal Grant R/W. In docket AB603_2(x), the same line between MP 808.3 (near Haswell, CO) and MP 868.5 (at NA Junction, CO), the majority (in excess of 90%) of the line resides in 1875 Federal Grant R/W. Any proper railroad steward would have been aware of this during due diligence prior to purchasing the line.

SECOND – On the V&S Towner line, there are multiple (at least 10) State Grants (mostly in Section 36 school sections) that are tied to the federal grant right of ways now managed by the Colorado State Land Board. In AB603-3(x) there are two of these such parcels. There is no evidence that the Commissioners of the State Land Board have ever been notified in any of the related dockets discussed here.
THIRD – In AB603_2(x), V&S and its attorneys totally failed to include Otero County, CO in that docket, even though the 1000 feet or so of R/W in Otero County near MP 833.4 (Section 6; T21S ; R54W; 6thPM) and a parcel of land that falls back to state control after abandonment. Please see to it that Otero County, et. al has proper notice. They have been excluded multiple times and deserve their say in the matter.
FOURTH – A&K's (V&S Railway, KCT Railway; Kern Valley RR Co.; SF&L Railway) reputation in the State of Colorado precedes them in at least three instances, none of them good. Most serious to the surveying community is A&K's failure to follow the Board's conditions and also ignore Colorado state statute in the Trinidad Railway case (AB573-0(X) and the related FD-34087, FD-33956, FD-33957)

(1) As a condition of abandonment, A&K/Kern Valley was supposed to turn over railroad mapping and records to the county. The County Surveyor, County Engineer, County Clerk & Recorder received nothing and heard nothing from A&K/Kern Valley/SF&L after that stipulation.
(2) As a function of state statute under CRS 43-1-1311, the line was supposed to be surveyed prior to removal of the rail. No such survey was ever performed or submitted to Las Animas County.
(3) At abandonment, A&K/Kern Valley submitted sale deeds with ambiguous property descriptions who's authorship was not disclosed in contradiction to Colorado state statute 38-35-106.5. (One of those deeds appeared in a filing for AB-573_0(X); "everything west of Milepost 2" is an ambiguous statement when there are four or more possible milepost 2 locations.)

In 1993, A&K/KCT Railway fled Prowers County Colorado after removing what rail, ties, OTM and ballast it could where AB335_5(x) [FD-31640] had taken place. A&K ditched its responsibility as a landowner and corporate citizen for taxes and for the flood damage at Wiley, CO when one of its removed bridge structures caused a major flood on the south side of Wiley after A&K/KCT pulled out. A&K /KCT left no readily available contact information, confusion has reigned ever since for determining ownership of the former Atchison Topeka & Santa Fe AV District and Lamar District Branches for 10+ miles. The County Assessor, Treasurer, and Clerk & Recorder had no way to track down A&K/KCT. Prowers County, The Town of Wiley, FEMA and Colorado never recovered the costs of damage caused by A&K's acts.
Roaring Fork Valley Transportation Authority RFTA) is still dealing with issues from A&K's meddling in the abandonment of Roaring Fork Rail Holding Authority's (RHRHA) ex-DRGW Aspen Branch in 1998 under AB547_0(X).
We fear that once again, A&K is "gaming the abandonment process" just as in the Granada Railway and TP&W cases (and others), gathering up what salable material it wants and then vanishing.
PLSC (and for that matter, the National Society of Professional Surveyors [NSPS] make the point here that all abandonments remains a survey issue long after the railroad is gone from the scene. (See EP-582_(0) filing 197174 and EP-647_(0) filing 215929). The harm to the local community in terms of expense and legal liability is very real and should not be so easily dismissed as a non-issue. Destroying a monument (main track of the proposed abandoned line) that has defined the railroad corridor in southeastern Colorado for 127+ years should not be taken lightly. The railroad acts as a major physical boundary to properties and a highway on both sides of the line and that this monument needs to be preserved to protect the health and welfare of the public community in Kiowa County. The costly and not always successful efforts required to recreate railroad abandoned right of way lines after all monuments and evidence of the railroad is gone is an unwarranted expense that harms the local community in multiple ways. The impact of what A&K/V&S Railway is doing here and what its other shell companies have done in Colorado in the past is clearly a valid point in terms of protecting the rights and interests of the surveying profession and the public community it serves.

ENVIRONMENTAL CONDITIONS FOR AB-603_3(X) – The Kiowa County Abandonment
PLSC requests the following if the Kiowa County portion (Towner to Eads, MP 787.5 to MP 808.3) of the line is to be abandoned:

(1) At abandonment, A&K files a document in the Kiowa County Clerk and Recorder's office, as a matter of PUBLIC RECORD, that the abandonment has taken place with the STB Decision Docket as an exhibit "A" attached and including A&K's current Utah corporate address as well as that of its subsidiary companies.
(2) At abandonment, A&K turns over all railroad records and mapping data with the county confirming to STB what it received and what it did not. (We know what A&K did not tell STB in the Trinidad/Kern Valley case.) A Copy of A&K/V&S' STB System Diagram map (SDM) needs to be included. Currently there is some discussion if an SDM is even in place.
(3) The people of the State of Colorado need to understand what is happening between Haswell and Eads (MP 787.5 to MP 808.3) and how a supposedly active shipper at Haswell can connect to the rest of the US rail network when all access to the outside world is cut off. Not helping matters is the lack of distinction between "abandon" and "discontinuance of service" in AB603_2(x). Is it possible that STB could allow a request for an OFA on the entire line if the confusion is not cleaned up in a matter similar to the TP&W case, appearances being what they are? The entire docket is confusing as to what is in play.
(4) Can the Otero County issue be resolved prior to moving forward and can the ramifications of the grant R/W issue be clearly explained to the counties and towns possibly involved (especially Eads and Chivington with grant R/W thru the middle of town. Failure to resolve this will result in future civic and surveyor confusion if the rights to abandoned federal grant right of way are

not resolved along with any NITU request (especially around the infamous Sand Creek Massacre site glossed over in the environmental report submitted to date.)

The Professional Surveyors of Colorado and its 400 members, looks forward to the Surface Transportation Board's future decisions on this case.

Sincerely,

Roger D. Nelson, PLS, CFedS
PLSC President

The Professional Surveyors of Colorado, Inc.

ATT:
DV-107 Sheets For Kiowa County
Kiowa County BLM MTP's Annoted

Cc:
The Colorado Attorney General, Mr John Suthers (Attn Skip Spear Skip.Spear@state.co.us)
The Colorado State Land Board
The Colorado PUC – Attn Pam Fischhaber, PE
Lance Brundage, PLS – Swink, CO
Kiowa, Crowley, Otero, Pueblo, Bent, Las Animas & Prowers Counties

OWNER: MISSOURI PACIFIC RAILROAD COMPANY

OPERATING CO: MISSOURI PACIFIC RAILROAD COMPANY

VALUATION SECTION 1- COLORADO

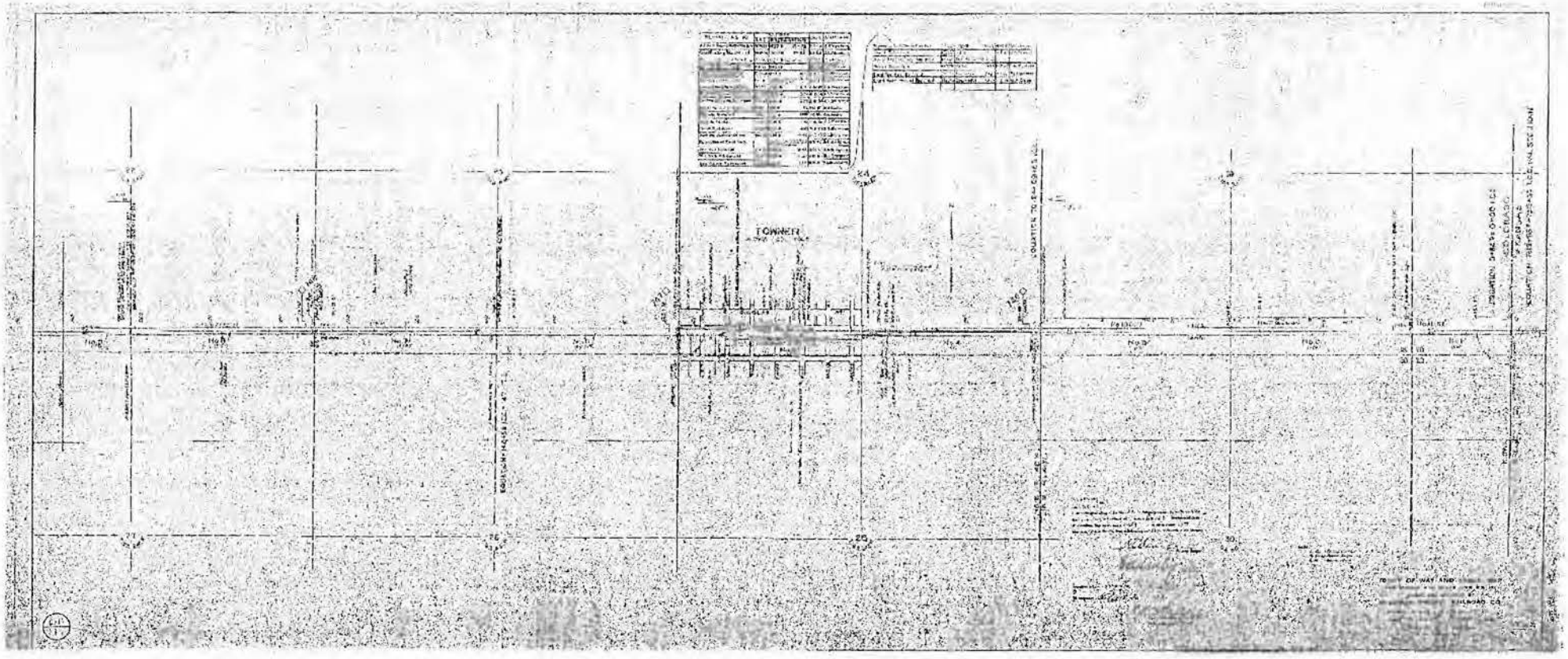
(The Pueblo and State Line Railroad Company)

MAPS

1 to 38 Inclusive and S-25, S-26, 30A, S-38A & S-38B, & S-38C.

COUNTIES

Kiowa
Crowley
Pueblo


TONNER

O. V. Form No. 107
50,000 8-19-1920

Owner Missouri Pacific Railroad Company
Operating Company Missouri Pacific Railroad Company
Division Colorado
State Colorado County Kiowa
Valuation Section No. 1-Colorado
From 217 + 20 to 422 + 40

Reprinted by Secretary, Presidents' Conference Committee, Federal Valuation

INTERSTATE COMMERCE COMMISSION
DIVISION OF VALUATION

LANDS OWNED OR USED FOR PURPOSES OF A COMMON CARRIER

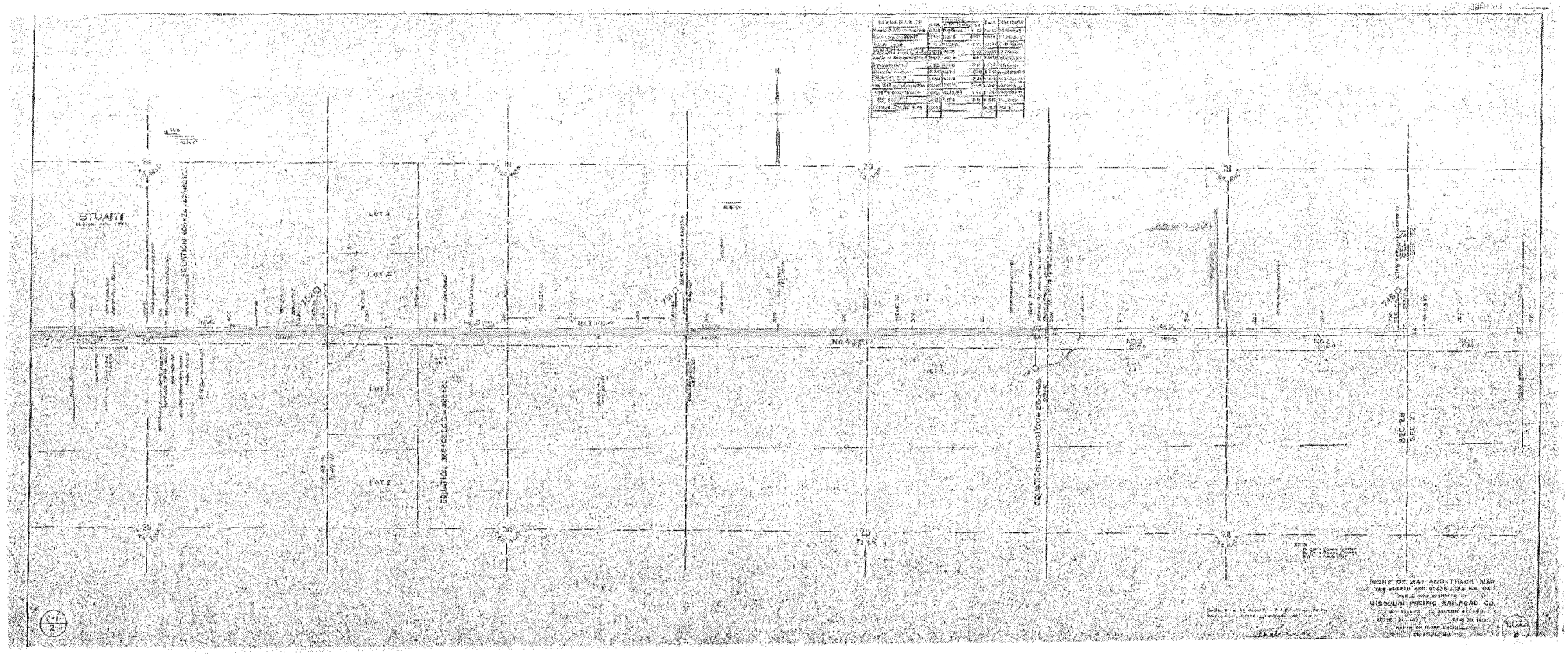
Sheet No. 23 of 232 sheets (this form)
Map No. 2
Date compiled July, 1918
Compiled by C.A.Severin
Correct H.B.Sparks
(Title) VALUATION ENGINEER

Parcel No. (1)	Custodians No. (2)	Kind of Instrument (3)	Date of Instrument (4)	Grantor (5)	Grantee (6)	Recorded Book (7)	Recorded Page (8)	Recorded Date (9)	Area Acres (10)	Area Square Feet (11)	Consideration (12)	Date of Dedication to Public Use (13)	Cost of Parcel When Originally Acquired: Amount (14)	Cost of Parcel When Originally Acquired: Character of Expenditure (15)	If Portion of Parcel Has Been Sold: Date of Sale (16)	If Portion of Parcel Has Been Sold: Actual Consideration Received (17)	Cost at Date of Dedication of Parcel as Now Owned (18)	Remarks (19)
1	4								3.76			2-28-88						See parcel 9, Map 1.
2	6	RWD	3-10-88	James Gordon	P.& S.L.*	3	93	5-5-88	6.08		$12.50	3-10-88	12.50 1.10	Land Rec.fee			12.50 1.10	
3	5	RWD	2-28-88	M.H.Currence	"	3	48	3-29-88	6.04		12.50	2-28-88	12.50	Land			12.50	
4	68	U. S. Grant	3-3-75	U.S.Gov't.	"				12.06									200' width granted.
5	68	U. S. Grant	3-3-75	U.S.Gov't.	"				12.16									200' width granted.
										STUART, COLORADO								
6	68	U. S. Grant	3-3-75	U.S.Gov't.	"				9.25									200' width granted. Includes parcel 1, Map 3. Combined area=12.91 Acres.
													$26.10				$26.10	

* The Pueblo & State Line Railroad Company

INSTRUCTIONS TO CARRIERS.—All data to be typewritten, using black record ribbon and carbon paper beneath, with carbon face next to back of sheet.

AB 603-3(x)


STUART
LOT 5
LOT 4
LOT 3
LOT 2
LOT 1
NO. 6
NO. 5
NO. 4
NO. 3
NO. 2
NO. 1
SECTION NO. 12 - ASHLAND
SECTION NO. 13 - ASHLAND
SECTION NO. 14 - ASHLAND
SEC. 24
SEC. 19
30
29
28
21
20
N.
RIGHT OF WAY AND TRACK MAP
MISSOURI PACIFIC RAILROAD CO.

D. V. Form No. 107
20,000 12-10-18

Owner Missouri Pacific Railroad Company
Operating Company Missouri Pacific Railroad Company
Division Colorado
State Colorado County Kiowa
Valuation Section No. 1 Colorado
From 122 + 40 to 633 + 60

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INTERSTATE COMMERCE COMMISSION
DIVISION OF VALUATION

LANDS OWNED OR USED FOR PURPOSES OF A COMMON CARRIER

Sheet No. 2 of 22 sheets (this form)
Map No. 3
Date compiled July, 19 18
Compiled by C.A.Severin
Correct [signature] (Title) VALUATION ENGINEER

Parcel No. (1)	Custodian's No. (2)	Kind of Instrument (3)	Date of Instrument (4)	Grantor (5)	Grantee (6)	Recorded Book (7)	Recorded Page (8)	Recorded Date (9)	Area Acres (10)	Area Square Feet (11)	Consideration (12)	Date of Dedication to Public Use (13)	Cost of Parcel when Originally Acquired: Amount (14)	Cost of Parcel when Originally Acquired: Character of Expenditure (15)	If Portion of Parcel has been Sold: Date of Sale (16)	If Portion of Parcel has been Sold: Actual Consideration Received (17)	Cost at Date of Dedication of Parcel as Now Owned (18)	Remarks (19)
											STUART, COLORADO							
1	68								3.66									See Parcel 6, Map 2.
2	11	W.D.	2/4/88	George Hemm	& P.& S.L.	3	52	3/29/88	6.11		$ 6.00	2/4/88	6.00	Land			6.00	
3	12	R.W.D.	2/28/88	G.W.Bates	do.	3	51	3/29/88	6.11		12.50	2/28/88	12.50	Land			12.50	
4	13	W.D.	2/8/88	Thos.H.Logan	do.	3	51	3/29/88	5.88		12.50	2/8/88	12.50	Land			12.50	
5	14	W.D.	2/28/88	Alphons Slayel	do.	1	286	3/29/88	6.15		7.50	2/28/88	7.50	Land			7.50	
6	68	U.S. Grant	3/3/75	U.S.Gov't.	do.				6.01									200' Width granted.
7	15	W.D.	11/17/87	Alvina B.Lykins	do.	15	42	12/15/87	6.03		40.00	11/17/87	40.00	Land			40.00	
8	16	W.D.	11/17/87	Jason P.Baldwin	do.	15	41	12/15/87	3.56		25.00	11/17/87	25.00	Land			25.00	
													$103.50				$103.50	

INSTRUCTIONS TO CARRIERS.—All data to be typewritten, using black record ribbon and carbon paper beneath, with carbon face next to back of sheet.

D. V. Form No. 107
50,000 8-19-1920

Owner Missouri Pacific Railroad Company
Operating Company Missouri Pacific Railroad Company
Division Colorado
State Colorado County Kiowa
Valuation Section No. 1-Colorado
From 422 + 40 to 433 + 60

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INTERSTATE COMMERCE COMMISSION
DIVISION OF VALUATION

LANDS OWNED OR USED FOR PURPOSES OF A COMMON CARRIER

Sheet No. 3 of 3 sheets (this form)
Map No. 3
Date compiled July, 1918
Compiled by C.A.Severin
Correct [signature] (Title) VALUATION ENGINEER.

PARCEL NO. (1)	CUSTODIAN'S NO. (2)	KIND OF INSTRUMENT (3)	DATE OF INSTRUMENT (4)	GRANTOR (5)	GRANTEE (6)	RECORDED Book (7)	RECORDED Page (8)	RECORDED Date (9)	AREA Acres (10)	AREA Square Feet (11)	CONSIDERATION (12)	DATE OF DEDICATION TO PUBLIC USE (13)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Amount (14)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Character of Expenditure (15)	IF PORTION OF PARCEL HAS BEEN SOLD Date of Sale (16)	IF PORTION OF PARCEL HAS BEEN SOLD Actual Consideration Received (17)	COST AT DATE OF DEDICATION OF PARCEL AS NOW OWNED (18)	REMARKS (19)
9	17	WD	11/17/87	James A.Vail	#P.& S.L.	15	43	12-15-87	2.59		$1.00	11-17-87						Land outside 50/50 line to snow fence.
10	68	U.S. Grant	3-3-75	U.S.Gov't.	do.				2.46									200' width granted. Includes parcel 1, Map 4. Combined area-5.17 Ac.

The Pueblo & State Line Railroad Company

INSTRUCTIONS TO CARRIERS—All data to be typewritten, using black record ribbon and carbon paper beneath, with carbon face next to back of sheet.

O. V. Form No. 107
20,000 12-10-16

Owner: Missouri Pacific Railroad Company
Operating Company: Missouri Pacific Railroad Company
Division: Colorado
State: Colorado County: Kiowa
Valuation Section No.: 1-Colorado
From: 633 + 60 to: 894 + 80

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INTERSTATE COMMERCE COMMISSION
DIVISION OF VALUATION

LANDS OWNED OR USED FOR PURPOSES OF A COMMON CARRIER

Sheet No. 6 of 30 sheets (this form)
Map No. 4
Date compiled July, 1918
Compiled by C.A.Severin
Correct [signature] (Title) VALUATION ENGINEER

PARCEL NO. (1)	CONTO. DIAW'S NO. (2)	KIND OF INSTRUMENT (3)	DATE OF INSTRUMENT (4)	GRANTOR (5)	GRANTEE (6)	RECORDED Book (7)	RECORDED Page (8)	RECORDED Date (9)	AREA Acres (10)	AREA Square Feet (11)	CONSIDERATION (12)	DATE OF DEDICATION TO PUBLIC USE (13)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Amount (14)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Character of Expenditure (15)	IF PORTION OF PARCEL HAS BEEN SOLD Date of Sale (16)	IF PORTION OF PARCEL HAS BEEN SOLD Actual Consideration Received (17)	COST AT DATE OF DEDICATION OF PARCEL AS NOW OWNED (18)	REMARKS (19)
1	68								3.71									See Parcel 10, Map 3.
2	18	W.D.	2/6/88	Samuel Menz	# P.& S.L.	3	53	3/29/88	6.08		$ 12.50	2/6/88	12.50	Land			12.50	
3	19	W.D.	11/17/87	O.A.Rusk	do.	15	41	12/15/87	6.00		1.00	11/17/87						
4	19A	Q.C.D.	5/24/89	O.A.Rusk	do.	18	1	7/10/89	2.79		1.00	5/24/89						
									SHERIDAN LAKE COLORADO									
5	75	Q.C.D.	5/13/89	The Sheridan Town Company	do.	4	34	7/10/89	8.44		Other Valuable considerations 1.00	5/13/89						Description covers Parcels 6,7 and 8.
6	75										- - - - - - - - -		- - -				- - -	See Doc.75, Parcel 5.
6	76	Judgment	9/12/89	Patrick Long	do.	Circuit Court 38				504	12.00	9/12/89	12.00 5.00	Land Court Costs+			12.00 5.00	See Parcel 5. Includes Parcel 7. Combined Area = 3,725 Sq. Ft.
													$29.50				$29.50	

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O. V. Form No. 107
50,000 8-19-1920

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INTERSTATE COMMERCE COMMISSION
DIVISION OF VALUATION

LANDS OWNED OR USED FOR PURPOSES OF A COMMON CARRIER

Owner: Missouri Pacific Railroad Company
Operating Company: Missouri Pacific Railroad Company
Division: Colorado
State: Colorado County: Kiowa
Valuation Section No.: 1-Colorado
From: 633 + 60 to: 84 + 80

Sheet No. 19 of 19 sheets (this form)
Map No. 4
Date compiled: July, 1918
Compiled by: C. A. Severin
Correct: [signature] (Title) VALUATION ENGINEER

PARCEL NO. (1)	CUSTODIAN'S NO. (2)	KIND OF INSTRUMENT (3)	DATE OF INSTRUMENT (4)	GRANTOR (5)	GRANTEE (6)	RECORDED Book (7)	RECORDED Page (8)	RECORDED Date (9)	AREA Acres (10)	AREA Square Feet (11)	CONSIDERATION (12)	DATE OF DEDICATION TO PUBLIC USE (13)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Amount (14)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Character of Expenditure (15)	IF PORTION OF PARCEL HAS BEEN SOLD Date of Sale (16)	IF PORTION OF PARCEL HAS BEEN SOLD Actual Consideration Received (17)	COST AT DATE OF DEDICATION OF PARCEL AS NOW OWNED (18)	REMARKS (19)
7	75										- - - - - - - -		- - -				- - -	See Doc. 75. Parcel 5.
	76									3221		9-12-89						See Parcel 6.
8	75										- - - - - - - -		- - -				- - -	See Doc. 75, Parcel 5.
	76	Jd't.	9-12-89	F.M.Mathews	#F.& S.L. RR. Co.		Circuit Court 38			868	1.00	9-12-89	- - -				- - -	See Doc. 76, Parcel 5.
9	68	U.S. Grant	3-3-75	U.S. Government	do.				7.52									200' Width granted.
10	20	W.D.	11-17-87	Jas. H.Witt	do.	15	40	12-15-87	6.08		10.00	11-17-87	10.00	Land			10.00 - - -	
11	68	U.S. Grant	3-3-75	U.S. Government	do.				3.60		- - - - - - - - -		- - -				- - -	200' Width granted.
12	21	W.D.	11-17-87	Reuben Mickum	do.	15	43	12-15-87	9.47		40.00	11-17-87	40.00	Land			40.00 - - -	
13	22	W.D.	2-11-88	John T. Zane	do.	3	53	3-29-88	2.13		10.00	2-11-88	10.00	Land			10.00 - - -	Includes Parcel 1, Map 5. Comb. Area = 6.10 Ac.
				# Pueblo and State Line Railroad Company + Voucher									$60.00				$60.00	

INSTRUCTIONS TO CARRIERS.—All data to be typewritten, using black record ribbon and carbon paper beneath, with carbon face next to back of sheet.

KANSAS CITY TO PUEBLO MP 727 TO MP 777

D. V. Form No. 107
20,000 12-10-18
Owner Missouri Pacific Railroad Company
Operating Company Missouri Pacific Railroad Company
Division Colorado
State Colorado County Kiowa
Valuation Section No. 1 Colorado
From 8141 + 80 to 1056 + 00

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INTERSTATE COMMERCE COMMISSION
DIVISION OF VALUATION

LANDS OWNED OR USED FOR PURPOSES OF A COMMON CARRIER

Sheet No. 8 of 32 sheets (this form)
Map No. 5
Date compiled July, 19 18
Compiled by C.A.Severin
Correct [signature] (Title) VALUATION ENGINEER

PARCEL NO. (1)	CUSTODIAN'S NO. (2)	KIND OF INSTRUMENT (3)	DATE OF INSTRUMENT (4)	GRANTOR (5)	GRANTEE (6)	RECORDED Book (7)	RECORDED Page (8)	RECORDED Date (9)	AREA Acres (10)	AREA Square Feet (11)	CONSIDERATION (12)	DATE OF DEDICATION TO PUBLIC USE (13)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Amount (14)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Character of Expenditure (15)	IF PORTION OF PARCEL HAS BEEN SOLD Date of Sale (16)	IF PORTION OF PARCEL HAS BEEN SOLD Actual Consideration Received (17)	COST AT DATE OF DEDICATION OF PARCEL AS NOW OWNED (18)	REMARKS (19)
1	22								3.97			2/11/88						See Parcel 13, Map 4.
2	23	W.D.	=1887=	Hester A.Laking	P.& S.L.	2	208	4/16/88	12.35		$ 36.00	==1887	36.00	Land			36.00	
3	71	W.D.	7/27/88	Mary E.Flaherty	do.	3	160	7/30/88	6.17		12.50	7/27/88	12.50	Land			12.50	
4	24	R.W.D.	3/2/88	W.S.Myers	do.	3	54	3/29/88	6.12		12.50	3/2/88	12.50	Land			12.50	
5	25	W.D.	3/13/88	Valentine M. Estes	do.	3	54	3/29/88	1.23		5.00	3/13/88	5.00	Land			5.00	
6	26	R.W.D.	4/18/88	John W.Lusk	do.	3	92	5/10/88	4.04		5.00	4/18/88	5.00 1.10	Land Rec.fee			5.00 1.10	
7	68	U.S. Grant	3/3/75	U.S.Gov't.	do.				5000 5.97									200' Width granted.
													$72.10				$72.10	

INSTRUCTIONS TO DRAFTSMEN—All data to be typewritten, using black record ribbon and carbon paper beneath, with carbon face next to back of sheet.

D. V. Form No. 107
30,000 12-10-18
Owner Missouri Pacific Railroad Company
Operating Company Missouri Pacific Railroad Company
Division Colorado
State Colorado County Kiowa
Valuation Section No. 1-Colorado
From 844 + 80 to 1056 + 00

Reprinted by General Secretary, Freedmen's Conference Committee, Federal Valuation

INTERSTATE COMMERCE COMMISSION
DIVISION OF VALUATION

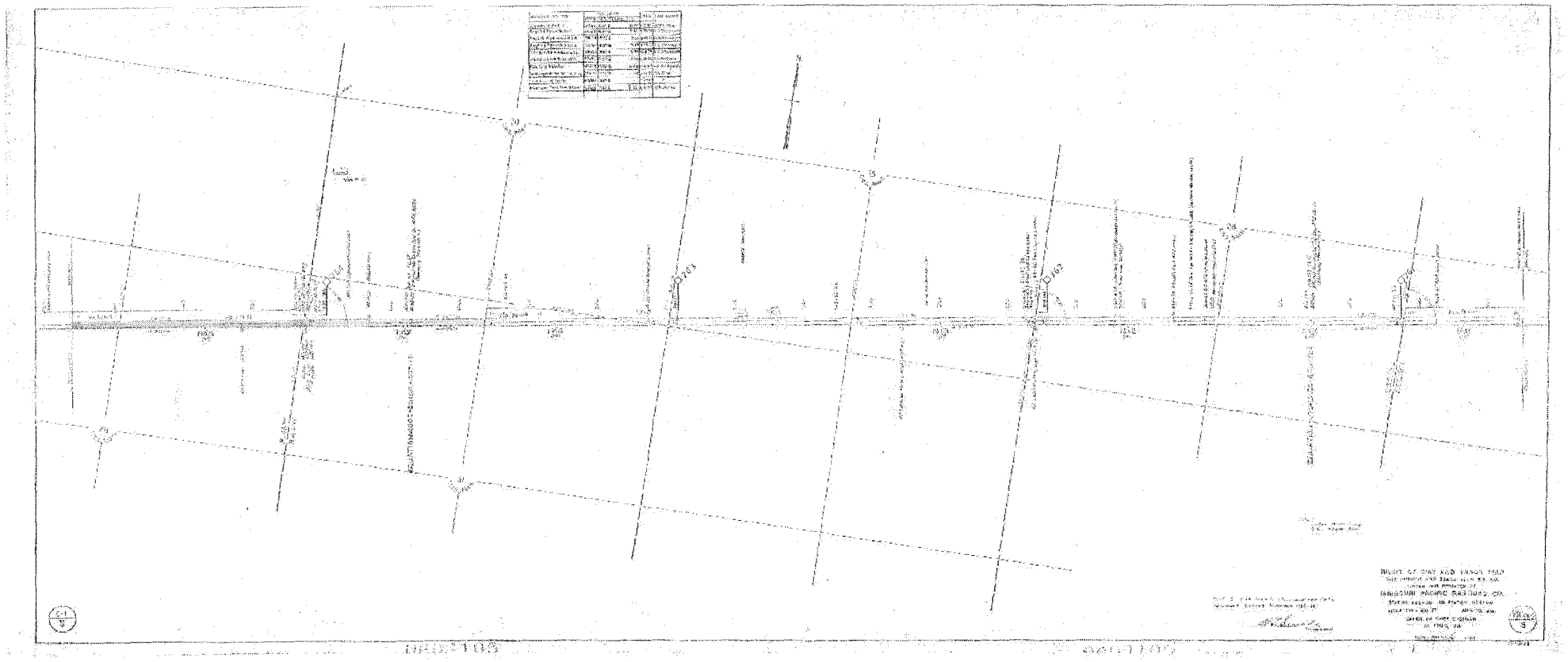
LANDS OWNED OR USED FOR PURPOSES OF A COMMON CARRIER

Sheet No. 2 of 2 sheets (this form)
Map No. 5
Date compiled July, 19 18
Compiled by C.A.Severin
Correct (Title) VALUATION ENGINEER

PARCEL NO. (1)	CUSTODIAN'S NO. (2)	KIND OF INSTRUMENT (3)	DATE OF INSTRUMENT (4)	GRANTOR (5)	GRANTEE (6)	RECORDED Book (7)	RECORDED Page (8)	RECORDED Date (9)	AREA Acres (10)	AREA Square Feet (11)	CONSIDERATION (12)	DATE OF DEDICATION TO PUBLIC USE (13)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Amount (14)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Character of Expenditure (15)	IF PORTION OF PARCEL HAS BEEN SOLD Date of Sale (16)	IF PORTION OF PARCEL HAS BEEN SOLD Actual Consideration Received (17)	COST AT DATE OF DEDICATION OF PARCEL AS NOW OWNED (18)	REMARKS (19)
8	68	Plat Grant		State of Colo. & P.& S.L.					7.73									Includes Parcel 1, Map 6. Combined Area = 12.30 Acres.

The Pueblo & State Line Railroad Company.

INSTRUCTIONS TO CARRIERS: All data to be typewritten, using black record ribbon and carbon paper underneath, with carbon face next to back of sheet.



D. V. Form No. 107
20,000 12-10-18

Owner Missouri Pacific Railroad Company
Operating Company Missouri Pacific Railroad Company
Division Colorado
State Colorado County Kiowa
Valuation Section No. 1-Colorado
From 1056 + 00 to 1267 + 20

Reprinted by General Secretary, Presidents' Conference Committee, Federal Valuation

INTERSTATE COMMERCE COMMISSION
DIVISION OF VALUATION

LANDS OWNED OR USED FOR PURPOSES OF A COMMON CARRIER

Sheet No. 11 of 29 sheets (this form)
Map No. 6
Date compiled July, 19 18
Compiled by J. W. Dunn, Jr.
Correct [signature] (Title) VALUATION ENGINEER

PARCEL NO. (1)	CUSTODIAN'S NO. (2)	KIND OF INSTRUMENT (3)	DATE OF INSTRUMENT (4)	GRANTOR (5)	GRANTEE (6)	RECORDED Book (7)	RECORDED Page (8)	RECORDED Date (9)	AREA Acres (10)	AREA Square Feet (11)	CONSIDERATION (12)	DATE OF DEDICATION TO PUBLIC USE (13)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Amount (14)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Character of Expenditure (15)	IF PORTION OF PARCEL HAS BEEN SOLD Date of Sale (16)	IF PORTION OF PARCEL HAS BEEN SOLD Actual Consideration Received (17)	COST AT DATE OF DEDICATION OF PARCEL AS NOW OWNED (18)	REMARKS (19)
1	68								4.56									See Parcel 8, Map 5.
2	27	R.W.D.	4/26/88	Mitchal Shiffler #	P.& S.L.	3	92	5/10/88	6.10		$ 8.25	4/26/88	8.25 1.10	Land Rec.fee			8.25 1.10	
3	68	U.S. Grant	3/3/75	U.S.Gov't.	do.				6.12									200' Width granted.
4	28	W.D.	11/17/87	H.O.King	do.	15	42	12/15/87	6.01		25.00	11/17/87	25.00	Land			25.00	
								BRANDON COLORADO										
5	68	U.S. Grant	3/3/75	U.S.Gov't.	do.				6.09									200' Width granted.
6	29	Q.C.D.	3/6/88	L.T.Holden	do.	1	326	4/16/88	6.18		1.00	3/6/88						
7	68	U.S. Grant	3/3/75	U.S.Gov't.	do.				6.27									200' Width granted
													$34.35				$34.35	

INSTRUCTIONS TO CARRIERS.—All data to be typewritten, using black record ribbon and carbon paper beneath, with carbon face next to back of sheet.

D. V. Form No. 107
20,000 12-10-18

Owner Missouri Pacific Railroad Company
Operating Company Missouri Pacific Railroad Company
Division Colorado
State Colorado County Kiowa
Valuation Section No. 1-Colorado
From 1056 + 00 to 1267 + 20

Reprinted by General Secretary, Presidents' Conference Committee, Federal Valuation

INTERSTATE COMMERCE COMMISSION
DIVISION OF VALUATION

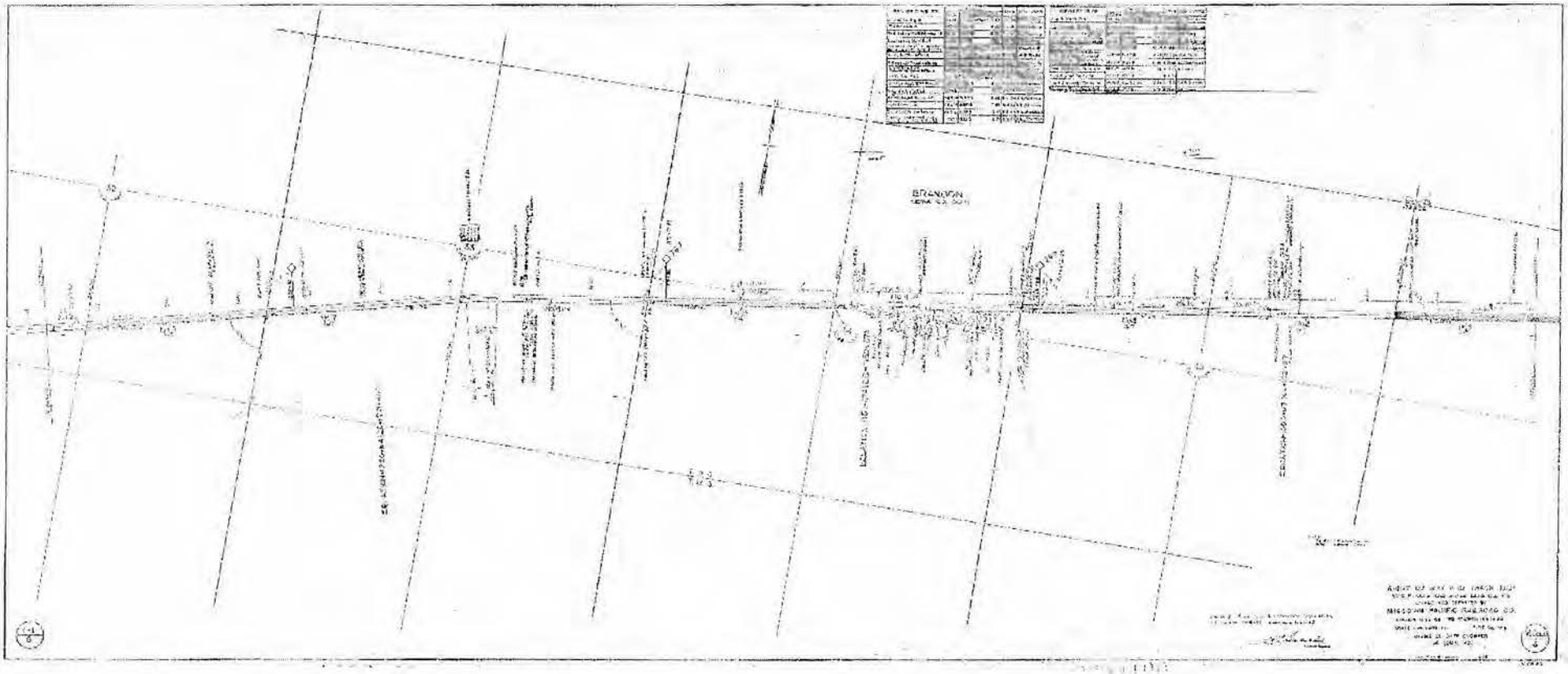
LANDS OWNED OR USED FOR PURPOSES OF A COMMON CARRIER

Sheet No. 11 of 32 sheets (this form)
Map No. 6
Date compiled July, 19 18
Compiled by J.W.Dunn, Jr.
Correct H.C. Seavey (Title) VALUATION ENGINEER

PARCEL NO. (1)	CUSTODIAN'S NO. (2)	KIND OF INSTRUMENT (3)	DATE OF INSTRUMENT (4)	GRANTOR (5)	GRANTEE (6)	RECORDED Book (7)	RECORDED Page (8)	RECORDED Date (9)	AREA Acres (10)	AREA Square Feet (11)	CONSIDERATION (12)	DATE OF DEDICATION TO PUBLIC USE (13)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Amount (14)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Character of Expenditure (15)	IF PORTION OF PARCEL HAS BEEN SOLD Date of Sale (16)	IF PORTION OF PARCEL HAS BEEN SOLD Actual Consideration Received (17)	COST AT DATE OF DEDICATION OF PARCEL AS NOW OWNED (18)	REMARKS (19)
8	68	U.S. Grant	3/3/75	U.S.Gov't.	# P.& S.L.				5.87									200' Width granted.
9	30	W.D.	2/21/88	Hawey Starry	do.	3	55	3/29/88	1.29		1.00	2/21/88						Includes Parcel 1, Map 7. Combined Area = 5.87 Acres.

The Pueblo & State Line Railroad Company.

INSTRUCTIONS TO CARRIERS.—All data to be typewritten, using black record ribbon and carbon paper beneath, with carbon face next to back of sheet.


BRANDON

D. V. Form No. 107
20,000 12-10-18

Owner: Missouri Pacific Railroad Company
Operating Company: Missouri Pacific Railroad Company
Division: Colorado.
State: Colorado County: Kiowa.
Valuation Section No.: 1 - Colorado.
From: 1267 + 20 to 1478 + 40.

Supplied by General Secretary, Presidents' Conference Committee, Federal Valuation

INTERSTATE COMMERCE COMMISSION
DIVISION OF VALUATION

LANDS OWNED OR USED FOR PURPOSES OF A COMMON CARRIER

Sheet No. 12 of 88 sheets (this form)
Map No. 7 Seven.
Date compiled July, 1918.
Compiled by J. W. Dunn, Jr.
Correct [signature] (Title) VALUATION ENGINEER

PARCEL NO. (1)	CUSTODIAN'S NO. (2)	KIND OF INSTRUMENT (3)	DATE OF INSTRUMENT (4)	GRANTOR (5)	GRANTEE (6)	RECORDED Book (7)	RECORDED Page (8)	RECORDED Date (9)	AREA Acres (10)	AREA Square feet (11)	CONSIDERATION (12)	DATE OF DEDICATION TO PUBLIC USE (13)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Amount (14)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Character of Expenditure (15)	IF PORTION OF PARCEL HAS BEEN SOLD Date of Sale (16)	IF PORTION OF PARCEL HAS BEEN SOLD Actual Consideration Received (17)	COST AT DATE OF DEDICATION OF PARCEL AS NOW OWNED (18)	REMARKS (19)
1.	30.								4.58			2-21-88						See Parcel 9, Map 6.
2.	68.	U.S.Grant	3-3-75	U. S. Government	P. & S.L. R. R.				1.10									200 ft. width granted.
3.	68.	US Grant	3-3-75	U.S.Government	P & SL RR				2.02									200 ft. width granted.
4.	31.	R. W. D.	5-14-88	Wm.T.England,	P & SL RR	3	125.	6-21-88	6.30		$8.25	5-14-88	8.25 1.10	Land Rec.fee			8.25 1.10	
5.	68.	US Grant	3--3-75	US Government	P & SL RR				3.47									200 ft. width granted.
6.	32.	W. D.	2-13-88	Sam'l. S. Zimmerman,		3	56	3-29-88	5.46		1.00	2-13-88						
7.	60.	State Gen.		State of Colorado					1.37			- - - -						
8.	68	US Grant	3-3-75	U.S.Government,	P & SL RR				5.88									200 ft. width granted.
													$9.35				$9.35	

INSTRUCTIONS TO CARRIERS. All data to be typewritten, using black record ribbon and carbon paper beneath, with carbon face next to back of sheet.

B. V. Form No. 107
20,000 12-10-18

Owner: Missouri Pacific Railroad Company
Operating Company: Missouri Pacific R.R. Co.
Division: Colorado.
State: Colorado County: Kiowa
Valuation Section No.: 1 - Colorado.
From: 1267 + 20 to 1478 + 40.

Reprinted by General Secretary, Presidents' Conference Committee, Federal Valuation

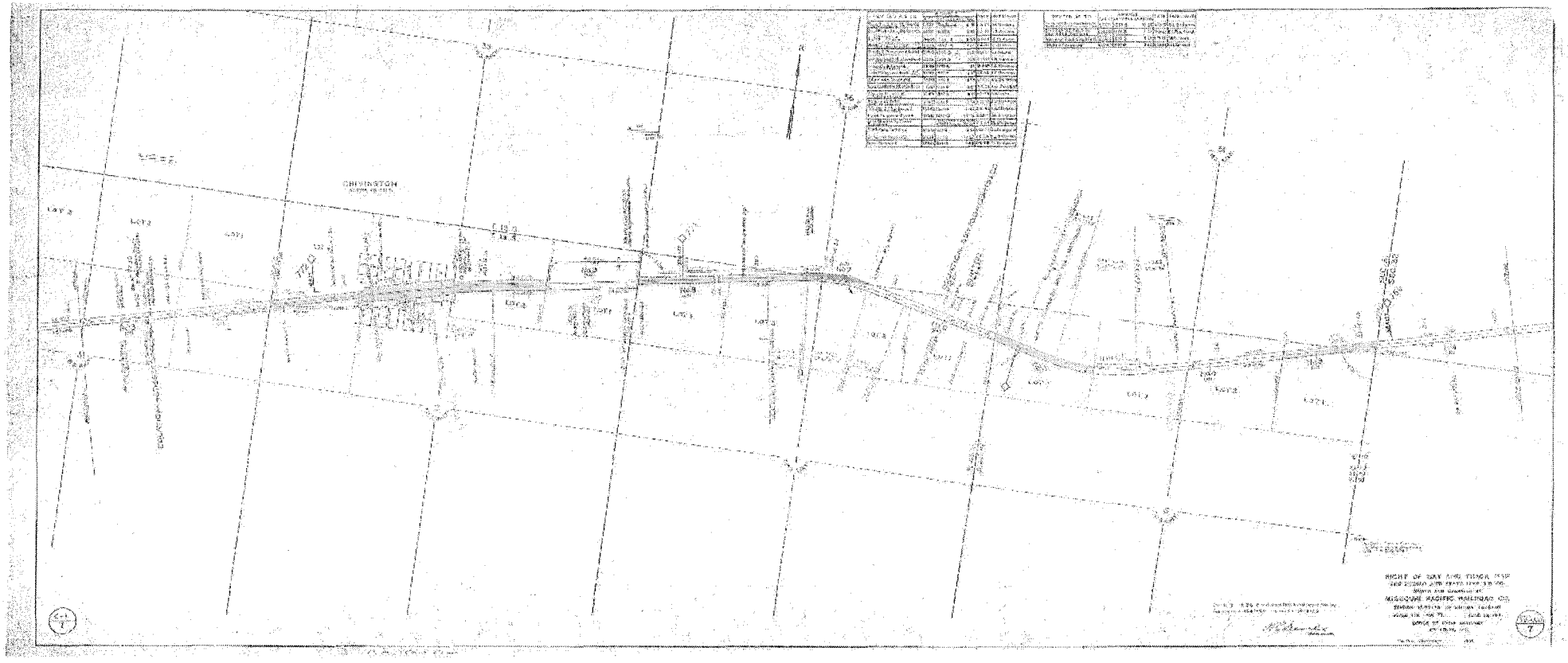
INTERSTATE COMMERCE COMMISSION
DIVISION OF VALUATION

LANDS OWNED OR USED FOR PURPOSES OF A COMMON CARRIER

Sheet No. 13 of 22 sheets (this form)
Map No. 7 Seven
Date compiled July 1918
Compiled by J. W. Dunn, Jr.
Correct [signature] (Title) VALUATION ENGINEER

PARCEL NO. (1)	CUSTODIAN'S NO. (2)	KIND OF INSTRUMENT (3)	DATE OF INSTRUMENT (4)	GRANTOR (5)	GRANTEE (6)	RECORDED Book (7)	RECORDED Page (8)	RECORDED Date (9)	AREA Acres (10)	AREA Square Feet (11)	CONSIDERATION (12)	DATE OF DEDICATION TO PUBLIC USE (13)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Amount (14)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Character of Expenditure (15)	IF PORTION OF PARCEL HAS BEEN SOLD Date of Sale (16)	IF PORTION OF PARCEL HAS BEEN SOLD Actual Consideration Received (17)	COST AT DATE OF DEDICATION OF PARCEL AS NOW OWNED (18)	REMARKS (19)
9.	33.	W. D.	5-24-88	Sylvester A. Darland,	*P & SL RR	3	125	6-21-88	12.13		$75.00	5-24-88	75.00 1.10	Land Reg.fee			75.00 1.10	Also by recorded plat in Plat Book, Page 8, Filed June 7th, 1888.
10.										18,244								Stock Yards. No title papers on file. Title by adverse possession.
11.	68.	US Grant	3-3-75	U.S.Government,	P & SL RR				17.02									Title also given by recorded plat.
										CHIVINGTON, COLORADO.								
12.									3.12									No title papers on file. Title by adverse possession.
13.	34.	W. D.	11-16-87	Byard Hickman	P & SL RR	15	40	12-15-87	3.13		10.00	11-16-87	10.00	Land			10.00 - - -	Includes Parcel 1 of Map 8. Combined Areas = 6.14 Ac.
									* Pueblo and State Line Railroad Company.									
													$86.10				$86.10	

INSTRUCTIONS TO CARRIERS.—All data to be typewritten, using black record ribbon and carbon paper beneath, with carbon face next to back of sheet.


CHIVINGTON
RIGHT OF WAY AND TRACK MAP
MISSOURI PACIFIC RAILROAD CO.

D. V. Form No. 107
20,000 12-10-18

Owner: Missouri Pacific Railroad Company
Operating Company: Missouri Pacific R.R.Co.,
Division: C o l o r a d o .
State: C o l o r a d o County: Kiowa.
Valuation Section No. 1 - C o l o r a d o.
From: 1478 + 40, 1689 + 60.

Repetitated by General Secretary, Presidents' Conference Committee, Federal Valuation

INTERSTATE COMMERCE COMMISSION
DIVISION OF VALUATION

LANDS OWNED OR USED FOR PURPOSES OF A COMMON CARRIER

Sheet No. 19 of 33 sheets (this form)
Map No. 8 Eight
Date compiled July, 1918.
Compiled by J.W.Dunn, Jr.
Correct [signature] (Title) VALUATION ENGINEER.

PARCEL NO. (1)	CUSTODIAN'S NO. (2)	KIND OF INSTRUMENT (3)	DATE OF INSTRUMENT (4)	GRANTOR (5)	GRANTEE (6)	RECORDED Book (7)	RECORDED Page (8)	RECORDED Date (9)	AREA Acres (10)	AREA Square Feet (11)	CONSIDERATION (12)	DATE OF DEDICATION TO PUBLIC USE (13)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Amount (14)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Character of Expenditure (15)	IF PORTION OF PARCEL HAS BEEN SOLD Date of Sale (16)	IF PORTION OF PARCEL HAS BEEN SOLD Actual Consideration Received (17)	COST AT DATE OF DEDICATION OF PARCEL AS NOW OWNED (18)	REMARKS (19)
1.	34.								3.01			11-16-87						See Parcel 13, Map 7.
2.	68.	US Grant	3-3-75	U.S.Gov't.	*P & SL RR				3.06									200' width granted.
3.	35.	W. D.	2-9-88	Fred. Rennor,	P & SL RR	3	57	3-29-88	7.11		$ 2.25	2- 9-88	2.25	Land			2.25	
4.	36.	W. D.	2-9-88	Henry H. Bade	P & SL RR	3	56	3/29/88	3.15		1.00	2- 9-88						
5.	68.	US Grant	3-3-75	U. S. Gov't.,	do.				4.71									200' width granted.
6.										4,500								No title papers on file. Title by adverse possession.
7.	37.	W. D.	2-11-88	Willard E. Tarbox,	do.	3	55	3-29-88		1,250	1.00	2-11-88						
													$2.25				$2.25	

INSTRUCTIONS TO CARRIERS.—All data to be typewritten, using black record ribbon and carbon paper beneath, with carbon face next to back of sheet.

C. V. Form No. 107
50,000 5-19-1920

Owner: Missouri Pacific Railroad Company
Operating Company: Missouri Pacific Railroad Company
Division: Colorado
State: Colorado County: Kiowa
Valuation Section No. 1 - Colorado
From 1478 + 40 to 1669 + 50

Reprinted by Secretary, Presidents' Conference Committee, Federal Valuation

INTERSTATE COMMERCE COMMISSION
DIVISION OF VALUATION

LANDS OWNED OR USED FOR PURPOSES OF A COMMON CARRIER

Sheet No. 15 of 15 sheets (this form)
Map No. 8
Date compiled July 19 18
Compiled by J. W. Lynn Jr.
Correct N. C. Searles (Title) VALUATION ENGINEER

PARCEL NO. (1)	CUSTODIAN'S NO. (2)	KIND OF INSTRUMENT (3)	DATE OF INSTRUMENT (4)	GRANTOR (5)	GRANTEE (6)	RECORDED Book (7)	RECORDED Page (8)	RECORDED Date (9)	AREA Acres (10)	AREA Square Feet (11)	CONSIDERATION (12)	DATE OF DEDICATION TO PUBLIC USE (13)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Amount (14)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Character of Expenditure (15)	IF PORTION OF PARCEL HAS BEEN SOLD Date of Sale (16)	IF PORTION OF PARCEL HAS BEEN SOLD Actual Consideration Received (17)	COST AT DATE OF DEDICATION OF PARCEL AS NOW OWNED (18)	REMARKS (19)
8	68	Govt. Gt.	3-3-75	U.S. Government	*P. & S.L. R.R.				9.75									200' width granted
9	72	R.W.D.	7-12-88	Wm. H. Gay	do.	3	156	7-21-88	3.95		8.25	7-12-88	8.25	Land			8.25	
10										5668								Ground occupied by snow fence.
11										6150								Ground occupied by snow fence.
12	68	Govt. Gt.	3-3-75	U.S. Government	do.				6.49									200' width granted.
13	38	R.W.D.	4-17-88	Oliver P. Hennis	do.	3	94	5-10-88	6.15		6.00	4-17-88	6.00 1.10	Land Rec. Fee			6.00 1.10	
14	68	Govt. Gt.	3-3-75	U.S. Government	do.				1.27									200' width granted. Includes Parcel 1 of Map 9. Comb. Area = 5.72 Acres.
				* Pueblo and State Line Railroad Company									$15.35				$15.35	

INSTRUCTIONS TO CARRIERS.—All data to be typewritten, using black record ribbon and carbon paper beneath, with carbon face next to back of sheet.

D. V. Form No. 107
20,000 12-10-18

Owner: Missouri Pacific Railroad Company
Operating Company: Missouri Pacific Railroad Company
Division: Colorado
State: Colorado County: Kiowa
Valuation Section No. 1.Colorado
From: 1689 + 60 to 1900 + 80

Reprinted by General Secretary, Presidents' Conference Committee, Federal Valuation

INTERSTATE COMMERCE COMMISSION
DIVISION OF VALUATION

LANDS OWNED OR USED FOR PURPOSES OF A COMMON CARRIER

Sheet No. 10 of 89 sheets (this form)
Map No. 9
Date compiled July, 1918
Compiled by J.W.Dunn, Jr.
Correct [signature] (Title) VALUATION ENGINEER

PARCEL NO. (1)	CUSTODIAN'S NO. (2)	KIND OF INSTRUMENT (3)	DATE OF INSTRUMENT (4)	GRANTOR (5)	GRANTEE (6)	RECORDED Book (7)	RECORDED Page (8)	RECORDED Date (9)	AREA Acres (10)	AREA Square Feet (11)	CONSIDERATION (12)	DATE OF DEDICATION TO PUBLIC USE (13)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Amount (14)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Character of Expenditure (15)	IF PORTION OF PARCEL HAS BEEN SOLD Date of Sale (16)	IF PORTION OF PARCEL HAS BEEN SOLD Actual Consideration Received (17)	COST AT DATE OF DEDICATION OF PARCEL AS NOW OWNED (18)	REMARKS (19)
1	68								4.45									See Parcel 14, Map 8.
2	68	U.S. Grant	3/3/75	U.S.Gov't.	# P. & S.L.				12.23									200' width granted.
3	68	U.S. Grant	3/3/75	U.S.Gov't.	do.				12.37									200' width granted.
								PIETON COLORADO										
4	68	U.S. Grant	3/3/75	U.S.Gov't.	do.				12.27									200' width granted.
5	68	U.S. Grant	3/3/75	U.S.Gov't.	do.				7.37									200' width granted. Includes Parcel 1 of Map 10. Combined Areas = 11.55 Acres.

Pueblo & State Line Railroad Company.

INSTRUCTIONS TO CARRIERS.—All data to be typewritten, using black record ribbon and carbon paper beneath, with carbon face next to back of sheet.

D. V. Form No. 107
20,000 12-10-18

Owner: Missouri Pacific Railroad Company
Operating Company: Missouri Pacific Railroad Company
Division: Colorado
State: Colorado County: Kiowa
Valuation Section No.: 1.Colorado
From: 1900 + 80 to 2112 + 00

Reprinted by General Secretaryy, Presidents' Conference Committee, Federal Valuation

INTERSTATE COMMERCE COMMISSION
DIVISION OF VALUATION

LANDS OWNED OR USED FOR PURPOSES OF A COMMON CARRIER

Sheet No. 12 of 833 sheets (this form)
Map No. 10
Date compiled July 1918
Compiled by J.W.Dunn, Jr.
Correct [signature] (Title) VALUATION ENGINEER

PARCEL NO. (1)	CUSTO. MAP'S NO. (2)	KIND OF INSTRUMENT (3)	DATE OF INSTRUMENT (4)	GRANTOR (5)	GRANTEE (6)	RECORDED Book (7)	RECORDED Page (8)	RECORDED Date (9)	AREA Acres (10)	AREA Square Feet (11)	CONSIDERATION (12)	DATE OF DEDICATION TO PUBLIC USE (13)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Amount (14)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Character of Expenditure (15)	IF PORTION OF PARCEL HAS BEEN SOLD Date of Sale (16)	IF PORTION OF PARCEL HAS BEEN SOLD Actual Consideration Received (17)	COST AT DATE OF DEDICATION OF PARCEL AS NOW OWNED (18)	REMARKS (19)
1	68								4.18									See Parcel 5, Map 9.
2	68	U.S. Grant	3/3/75	U.S.Gov't.	# P.& S.L.					30,910								200' width granted.
3	68	U.S. Grant	3/3/75	U.S.Gov't.	do.				12.39									200' width granted.
4	39	W.D.	2/10/88	Frank M.Coudit	do.	3	57	3/29/88	6.13		$ 7.50	2/10/88	7.50	Land			7.50	
5	40	R.W.D.	4/2/88	Jno.N.Zook	do.	3	94	5/10/88	6.09		2.25	4/2/88	2.25 1.10	Land Rec.fee			2.25 1.10	
6	41	W.D.	3/22/88	G.J.Wickman	do.	3	59	3/29/88	6.09		8.25	3/22/88	8.25	Land			8.25	
7	42	W.D.	2/6/88	W.B.Sliffe	do.	3	61	3/20/88	6.09		1.00	2/6/88						
													$19.10				$19.10	

INSTRUCTIONS TO CARRIERS.—All data to be typewritten, using black record ribbon and carbon paper beneath, with carbon face next to back of sheet.

B. V. Form No. 107
20,000 12-19-16

Owner Missouri Pacific Railroad Company
Operating Company Missouri Pacific Railroad Company
Division Colorado
State Colorado County Kiowa
Valuation Section No. 1.Colorado
From 1900 + 80 to 2112 + 00

Reprinted by General Secretary, Presidential Conference Committee, Federal Valuation

INTERSTATE COMMERCE COMMISSION
DIVISION OF VALUATION

LANDS OWNED OR USED FOR PURPOSES OF A COMMON CARRIER

Sheet No. 18 of 21 sheets (this form)
Map No. 10
Date compiled July, 19 18
Compiled by J.W.Dunn,Jr.
Correct W.G.Lemmon (Title) VALUATION ENGINEER

PARCEL NO. (1)	CUSTODIAN'S NO. (2)	KIND OF INSTRUMENT (3)	DATE OF INSTRUMENT (4)	GRANTOR (5)	GRANTEE (6)	RECORDED Book (7)	RECORDED Page (8)	RECORDED Date (9)	AREA Acres (10)	AREA Square Feet (11)	CONSIDERATION (12)	DATE OF DEDICATION TO PUBLIC USE (13)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Amount (14)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Character of Expenditure (15)	IF PORTION OF PARCEL HAS BEEN SOLD Date of Sale (16)	IF PORTION OF PARCEL HAS BEEN SOLD Actual Consideration Received (17)	COST AT DATE OF DEDICATION OF PARCEL AS NOW OWNED (18)	REMARKS (19)
8	68	U.S. Grant	3/3/75	U.S.Gov't.	# P.& S.L.				3.04									200' width granted.
9	45	R.W.D.	3/6/88	Jas.D.Bennett	do.	1	327	4/16/88	3.04		$ 1.00	3/6/88						
10	73	W.D.	7/16/88	Jas.W.Rice	do.	3	157	7/21/88		31,500	8.25	7/16/88	8.26	Land			8.25	Includes Parcel 1, Map 11. Combined Areas = 3.53, Acres.
								# Pueblo & State Line Railroad Company.					$8.25				$8.25	

INSTRUCTIONS TO CARRIERS.—All data to be typewritten, using black record ribbon and carbon paper beneath, with carbon face next to back of sheet.

STATION = 1972+72 = 1972+15 LOC
STATION = 2068+15 LOC = 2068+75

D. V. Form No. 107
29,000 12-10-16

Owner: Missouri Pacific Railroad Company
Operating Company: Missouri Pacific Railroad Company
Division: Colorado
State: Colorado County: Kiowa
Valuation Section No.: 1 Colorado
From: 2112 + 00 to: 2323 + 20

Reprinted by General Secretary, Presidents' Conference Committee, Federal Valuation

INTERSTATE COMMERCE COMMISSION
DIVISION OF VALUATION

LANDS OWNED OR USED FOR PURPOSES OF A COMMON CARRIER

Sheet No. 19 of 89 sheets (this form)
Map No. 11
Date compiled: July, 19 18
Compiled by: J.W.Dunn, Jr.
Correct: H.B.Lemaire (Title) VALUATION ENGINEER

PARCEL NO. (1)	CUSTOMER'S NO. (2)	KIND OF INSTRUMENT (3)	DATE OF INSTRUMENT (4)	GRANTOR (5)	GRANTEE (6)	RECORDED Book (7)	RECORDED Page (8)	RECORDED Date (9)	AREA Acres (10)	AREA Square Feet (11)	CONSIDERATION (12)	DATE OF DEDICATION TO PUBLIC USE (13)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Amount (14)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Character of Expenditure (15)	IF PORTION OF PARCEL HAS BEEN SOLD Date of Sale (16)	IF PORTION OF PARCEL HAS BEEN SOLD Actual Consideration Received (17)	COST AT DATE OF DEDICATION OF PARCEL AS NOW OWNED (18)	REMARKS (19)
1	73								2.81			7/16/88						See Parcel 10, Map 10.
2	68	U.S. Grant	3/3/75	U.S.Gov't.	P.& S.L.				4.01									200' width granted.
											R A D S C O L O R A D O							
3	44	W.D.	2/22/88	Jno.H.Lukes	do.	3	58	3/29/88	6.23		$ 1.00	2/22/88						
4	68	U.S. Grant	3/3/75	U.S.Gov't.	do.				16.18									Title also by recorded plot filed 11/27/87 by S.H.Malley.
5									7.55									No title papers on file. Title by adverse possession.
6	45	W.D.	2/6/88	Jas.T. Wilson	do.	3	58	3/29/88	6.17		1.00	2/6/88						
7	68	U.S. Grant	3/3/75	U.S.Gov't.	do.				6.09									200' width granted.

INSTRUCTIONS TO CARRIERS.—All data to be typewritten, using black record ribbon and carbon paper beneath, with carbon face next to back of sheet.

AB 603-3(x)

D. V. Form No. 107
28,000 12-10-18

Owner: Missouri Pacific Railroad Company
Operating Company: Missouri Pacific Railroad Company
Division: Colorado
State: Colorado County: Kiowa
Valuation Section No.: 1-Colorado
From: 2112 + 00 to: 2332 + 20

Reprinted by General Secretary, Presidents' Conference Committee, Federal Valuation

INTERSTATE COMMERCE COMMISSION
DIVISION OF VALUATION

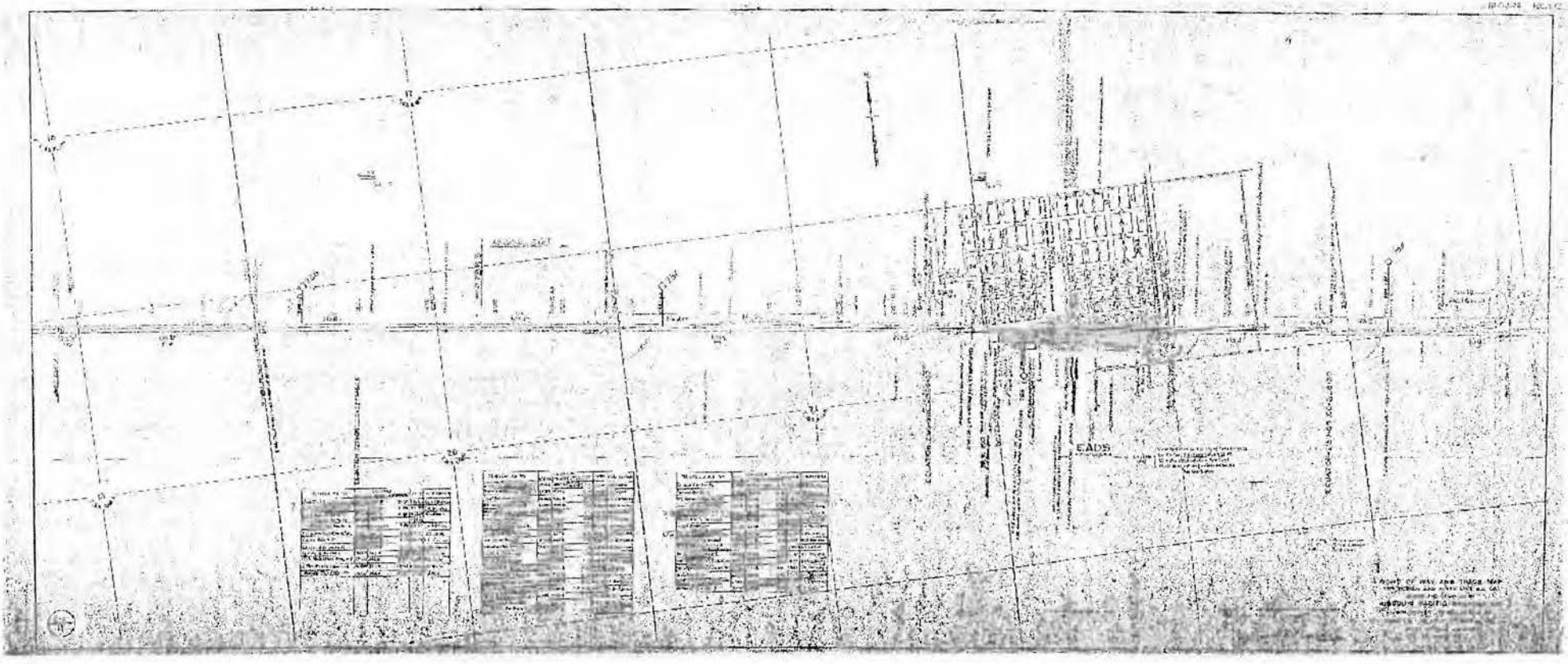
LANDS OWNED OR USED FOR PURPOSES OF A COMMON CARRIER

Sheet No. 20 of 20 sheets (this form)
Map No. 11
Date compiled July, 1918
Compiled by J.W.Dunn, Jr.
Correct N.G.Lemmer (Title) VALUATION ENGINEER

PARCEL NO. (1)	CUSTODIAN'S NO. (2)	KIND OF INSTRUMENT (3)	DATE OF INSTRUMENT (4)	GRANTOR (5)	GRANTEE (6)	RECORDED Book (7)	RECORDED Page (8)	RECORDED Date (9)	AREA Acres (10)	AREA Square Feet (11)	CONSIDERATION (12)	DATE OF DEDICATION TO PUBLIC USE (13)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Amount (14)	COST OF PARCEL WHEN ORIGINALLY ACQUIRED Character of Expenditure (15)	IF PORTION OF PARCEL HAS BEEN SOLD Date of Sale (16)	IF PORTION OF PARCEL HAS BEEN SOLD Actual Consideration Received (17)	COST AT DATE OF DEDICATION OF PARCEL AS NOW OWNED (18)	REMARKS (19)
8	46	W.D.	2/1/88	Ana M.Wood	# P.& S.L.	3	60	3/29/88	6.19		$ 20.00	2/1/88	20.00	Land			20.00	
9	68	U.S. Grant	3/3/75	U.S.Gov't.	do.				5.83									200' width granted.
10	47	W.D.	2/11/88	E.A.Adams	do.	3	60	3/29/88		30,300	1.00	2/11/88						Includes Parcel 1, Map 12. Combined 3.32 Areas.
													$20.00				$20.00	

Pueblo & State Line Railroad Company.

INSTRUCTIONS TO CARRIERS.—All data to be typewritten, using black record ribbon and carbon paper beneath, with carbon side next to back of sheet.


EADS

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Docket No. FD 36005

KCVN, LLC AND COLORADO PACIFIC RAILROAD, LLC – FEEDER LINE APPLICATION – LINE OF V AND S RAILWAY, LLC, LOCATED IN IN CROWLEY, PUEBLO, OTERO, AND KIOWA COUNTIES, COLORADO

FEEDER LINE APPLICATION

VOLUME III OF III

Thomas W. Wilcox
Svetlana Lyubchenko
GKG Law, P.C.
The Foundry Building
1055 Thomas Jefferson Street NW
Suite 500
Washington, DC 20007
(202) 342-5248

Attorneys for KCVN, LLC and Colorado Pacific Railroad, LLC

March 18, 2016

EXHIBIT E

Kiowa County

Richard Scott, Chairman
District 1, Sheridan Lake
William Koehler, Commissioner
District 2, Eads
Donald Oswald, Commissioner
District 3, Haswell
Peggy Dunlap, Administrator

1305 Goff Street, P.O. Box 100
Eads, CO 81036
Phone: 719-438-5810
Fax: 719-438-5615
E-mail:
kiowaco100@gmail.com

June 12, 2014

Ms. Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E. Street, SW
Washington, DC 20423

Re: V&S Railway, LLC: Abandonment

Dear Ms. Brown:

V&S Railway has applied to abandon a section of railroad in Eastern Colorado, aka the Towner line. This line runs from Milepost 869.4 at North Avondale, Colorado in Pueblo County thru the entire length of Crowley County, Colorado, thru a small portion of Otero County, Colorado and thru the entire length of Kiowa County, Colorado to Milepost 747.5 near Towner, Colorado.

* V&S Railway must furnish all Counties, involved with copies of all documents, processes and procedures required by the Surface Transportation Board in an abandonment process.

1. Systems diagram map.
2. Notice of intent
3. Abandonment application(s).
4. Protests or Comments to the proposed abandonment
5. Modified Procedure and oral hearings
6. Appeals
7. The Issues of the abandonment
8. Railroad financial data for evaluation.

* V&S must survey the entire Towner Line and provide plats to all counties involved. Section markers, bench marks and geological markers must be preserved and or relocated for future reference.

* All V&S Rail Right of Way leases within incorporated city limits must be documented and all such property should be permanently deeded to the incorporated city. All Right of Way leases in unincorporated towns would go to Kiowa County.

* The V&S Rail Right of Way has accrued features affecting wildlife and the environment. Vegetation and exclusion from human intervention within the right of way has become habitat for several species of wildlife including Ring-necked Pheasant in Kiowa County. The pheasant population is decreasing in Kiowa County primarily due to loss of adequate habitat brought on primarily by farming practices The pheasant is not only an important game bird for the area but is highly valued by the bird-watching tourist.

Neglect by V&S Railway in plant management within rail right of way has resulted in numerous instances of noxious weed infestation and invasion. Primary weeds involved

Date 6-12-14

CERTIFICATE OF SERVICE

I certify that I this day have served a copy of the forgoing Formal Filing Letter by First Class Mail to the offices of the following:

Fritz R. Kahn
1919 M Street NW
7th floor
Washington DC 20036

Roger D. Nelson
PO Box 460022
Glendale CO 80246

Name

Kiowa County

Richard Scott, Chairman
District 1, Sheridan Lake
William Koehler, Commissioner
District 2, Eads
Donald Oswald, Commissioner
District 3, Haswell
Peggy Dunlap, Administrator

1305 Goff Street, P.O. Box 100
Eads, CO 81036
Phone: 719-438-5810
Fax: 719-438-5615
E-mail:
kiowaco100@gmail.com

E-FILED

June 13, 2014

Cynthia Brown
Chief, Section of Administration
Surface Transportation Board
Office of Proceedings
395 E. Street, SW
Washington, DC 20423

Re: Docket No. AB603-2x AB603-3X, V and S Railway, LLC-Abandonment exemption in Kiowa County, Colorado

Dear Ms. Brown:

I hereby certify that a copy of the decision served by the Board of County Commissioners of Kiowa County, on June 12, 2014, in the above-referenced matter, was served this day by first class mail on Fritz R. Kahn, attorney for V&S Railway, LLC and Roger D. Nelson in Glendale Colorado.

If you have any questions, please call me.

Sincerely,

Peggy Dunlap

Peggy Dunlap, Administrator
Kiowa County Commissioners

EXHIBIT F

1 IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO
2 Civil Action No. 14-cv-02450-CBS
3 ----------
4 KCVN, LLC,
5 Plaintiff,
6 vs.
7 V&S RAILWAY, LLC,
8 Defendant.
9 ----------
10 Proceedings before Craig B. Shaffer, United States
11 Magistrate Judge, United States District Court for the
12 District of Colorado, commencing at 3:30 p.m., October 6,
13 2014, in the United States Courthouse, Denver, Colorado.
14 ----------
15 WHEREUPON, THE ELECTRONICALLY RECORDED PROCEEDINGS
16 ARE HEREIN TYPOGRAPHICALLY TRANSCRIBED...
17 ----------
18 APPEARANCES
19 LAWRENCE TREECE and HANNAH MISNER, Attorneys at
20 Law, appearing for the Plaintiff.
21 GREGORY GOLDBERG and SEAN HANLOM, Attorneys at
22 Law, appearing for the Defendant.
23 ----------
24 MOTION HEARING
25 ----------

1 Where do you stand with respect to the middle
2 segment and the eastern segment? Can somebody --
3 MR. HANLOM: Can I have Doug Davis answer?
4 THE COURT: Sure. Absolutely. Absolutely.
5 Mr. Davis? No, no, you can sit. You're going to tell me
6 the same thing whether you're sitting or standing, so
7 make yourself comfortable.
8 MR. DAVIS: The STB has ruled that we had two
9 years from our -- from when we obtained acquisition
10 authority, it was in December of 2012, and we'll go back
11 and refile. So --
12 THE COURT: You're going to refile what?
13 MR. DAVIS: Refile to seek the two year out of
14 service exemption.
15 THE COURT: For?
16 MR. DAVIS: To abandon both the middle segment
17 and the eastern segment.
18 THE COURT: And when are you going to refile
19 those?
20 MR. DAVIS: In December.
21 THE COURT: In December of this year?
22 MR. DAVIS: December of this year.
23 THE COURT: Okay. And so --
24 MR. DAVIS: The STB ruled previously just because
25 of a mix-up we acquired the line from the state of

1 Colorado.

2 THE COURT: I saw that.

3 MR. DAVIS: And we didn't -- we didn't

4 technically seek acquisition authority, and they said

5 that we -- that authority wasn't granted until December

6 of 2012, so they weren't going to hear us until December

7 of '14.

8 THE COURT: Okay. So if I understand correctly,

9 you're going to go back -- and maybe I've got this all

10 wrong, but am I correct that you're going to go back to

11 the STB in December of this year and you're going to ask

12 for new authority to discontinue?

13 MR. DAVIS: To abandon.

14 THE COURT: To abandon.

15 MR. DAVIS: Based -- both the middle segment and

16 the eastern segment.

17 THE COURT: Okay. So --

18 MR. DAVIS: Because there's been no service.

19 They have been two years out of service.

20 THE COURT: So your goal is going to be -- and

21 I've got to make sure I have this correct. The western

22 segment is, as Mr. Treece has told me on more than one

23 occasion, the end of the line, right?

24 MR. DAVIS: No. There's two ends of the line.

25 That's one end of the line.

1 THE COURT: Well, the only end of the line that I
2 have any authority over is in Colorado. So you're going
3 to discontinue the western end of the line, and then
4 you're going to abandon the middle and the eastern end of
5 the line. So when the smoke clears, you're still going
6 to have the western end of the line with nothing on it.
7 MR. DAVIS: That's correct.
8 THE COURT: Okay. Now, Mr. Treece, if -- if the
9 STB -- well, let me ask you this: Because it's my
10 understanding that the STB could grant permission to
11 abandon, but could impose conditions as part of that.
12 MR. TREECE: Certainly.
13 THE COURT: Okay. And then you would have --
14 then ultimately, you would do a certification of
15 abandonment or something.
16 MR. DAVIS: Correct.
17 THE COURT: And when you do that, that's when
18 officially the STB --
19 MR. DAVIS: No longer has any jurisdiction.
20 THE COURT: Right. Once you do a completion of
21 abandonment, or whatever the appropriate term is. So in
22 December of 2014, you're going to go back and seek
23 permission to abandon the middle and the eastern
24 segments, and there is still going to be the western
25 segment where you're only discontinuing theoretically

1 because you may have an intent to reactivate that, but it
2 would be at that point a very short line. Since the --
3 potentially the middle segment and the eastern segment
4 would be gone, it would be -- it wouldn't even be the
5 western segment; it would be the only segment. So we'd
6 have to rename that, I suppose.
7 Now, if -- it would seem to me that if the --
8 help me to understand. Could the STB say as a condition
9 that you have to offer for somebody to buy the middle and
10 eastern segment?
11 MR. DAVIS: It's up to them to file a petition.
12 They certainly would have the opportunity to, the time
13 that we filed a two-year out of service exemption.
14 THE COURT: They could offer to buy those two
15 segments?
16 MR. DAVIS: Correct.
17 THE COURT: Now, would you expect the price to be
18 higher if they could also buy the western segment?
19 MR. DAVIS: I would expect it would be.
20 THE COURT: Okay.
21 MR. DAVIS: Certainly, the offer that was made
22 was not anywhere near what the lines were, and really
23 didn't even justify a response, it was so low.
24 THE COURT: But if you petition for abandonment
25 of the middle segment and the eastern segment, they can

1 come in and try to attach conditions to that?
2 MR. DAVIS: Absolutely.
3 THE COURT: And Mr. Treece, am I correct that the
4 middle and eastern segments are the segments closest to
5 the portions that your client currently owns or the
6 property your client currently owns?
7 MR. TREECE: I don't know whether I can explain
8 that segment by segment. They're about 10 miles from the
9 line, and --
10 THE COURT: Which segment of line, do you know?
11 MR. TREECE: I'm not sure. Western section,
12 10 miles.
13 THE COURT: They're 10 miles from the western
14 segment?
15 MR. TREECE: And, you know, their view is it's a
16 whole line.
17 THE COURT: Well, that may be --
18 MR. TREECE: And selling off pieces of salami
19 doesn't make much sense, and the value of the line as a
20 whole --
21 THE COURT: Depends on how much salami you want
22 to eat. If you don't want the entire salami --
23 MR. TREECE: They want the whole --
24 THE COURT: -- taking off pieces would make
25 perfect sense.

1 MR. TREECE: They want the whole line. If all
2 you have is the western --
3 THE COURT: One song you didn't quote me was the
4 song that says you can't always get what you want.
5 MR. TREECE: I have quoted that before, but I was
6 on the other side.
7 THE COURT: There's no railroad connection to
8 that one. That one, I would have had to make a leap of
9 faith.
10 MR. TREECE: But if you had the western -- if you
11 had only the western segment left after the middle and
12 eastern were abandoned, then you'd have a railroad to
13 nowhere east with nothing coming into it from the east to
14 go west, and so you got nothing. You got nothing.
15 THE COURT: Okay. Well, I'll give you gentlemen
16 the last word. Anything anybody else wants to throw in
17 the mix? Otherwise, I'll expect your surreply by Friday.
18 MR. TREECE: Nothing from us, Your Honor. Thank
19 you for that opportunity.
20 THE COURT: All right. Thank you all.
21 MR. TREECE: I was going to sing that song, but
22 I'm too tired right now.
23 THE COURT: No, I hear you.
24 We'll be in recess. Thank you all.
25 THE CLERK: All rise.

1 (Whereupon, at 5:14 p.m. the proceedings were
2 concluded.)
3 I certify that the foregoing is a correct
4 transcript, to the best of my knowledge and belief, from
5 the record of proceedings in the above-entitled matter.
6
7 /s/ Holly M. Faddis October 10, 2014
Signature of Transcriber Date
8
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EXHIBIT G

BEFORE THE
SURFACE TRANSPORTATION BOARD

COLORADO WHEAT ADMINISTRATIVE COMMITTEE, COLORADO ASSOCIATION OF WHEAT GROWERS, COLORADO WHEAT RESEARCH FOUNDATION 4026 South Timberline Road, Suite 120 Fort Collins, CO 80525	)	
and	)	
KCVN, LLC 515 Congress Avenue, Suite 2450 Austin, Texas 78701	)	
vs.	)	**Docket No. NOR 42140**
V& S RAILWAY, LLC 1505 South Redwood Road Salt Lake City, Utah 84104	)	

VERIFIED STATEMENT OF DARRELL L. HANAVAN

My name is Darrell L. Hanavan. I have been the Executive Director of the Colorado Wheat Administrative Committee (CWAC) since 1982, Colorado Association of Wheat Growers (CAWG) since 1998, and Colorado Wheat Research Foundation (CWRF) since 1989. There are 287 CWAC producers and 62 CAWG members which own and operate wheat farms in Central Colorado along the "Towner Line" that is the subject of the captioned litigation.[1] As Executive Director of CWAC, I have responsibility for developing a team to oversee the research and

[1] The CWAC and CAWG Boards of Directors separately passed the following motion on August 14, 2014: "CWAC/CAWG oppose the abandonment and scrapping of the Towner Rail Line by the V&S, LLC Railway and support the sale and continued operation of this rail line to KCVN, LLC or other viable rail line operator."

development of wheat and wheat marketing for the Colorado wheat both domestically and internationally. We work both in private and government based public entities as the CWAC is administratively attached to the Colorado State Government.[2]

CAWG belongs and participates actively in a national organization consisting of state wheat growers groups from all over the United States called NAWG. NAWG's primary charter is to provide representation and education within the U.S. affecting domestic policy on wheat. CAWG is a voluntary membership association that represents its members at the state legislature and before Congress. It also educates legislators and the public about Colorado wheat.

CWRF is a non-profit corporation developed by CWAC to further educational and scientific programs related to wheat, acquire ownership of new wheat varieties developed by Colorado State University (CSU), and collect royalties to provide additional funding support to the wheat related research at CSU. The CWRF Board of Directors is comprised of the Executive Committees of CWAC and CAWG. The CWRF varieties are now planted on more than 70 percent of the state's winter wheat acres.

CWRF has granted an exclusive license for a revolutionary hard white wheat variety named "Snowmass" to Ardent Mills for Ultragrain whole white wheat. Ardent Mills operates 40 flour mills in the U.S. and has a 30 percent U.S. market share. They are the largest flour milling company in the North America. Ardent Mills—which is a new joint venture of ConAgra Mills and Horizon Mills—recently located its national headquarters in Denver and Colorado Governor

[2] CWAC belongs to a national organization consisting of state Wheat Commissions/Committees from the United States called U.S. Wheat Associates (USWA). This organization is focused on development of wheat markets all over the world. I currently serve and have served, in the past, on numerous action and study Committees within U.S. Wheat Associates including chairing the joint USWA/National Association of Wheat Growers (NAWG) Biotechnology Committee for eight years. CWAC is also involved in transportation policy since 80 percent of Colorado's winter wheat production is typically exported, and it has contracted with Mr. Terry Whiteside as Transportation Consultant since 1998.

John Hickenlooper credited me in his State of the State address with bringing the opportunity to the state's attention and helping him persuade Ardent Mills to locate their company in Colorado.

Since 1985 I have traveled to over 25 countries on market development missions with USWA representing Colorado wheat growers.

I have had extensive experience with the marketing and the development of markets of and for wheat. Additionally, I have worked to develop strong working relationships with the Class I railroads serving Colorado. In our work at CWAC and CAWG we have brought together growers, merchandisers, and the railroads with the goal of developing stronger understandings of transportation needs and future focuses including formation of the Colorado Wheat/Union Pacific Working Group in 2010 to discuss service and rate issues. CWAC's Transportation Consultant Terry Whiteside has filed more than 30 Briefs, Comments, and Statements on our behalf with the STB since 1998.

Railroad service is critically important to grain and grain products shippers who have recently experienced a combination of deterioration of service and an increase in rates. Export movements of grain and grain products, which often involve high volumes, long rail distances and efficient shuttle and trainload movements are also critically important to grain and grain products shippers. There is an economic relationship between grain prices and grain exports, i.e. when grain prices decrease, exports increase, and high railroad export grain rates serve to depress exports.

Agricultural producers and shippers in Colorado have three major markets for their products: domestic consumption, markets accessible from tidewater transfer points (export) and international markets in Mexico. What is common to all of these three markets is that in order for agriculture production to have or create value to the farm producers, the farm products must

be moved from the field to the ultimate markets in good condition. The distance of the move and the amount of the harvest can vary from a few miles and a few truckloads to thousands of miles and hundreds of thousands of carloads. Generally, agricultural commodities require movement in bulk. Without access to railroad service it would be virtually impossible to move the Colorado winter wheat production of 68.3 million bushels from the farm to the ultimate markets. It would require over 100,000 truckloads per year moving 24 hours per day.

CWAC and CAWG have a long history with the Towner Line, which runs for nearly 122 miles from Towner Junction, Colorado to NA Junction, Colorado. CAWG and I led the lobbying effort in 1998 to gain introduction and passage of HB 1395 by the Colorado General Assembly, which appropriated $10.4 million for the immediate acquisition of the rail line as part of the state rail bank after the STB approved the abandonment of the rail line as part of the Union Pacific – Southern Pacific rail merger. The V&S Railway is the third operator on this line for the Colorado Department of Transportation (CDOT). CAWG was not consulted by CDOT on the sale of the Towner Line to V&S.

There are approximately 500 wheat farmers, representing approximately 500,000 acres of farm land that could potentially ship their crops to domestic terminal and export markets by rail service over the Towner Line. The area of Colorado the Towner Line runs through is one of the prime development areas for the growing of the Snowmass strain of wheat described above. However, the V&S Railway has no present interest in providing rail service over the Towner Line, and instead desires to sell its tracks and other assets for scrap. V&S has made its intentions known in two primary ways. First, it has discouraged rail movements of wheat by establishing rates when requested that are prohibitively high. As an example, I was advised and understand that around 2010, ConAgra Mills (now Ardent Mills) received rate quotes from the V&S

Railway of over $8,000/car, or about $2.35 per bushel for 268,000 pound cars, for movement of Snowmass from Brandon on the Towner Line to a domestic flour mill position. As shown on the charts contained in Attachment A, this rate is twice the rate typically charged for shuttle car lots from this part of Eastern Colorado and Central Colorado. It is also twice the typical rates from Commerce City (Denver area) on both the Union Pacific and BNSF to the Gulf Coast for shuttle trains. By establishing a rate of $8,000 per car, V&S ensured this traffic would not move over the Towner Line. This circumstantially embargoed the Towner Line rail service.

There is a newly developed domestic and international market for Snowmass. It is anticipated, based upon my experience, the development and marketing of this revolutionary wheat variety could be a game changer and great impetus for the farmers and elevators located on the Towner Line. One major buyer of Ultragain whole white wheat flour has stated that they want Snowmass and only Snowmass for their future supplies of whole white wheat flour in the U.S., Canada, Mexico, and Argentina.

Second, rather than engage in discussions with CWAC and CAWG and other local interests to explore how service over the Towner Line might be reinstituted, the V&S has, since mid-2012, repeatedly informed the STB of its intention to abandon the Towner Line. More recently, and over the objection of local wheat growers, county governments, and other parties, and despite not applying to the Board for abandonment authority, V&S began tearing up and removing the "Western Segment" of the Towner Line to sell it for scrap. There are seven potential wheat shippers located along that section of the Towner Line.

The wheat growers and the Commissions/Committees that represent them are therefore faced with the combined effects in this case of a railroad that doesn't want to serve the public and desires to circumvent its public responsibility by tearing out the track and selling for profit

the line as scrap/recycle material, without exploring alternative servicing of the shippers on that line. Without service from the Towner Line, Eastern Colorado wheat farmers who want to get their grain to market must truck it to other shipping locations served by rail. The closest other shipping points are at Cheyenne Wells, Colorado and Coolidge, Kansas.

In July of this year, KCVN, LLC made a commercial offer to V&S to purchase the entire Towner Line and reinstitute common carrier rail service over it. CWAC, CAWG and CWRF all support this effort by KCVN which has a vested interest in the line because it has local farming operations. We were very disappointed to learn that V&S, instead of entering into negotiations with KCVN for the Towner Line, a rail line over which it clearly has no interest in providing rail service, responded by contracting with a third party to sell the tracks and track assets of the Western Segment. I understand that once the tracks of the Towner Line are removed, it would be commercially impracticable, if not prohibitively expensive, to reconstruct the line and resume rail service over it. If so, the possibility of resuming rail service for the wheat farmers in this region of Colorado would vanish. No award of money damages could remedy this harm.

VERIFICATION:

I hereby certify that the foregoing is true and correct on penalty of perjury.

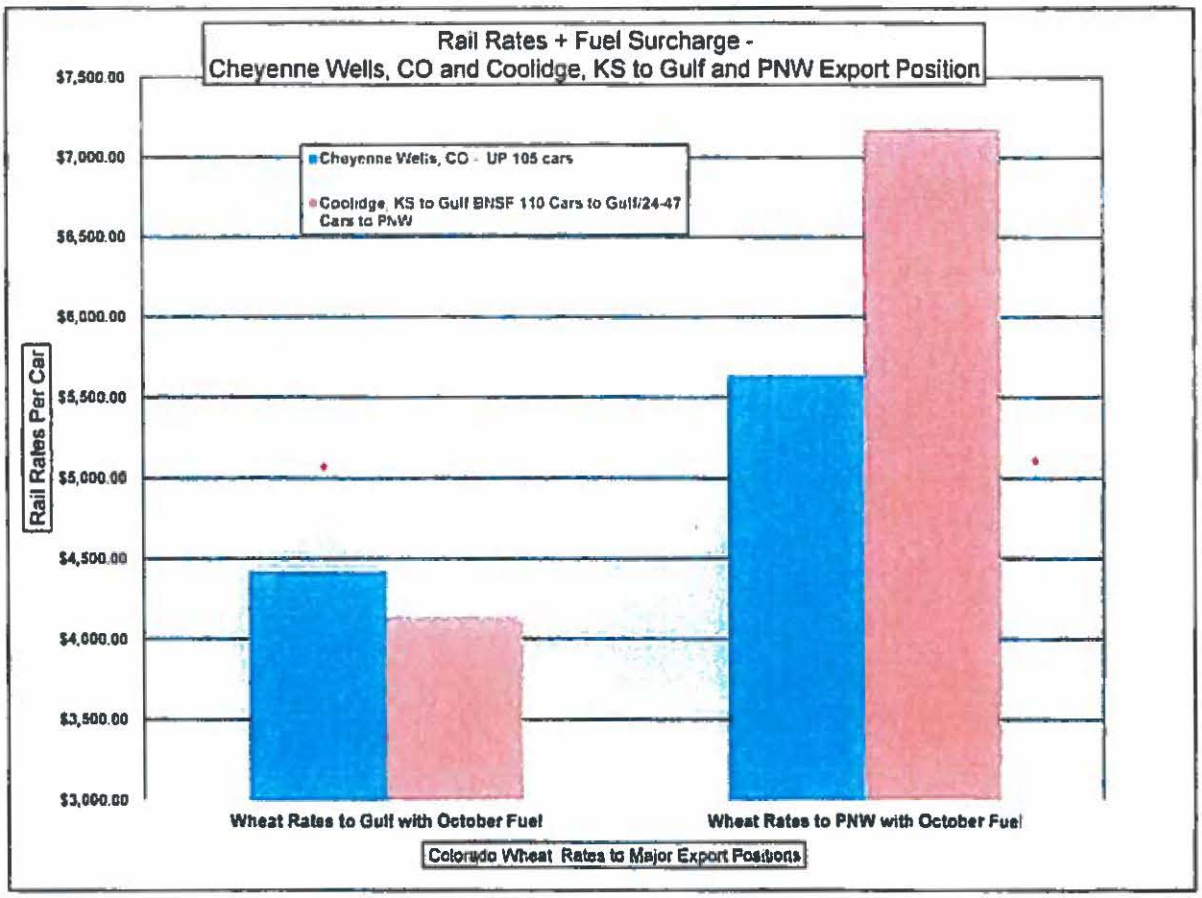
S/ Darrell L. Hanavan

Date: October 27, 2014

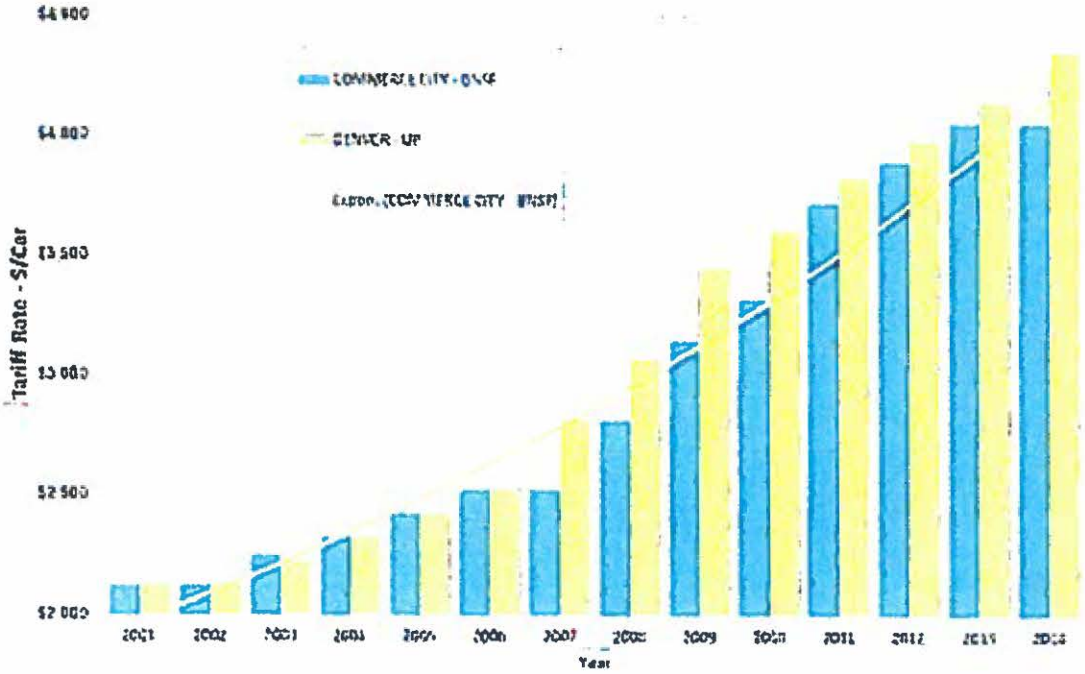
Darrell L. Hanavan
Executive Director
CWAC/CAWG/CWRF
4026 S. Timberline Road
Suite 100
Fort Collins, CO 80525
(970) 449-6994
(970) 449-6999-Fax
dhanavan@coloradowheat.org
www.coloradowheat.org

Appendix I

The chart below shows the rail rates (including current fuel surcharges – October, 2014) from Cheyenne Wells, Colorado and Coolidge, Kansas. As can be seen the export rates run in the $4,000 - $4,200 per car range or about $1.10 per bushel to Gulf for shuttle movements.



Commerce City BNSF VS Denver UP
Colorado Wheat Rates to Gulf Coast
2001-2014 - UP 92+ Cars/BNSF 110-120 Cars w/o Fuel



VITAE

Darrell Hanavan has been the Executive Director of the Colorado Wheat Administrative Committee (CWAC) since 1982. CWAC is the research and promotion organization representing the state's 8,000 wheat producers. He has also been Executive Director of the Colorado Association of Wheat Growers (CAWG) since 1998 and the Colorado Wheat Research Foundation (CWRF) since 1989. CAWG is the membership and lobbying organization representing the state's wheat growers and CWRF is a non-profit corporation developed by CWAC to acquire ownership of all new wheat technology (wheat varieties and novel traits) developed at Colorado State University, including the first publicly developed variety of Clearfield Wheat named "Above." Hanavan has also been Executive Director of Colorado Sorghum Producers (CSP) since 2007. CSP is a membership and research and promotion organization whose purpose is to promote, protect and safeguard the industry of growing sorghum in Colorado.

Hanavan served as Chairman of the National Jointed Goatgrass Research Program from its inception in 1994 to its completion in 2010. This program administered special federal grant totaling $4.15 million to thirty-five scientists in 10 Great Plains and western states that were engaged in an integrated, multi-disciplinary effort to reduce the impact of jointed goatgrass on winter wheat production.

Hanavan served as Chairman of the U.S. Wheat Associates/National Association of Wheat Growers Joint Biotechnology Committee from January of 2000 to January of 2008, when the chairmanship transitioned to a wheat producer chairman on an alternating rotation between U.S. Wheat Associates and National Association of Wheat Growers. He has served as an ex-officio member of the Joint Biotechnology Committee since that time. The role of this committee is to develop and recommend a unified policy on biotechnology for the U.S. wheat industry.

Hanavan received a B.A. in Political Science and Economics from the University of Northern Colorado in 1973 and a M.A. in Economics from the University of Denver in 1977.

Hanavan is a Colorado native born on a wheat farm near Cheyenne Wells. He is the second oldest of twelve children of parents Charles and Patsy Hanavan. He has two grown children.

Honors:

- Conferred the title of "Honorary Member" in 1990 by the Colorado Young Farmers Association.

- Honored as "State Friend of Extension" in 1990 and 2004 by the Colorado State University Cooperative Extension.

- Conferred "The Distinguished Achievement in Agriculture" Award of Merit in 1998 by the Colorado State University Chapter of the Honor Society Agriculture Gamma Sigma Delta.

- Awarded "Certificate of Recognition for Meritorious Service" in 1999 by Colorado Commissioner of Agriculture Don Ament for demonstrating the

highest attributes of public service for the Colorado Department of Agriculture.

- Awarded the United State's Department of Agriculture's "Certificate of Appreciation" in 2000 by Deputy Secretary of Agriculture Richard Rominger for outstanding service to American agriculture and exemplary commitment to the family farm and ranch and rural communities.

- Selected as an Honorary Member of the Western Society of Weed Science in 2001 for significant contribution to the field of weed science through leadership and involvement in the National Jointed Goatgrass Research Program which has enabled many weed scientists to develop a better understanding of this weed and contributed to winter wheat producers being able to implement integrated management strategies for this problem weed.

- Honored by the Colorado Seed Growers Association in 2001 for "dedicated efforts and foresight in developing and administering the Colorado Wheat Research Foundation Program."

- Selected as an Honorary Member of American Society of Agronomy in 2012 for his leadership of successful initiatives to increase state, regional, national and producer funding of public wheat breeding and university and USDA-ARS research "recognizing sustained, outstanding service to the agronomic sciences."

- Selected as an Honorary Member of Crop Science Society of America in 2012 for his leadership of successful initiatives to increase state, regional, national and producer funding of public wheat breeding and university and USDA-ARS research "recognizing sustained, outstanding service to the crop sciences."

- Named Honorary Guest Cannoneer by CSU President Tony Frank in 2014 to fire the cannon in pregrame festivities at the CSU vs Tulsa football game while CWAC and he was recognized on the jumbotron.

EXHIBIT H

BEFORE THE
SURFACE TRANSPORTATION BOARD

Docket No. FD 36005

KCVN, LLC AND COLORADO PACIFIC RAILROAD, LLC - FEEDER LINE APPLICATION – LINE OF V AND S RAILWAY, LLC BETWEEN TOWNER AND NA JUNCTION COLORADO

VERIFIED STATEMENT OF JOE GRIFFITH

My name is Joe Griffith. I am the General Director of Transportation of Bartlett Grain Co., LP ("Bartlett"), which is headquartered in Kansas City, Missouri. I have held this position at Bartlett since 2006. In my current capacity, I am responsible for arranging for and negotiating the transportation of grain and other commodities by railroad, truck, and other modes.

Bartlett & Company – the parent of Bartlett–is a closely held company that has been in existence for over 100 years. Our principal businesses are grain merchandising, flour milling, feed manufacturing, and cattle feeding. Bartlett has facilities and offices in 11 states and Mexico. We operate two grain elevators facilities along the Towner Line in Colorado that is the subject of this proceeding. These elevators are located in Haswell (MP 807.7) and Eads (MP 785.8). Bartlett has operated the Haswell elevator since June, 2010. Bartlett has owned and operated the Eads facility since 1950. These elevators serve hundreds of wheat farmers in the area of eastern Colorado through which the Towner Line runs.

The majority of the grain handled by the Eads and Haswell elevators comes from farmers in Kiowa County. While the amount of grain we collect and ship each year varies due to the

effects climate and weather in this area of Colorado has on the wheat crop, the amount of wheat produced in Kiowa County is not insignificant. As examples, in 2010, Kiowa County produced 8,047,000 bushels of wheat, or about the equivalent of 2,438 railcar loads. In 2012, Kiowa County produced 3,680,000 bushels of wheat, or about the equivalent of 1,115 railcar loads. That is a 54% reduction in wheat production. However, for that same time period, Bartlett's percentage of volume for wheat purchased from the farmer at the Eads and Haswell elevators was down 68%. I believe a significant contributing factor to that decrease in purchased wheat in 2012 was the absence of economically feasible rail service from the V&S Railway ("V&S"), the owner of the Towner Line. Since rail was not an option, the farmers trucked their crops directly to their end user customers, or to other elevators where rail service was competitive.

Bartlett tendered carloads of grain to the V&S for transportation on the Towner Line up until February 2012, when we stopped and shifted to all truck transportation. The loaded carloads would be transported by V&S eastward to Towner for interchange with the Kansas and Oklahoma Railroad ("K&O") to points beyond. In 2010, we shipped 511 carloads on the V&S from both Haswell and Eads. In 2011, however, our rail shipments dropped precipitously to 27, and we stopped using rail service from V&S altogether in February 2012 after shipping 51 carloads of grain, all of which were transported in a single train for the reasons described below. There were several reasons we ceased using railroad service and switched to all trucks in early 2012. The biggest reason, however, was that effective July, 2011 V&S significantly raised its rates and terms for grain transportation to levels that made it uneconomic to continue shipping by railroad. Specifically, in Supplement 1 to its Freight Tariff VST 8010 (copies of both versions attached as Attachment 1), V&S eliminated all of its Single Car Rates for transporting grain from Towner Line origins to Towner, CO for continuance on K&O. This was a critical change for

Bartlett, since depending on the market and our ownership of grain, we generally would only tender between 10 and 25 single carloads at a time, as our operations at Eads and Haswell are not conducive to assembling blocks of cars greater than 40. While prior to 2011 the Single Car Rates made shipping wheat by rail on the V&S economically feasible, the new rate structure eliminated rail as a viable option. As an example, the Single Car Rate for grain originating at our Eads elevator was $560 per car in the prior tariff. V&S combined the elimination of its Single Car Rates with an increase to $3,000 per car of the only remaining rate that could be used by Bartlett for single car movements - the Intermediate Switching Rate. Our efforts in 2011 and 2012 to convince V&S to lower the single car rates to levels that would make rail transportation economically feasible were not successful, and the discussions were further complicated by V&S insistence on Bartlett making volume commitments which were impossible to consider in that area of the country. As stated above, for our last rail shipment on V&S in February 2012 we assembled a single train of 51 cars to be able to ship under the $341 per car rate V&S had established for transporting blocks of cars greater than 50, since the $3000 per car single car rate was cost prohibitive.

We approached V&S from time to time subsequent to 2012 about the possible restoration of rail service, but those discussions were futile, and the $3000 per car rate remains in effect today. Moreover, even if Bartlett was willing to ship cars under the Supplement's rates and terms, the track between Haswell and Towner on which our elevators are located has been allowed by V&S to deteriorate to a condition that we believe would prevent V&S from fulfilling our transportation needs in a timely manner.

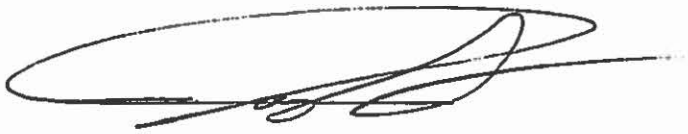
Finally, Bartlett is aware that beginning in August, 2012 V&S began taking formal steps to abandon parts of the Towner Line, and that V&S has made several filings at the Surface

Transportation Board indicating its desire to abandon the line, either in segments or as a whole. We are also aware of the litigation in Colorado courts and the STB involving V&S's attempt to remove and sell a segment of the Towner Line west of our facilities. All of these activities, combined with the establishment of the $3000 per car rate effective mid-2011 and the deterioration of the tracks on which our elevators are located, have reinforced Bartlett's view that V&S does not desire to conduct freight rail service over the Towner Line, and has not since our last shipment in 2012. For this reason, Bartlett supports the efforts of KCVN and its subsidiary to try and acquire the Towner Line for the purpose of restoring freight rail service over it. Bartlett also supports the proposed operation of the line by the K&O. Bartlett would welcome the opportunity to resume shipping Colorado farmer's wheat by railroad, which we appreciate would mean less trucks on the local county roads and highways.

Verification Page

I, Joe Griffith, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to sponsor this testimony.

Executed, March 7, 2016



Joe Griffith

SUPPLEMENT
TO
FT VST 8010

V&S RAILWAY LLC
d/b/a TOWNER RAILWAY

SUPPLEMENT 1
TO
FREIGHT TARIFF VST 8010

CONTAINING

LOCAL RATES

ALSO

RULES, REGULATIONS, AND CHARGES

GOVERNING

SWITCHING

APPLYING AT AND BETWEEN

STATIONS ON THE

VST - TOWNER SUBDIVISION

LOCAL FREIGHT TARIFF

This tariff is also applicable on intrastate traffic, except where expressly provided to the contrary in connection with particular rates and provisions contained herein.

ISSUED: June 10, 2011 **EFFECTIVE: July 1, 2011**

ISSUED BY:

Aaron Parsons
Assistant Vice President & General Manager
P.O. Box 26421
Salt Lake City, UT 84126

SECTION 2
LOCAL AND RULE 11 CHARGES

ITEM 510-A
[I]

INTERMEDIATE SWITCHING RATES

VST will perform intermediate switching (bridge traffic) between BNSF or UP at NA Junction, CO and KO at Towner, CO at the following rates:

All traffic, except Hazardous Materials:

Less than 5 cars.....	$3,000.00 per car
5 - 14 cars.....	$2,000.00 per car
15 - 29 cars.....	$950.00 per car
Hazardous Materials.	Apply above charges plus $1,000.00 per car

SECTION 2
LOCAL AND RULE 11 CHARGES

ITEM 520-A
[I]

RULE 11 RATES (GRAIN TRAFFIC) TO/FROM TOWNER, CO

For grain traffic originating or terminating on the VST, which is interchanged with the KO at Towner, CO, the following rates will apply:

Origin or Destination Station	30 - 49 Car Rate	50+ Car Block Rate
Stuart	$ 504	$ 341
Sheridan Lake		
Brandon		
Chivington		
Eads	$ 614	$ 493
Galatea		
Haswell	$ 745	$ 598
Arlington		
Adobe Creek	$ 921	$ 739
Sugar City		
Ordway		
Crowley		
Olney Springs	$ 1,206	$ 968
Pultney		
NA Junction		

Rule 11 rates will be assessed against the VST customer which originates or terminates a shipment, unless alternative arrangements are made, prior to movement of the shipment on the VST, for billing of a third party.

Rates include VST providing up to four (4) hours of switching/loading assistance at the customer siding. Additional switching needs will be handled in accordance with Item 305. The railroad reserves the right to restrict or modify any request for special switching service.

For explanation of terms and explanation of abbreviations and reference marks, see last page of tariff.

SECTION 2
LOCAL AND RULE 11 CHARGES

ITEM 525-A
[I]

RULE 11 RATES (GRAIN TRAFFIC)
TO/FROM
NA JUNCTION, CO

For grain traffic originating or terminating on the VST, which is interchanged with the BNSF or UP at Towner, CO, the following rates will apply:

Origin or Destination Station	30 - 49 Car Rate	50+ Car Block Rate
Pultney	$ 504	$ 341
Olney Springs		
Crowley		
Ordway		
Sugar City		
Adobe Creek	$ 614	$ 493
Arlington		
Haswell	$ 745	$ 598
Galatea		
Eads	$ 921	$ 739
Chivington		
Brandon		
Sheridan Lake	$ 1,206	$ 968
Stuart		
Towner		

Rule 11 rates will be assessed against the VST customer which originates or terminates a shipment, unless alternative arrangements are made, prior to movement of the shipment on the VST, for billing of a third party.

Rates include VST providing up to four (4) hours of switching/loading assistance at the customer siding. Additional switching needs will be handled in accordance with Item 305. The railroad reserves the right to restrict or modify any request for special switching service.

- END -

V&S RAILWAY LLC
d/b/a TOWNER RAILWAY

FREIGHT TARIFF VST 8010
(Cancels Freight Tariff VST 8008)

CONTAINING

LOCAL RATES

ALSO

RULES, REGULATIONS, AND CHARGES

GOVERNING

SWITCHING

APPLYING AT AND BETWEEN

STATIONS ON THE

VST - TOWNER SUBDIVISION

LOCAL FREIGHT TARIFF

This tariff is also applicable on intrastate traffic, except where expressly provided to the contrary in connection with particular rates and provisions contained herein.

ISSUED: January 15, 2007 **EFFECTIVE: February 5, 2007**

ISSUED BY:

Steven Van Wagenen
Vice President & General Manager
P.O. Box 26421
Salt Lake City, UT 84126

(The provisions published herein, if effective, will not result in an effect on the quality of the human environment.)

CANCELLATION NOTICE

Freight Tariff VST 8010 cancels Freight Tariff VST 8008 in its entirety.

Provisions formerly shown in Freight Tariff VST 8008 and not brought forward in Freight Tariff 8010 are hereby canceled.

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	ABBREVIATIONS & REFERENCE MARKS (SEE LAST PAGE OF THIS TARIFF)

For explanation of terms and explanation of abbreviations and reference marks, see last page of tariff.

RULES AND OTHER GOVERNING PROVISIONS
RULES AND REGULATIONS - GENERAL

ITEM 5

DESCRIPTION OF GOVERNING CLASSIFICATIONS AND EXCEPTIONS

The terms "Governing Classifications" and "Uniform Freight Classification" when used herein, mean: Uniform Freight Classification 6000-series, issued by National Railroad Freight Committee Agent.

ITEM 10

STATION LISTS AND CONDITIONS

This tariff is governed by Official Railroad Station List, OPSL 6000-series, Railinc, Agent, to the extent below:

PREPAY REQUIREMENTS AND STATION CONDITIONS

(a) For additions and abandonments of stations, and except as otherwise shown herein, for prepay requirements, changes in names of stations, restrictions as to acceptance or delivery of freight, and changes in station facilities.

When a station is abandoned as of a date specified in the above named tariff, the rates from and to such station as published in this tariff are inapplicable on and after that date.

GEOGRAPHICAL LIST OF STATIONS

(b) For geographical locations of stations referred to in this tariff by station numbers.

STATION NUMBERS

(c) For the identification of stations when stations are shown or referred to by numbers in this tariff.

ITEM 20

REFERENCE TO TARIFFS, ITEMS, NOTES, RULES, ETC.

Where reference is made in this tariff to tariffs, items, notes, rules, etc., such references are continuous and include supplements to and successive issues of such tariffs and reissues of such items, notes, rules, etc.

ITEM 30

CONSECUTIVE NUMBERS

Where consecutive numbers are represented in this tariff by the first and last numbers connected by the word "to" or a hyphen, they will be understood to include both of the numbers shown.

If the first number only bears a reference mark, such reference mark also applies to the last number shown and to all numbers between the first and last numbers.

RULES AND OTHER GOVERNING PROVISIONS
RULES AND REGULATIONS - GENERAL

ITEM 45
[A]

CAPACITY AND DIMENSIONS OF CARS

For marked capacities, length, dimension and cubical capacities of cars, see Official Railway Equipment Register, RER 6414 Services, issued by R.E.R. Publishing Corporations, Agent.

ITEM 50

METHOD OF CANCELLING ITEMS

As this tariff is supplemented, numbered items with letter suffixes cancel correspondingly numbered items in the original tariff or in a prior supplement. Letter suffixes will be used in alphabetical sequence starting with A.

Example - Item 5-A cancels Item 5 and Item 10-B cancels Item 10-A in a prior supplement, which in turn, cancelled Item 10.

ITEM 60
[A]

EXPLOSIVES, DANGEROUS ARTICLES

For rules and regulations governing the transportation of explosives and other dangerous articles of freight, and specifications for shipping containers and restrictions governing the acceptance and transportation of explosives and other dangerous articles, see Bureau of Explosives Tariff BOE 6000-series.

ITEM 80
[A]

PAYMENT AND CREDIT TERMS

All charges under this tariff must be prepaid, unless satisfactory arrangements with VST have been made prior to performance of service. Charges for services rendered under terms of this tariff will accrue against the customer located on the VST unless arrangements to the contrary have been made with VST prior to performance of service.

All payments for service covered herein are due and payable within fifteen (15) days following the Freight Bill date. Payments received after the expiration of the credit period shall be subject to a service charge of one and one-half percent (1.1/2%) per month (or fraction thereof) of the outstanding balance.

For explanation of terms and explanation of abbreviations and reference marks, see last page of tariff.

RULES AND OTHER GOVERNING PROVISIONS
RULES AND REGULATIONS - UNLIMITED

ITEM 100

DEMURRAGE AND CAR SERVICE REGULATIONS AND CHARGES

Demurrage and car service regulations and charges will apply in addition to the charges shown herein.

EXCEPTION-Where switching service is performed on traffic moving under line-haul rates which are subject to special detention charges and rules, the switching charges provided in this tariff will be subject to the same detention charges and rules as applicable in connection with the line-haul rates, and provisions of Freight Tariff ASLG 6004-series will not apply.

ITEM 110

CARS FURNISHED BUT NOT USED

Except as otherwise provided in tariffs lawfully on file, when an empty car is (1) actually placed or constructively placed for loading, but is not used in subsequent transportation service and is released empty, a charge of $200.00 per car in addition to applicable demurrage charges will be made against the party ordering but not using the equipment.

EXCEPTION-This charge will not apply when cars are refused or rejected account of not being in proper condition for loading. This charge will also not apply when the customer has agreed to reimburse the railroad for all car hire charges associated with the movement of the car.

(1) The term actually placed or constructively placed as used herein is defined in Items 540 and 545-series of Freight Tariff ASLG 6004-series.

ITEM 120

CHARGES ON CARS RECEIVED WITHOUT BILLING, OR WITH IMPROPER BILLING AT INTERCHANGE POINTS

When cars empty or loaded are received at an interchange point by a carrier from its connection without proper billing (see Note), such cars will, upon the request of the delivering carrier, be returned, subject to a charge of $100.00 per car for returning the loaded or empty car to the connections of the carrier making the request.

NOTE-When instructions are not received within twenty-four (24) hours from time of receipt of car at connection, a hold charge of $50.00 per car will be assessed thereafter for each twenty-four (24) hours or fraction thereof until instructions or billing is received.

SECTION 1
SWITCHING AND MISCELLANEOUS CHARGES

ITEM 200

DEFINITION OF INTRA-PLANT, INTRA-TERMINAL AND OTHER INTER-TERMINAL SWITCHING

INTRA-PLANT
A switching movement from one location to another location within the confines of an industry located on the VST.

INTRA-TERMINAL
A switching movement (other than intra-plant) from one location to another on the VST, within the switching limits of one station or industrial switching district.

INTER-TERMINAL
A switching movement between industry tracks on the VST and interchange with connecting lines when within the switching limits of the same location.

ITEM 210

OVER LOADED CARS

VST will not accept cars that are loaded in excess of load limit markings. When a car is found to be loaded in excess of its stenciled load limit while enroute, it will be placed at or near the location where the overload was discovered. Consignor shall arrange for disposition or, at carriers' convenience, the car may be returned to the shipper for removal of the excess weight.

In addition to an overloaded car charge of $150.00 per overloaded car, consignor shall also be assessed for all extra services performed, including any additional switching charges to return the car to the consignor, charges for weighing the cars, and any charges assessed to VST for delivering an overloaded car to connecting carriers.

VST shall not maintain scales for weighing cars, but may contract weighing services with another carrier.

The regular switching charge will be in addition.

ITEM 220

FURNISHING CARS

VST will not undertake to furnish cars of any particular type, size or dimension when to be used in intra-plant, intra-terminal or inter-terminal switching.

ITEM 230

NON-APPLICATION OF CHARGES IN CONNECTION WITH LINE-HAUL

The charges published in this Section will not apply in connection with a line-haul.

For explanation of terms and explanation of abbreviations and reference marks, see last page of tariff.

SECTION 1
SWITCHING AND MISCELLANEOUS CHARGES

ITEM 240

NON-APPLICATION IN COMBINATION WITH OTHER CHARGES

The charges published in this Section will not apply in combination with other charges in this Section between locations on the same railroad.

ITEM 250

NON-APPLICATION ON "ORDER NOTIFY," ETC., SHIPMENTS

Intra-plant, Intra-terminal or Inter-terminal switching service provided for herein will not be performed on shipments moving under order notify bills of lading or under straight bills of lading (including shipments consigned to one party, notify or advise another party) which carry a provision (see Section 4, Rule 7 of Uniform Freight Classification) (See Item 5), requiring the surrender of bill of lading, written order, or other document before making delivery.

ITEM 260
[A]

CHARGES FOR CARS OF FOUR (4) AND MORE THAN FOUR (4) AXLES

(a) Charges for intra-plant or intra-terminal switching at points on these lines will be confined in cars having no more than four (4) axles.

(b) When cars with more than four (4) axles are found in intra-plant, intra-terminal or inter-terminal service, the charges for such service will be 200% of that shown herein for the same service application on cars with four (4) axles.

ITEM 270
[A]

SWITCHING FROM PRIVATE SIDE TRACKS TO HOLD TRACKS

The intra-terminal or inter-terminal switching charges in this section also apply on cars moved to hold or team tracks when billed to a consignee in care of freight agent at point where loaded.

SECTION 1
SWITCHING AND MISCELLANEOUS CHARGES

ITEM 280
[A]

SPECIAL HANDLING SERVICE
(Not subject to Item 260)

When a switching movement cannot be handled in regular train operation because of excess dimensions or weight, additional charge for special handling will be $1,000.00 per car. This charge will be in addition to any other charge applicable to the movement. All car hire charges associated with the movement or delay on the line to accommodate loading /unloading shall also be charged.

ITEM 285
[A] SPECIAL TRAIN CHARGES

When upon request, special round-trip train service to Towner, CO or N.A. Junction, CO will be provided at the rate of $8,250.00 per train. Special train movement will only be arranged for with reasonable advance notice to the VST, and only when the VST determines that sufficient motive power and crews are available to provide such service. VST reserves the right to restrict such trains to a maximum of 30 cars. All otherwise applicable line-haul charges will be in addition to the charges specified herein.

ITEM 290

CHARGE FOR USE OF SPECIAL EQUIPMENT

VST will not furnish cars that are other than ordinary equipment for use in intra-plant, intra-terminal or inter-terminal switching service. In the event other than ordinary equipment is used, an additional charge of $300.00 per car will be assessed. On joint-line movements, this charge will be assessed only once (see Exception).

ORDINARY EQUIPMENT MEANS:

(1) XM boxcars not exceeding 52 feet in length, inside measurement.

(2) FM flatcars, not over 54 feet in length and having capacity not over 180,000 pounds.

(3) Gondola cars having marked capacity not greater than 180,000 pounds, but not including gondola cars of any length equipped with covers, hoods, containers or cradle floors.

(4) Open-top hopper cars not exceeding 43 feet in length, inside measurement, and having marked capacity not exceeding 180,000 pounds.

(5) Shipper owned or leased cars.

EXCEPTION - Provisions of this item do not apply on a movement immediately prior or subsequent to a revenue line-haul movement and notation so stating is made by shipper on shipping document.

SECTION 1
SWITCHING AND MISCELLANEOUS CHARGES

ITEM 300

SWITCHING OF LOCOMOTIVES ON OWN WHEELS, BUT NOT UNDER OWN POWER

Locomotives moving on own wheels, but not under own power, when moved from one location to another location within the same switching district will be assessed a charge of $1000.00 per locomotive. If the locomotive is moved for turning, the charge will be applied in each direction. Maximum liability in all cases shall be $100.00 per locomotive moved.

ITEM 305

SPECIAL SWITCHING SERVICE

Special Switching Service is movement in other than normal service at the specific request of the shipper or consignee, or as may be required due to other conditions not permitted in normal operations.

The charge for special switching service will be a minimum of $1000.00 for the first four hours, plus $250.00 for each additional hour or fraction thereof over four (4) hours but not exceeding eight (8) hours per occurrence, and will be in addition to all other charges associated with the movement.

The time for the purposes of these charges is to be calculated from the time the crew goes on duty until the crew goes off duty.

(The railroad reserves the right to restrict or modify any request for special switching service.)

SECTION 1
SWITCHING AND MISCELLANEOUS CHARGES

ITEM 310

CHARGE FOR HEAVY DUTY FLAT CARS

When heavy-duty flat cars as defined in Tariff RIC 6740-series are used on shipments both originating and terminating within the same switching district, the following charges will be assessed:

USE CHARGE

$1,000.00 per car switching movement (not subject to any other switching charges published in this tariff).

SPECIAL DETENTION CHARGES

When cars are held beyond the Free Time permitted in Tariff ASLG 6004-series charges therein will be assessed and in addition the following detention charges will be assessed for each twenty-four (24) hour period or fraction thereof beyond the authorized free time:

CHARGES IN DOLLARS PER CAR

1st 24 hours - $100.00	4th 24 hours - $250.00
2nd 24 hours - $150.00	5th 24 hours - $300.00
3rd 24 hours - $200.00	6th 24 hours and each additional 24 hours - $400.00

NON-USE CHARGE

When car is ordered, placed and released back to VST without being used in transportation service, a charge of $500.00 per car will be assessed and will be in addition to any detention charges that may accrue.

ITEM 320

TURNING OF CARS TO PERMIT UNLOADING

PART 1

Applicable only on cars loaded and unloaded within the switching limits of the station (including adjacent or contiguous switching of industrial districts) involved.

(A) Except as provided in Paragraph (B), orders calling for placement of cars for unloading from a particular side or end will not be accepted when moving in intra-plant, intra-terminal or inter-terminal service.

(B) Upon request of shipper for a car moving in intra-terminal switching service to be placed for unloading from a particular side or end, the VST will perform such service at a charge of $200.00 per car, which will be in addition to the applicable switching and special equipment penalty charge (See Note 1).

NOTE 1 - Applicable only where WYE is located within the switching limits of the station (including adjacent or contiguous switching or industrial districts where intra-terminal switching charges are in effect) involved.

(Continued on next page)

For explanation of terms and explanation of abbreviations and reference marks, see last page of tariff.

ITEM 320 (Cont'd)

TURNING OF CARS TO PERMIT UNLOADING

PART 2

1. In instances where it is desired that freight in carloads be placed on delivery tracks for loading or unloading at stop-off points or destination from one particular side or end of car, cars must be properly placarded on both sides and notation made on Bill of Lading and waybill subsequently as follows: *"Deliver car for unloading from the door or end specified by placard"*.

2. On freight in carloads, not properly placarded on both sides of car to unload from one particular side or end of car which shipper or consignee, after initial placement of car, directs carrier to turn and return to the initial placement of car, directs carrier to turn and return to the same track for unloading from opposite side or end of car, the following shall apply:

CHARGES (See Note 1)[I]

(a) If the car is turned at a WYE or a turntable within the same switching district, or the confines of an industry, $200.00.

(b) If the car must be moved to a WYE / turntable located outside the switching district, $375.00.

(c) If the car must be moved to the WYE or a turntable of a connecting railway, $400.00 plus any switching or turning charges assessed by connecting railway.

NOTE 1 - If Bill of Lading carries a notation that car has been placarded and placard has disappeared before placement, the charge named therein will not apply.

ITEM 330

CHARGES FOR INTRA-PLANT AND INTRA-TERMINAL SWITCHING

Except as otherwise provided herein, VST will assess the following charges in dollars per car for switching service as defined in Item 200.

INTRA-PLANT
$125.00

INTRA-TERMINAL
When in Shipper Owned or Leased Equipment - $200.00
When in other than Shippers Equipment - $300.00

SECTION 1
SWITCHING AND MISCELLANEOUS CHARGES

ITEM 340

WEIGHING CHARGES

When a car is weighed or reweighed either empty or loaded at the request of either consignor or consignee a charge of $250.00 per car will be made each time the car is weighed, if such facilities are available.

ITEM 350
[A]

HANDLING OF EMPTY FREIGHT CARS

Applies to all types of rail cars, included but not limited to cars provided by railroads, leased cars and cars bearing other than railroad reporting marks.

The charge for movement of empty cars shall be $400.00 per car, per occurrence. VST will not be responsible for the payment of any per diem or mileage charges. In no case shall VST be responsible for switching charges of any kind. Any per diem, mileage or switch charges assessed to VST for handling empty cars shall be assessed to the customer ordering the cars.

Empty cars, all types, will be moved without charge to or from facilities, stations, or interchange points served by the VST, only when the empty movement is immediately preceded by or followed by a loaded revenue movement via VST (maximum of 30 days between loaded and empty moves). In all other cases, the charges above will apply.

A new car or a newly acquired car moving prior to its first loaded move in commercial service and a car moving for sale, scrap, or storage will be moved on VST subject to the charges above.

Empty car charges shall be assessed to the carrier delivering the cars to the VST.

ITEM 360
[A]

HANDLING OF CARS DELIVERED IN BAD ORDER CONDITION

A charge of $100.00 per car will be assessed against the carrier which delivers cars to the VST that contain AAR/ FRA defects to cover the cost of extra handling.

ITEM 365
[A]

HANDLING OF CARS RECEIVED IN BAD ORDER CONDITION

A charge of $100.00 per car will be assessed against the industry / shipper which offers cars to the VST that contain AAR/FRA defects to cover the cost of extra handling. The industry / shipper will also be responsible for the costs of the car repairs at the current AAR pricing.

SECTION 1
SWITCHING AND MISCELLANEOUS CHARGES

ITEM 370
[A]

HANDLING OF CARS DELIVERED IN ERROR

A charge of $100.00 per car will be assessed against the carrier, which delivers cars to the VST in error for return of these cars, loads or empties.

ITEM 380

DIVERSION / RECONSIGNMENT

When a shipper or the otherwise beneficial owner of a freight shipment desires to make a change in the billed consignee, or destination, or route, a charge of $150.00 per car will apply. The charges herein shall be in addition to all other charges and accrue solely to VST.

Reasonable effort will be made by VST to issue instructions in accomplishing the desired change. However, VST does not warrant, nor will be responsible for instructions received too late to be acted upon. If VST is unsuccessful in carrying out the requested instructions, the charges applicable in connection with this item will not apply.

ITEM 400
[A]

LINE HAUL RATES

All line haul rates shall be published as appropriate tariffs, rate quotes and contracts. All line haul movements are interchanged with BNSF at Attica, KS.

SECTION 2
LOCAL AND RULE 11 CHARGES

ITEM 500
[I]

FREIGHT ALL KINDS

FREIGHT, ALL KINDS, unless otherwise provided for in this section or by separate contract, will be moved on the VST at the rate of $560.00 per car plus applicable surcharges.

ITEM 510
[I]

INTERMEDIATE SWITCHING RATES

VST will perform intermediate switching (bridge traffic) between BNSF or UP at NA Junction, CO and KO at Towner, CO at the following rates:

All traffic, except aggregates, hazardous materials cars
Chemicals, fertilizer and grain..... $860.00 per car

Aggregate Traffic..... $650.00 per car

Chemicals..... $960.00 per car

Fertilizer..... $960.00 per car

Grain Traffic..... $960.00 per car

Hazardous Materials..... $1260.00 per car

ITEM 515
[I]

RULE 11 RATES (Non-Grain Traffic)

For all non-grain traffic originating or terminating on the VST, the following rates will apply:

All traffic, except aggregates, hazardous materials
Chemicals, fertilizer and grain..... $560.00 per car

Aggregate Traffic..... $350.00 per car

Chemicals..... $660.00 per car

Fertilizer..... $660.00 per car

Hazardous Materials..... $960.00 per car

The above rates shall be reduced by 20% when such commodities are moved as a single block of 30 carloads or more, loaded at the same location, billed and released on the same day, destined for the same interchange point.

ZONE STATIONS

The above rates apply when traffic originates and terminates within the same station zone. For all traffic that originates in one station zone and terminates in another station zone, including interchange traffic, a $300 per car fee will be added to the above rate.

Zone 1 stations are those stations west of Haswell to NA Junction.

Zone 2 stations are those stations from Haswell to Towner.

For explanation of terms and explanation of abbreviations and reference marks, see last page of tariff.

SECTION 2
LOCAL AND RULE 11 CHARGES

ITEM 520
[I]

RULE 11 RATES (GRAIN TRAFFIC)
TO/FROM
TOWNER, CO

For grain traffic originating or terminating on the VST, which is interchanged with the KO at Towner, CO, the following rates will apply:

Origin or Destination Station	Single Car Rate	25+ Car Block Rate
Stuart	$ 460	$ 310
Sheridan Lake		
Brandon		
Chivington		
Eads	$ 560	$ 448
Galatea		
Haswell	$ 680	$ 544
Arlington		
Adobe Creek	$ 840	$ 672
Sugar City		
Ordway		
Crowley		
Olney Springs	$ 1,100	$ 880
Pultney		
NA Junction		

Rule 11 rates will be assessed against the VST customer which originates or terminates a shipment, unless alternative arrangements are made, prior to movement of the shipment on the VST, for billing of a third party.

Rates include VST providing up to four (4) hours of switching/loading assistance at the customer siding. Additional switching needs will be handled in accordance with Item 305. The railroad reserves the right to restrict or modify any request for special switching service.

SECTION 2
LOCAL AND RULE 11 CHARGES

ITEM 525
[I]

RULE 11 RATES (GRAIN TRAFFIC)
TO/FROM
NA JUNCTION, CO

For grain traffic originating or terminating on the VST, which is interchanged with the BNSF or UP at Towner, CO, the following rates will apply:

Origin or Destination Station	Single Car Rate	25+ Car Block Rate
Pultney	$ 460	$ 310
Olney Springs		
Crowley		
Ordway		
Sugar City		
Adobe Creek	$ 560	$ 448
Arlington		
Haswell	$ 680	$ 544
Galatea		
Eads	$ 840	$ 672
Chivington		
Brandon		
Sheridan Lake	$ 1,100	$ 880
Stuart		
Towner		

Rule 11 rates will be assessed against the VST customer which originates or terminates a shipment, unless alternative arrangements are made, prior to movement of the shipment on the VST, for billing of a third party.

Rates include VST providing up to four (4) hours of switching/loading assistance at the customer siding. Additional switching needs will be handled in accordance with Item 305. The railroad reserves the right to restrict or modify any request for special switching service.

ITEM 530

MINIMUM TENDER

All traffic moving of VST, including items 340, 500, 510, 515, and 520 are subject to a minimum movement of seven cars. For any car movement of less than seven cars, items 285 and 305 apply.

For explanation of terms and explanation of abbreviations and reference marks, see last page of tariff.

FUEL SURCHARGE

ITEM 535

FUEL SURCHARGE

All traffic moving on VST, including Items 305, 340, 500, 510, 515, 520 and 525, is subject to a fuel surcharge, which is based on changes to the U.S. Retail On Highway Diesel Fuel ("HDF") prices for the Midwest. Base price is $2.650 per gallon.

HDF Prices and changes are published online at:

http://tonto.eia.doe.gov/oog/info/wohdp/diesel.asp

The surcharge for a given month will be calculated based on the average HDF price published on each Monday of the preceding month.

If the average HDF price is above $2.650 per gallon, the corresponding percentage (shown below) will be added to the rates stated in Items 285, 305, 340, 500, 510, 515, 520 and 525.

Monthly Avg. HDF Price Range	Surcharge
$2.651 to $2.700	0.5%
$2.701 to $2.750	1.0%
$2.751 to $2.800	1.5%
$2.801 to $2.850	2.0%
$2.851 to $2.900	2.5%
$2.901 to $2.950	3.0%
$2.951 to $3.000	3.5%
$3.001 to $3.050	4.0%
$3.051 to $3.100	4.5%

Each $0.05 per gallon increase there after apply an additional .5%

ABBREVIATIONS & REFERENCE MARKS

VST - V & S Railway LLC
BNSF - BNSF Railway Company
KO - Kansas and Oklahoma Railroad
OPSL - Open and Prepay Station List
STCC - Standard Transportation Commodity Code
UFC - Uniform Freight Classification
UP - Union Pacific Railroad

$ - Dollars
[I] - Denotes increase
[R] - Denotes reduction
[C] - Denotes change in wording which results in neither an increase nor reduction.

- END -

V&S RAILWAY LLC
d/b/a TOWNER RAILWAY

FREIGHT TARIFF VST 8010
(Cancels Freight Tariff VST 8008)

CONTAINING

LOCAL RATES

ALSO

RULES, REGULATIONS, AND CHARGES

GOVERNING

SWITCHING

APPLYING AT AND BETWEEN

STATIONS ON THE

VST - TOWNER SUBDIVISION

LOCAL FREIGHT TARIFF

This tariff is also applicable on intrastate traffic, except where expressly provided to the contrary in connection with particular rates and provisions contained herein.

ISSUED: January 15, 2007 **EFFECTIVE: February 5, 2007**

ISSUED BY:

Steven Van Wagenen
Vice President & General Manager
P.O. Box 26421
Salt Lake City, UT 84126

(The provisions published herein, if effective, will not result in an effect on the quality of the human environment.)

CANCELLATION NOTICE

Freight Tariff VST 8010 cancels Freight Tariff VST 8008 in its entirety.

Provisions formerly shown in Freight Tariff VST 8008 and not brought forward in Freight Tariff 8010 are hereby canceled.

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	ABBREVIATIONS & REFERENCE MARKS (SEE LAST PAGE OF THIS TARIFF)

For explanation of terms and explanation of abbreviations and reference marks, see last page of tariff.

RULES AND OTHER GOVERNING PROVISIONS
RULES AND REGULATIONS - GENERAL

ITEM 5

DESCRIPTION OF GOVERNING CLASSIFICATIONS AND EXCEPTIONS

The terms "Governing Classifications" and "Uniform Freight Classification" when used herein, mean: Uniform Freight Classification 6000-series, issued by National Railroad Freight Committee Agent.

ITEM 10

STATION LISTS AND CONDITIONS

This tariff is governed by Official Railroad Station List, OPSL 6000-series, Railinc, Agent, to the extent below:

PREPAY REQUIREMENTS AND STATION CONDITIONS

(a) For additions and abandonments of stations, and except as otherwise shown herein, for prepay requirements, changes in names of stations, restrictions as to acceptance or delivery of freight, and changes in station facilities.

When a station is abandoned as of a date specified in the above named tariff, the rates from and to such station as published in this tariff are inapplicable on and after that date.

GEOGRAPHICAL LIST OF STATIONS

(b) For geographical locations of stations referred to in this tariff by station numbers.

STATION NUMBERS

(c) For the identification of stations when stations are shown or referred to by numbers in this tariff.

ITEM 20

REFERENCE TO TARIFFS, ITEMS, NOTES, RULES, ETC.

Where reference is made in this tariff to tariffs, items, notes, rules, etc., such references are continuous and include supplements to and successive issues of such tariffs and reissues of such items, notes, rules, etc.

ITEM 30

CONSECUTIVE NUMBERS

Where consecutive numbers are represented in this tariff by the first and last numbers connected by the word "to" or a hyphen, they will be understood to include both of the numbers shown.

If the first number only bears a reference mark, such reference mark also applies to the last number shown and to all numbers between the first and last numbers.

RULES AND OTHER GOVERNING PROVISIONS
RULES AND REGULATIONS - GENERAL

ITEM 45
[A]

CAPACITY AND DIMENSIONS OF CARS

For marked capacities, length, dimension and cubical capacities of cars, see Official Railway Equipment Register, RER 6414 Services, issued by R.E.R. Publishing Corporations, Agent.

ITEM 50

METHOD OF CANCELLING ITEMS

As this tariff is supplemented, numbered items with letter suffixes cancel correspondingly numbered items in the original tariff or in a prior supplement. Letter suffixes will be used in alphabetical sequence starting with A.

Example - Item 5-A cancels Item 5 and Item 10-B cancels Item 10-A in a prior supplement, which in turn, cancelled Item 10.

ITEM 60
[A]

EXPLOSIVES, DANGEROUS ARTICLES

For rules and regulations governing the transportation of explosives and other dangerous articles of freight, and specifications for shipping containers and restrictions governing the acceptance and transportation of explosives and other dangerous articles, see Bureau of Explosives Tariff BOE 6000-series.

ITEM 80
[A]

PAYMENT AND CREDIT TERMS

All charges under this tariff must be prepaid, unless satisfactory arrangements with VST have been made prior to performance of service. Charges for services rendered under terms of this tariff will accrue against the customer located on the VST unless arrangements to the contrary have been made with VST prior to performance of service.

All payments for service covered herein are due and payable within fifteen (15) days following the Freight Bill date. Payments received after the expiration of the credit period shall be subject to a service charge of one and one-half percent (1.1/2%) per month (or fraction thereof) of the outstanding balance.

For explanation of terms and explanation of abbreviations and reference marks, see last page of tariff.

RULES AND OTHER GOVERNING PROVISIONS
RULES AND REGULATIONS - UNLIMITED

ITEM 100

DEMURRAGE AND CAR SERVICE REGULATIONS AND CHARGES

Demurrage and car service regulations and charges will apply in addition to the charges shown herein.

EXCEPTION-Where switching service is performed on traffic moving under line-haul rates which are subject to special detention charges and rules, the switching charges provided in this tariff will be subject to the same detention charges and rules as applicable in connection with the line-haul rates, and provisions of Freight Tariff ASLG 6004-series will not apply.

ITEM 110

CARS FURNISHED BUT NOT USED

Except as otherwise provided in tariffs lawfully on file, when an empty car is (1) actually placed or constructively placed for loading, but is not used in subsequent transportation service and is released empty, a charge of $200.00 per car in addition to applicable demurrage charges will be made against the party ordering but not using the equipment.

EXCEPTION-This charge will not apply when cars are refused or rejected account of not being in proper condition for loading. This charge will also not apply when the customer has agreed to reimburse the railroad for all car hire charges associated with the movement of the car.

(1) The term actually placed or constructively placed as used herein is defined in Items 540 and 545-series of Freight Tariff ASLG 6004-series.

ITEM 120

CHARGES ON CARS RECEIVED WITHOUT BILLING, OR WITH IMPROPER BILLING AT INTERCHANGE POINTS

When cars empty or loaded are received at an interchange point by a carrier from its connection without proper billing (see Note), such cars will, upon the request of the delivering carrier, be returned, subject to a charge of $100.00 per car for returning the loaded or empty car to the connections of the carrier making the request.

NOTE-When instructions are not received within twenty-four (24) hours from time of receipt of car at connection, a hold charge of $50.00 per car will be assessed thereafter for each twenty-four (24) hours or fraction thereof until instructions or billing is received.

SECTION 1
SWITCHING AND MISCELLANEOUS CHARGES

ITEM 200

DEFINITION OF INTRA-PLANT, INTRA-TERMINAL AND OTHER INTER-TERMINAL SWITCHING

INTRA-PLANT

A switching movement from one location to another location within the confines of an industry located on the VST.

INTRA-TERMINAL

A switching movement (other than intra-plant) from one location to another on the VST, within the switching limits of one station or industrial switching district.

INTER-TERMINAL

A switching movement between industry tracks on the VST and interchange with connecting lines when within the switching limits of the same location.

ITEM 210

OVER LOADED CARS

VST will not accept cars that are loaded in excess of load limit markings. When a car is found to be loaded in excess of its stenciled load limit while enroute, it will be placed at or near the location where the overload was discovered. Consignor shall arrange for disposition or, at carriers' convenience, the car may be returned to the shipper for removal of the excess weight.

In addition to an overloaded car charge of $150.00 per overloaded car, consignor shall also be assessed for all extra services performed, including any additional switching charges to return the car to the consignor, charges for weighing the cars, and any charges assessed to VST for delivering an overloaded car to connecting carriers.

VST shall not maintain scales for weighing cars, but may contract weighing services with another carrier.

The regular switching charge will be in addition.

ITEM 220

FURNISHING CARS

VST will not undertake to furnish cars of any particular type, size or dimension when to be used in intra-plant, intra-terminal or inter-terminal switching.

ITEM 230

NON-APPLICATION OF CHARGES IN CONNECTION WITH LINE-HAUL

The charges published in this Section will not apply in connection with a line-haul.

For explanation of terms and explanation of abbreviations and reference marks, see last page of tariff.

SECTION 1
SWITCHING AND MISCELLANEOUS CHARGES

ITEM 240

NON-APPLICATION IN COMBINATION WITH OTHER CHARGES

The charges published in this Section will not apply in combination with other charges in this Section between locations on the same railroad.

ITEM 250

NON-APPLICATION ON "ORDER NOTIFY," ETC., SHIPMENTS

Intra-plant, Intra-terminal or Inter-terminal switching service provided for herein will not be performed on shipments moving under order notify bills of lading or under straight bills of lading (including shipments consigned to one party, notify or advise another party) which carry a provision (see Section 4, Rule 7 of Uniform Freight Classification) (See Item 5), requiring the surrender of bill of lading, written order, or other document before making delivery.

ITEM 260
[A]

CHARGES FOR CARS OF FOUR (4) AND MORE THAN FOUR (4) AXLES

(a) Charges for intra-plant or intra-terminal switching at points on these lines will be confined in cars having no more than four (4) axles.

(b) When cars with more than four (4) axles are found in intra-plant, intra-terminal or inter-terminal service, the charges for such service will be 200% of that shown herein for the same service application on cars with four (4) axles.

ITEM 270
[A]

SWITCHING FROM PRIVATE SIDE TRACKS TO HOLD TRACKS

The intra-terminal or inter-terminal switching charges in this section also apply on cars moved to hold or team tracks when billed to a consignee in care of freight agent at point where loaded.

SECTION 1
SWITCHING AND MISCELLANEOUS CHARGES

ITEM 280
[A]

SPECIAL HANDLING SERVICE
(Not subject to Item 260)

When a switching movement cannot be handled in regular train operation because of excess dimensions or weight, additional charge for special handling will be $1,000.00 per car. This charge will be in addition to any other charge applicable to the movement. All car hire charges associated with the movement or delay on the line to accommodate loading /unloading shall also be charged.

ITEM 285
[A] **SPECIAL TRAIN CHARGES**

When upon request, special round-trip train service to Towner, CO or N.A. Junction, CO will be provided at the rate of $8,250.00 per train. Special train movement will only be arranged for with reasonable advance notice to the VST, and only when the VST determines that sufficient motive power and crews are available to provide such service. VST reserves the right to restrict such trains to a maximum of 30 cars. All otherwise applicable line-haul charges will be in addition to the charges specified herein.

ITEM 290

CHARGE FOR USE OF SPECIAL EQUIPMENT

VST will not furnish cars that are other than ordinary equipment for use in intra-plant, intra-terminal or inter-terminal switching service. In the event other than ordinary equipment is used, an additional charge of $300.00 per car will be assessed. On joint-line movements, this charge will be assessed only once (see Exception).

ORDINARY EQUIPMENT MEANS:

(1) XM boxcars not exceeding 52 feet in length, inside measurement.

(2) FM flatcars, not over 54 feet in length and having capacity not over 180,000 pounds.

(3) Gondola cars having marked capacity not greater than 180,000 pounds, but not including gondola cars of any length equipped with covers, hoods, containers or cradle floors.

(4) Open-top hopper cars not exceeding 43 feet in length, inside measurement, and having marked capacity not exceeding 180,000 pounds.

(5) Shipper owned or leased cars.

EXCEPTION - Provisions of this item do not apply on a movement immediately prior or subsequent to a revenue line-haul movement and notation so stating is made by shipper on shipping document.

SECTION 1
SWITCHING AND MISCELLANEOUS CHARGES

ITEM 300

SWITCHING OF LOCOMOTIVES ON OWN WHEELS, BUT NOT UNDER OWN POWER

Locomotives moving on own wheels, but not under own power, when moved from one location to another location within the same switching district will be assessed a charge of $1000.00 per locomotive. If the locomotive is moved for turning, the charge will be applied in each direction. Maximum liability in all cases shall be $100.00 per locomotive moved.

ITEM 305

SPECIAL SWITCHING SERVICE

Special Switching Service is movement in other than normal service at the specific request of the shipper or consignee, or as may be required due to other conditions not permitted in normal operations.

The charge for special switching service will be a minimum of $1000.00 for the first four hours, plus $250.00 for each additional hour or fraction thereof over four (4) hours but not exceeding eight (8) hours per occurrence, and will be in addition to all other charges associated with the movement.

The time for the purposes of these charges is to be calculated from the time the crew goes on duty until the crew goes off duty.

(The railroad reserves the right to restrict or modify any request for special switching service.)

SECTION 1
SWITCHING AND MISCELLANEOUS CHARGES

ITEM 310

CHARGE FOR HEAVY DUTY FLAT CARS

When heavy-duty flat cars as defined in Tariff RIC 6740-series are used on shipments both originating and terminating within the same switching district, the following charges will be assessed:

USE CHARGE

$1,000.00 per car switching movement (not subject to any other switching charges published in this tariff).

SPECIAL DETENTION CHARGES

When cars are held beyond the Free Time permitted in Tariff ASLG 6004-series charges therein will be assessed and in addition the following detention charges will be assessed for each twenty-four (24) hour period or fraction thereof beyond the authorized free time:

CHARGES IN DOLLARS PER CAR

1st 24 hours - $100.00	4th 24 hours - $250.00
2nd 24 hours - $150.00	5th 24 hours - $300.00
3rd 24 hours - $200.00	6th 24 hours and each additional 24 hours - $400.00

NON-USE CHARGE

When car is ordered, placed and released back to VST without being used in transportation service, a charge of $500.00 per car will be assessed and will be in addition to any detention charges that may accrue.

ITEM 320

TURNING OF CARS TO PERMIT UNLOADING

PART 1

Applicable only on cars loaded and unloaded within the switching limits of the station (including adjacent or contiguous switching of industrial districts) involved.

(A) Except as provided in Paragraph (B), orders calling for placement of cars for unloading from a particular side or end will not be accepted when moving in intra-plant, intra-terminal or inter-terminal service.

(B) Upon request of shipper for a car moving in intra-terminal switching service to be placed for unloading from a particular side or end, the VST will perform such service at a charge of $200.00 per car, which will be in addition to the applicable switching and special equipment penalty charge (See Note 1).

NOTE 1 - Applicable only where WYE is located within the switching limits of the station (including adjacent or contiguous switching or industrial districts where intra-terminal switching charges are in effect) involved.

(Continued on next page)

For explanation of terms and explanation of abbreviations and reference marks, see last page of tariff.

SECTION 1
SWITCHING AND MISCELLANEOUS CHARGES

ITEM 320 (Cont'd)

TURNING OF CARS TO PERMIT UNLOADING

PART 2

1. In instances where it is desired that freight in carloads be placed on delivery tracks for loading or unloading at stop-off points or destination from one particular side or end of car, cars must be properly placarded on both sides and notation made on Bill of Lading and waybill subsequently as follows: *"Deliver car for unloading from the door or end specified by placard"*.

2. On freight in carloads, not properly placarded on both sides of car to unload from one particular side or end of car which shipper or consignee, after initial placement of car, directs carrier to turn and return to the initial placement of car, directs carrier to turn and return to the same track for unloading from opposite side or end of car, the following shall apply:

CHARGES (See Note 1)[I]

(a) If the car is turned at a WYE or a turntable within the same switching district, or the confines of an industry, $200.00.

(b) If the car must be moved to a WYE / turntable located outside the switching district, $375.00.

(c) If the car must be moved to the WYE or a turntable of a connecting railway, $400.00 plus any switching or turning charges assessed by connecting railway.

NOTE 1 - If Bill of Lading carries a notation that car has been placarded and placard has disappeared before placement, the charge named therein will not apply.

ITEM 330

CHARGES FOR INTRA-PLANT AND INTRA-TERMINAL SWITCHING

Except as otherwise provided herein, VST will assess the following charges in dollars per car for switching service as defined in Item 200.

INTRA-PLANT
$125.00

INTRA-TERMINAL
When in Shipper Owned or Leased Equipment - $200.00
When in other than Shippers Equipment - $300.00

SECTION 1
SWITCHING AND MISCELLANEOUS CHARGES

ITEM 340

WEIGHING CHARGES

When a car is weighed or reweighed either empty or loaded at the request of either consignor or consignee a charge of $250.00 per car will be made each time the car is weighed, if such facilities are available.

ITEM 350
[A]

HANDLING OF EMPTY FREIGHT CARS

Applies to all types of rail cars, included but not limited to cars provided by railroads, leased cars and cars bearing other than railroad reporting marks.

The charge for movement of empty cars shall be $400.00 per car, per occurrence. VST will not be responsible for the payment of any per diem or mileage charges. In no case shall VST be responsible for switching charges of any kind. Any per diem, mileage or switch charges assessed to VST for handling empty cars shall be assessed to the customer ordering the cars.

Empty cars, all types, will be moved without charge to or from facilities, stations, or interchange points served by the VST, only when the empty movement is immediately preceded by or followed by a loaded revenue movement via VST (maximum of 30 days between loaded and empty moves). In all other cases, the charges above will apply.

A new car or a newly acquired car moving prior to its first loaded move in commercial service and a car moving for sale, scrap, or storage will be moved on VST subject to the charges above.

Empty car charges shall be assessed to the carrier delivering the cars to the VST.

ITEM 360
[A]

HANDLING OF CARS DELIVERED IN BAD ORDER CONDITION

A charge of $100.00 per car will be assessed against the carrier which delivers cars to the VST that contain AAR/ FRA defects to cover the cost of extra handling.

ITEM 365
[A]

HANDLING OF CARS RECEIVED IN BAD ORDER CONDITION

A charge of $100.00 per car will be assessed against the industry / shipper which offers cars to the VST that contain AAR/FRA defects to cover the cost of extra handling. The industry / shipper will also be responsible for the costs of the car repairs at the current AAR pricing.

For explanation of terms and explanation of abbreviations and reference marks, see last page of tariff.

SECTION 1
SWITCHING AND MISCELLANEOUS CHARGES

ITEM 370
[A]

HANDLING OF CARS DELIVERED IN ERROR

A charge of $100.00 per car will be assessed against the carrier, which delivers cars to the VST in error for return of these cars, loads or empties.

ITEM 380

DIVERSION / RECONSIGNMENT

When a shipper or the otherwise beneficial owner of a freight shipment desires to make a change in the billed consignee, or destination, or route, a charge of $150.00 per car will apply. The charges herein shall be in addition to all other charges and accrue solely to VST.

Reasonable effort will be made by VST to issue instructions in accomplishing the desired change. However, VST does not warrant, nor will be responsible for instructions received too late to be acted upon. If VST is unsuccessful in carrying out the requested instructions, the charges applicable in connection with this item will not apply.

ITEM 400
[A]

LINE HAUL RATES

All line haul rates shall be published as appropriate tariffs, rate quotes and contracts. All line haul movements are interchanged with BNSF at Attica, KS.

SECTION 2
LOCAL AND RULE 11 CHARGES

ITEM 500
[I]

FREIGHT ALL KINDS

FREIGHT, ALL KINDS, unless otherwise provided for in this section or by separate contract, will be moved on the VST at the rate of $560.00 per car plus applicable surcharges.

ITEM 510
[I]

INTERMEDIATE SWITCHING RATES

VST will perform intermediate switching (bridge traffic) between BNSF or UP at NA Junction, CO and KO at Towner, CO at the following rates:

All traffic, except aggregates, hazardous materials cars
Chemicals, fertilizer and grain..... $860.00 per car

Aggregate Traffic..... $650.00 per car

Chemicals..... $960.00 per car

Fertilizer..... $960.00 per car

Grain Traffic..... $960.00 per car

Hazardous Materials..... $1260.00 per car

ITEM 515
[I]

RULE 11 RATES (Non-Grain Traffic)

For all non-grain traffic originating or terminating on the VST, the following rates will apply:

All traffic, except aggregates, hazardous materials
Chemicals, fertilizer and grain..... $560.00 per car

Aggregate Traffic..... $350.00 per car

Chemicals..... $660.00 per car

Fertilizer..... $660.00 per car

Hazardous Materials..... $960.00 per car

The above rates shall be reduced by 20% when such commodities are moved as a single block of 30 carloads or more, loaded at the same location, billed and released on the same day, destined for the same interchange point.

ZONE STATIONS

The above rates apply when traffic originates and terminates within the same station zone. For all traffic that originates in one station zone and terminates in another station zone, including interchange traffic, a $300 per car fee will be added to the above rate.

Zone 1 stations are those stations west of Haswell to NA Junction.

Zone 2 stations are those stations from Haswell to Towner.

For explanation of terms and explanation of abbreviations and reference marks, see last page of tariff.

SECTION 2
LOCAL AND RULE 11 CHARGES

ITEM 520
[I]

RULE 11 RATES (GRAIN TRAFFIC)
TO/FROM
TOWNER, CO

For grain traffic originating or terminating on the VST, which is interchanged with the KO at Towner, CO, the following rates will apply:

Origin or Destination Station	Single Car Rate	25+ Car Block Rate
Stuart	$ 460	$ 310
Sheridan Lake		
Brandon		
Chivington		
Eads	$ 560	$ 448
Galatea		
Haswell	$ 680	$ 544
Arlington		
Adobe Creek	$ 840	$ 672
Sugar City		
Ordway		
Crowley		
Olney Springs	$ 1,100	$ 880
Pultney		
NA Junction		

Rule 11 rates will be assessed against the VST customer which originates or terminates a shipment, unless alternative arrangements are made, prior to movement of the shipment on the VST, for billing of a third party.

Rates include VST providing up to four (4) hours of switching/loading assistance at the customer siding. Additional switching needs will be handled in accordance with Item 305. The railroad reserves the right to restrict or modify any request for special switching service.

SECTION 2
LOCAL AND RULE 11 CHARGES

ITEM 525
[I]

RULE 11 RATES (GRAIN TRAFFIC)
TO/FROM
NA JUNCTION, CO

For grain traffic originating or terminating on the VST, which is interchanged with the BNSF or UP at Towner, CO, the following rates will apply:

Origin or Destination Station	Single Car Rate	25+ Car Block Rate
Pultney	$ 460	$ 310
Olney Springs		
Crowley		
Ordway		
Sugar City		
Adobe Creek	$ 560	$ 448
Arlington		
Haswell	$ 680	$ 544
Galatea		
Eads	$ 840	$ 672
Chivington		
Brandon		
Sheridan Lake	$ 1,100	$ 880
Stuart		
Towner		

Rule 11 rates will be assessed against the VST customer which originates or terminates a shipment, unless alternative arrangements are made, prior to movement of the shipment on the VST, for billing of a third party.

Rates include VST providing up to four (4) hours of switching/loading assistance at the customer siding. Additional switching needs will be handled in accordance with Item 305. The railroad reserves the right to restrict or modify any request for special switching service.

ITEM 530

MINIMUM TENDER

All traffic moving of VST, including items 340, 500, 510, 515, and 520 are subject to a minimum movement of seven cars. For any car movement of less than seven cars, items 285 and 305 apply.

For explanation of terms and explanation of abbreviations and reference marks, see last page of tariff.

FUEL SURCHARGE

ITEM 535

FUEL SURCHARGE

All traffic moving on VST, including Items 305, 340, 500, 510, 515, 520 and 525, is subject to a fuel surcharge, which is based on changes to the U.S. Retail On Highway Diesel Fuel ("HDF") prices for the Midwest. Base price is $2.650 per gallon.

HDF Prices and changes are published online at:

http://tonto.eia.doe.gov/oog/info/wohdp/diesel.asp

The surcharge for a given month will be calculated based on the average HDF price published on each Monday of the preceding month.

If the average HDF price is above $2.650 per gallon, the corresponding percentage (shown below) will be added to the rates stated in Items 285, 305, 340, 500, 510, 515, 520 and 525.

Monthly Avg. HDF Price Range	Surcharge
$2.651 to $2.700	0.5%
$2.701 to $2.750	1.0%
$2.751 to $2.800	1.5%
$2.801 to $2.850	2.0%
$2.851 to $2.900	2.5%
$2.901 to $2.950	3.0%
$2.951 to $3.000	3.5%
$3.001 to $3.050	4.0%
$3.051 to $3.100	4.5%

Each $0.05 per gallon increase there after apply an additional .5%

ABBREVIATIONS & REFERENCE MARKS

VST - V & S Railway LLC
BNSF - BNSF Railway Company
KO - Kansas and Oklahoma Railroad
OPSL - Open and Prepay Station List
STCC - Standard Transportation Commodity Code
UFC - Uniform Freight Classification
UP - Union Pacific Railroad

$ - Dollars
[I] - Denotes increase
[R] - Denotes reduction
[C] - Denotes change in wording which results in neither an increase nor reduction.

- END -

EXHIBIT I

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Docket No. FD 36005

KCVN, LLC/COLORADO PACIFIC RAILROAD, LLC – FEEDER LINE APPLICATION – LINE OF V AND S RAILWAY, LLC, LOCATED IN IN CROWLEY, PUEBLO, OTERO, AND KIOWA COUNTIES, COLORADO

VERIFIED STATEMENT OF DUSTY TALLMAN

My name is Dusty Tallman. My address is 1751 County Road 40, Brandon, CO and for the past 45 years I have been involved in the wheat industry. We own and operate wheat loading and marketing facilities at Brandon, Colorado.

As a wheat producer, my family and I farm in both Cheyenne and Kiowa Counties in Colorado, growing wheat, milo, sunflowers and hay. We produce between 300,000 and 750,000 bushels of grain each year, and it currently is delivered by truck in a 60-mile radius of Brandon, Colorado.

We use to ship grain on the Missouri Pacific Rail line, then the Union Pacific line, before it became the V&S.

I have served on the Colorado Wheat Administrative Committee, the Colorado Association of Wheat Growers as a member and President. I have also served from 1998 to 2002 as an executive with the National Association Wheat Growers ("NAWG") culminating as their

Chairman of NAWG from 2000 to2001. Within that organization I was a member of (NAWG - Domestic Policy Committee, etc.). I have been active in wheat marketing and market development both domestically and internationally for over 20 years.

NAWG's primary charter is to provide representation and education within the U.S. affecting domestic policy on Wheat. CAWG is a voluntary membership association that represents its members at the state legislature and before Congress. It also educates legislators and the public about Colorado wheat.

CWAC is also involved in transportation policy since 80 percent of Colorado's winter wheat production is typically exported.

We have been working with the Colorado Wheat Research Foundation (CWRF) which is a non-profit corporation developed by CWAC to further educational and scientific programs related to wheat, acquire ownership of new wheat varieties developed by CSU, and collect royalties to provide additional funding support to the wheat related research at CSU. The CWRF Board of Directors is comprised of the Executive Committees of CWAC and CAWG. The CWRF varieties are now planted on more than 70 percent of the state's winter wheat acres and CWRF has granted an exclusive license for a revolutionary hard white wheat variety named Snowmass to Ardent Mills for Ultragrain whole white wheat.

Education background: I have lived my entire life in Southeast Colorado, going to school in Cheyenne Wells and then graduating with a BSBA from the University of Denver.

Additionally, I have worked with the Executive Director and various Vice Presidents of CWAC and the CAWG to develop strong working relationships with the Class I railroads serving Colorado. In our work at CWAC and CAWG we have brought together growers, merchandisers, and the railroads with the goal of developing stronger understandings of transportation needs and future focuses including formation of the Colorado Wheat/Union Pacific Working Group in 2010 to discuss service and rate issues. CWAC and CAWG have a long history with the Towner rail line which is adjacent to our wheat farming operations,

The CWRF/CWAG/CWAC working together with one of the major grain merchandisers in the Colorado and the world, has developed a variety of wheat that exhibits qualities that gives the variety a unique market place in the milling of breads. This wheat is now being grown around the Towner line and there is a newly developed domestic and international market for this breakthrough wheat. This could be game changer for the stations located on the Towner line in the marketing of this variety of wheat.

We have not asked the V & S for freight service for several years, since it has not been economically feasible to transport our grain on their line.

The movement of wheat from our farms can vary from a few miles and a few truckloads to thousands of miles and hundreds of thousands of carloads. Recently, in addition to the traditional Hard Red Winters varieties, corn and millet some growers have been growing the new Ultagrain wheat variety – Colorado released variety. Generally agricultural commodities

require movement in bulk quantities. One of our facilities will be ground zero for Towner line rail shipments and we are looking for development of the shipments of Ultragrain and we look forward to developing this movement of the specialty wheat unique to Colorado. I believe there are several thousand acres of white wheat grown in my area, requiring producers to either deliver during harvest very long distances, or store the wheat on farm in their bins, and deliver it later in the year.

In 2011 there was movements over the Towner line via rail as V&S provided single car rates ($560/car) from Towner. In the V&S Supplement 1 to the Tariff VST 8010, published in July, 2011, V&S eliminated all of its Single Car Rates on movements from the Towner line locations on movements to the K&O. They then required movements of multi-car and the making of volume commitments via merchandisers. Simultaneously, V&S raised the single car rates from $500+ to over $3,000 per car called an Intermediate Switching Rate while the block of 50 cars was quoted at $341/car. That $3,000/car rate effectively curtailed all single car movements from our Facilities. Our facilities were not set up to load multiple cars in a single load exercise. To my knowledge, the $3,000/car for single cars remains in effect today. Effectively, the V&S embargoed rail movements over the Towner line with the rate actions in 2011 and 2012.

According to the Executive Director of the CAWG and CWAC, there are approximately 500 wheat farmers, representing approximately 500,000 acres of farm land, located near V&S Railway Company ("V&S") line from Towner Junction, Colorado to NA Junction, Colorado (the "Towner Line"). The Towner Line could provide a means for these farmers to transport wheat to terminal and export markets.

Railroad service is critically important to keep competition in our grain marketing for our farming operations. We have been forced to ship all of our production via truck, since V&S will not provide rail service over the Towner line. The lack of rail service on the Towner line has given Cargill and Scoular a competitive advantage in the area.

On our farm we work very closely with grain merchandisers and elevator companies – the merchandisers and elevators take market risks and they provide to the grain producer's a window to the market. The grain producer and the grain merchandiser/elevator are truly partners in the marketing of grain. It is apparent that the grain producers in this country are the ones that bear the transportation costs. The Wheat growers and the Commissioner/Committees that represent them are faced with the combined effects in this case of a railroad that doesn't want to serve the public and desires to circumvent its public responsibility by tearing out the line without exploring alternative servicing of the shippers on that line

Without service from the Towner Line, Eastern Colorado we, as wheat farmers who want to get their grain to market must truck it to other shipping locations served by rail. The closest such shipping points are at Cheyenne Wells, Colorado and Coolidge, Kansas. Rail is by far the most economical and convenient means of transporting large amounts of wheat. After years of work to build support for operation of this line, the future looks bright as KCVN, who has a vested interest in the line and their local farming operations, is proposing to buy and operate the line The Towner line as outlined above is looking to handle new Ultragrain increased wheat production.

After years of work to build support for operation of this line, the future looks bright as KCVN, who has a vested interest in the line and their local farming operations, is proposing to buy and operate the line

I understand that if the Towner Line is not continuously operated in rail service, it could lose some portions of the rights-of-way on which it is located. I also understand the experience in other abandonments tells us that it would be difficult if not impossible to re-establish those rights-of-way once they are lost. If a portion of the Towner Line is removed, it would be commercially impracticable to replace that portion if a new operator wished to resume rail service. No award of money damages could remedy this harm.

We have not been contacted by V & S offering us the opportunity to ship by rail, for several years, Tallman Grain has not contacted V & S for rail cars, since there hasn't been a freight rate which is less than our truck rates.

VERIFICATION:

I hereby certify that the foregoing is true and correct on penalty of perjury.

S/ _____ Date: March 15, 2016

Dusty Tallman
Tallman Farms

1751 County Road 40
Brandon, CO
Phone: (719) 688-3396
(970) 449-6999-Fax
Dustyfarms@yahoo.com

EXHIBIT J

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Docket No. FD 36005

KCVN, LLC/COLORADO PACIFIC RAILROAD, LLC – FEEDER LINE APPLICATION – LINE OF V AND S RAILWAY, LLC, LOCATED IN IN CROWLEY, PUEBLO, OTERO, AND KIOWA COUNTIES, COLORADO

VERIFIED STATEMENT OF LINLY STUM

My name is Linly Stum. I am the President of Thunderbird L&L, Inc., which is a Agricultural Production Company that owns a grain elevator on the railroad at Towner, CO headquartered in Sheridan Lake, Colorado. Our facility has been located on the Towner Line since 2010. I have held this position at Thunderbird since 1960 and I am currently serving as Vice President. In my current capacity, I am responsible for the transportation of grain and other commodities by railroad, truck, and other modes.

The Towner line connects to the West end of the Kansas and Oklahoma Railroad. I was chairman of the Kiowa County planning and zoning Commission and worked extensively with Kiowa County Commissioners seeking to save service on the rail line. WATCO has indicated to us that one of the primary customers on the line is Bartlett and they have expressed an interest in resuming rail service. We are open to finding solutions to allow that service to continue. This area of Colorado shows a great potential for future rail traffic movement. Closing of the line by the Union Pacific, who was handling 20+ trains per day on the line through Kiowa county centers around, we believe, the elimination of competition and closing this line was focused on the lack of UP needing the line for its operations and thus effectively

eliminating the potential for westbound competitors. Times, however, have shown that there is a growing need for west and southbound movement for this area's wheat production. The rise of Snowmass wheat production the use by Ardent Mills of Snowmass in making their Ultragrain were factors not present in the past.

If no one looks at the rapid expansion of west coast port facilities, including rail unloading capabilities, they would see the potential and preparation underway to meet the rising needs of Asian markets. "To meet a 70% increase in Asian demand for grain, all sectors of the U.S. transportation system rivers, barges, railroads trucks and ports will have to perform at peak capacity over the next decade," says U.S. Feed Grains Council, Ken Hobbie, 2008. "A failure on any front could compromise our status as a reliable supplier."

Colorado, in my opinion, can ill-afford to permanently lose east-west rail capability now, or 10 years from now. Increased east-west reliability will be vital to our trading partners.

There are approximately 800,000 acres of Conservation Reserve Program (CRP) cropland in the four southeast Colorado boarder counties (Baca, Prowers, Kiowa and Cheyenne) that will come into production in next 10 years to help meet China's projected needs. Production on that land would result in approximately 12,000 truckloads of grain per year, which is equivalent to 4000 hopper railcar loads.

Also important, wheat breeders in Kansas are in pushing forward to develop white wheats for production in the state. White wheats are the preferred wheats of Asia. Like Kansas, Colorado has grown hard red winter wheat for over 100 years, and this is changing right now. This area is a prime area for the growing of white wheat of the future.

Lastly, the rail line needs to be saved for energy conservation reasons. It takes an estimated ten times as much fuel to move a ton of goods by truck as it does by rail.

Verification Page

I, Linly Stum, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to sponsor this testimony.

Executed, March 15, 2016

Linly Stum

Linly Stum
76475 County Road, J
Towner, CO 81071
Phone: 719-729-3316

EXHIBIT K

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Docket No. FD 36005

KCVN, LLC/COLORADO PACIFIC RAILROAD, LLC – FEEDER LINE APPLICATION – LINE OF V AND S RAILWAY, LLC, LOCATED IN IN CROWLEY, PUEBLO, OTERO, AND KIOWA COUNTIES, COLORADO

VERIFIED STATEMENT OF SHELBY BRITTEN

My name is Shelby Britten. I am a farm producer with 13 years of experience located along the Towner rail line having land I farm both north and south of the line. My family has been involved with wheat production for over 30 years. My address is 44495 County Rd J, Haswell, CO and for the past 30 years I have been involved in the wheat industry.

As a farmer producer, I have been involved in the production and marketing of wheat in Colorado and Kansas for 13 years. I am familiar with the Towner line and the production of wheat around it. I am a member of the Colorado Association of Wheat Growers.

In the past, and for many years we sold our wheat to facilities located on the Towner line for transportation to market. Since about 2011 the movements from elevator located on the Towner line cased and we have had to market our wheat via truck transportation in Cheyenne Wells, CO or Coolidge, KS a distance of 80+ miles distant from our production land.

The elevators located on the Towner line experienced rail rate increases that made them uncompetitive and forced us into truck to make wheat movements out of the Towner line production areas thereby greatly increasing our transportation costs from the farm.

Reliable and economical rail service is critical to the marketing of wheat from the Colorado markets to our traditional markets located on the Gulf Coast and West Coast export markets.

I would welcome the opportunity to resume shipping Colorado farmer's wheat by railroad over the Towner line, which we appreciate would mean decreasing our use of trucks on the local county roads and highways.

VERIFICATION:

I hereby certify that the foregoing is true and correct on penalty of perjury.

S/ _____ Date: March 15, 2016

Shelby Britten

Shelby Britten

Address:
44495 County Road J, Haswell, Colorado
1-719-892-0162
Email: Shelby Britten [shelbybritten@hotmail.com]

EXHIBIT L

Kiowa County

June 18, 2015

Ms. Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

238812
ENTERED
Office of Proceedings
July 13, 2015
Part of Public Record

RE: Docket No. AB603 (sub-no. 4x)
V&S Railroad Abandonment proceedings on Towner Line

Dear Ms. Brown,

It has come to our attention that V&S Railway has filed for an abandonment of the entire Towner Line serving all of Kiowa and Crowley counties, a small portion of Otero county, and a portion of Pueblo County all of these being Colorado counties. As stated by Mr. Fritz Kahn, P.C. in his correspondence dated June 4, 2015 giving Verified Notice of Exempt Abandonment of the Towner Line, Docket No. AB603 (sub.no 4X).

The BOCC, Kiowa County, Colorado adamantly oppose any abandonment of the Towner Line or any portion thereof.

Mismanagement of the Towner Line has already negatively impacted the economy all of the above named counties but especially Kiowa County through a loss of tax revenue, reduced market value for wheat and other grain production and an increased negative impact on county and state highways through a significant increase in truck traffic.

There is a developing market for Proso Millet as human food via shipment to the west coast and then export to Asian countries. The Towner Line would be an integral part of this development.

Abandonment of any portion of the Towner Line will drastically and negatively impact programs administered by the BOCC, Kiowa County, Colorado.

Richard Scott, Chairman
District 1, Sheridan Lake
Cindy McLoud, Commissioner
District 2, Eads
Donald Oswald, Commissioner
District 3, Haswell
Tina Adamson, Administrator

1305 Goff Street
P.O. Box 100
Eads, CO 81036
Phone: 719-438-5810
Fax: 719-438-5615
E-mail: kiowaco100@gmail.com

There are at least two very legitimate offers to purchase the entire Towner Line from V&S Railway. These offers should preclude any abandonment procedure.

Should any proceedings move forward concerning this abandonment, the BOCC, Kiowa County will insist on numerous considerations necessary for a legitimate abandonment to include but not necessarily be limited to the following;

* V&S must complete a thorough and accurate Environmental Impact study that addresses all wildlife issues as well as Noxious Weed infestation established by mismanagement of the Towner Line right of way by V&S Railway.

* V&S must survey the entire Towner Line and provide plats to all counties involved. Section markers, bench marks, and geological markers must be preserved and or relocated.

* V&S must remove rails, ties, spikes and any other appurtenances, slag or rail bed material, signal structures, telephone or telegraph poles and wire returning the landscape to its original appearance and structure.

*All structures of historic nature must be preserved.

* Structures across waterways or of a non-historic nature must be removed.

*All crossings at county, state or federal roads must be reconstructed to conform to existing road surfaces.

* V&S must post a surety bond adequate to cover all costs for any errors or omissions from their performance or non-performance with any abandonment procedure.

Respectfully,

BOCC, Kiowa County, Colorado

Richard Scott | Cindy McLoud | Donald Oswald

Cc: Fritz Kahn, P.C.
Crowley County Commissioners
Otero County Commissioners
Pueblo County Commissioners

EXHIBIT M

KIOWA COUNTY COLORADO

Richard Scott • Cindy McLoud • Donald Oswald
District 1 District 2 District 3

1305 Goff St. • PO Box 100 • Eads • CO • 81036
Phone: 719.438.5810 • Fax: 719.438.5615
kiowaco100@gmail.com

February 25, 2016

Ms. Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

RE: Support for Purchase of the Towner Line by KCVN / Colorado Pacific Railroad

Dear Ms. Brown:

The 1998 Colorado General Assembly approved House Bill 98-1395 which enacted Colorado Revised Statute 43- 1- 1305 (4) (a) to read:

> " The Colorado General Assembly hereby finds and determines that abandonment of the Towner Railroad Line and removal of the railroad tracks from that lineb would result in the permanent loss of that line. The loss of the Towner Line would seriously impair the access of the southeastern portion of Colorado to commercial rail transportation. The General assembly further finds and determines that the permanent loss of the Towner Line would damage the economy and harm the citizens of Colorado, as well as jeopardize the continued viability and physical condition of the other transportation infrastructure of the state. The General Assembly therefore declares that it is beneficial to the citizens of Colorado that the Towner Line be preserved by being acquired and made a part of the state rail bank under this part 13."

It is the intent and desire of the General Assembly and the citizens of Kiowa, Crowley, Otero and Pueblo counties for railroad operations on the Towner Line to resume. However, it is evident that the current owner of the Towner Line, V&S Railway, has no intention of operating the Towner Line as a freight carrier. Soon after V&S acquired the Towner Line from the State of Colorado in 2005, there was reasonable doubt as to their true motives and intentions. The following quote is from Mark Imhoff, Director of the Division of Transit and Rail for the Colorado Division of Transportation on 10, August 2011: " We have heard that the V&S

Railway may plan to abandon the line and dismantle the rail for scrap, but this has not been confirmed". The performance of V&S would confirm these suspicions in that V&S imposed freight rates forcing grain freight to be transported by truck rather than rail, performed poor service and failed to maintain the line. They eventually followed these actions with their rationalization in 2014 that because there were no longer requests for rail service it was appropriate for them to dismantle and sell the tracks making up part of the line.

KCVN, LLC and its subsidiary, the Colorado Pacific Railroad ("CPRR") have affirmed their desire to attain possession of the line for the purpose of resuming freight rail operations over it. Operation of the Towner Line for freight rail service would be vital to the current economy, as well as future economy of Kiowa County and Southeast Colorado. Kiowa County is a major grain commodity producer in the area. In 2007 the production of Hard Red winter wheat alone was 9,817,000 bushels. That production is representative of an annual yield. All of that production must now go to market via truck. There is also a new and emerging market for Hard White Wheat that would involve a west coast market for export to Asian markets. In addition there is potential for an emerging market for Proso Millet to Asian markets. The impact of a viable rail delivery option to these potential new markets for eastern Colorado wheat would be enormous.

The Kiowa County Board of Commissioners supports the efforts of KCVN/CPRR to try and acquire the Towner Line from V&S for the purpose of resuming freight railroad operations over it because if they are successful;

* The Towner Line will provide economic stimulus to the area through an expanded tax base, improved agricultural commodity markets, enhance the development of value added agricultural markets, reduce agricultural marketing cost and be an enhancement factor in the development of other potential industry in the area.

* The Towner Line will alleviate highway congestion, reduce highway maintenance cost and reduce new highway construction cost.

* The Towner Line will save energy cost and save enormous amounts of fuel.

* The Towner Line will serve to protect the environment in that one train may result in 300 less trucks on the highway and trucks emit six to twelve (6-12) times more nitrogen oxide and particulates than do trains.

* The Towner Line will provide a safety advantage simply by reducing highway traffic congestion on Highway 96. Highway 96 is a designated Transcontinental Bike Route resulting in a large amount of bicycle traffic in the warmer seasons. Highway 96 is also a major route for Wide Load traffic to include agriculture harvest equipment, oil field machinery and wind turbine components. This traffic combined with the large number of trucks hauling grain commodities and normal automobile traffic creates a hazardous traffic condition.

It is with great concern that the Kiowa County Board of Commissioners ask that those involved consider all of the ramifications, short and long term, that the loss of the railroad in our county would most certainly generate. It is our belief that it would be severely detrimental for not only the economy of Kiowa County but also that of other Southeastern Colorado counties.

Respectfully,

Kiowa County Board of Commissioners

Richard Scott, Commissioner District 1, Chairman

Cindy McLoud, Commissioner District 2

Donald Oswald, Commissioner District 3

EXHIBIT N

LAW OFFICES
FRITZ R. KAHN, P.C.
1919 M Street, NW (7th fl.)
Washington, DC 20036
Tel.: (202) 263-4152 Fax: (202) 331-8330 E-mail: xiccgc@gmail.com

December 31, 2014

Mr. Terry Whiteside
3203 Third Avenue North (#301)
Billings, MT 59101

Thomas W. Wilcox, Esq.
GKG Law, P.C.
1054 31st St., NW (#200)
Washington, DC 200007

Re: Docket No. NOR 42140

Terry, Tom:

Enclosed is the response of V and S Railway, LLC to the Complainants' First Discovery Requests.

I apologize, Tom, that I was unable to email a copy to you, but there were some last minute changes that I needed to make, and it would have taken too long to run the response through the PDF machine.

Best wishes for a happy and healthy 2015.

Sincerely yours,

Fritz R. Kahn

REQUESTS FOR ADMISSION

1. Please admit that by the time KCVN submitted its offer to purchase the Towner Line on July 28, 2014, Defendant and/or its affiliate, A&K Railroad Material, Inc. had already been having discussions with third parties about selling the Rail Track Material making up the Towner Line. **Admitted.**

2. Please admit that between the time KCVN submitted its offer to purchase the Towner Line on July 28, 2014 and the end of August, at the earliest, Defendant and/or its affiliate, A&K Railroad Material, Inc. had already been engaged in activities to prepare the rail line for dismantlement, including but not limited to, removing spikes and/or tie plates and other activities from the rail track making up the Towner Line. **Deny that any rail was removed; admit some tie plates and spikes were remved.**

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WRITTEN INTERROGATORIES

1. Please identify all persons who participated in any and all discussions, negotiations, or decision-making regarding selling the Rail Track Material of any portion of the Towner Line. **Kern Schumacher, Rhonda Nicoloff, Beth Wyatt, Doug Davis.**

2. Please provide the names of any third party consultant that Defendant has retained to conduct any valuation of the Towner Line, the underlying land and the Rail Track Material making up the Towner Line. **R. L. Banks & Associates, Inc.**

3. Please identify all persons who have been in contact with Defendant regarding purchasing the Rail Track Material of the Towner Line, whether or not such persons contracted with Defendant to purchase the Rail Track Material. **No one.**

4. Please identify all persons who have contacted Defendant with requests for transportation over the Towner Line in the past three years, including all persons who requested quotes for such transportation. **No one.**

5. Please identify all persons employed by Defendant and/or its affiliates who participated in any and all discussions, negotiations, or decision-making regarding selling the Rail Track Material of the Towner Line. **Kern Schumacher, Rhonda Nicoloff, Beth Wyatt, Doug Davis.**

6. Please describe the corporate relationship between Defendant and A&K Railroad Material, Inc., and the interrelationship between Defendant and A&K Railroad Material, Inc. when it comes to the acquisition, operation, and disposition of common carrier lines of rail. **Defendants' members and managers are Kern Schumacher and Rhonda Nicoloff. Kern Schumacher and Rhonda Nicoloff are stockholders and officers of A&K Railroad Materials, Inc.**

7. Please provide the total amount of Defendant's maintenance expenditures in 2011, 2012, 2013, and 2014 to date, for each segment of the Towner Line, specifically, the Western Segment, the Eastern Segment, the Middle Segment, and the portions of the track on either end that were not included in either the Western or Eastern Segments. **None.**

8. Please provide a description of all actions Defendant took to formally abandon the Western Segment after August 15, 2012, when Defendant informed the STB in the Acquisition Petition that it expected to seek authority to abandon the Western Segment "in the near future." **None.**

9. Please provide the date on which Defendant first discussed selling the Rail Track Material of the Western Segment to any potential purchaser. **None.**

10. Please provide a listing of all acquisitions of common carrier lines of rail by A&K Railroad Material, Inc. Defendant, and any other affiliate of A&K Railroad Material, Inc. over the past 10 years, and indicate (1) how many of the acquired lines of rail are currently operated in common carrier service, either by Defendant or another railroad operator; (2) how many of the lines were abandoned by Defendant or an affiliate pursuant to 49 U.S.C. §10903 and the applicable regulations; (3) whether any of the Rail Track Material of the acquired lines of rail were sold and removed subsequent to the acquisition and, if sold and removed, and how much of the assets identified were re-used and how much of the assets were sold for scrap or otherwise disposed of. **A line of The Hutchinson and Northern Railway Company, Gloster Southern Railroad Company, a line of the Union Pacific Railroad Company renamed Lassen Valley Railroad, a line of the Colorado Department of Transportation, lines of the Illinois Central Railroad Company renamed the Grenada Railway, LLC and the Natchez Railway, LLC. The line of The line of the Hutchinson and Northern Railway Company has been sold. The Lassen Valley Railroad has been abandoned. Service has been discontinued on the Gloster Southern Railroad Company and on the Western Segment of the line acquired from the Colorado Department of Transportation. The remainder of the properties are active rail carriers prepared to respond to reasonable requests of service. Records of the salvaged track materials and their disposition are not maintained by the name of the rail carrier.**

11. Please provide a detailed description of all actions that have been taken by Defendant and its affiliate A&K Railroad Material, Inc. associated with the removal of any Rail Track Materials from any segment of the Towner Line, and a complete listing of all Rail Track Materi-

als that have been removed from the Towner Line by Defendant and/or its affiliates since the Towner Line was purchased by Defendant in December, 2005. **No rail has been removed. Some tie plates and spikes have been removed.**

DOCUMENT REQUESTS

1. Please produce all documents relating to, discussing, referring to, or commenting on Defendant's purchase of the Towner Line in 2005. **See STB Docket No. FD 34779, STB Docket No. FD 35664, the publicly available documents of the Colorado Legislature and Colorado Department of Transportation.**

2. Please produce all documents relating to, discussing, referring to, or commenting on that Defendant utilized, and/or relied upon for establishing the valuation of the Towner Line when the Defendant purchased it in 2005. **See STB Docket No. FD 34779, STB Docket No. FS 35664, the publicly available documents of the Colorado Legislature and Colorado Department of Transportation.**

3. Please provide all documents relating to, discussing, referring to, or commenting on the Acquisition Petition, both before and after it was filed. **See STB Docket No. FD 35664, the publicly available documents of the Colorado Legislature and Colorado Department of Transportation.**

4. Please provide all documents relating to, discussing, referring to, or commenting on the decision to seek discontinuance authority from the STB for the Western Segment. **See STB Docket AB 603 (Sub-No. 2X), the publicly available documents of the Colorado Legislature and Colorado Department of Transportation.**

5. Please provide all documents relating to, discussing, referring to, or commenting on Defendant's plans, and actions taken, to abandon:

a. The Western segment; **There are none.**

b. The Eastern segment; and **See STB Docket No. AB 603 (Sub-No. 3X)**

c. The Middle segment. **See STB Docket No. AB 603 (Sub No. 4X).**

6. Please provide all documents comprising, relating to, responding to, discussing, or referring to any requests by a rail shipper for rail service from Defendant over any portion of the Towner Line between December 1, 2005 to date, including any and all communications from prospective, current and former shippers, quotes of transportation rates and any and all discussions relating to providing rail transportation service over the Towner Line. Such information to include, but not be limited to:

a. All requests for rates and service terms **There were two shippers on the eastern segment of the Towner Line, Bartlet Grain Company and Temple Grain Company, which requested and received little or no service from Defendant. Information and documents, if any, relating to the two chippers are irrelevant to the current proceeding before the STB, which is limited to the Western Segment, and thus are not subject to production by Defendant.**

b. All internal discussions of Defendant about how to response to such requests; **See paragraph a.**

c. Summaries of commodities and volumes transported by Defendant over the Towner Line as a result of such requests. **See paragraph a.**

7. Please provide all documents relating to, discussing, referring to, or commenting on the letter of counsel of Kiowa County, Colorado to Defendant, sent on August 22, 2014, requesting that Defendant cease and desist the removal of Rail Track Material from the Towner Line. **In an exchange of emails between counsel for Kiowa County and V&S' STB counsel which preceded the letter, V&S' STB counsel expressed his disagreement with the assertion of counsel for Kiowa County that the alleged removal of rails and track materials constgitutes an abandonment in violation of 49 U.S.C. 10903 unless authorized by the Board.**

8. Please provide all documents relating to, discussing, referring to, or commenting on the potential or actual sale of the Rail Track Material of the Towner Line to A&K Railroad Material, Inc. or any other purchaser. **See Attachment A.**

9. Please provide all documents relating to, discussing, referring to, or commenting on dismantling and removing of any Rail Track Material of the Towner Line. **There are none.**

10. Please provide all documents relating to, discussing, referring to, or commenting on:

a. 0.9 miles of the Towner Line from MP 868.5 to MP 869.4; and **See the publicly available documents of the Colorado Legislature and Colorado Department of Transportation.**

b. 2 miles of the Towner Line between MP 749.5 and the eastern terminus at MP 747.5. **Privileged oral communication between V&S' attorneys and management of V&S.**

11. Please provide all documents relating to, discussing, referring to, or commenting on any valuation prepared for the Towner Line and its Rail Track Material, including any valuation of the underlying land and track assets. **The appraisal of R. L. Banks & Associates, Inc.**

12. Please provide all documents relating to, discussing, referring to, or commenting on the "contractual obligation of July 16, 2014" between A&K Railroad Material, Inc. and OmniTRAX, Inc., referenced on page 5 of Defendants Reply filed in this proceeding on October 30, 2014, including but not limited to, all correspondence between A&K Railroad Material, Inc. and OmniTRAX, Inc. pertaining to the "contractual obligation," and a copy of the final document evidencing the obligation. **See Attachment B.**

13. Please provide all documents relating to, discussing, referring to, or commenting on KCVN's July 28, 2014 offer to purchase the Towner Line, including but not limited to all documents that discuss Defendant's possible responses to that offer, and its final response. **Privileged oral communication between V&S' attorneys and management of V&S.**

14. Please provide all documents referring or relating to the August 11, 2014 agreement between A&K Railroad Material, Inc. and Great Western Railway, Inc. referenced at page 5 of Defendants Motion to Dissolve Temporary Restraining Order, filed in Civil Action No. 1:14-cv-02450-CBS in the U.S. District Court for the District of Colorado; including but not limited to the following:

a. All drafts of the agreement and the final executed agreement; **See Attachment B.**

b. All documents that demonstrate how and when A&K Railroad Material, Inc. acquired ownership of, or a sufficient interest in, the "tracks and associated equipment" of the Western Segment from Defendant such that A&K Railroad Material, Inc. could enter into a contract with a third party for their sale; **See Attachment B.**

c. All correspondence between Defendant and Great Western Railway, Inc., concerning the August 11, 2014 contract; **See Attachment B.**

d. All correspondence between A&K Railroad Material, Inc. and Great Western Railway, Inc., concerning the August 11, 2014 contract. **See Attachment B.**

15. Please provide all documents, including but not limited to all email and other correspondence, between Defendant and Great Western Railway; and between A&K Railroad Material, Inc. and Great Western Railway discussing, referring to, or relating to:

a. any segment of the Towner Line, and **See Attachment B.**

b. Defendant's plans concerning ownership and operation of any segment of the Towner Line. **See Attachment B.**

16. Please provide all documents supporting the answers provided to Written Interrogatories 1-11. **In response to Written Interrogatory 10, see STB Docket No. FD 34875; STB Docket No. FD 35162; STB Docket No. AB 1051X; STB Docket NO. FD 35306; STB Docket No. AB 1074X; STB Docket No. FD 34779; STB Docket No. FD 35664; STB Docket No. AB 603 (Sub-No. 3X); STB Docket No. AB 603 (Sub-No. 4X); the publicly available records of the Colorado Legislature and Colorado Department of Transportation; STB Docket No. FD 35247; STB Docket No. FD 35248.**

The persns who responded to one or another of the Requests for Admission, Written Interrogatories and Document Requests were Kern Schumacher, Rhonda Nicoloff, Beth Wyatt, Aaron Parsons and Doug Davis.

CERTIFICATE OF SERVICE

I do hereby certify that on this 18th day of March 2016, I have served a copy of the foregoing Feeder Line Application by first class mail on each of the following persons or entities, as required by 49 CFR § 1151.2:

(1) The owning railroad:

V&S RAILWAY, LLC
1505 South Redwood Road
Salt Lake City, Utah 84104

(2) All rail patrons who originated and/or received traffic on the line during the 12-month period preceding the month in which the application is filed:

Not Applicable

(3) The designated State agencies:

The Governor's Office of State Planning and Budgeting
200 East Colfax, Room 111
Denver, Colorado 80203

Rail program
Colorado Department of Transportation
4201 E. Arkansas Avenue, Room 227
Denver, Colorado 80222

(4) County governments:

Pueblo County Commissioners
215 W. 10th Street
Pueblo, Colorado 81003

Crowley County Commissioners
603 Main Street (Ste. 2)
Ordway, Colorado 81063

Kiowa County Commissioners
1305 Goff Street
Eads, Colorado 81036

(5) The National Railroad Passenger Corporation (Amtrak):

Not Applicable

(6) The national offices of rail unions with employees on the line

Not Applicable

Other:

Eric M. Hocky, Esq.
Clark Hill PLC
One Commerce Square
2005 Market Street, Suite 1000
Philadelphia, PA 19103

Thomas W. Wilcox