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balljanik.com
t 202.638.3307
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December 21, 2012

Karl Morell
Of Counsel
kmorell@balljanik.com

DEC 21 2012
RECEIVED

233573

BY HAND DELIVERY

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

Re: Docket No. AB-6 (Sub-No. 482X), BNSF Railway Company -- Abandonment Exemption -- In Cook County, Illinois

Dear Ms. Brown:

Attached for filing are the original and ten copies of a Petition for Exemption under 49 U.S.C. § 10502. Also attached is a check covering the $6,500 filing fee.

Please time and date stamp the extra copy of the Petition and return it with our messenger.

If you have any questions, please call me.

ENTERED
Office of Proceedings
DEC 21 2012
Part of
Public Record

Sincerely,

Karl Morell

Karl Morell
Of Counsel

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TRANSPORTATION BOARD

KM:KM

FILED
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TRANSPORTATION BOARD

BEFORE THE

SURFACE TRANSPORTATION BOARD

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BNSF RAILWAY COMPANY	)	
ABANDONMENT EXEMPTION	)	**DOCKET NO. AB 6**
IN COOK COUNTY,	)	**(SUB-NO. 482X)**
ILLINOIS	)	

233573

FEE RECEIVED
DEC 21 2012
SURFACE
TRANSPORTATION BOARD

PETITION FOR EXEMPTION

VOLUME 1

BNSF RAILWAY COMPANY
2650 Lou Menk Drive
P.O. Box 96157
Fort Worth, TX 76161-0057

ENTERED
Office of Proceedings
DEC 21 2012
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Public Record

Courtney B. Estes
General Attorney
Tyler White
Assistant General Attorney
BNSF Railway Company
2500 Lou Menk Drive, AOB-3
Fort Worth, Texas 76131-2828

Karl Morell
Of Counsel
BALL JANIK LLP
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Washington, D.C. 20005
(202) 638-3307

FILED
DEC 21 2012
SURFACE
TRANSPORTATION BOARD

Dated: December 21, 2012

BEFORE THE

SURFACE TRANSPORTATION BOARD

DEC 21 2012
RECEIVED

BNSF RAILWAY COMPANY	)	
ABANDONMENT EXEMPTION	)	**DOCKET NO. AB 6**
IN COOK COUNTY,	)	**(SUB-NO. 482X)**
ILLINOIS	)	

PETITION FOR EXEMPTION

BNSF Railway Company ("BNSF") petitions the Surface Transportation Board ("STB" or "Board") to exempt, under 49 U.S.C. § 10502, from the prior approval requirements of 49 U.S.C. § 10903, BNSF's abandonment of a 2.14-mile rail line located in Cook County, Illinois.

I. PROPOSED TRANSACTION

BNSF proposes to abandon its rail line located between Station 36 + 70, north of the Chicago Sanitary and Ship Canal Bridge, and Station 149 + 87, at the end of the track near Western Avenue, in Cook County, Illinois (the "Line").[1] The Line traverses U.S. Postal Service Zip Codes 60608, 60623 and 60632. A map of the Line is attached as **Exhibit A**.

Based on information in BNSF's possession, the Line does not contain federally granted rights of way. Any documentation in BNSF's possession will be made available to those requesting it. There are no stations on the Line.

[1] The Line is not mileposted.

II. STATEMENT OF FACTS

A. Background

BNSF previously attempted to the abandon the Line in 1999. The Board, however, denied BNSF's petition for exemption. STB Docket No. AB-6 (Sub-No. 382X), *The Burlington Northern and Santa Fe Railway Company – Abandonment of Chicago Area Trackage in Cook County, IL* (not printed), served September 21, 1999. At that time, there were two active customers on the Line (Crown Steel Sales, Inc., and International Cellulose, Inc.) that shipped well over 100 cars a year. Two then former customers, including Pure Asphalt Company ("Pure Asphalt"), also opposed BNSF's petition.

Subsequently, BNSF leased the Line as well as other adjacent rail lines to Central Illinois Railroad Company ("CIRY"). *See* STB Finance Docket No. 33960, *Central Illinois Railroad Company – Lease and Operation Exemption – Lines of the Burlington Northern and Santa Fe Railway Company at Chicago, Cook County, IL* (not printed), served September 12, 2002. After the lease was terminated and CIRY went out of business, BNSF resumed service over the Line on an as needed basis. *See* STB Docket No. AB 1066 (Sub-No. 2X), *Central Illinois Railroad Company – Discontinuance of Service Exemption – in Cook County, ILL* (not printed), served August 18, 2010.

B. Revenues and Cost Data

Pure Asphalt has been the only active shipper on the Line in the past five (5) years. Pure Asphalt's traffic primarily originates on the Union Pacific Railroad Company in Texas and is interchanged to BNSF in Chicago for a reciprocal switch fee. Also, Pure Asphalt's traffic volumes have been very low and sporadic. In 1997 and 1998, Pure Asphalt was not using rail service. More recently, Pure Asphalt received six (6) carloads in 2009, no carloads in 2010, four

(4) carloads in 2011, and no (0) carloads in 2012.[2] During the Base Year,[3] BNSF earned no revenues from the Line. BNSF has experienced operating losses since it resumed operations over the Line due to the low volume of traffic and the fact that BNSF only receives a switch fee for Pure Asphalt's traffic.

Attached as **Appendix A** is the Verified Statement ("V.S.") of Scott T. Long. As Mr. Long demonstrates, during the Base Year, BNSF earned no revenues from the Line. Mr. Long projects that BNSF will generate the same gross revenues in the Forecast Year as BNSF generated in 2011. Mr. Long has also calculated on-branch and off-branch avoidable cost for the Forecast Year. No costs are attributed to the Line during the Base Year.

The on-branch avoidable costs utilized by Mr. Long are very conservative. For example, Mr. Long has included no costs for maintenance of way and structures in either the Base Year or Forecast Year. The Board and its predecessor have long recognized the appropriateness of considering normalized maintenance costs in instances of deferred maintenance. *See Chicago and North Western Transp. Co. – Abandonment,* 366 I.C.C. 373, 377 (1982)("Normalized maintenance is the amount needed for economic and efficient operation over the long term. *** We have, in the past, applied normalized maintenance calculations to actual maintenance figures and found that costs for normalized maintenance when compared to actual maintenance expenditures are indicative of deferred maintenance and are to be given consideration in determining whether or not the public convenience and necessity permit abandonment of a line").

The Board and its predecessor found as reasonable per-mile normalized maintenance costs of **$10,943** in STB Docket No. AB-33 (Sub-No. 156), *Union Pacific Railroad Company –*

[2] The Line was embargoed on October 28, 2011, because of poor track conditions.
[3] The Base Year is the 12-month period ending September 30, 2012.

Abandonment – In Harris, Fort Bend, Austin, Wharton and Colorado Counties, TX (not printed), served November 8, 2000; **$9,410** in STB Docket No. AB-33 (Sub-No. 261), *Union Pacific Railroad Company – Abandonment – In New Madrid, Scott, and Stoddard Counties, MO* (not printed), served June 17, 2009; **$6,957** in STB Docket No. AB-564 *Camas Prairie Railnet, Inc. – Abandonment – In Lewis, Nez Perce, and Idaho Counties, ID* (not printed), served September 13, 2000; **$6,029** in STB Docket No. AB-441 (Sub-No. 2X), *SWKR Operating Co. – Abandonment Exemption in Cochise County, AZ* (not printed), served February 14, 1997, slip op. at 5 ("We know from extensive experience that $6,000 per mile/per year is a reasonable figure for maintenance by a Class III railroad.").[4]

In addition, Mr. Long has not included property taxes even though the real estate associated with the Line is valued at $3,330,000.

As long as BNSF receives only a reciprocal switch charge for traffic moving over the Line, the Line will remain hopelessly unprofitable. Indeed, the more traffic that moves over the Line the more operating losses BNSF will incur. In 2011, BNSF generated an average of $195 in revenues per car moved to the Line. As calculated by Mr. Long, the average avoidable cost per car during the Forecast Year is $899. Consequently, should Pure Asphalt tender BNSF 100 cars at some future date, BNSF would experience an operating loss of $89,900 ($899 X 100 = ($89,900).

C. Condition of the Line and Net Liquidation Value

Attached as **Appendix B** is the V.S. of Arthur M. Charrow. Attached as Exhibit 1 to Mr. Charrow's V.S. are several photographs of the portion of the Line used to serve Pure Asphalt

[4] The Board made that finding in 1997. Since then, rail line maintenance costs have risen significantly.

("Pure Asphalt Segment"). As these photographs depict, the Pure Asphalt Segment is inoperable and in substantial need of rehabilitation.

Mr. Charrow estimates that the cost of restoring the Pure Asphalt Segment to FRA Class 1 standard is $650,000. That segment of the Line needs tie replacement on various segments of the Line, the installation of track panels, surfacing, replacement of a turnout, the renewal of a street crossing and installation of new signal cables. Mr. Charrow identifies the cost of each of those items.

Mr. Charrow estimates that the net liquidation value of the Line is $3,330,000, consisting of $0 for the net liquidation value of the track and track materials and $3,330,000 for the real estate. The real estate value is based on two valuation reports prepared by Colliers International Valuation & Advisory Services ("Colliers"). Given Pure Asphalt's expressed interest in filing an Offer of Financial Assistance, BNSF requested that Colliers value separately the Pure Asphalt Segment and the remainder of the Line. Copies of the two reports are contained in Volume 2 of this Petition.

D. Opportunity Costs

Opportunity costs reflect the economic loss experienced by BNSF from forgoing a more profitable alternative use of the assets associated with the Line. Pursuant to *Abandonment Regulations – Costing*, 3 I.C.C.2d 340 (1987), the opportunity cost of road property is computed on an investment base equal to the sum of: (1) allowable working capital; (2) the net liquidation value of the Line; and (3) current income tax benefits (if any) resulting from abandonment. Mr. Long determines that the annual opportunity costs associated with the Line are $595,187. Mr. Long also estimates a Forecast Year Loss of $598,781 and a subsidy payment of $1,248,789.

E. Summary

In summary, the Line is in extremely poor condition and in need of substantial rehabilitation. The Line has been embargoed because the revenues generated from the Line for many years did not come even remotely close to covering the normalized maintenance cost much less the other costs associated with serving Pure Asphalt.

BNSF's projected operating loss in the Forecast Year is $3,594 which is very similar to the operating loss experienced in 2011. The projected economic loss in the Forecast Year is $598,781.[5] Had BNSF rehabilitated the first mile of the Line so that service to Pure Asphalt could have continued, the operating loss would have swelled to $653,594.[6]

BNSF simply cannot afford to spend $650,000 so that it can incur annual operating losses of $3,594 and forego annual opportunity costs of $595,187.

III. EXEMPTION REQUESTED

BNSF seeks an exemption under 49 U.S.C. § 10502 from the applicable requirements of 49 U.S.C. § 10903 to permit BNSF to abandon this 2.14-mile rail line.

Under 49 U.S.C. § 10502, the STB must exempt a transaction from regulation when it finds that: (1) regulation is not necessary to carry out the rail transportation policy of 49 U.S.C. § 10101; and (2) either: (a) the transaction is of limited scope; or (b) regulation is not necessary to protect shippers from the abuse of market power.

The legislative history of Section 10502 reveals a clear Congressional intent that the STB should liberally use its exemption authority to free certain transactions from the administrative

---

[5] Operating loss of $3,594 plus opportunity cost of $595,187.

[6] Operating loss of $3,594 plus rehabilitation cost of $650,000. Actually, the estimated operating loss is significantly understated because the bridge over the Chicago Sanitary and Ship Canal, which must be traversed in order to serve Pure Asphalt, would have required about $260,000 in repairs.

and financial costs associated with continued regulation. In enacting the Staggers Act of 1980, Pub. L. No. 96-448, 94 Stat. 1895, Congress encouraged the STB's predecessor to use liberally the expanded exemption authority under former Section 10505:

> The policy underlying this provision is that while Congress has been able to identify broad areas of commerce where reduced regulation is clearly warranted, the Commission is more capable through the administrative process of examining specific regulatory provisions and practices not yet addressed by Congress to determine where they can be deregulated consistent with the policies of Congress. The conferees expect that, consistent with the policies of this Act, the Commission will pursue partial and complete exemption from remaining regulation.

H.R. Rep. No. 1430, 96th Cong. 2d Sess. 105 (1980). *See also Exemption From Regulation – Boxcar Traffic,* 367 I.C.C. 424, 428 (1983), *vacated and remanded on other grounds, Brae Corp. v. United States*, 740 F.2d 1023 (D.C. Cir. 1984). Congress reaffirmed this policy in the conference report accompanying the ICC Termination Act of 1995, Pub. L. No. 104-88, 109 Stat. 803, which re-enacted the rail exemption provisions as Section 10502. H.R. Rep. 422, 104th Cong., 1st Sess. 168-69 (1995).

A. The Application of 49 U.S.C. § 10903 Is Not Necessary to Carry Out the Rail Transportation Policy

Detailed scrutiny of this transaction is not necessary to carry out the rail transportation policy. An exemption would minimize the unnecessary expenses associated with the filing of a formal abandonment application, expedite regulatory decisions and reduce regulatory barriers to exit [49 U.S.C. § 10101(2) and (7)]. *See, e.g., Norfolk & W. Ry. Co. –Abandonment Exem. – Cinn., Hamilton County, OH*, 3 S.T.B. 110 (1998); STB Docket No. AB 367 (Sub-No. 2X), *Georgia Central Railroad, L.P. – Abandonment Exemption – In Chatham County, GA* (not printed), served September 17, 1997 ("*Georgia Central*"). By abandoning the Line, BNSF will be able to avoid the significant opportunity and rehabilitation costs as well as the out-of-pocket

expenses associated with retaining this underutilized Line. For well over 15 years, no traffic has moved over the portion of the Line north and east of Pure Asphalt and the volume of traffic on the first mile of the Line has been very limited in recent years. Granting the exemption will thus foster sound economic conditions and encourage efficient management. 49 U.S.C. § 10101(5) and (9). *See, e.g.,* STB Docket No. AB 497 (Sub-No. 1X), *Minnesota Northern Railroad, Inc. – Abandonment Exemption – In Red Lake and Polk Counties, MN* (not printed), served November 14, 1997; STB Docket No. AB 318 (Sub-No. 4X), *Louisiana & Delta Railroad, Inc. – Abandonment Exemption – In Lafourche and Assumption Parishes, LA* (not printed), served August 26, 1997.

Other aspects of the rail transportation policy are not adversely affected. For example, competition and the continuation of a sound rail transportation system are not affected as the only customer on the Line, Pure Asphalt, apparently has been utilizing other modes for the vast majority of its traffic.

B. This Transaction Is of Limited Scope

In determining whether a proposed transaction is of limited scope, the Board considers a variety of factors, such as the length of the rail line, the number of shippers on the line and the traffic volume. *See, e.g.,* Docket No. AB 6 (Sub No. 349X), *Burlington Northern Railroad Company – Abandonment Exemption – In Greene and Polk Counties, MO* (not printed), served August 27, 1993; Docket No. AB 347 (Sub-No. 1X), *Florida West Coast Railroad Company – Abandonment Exemption – Gilchrist and Levy Counties, FL* (not printed), served January 16, 1992.

The proposed transaction is clearly of limited scope. BNSF is seeking to abandon a 2.14-mile line. The Line has had only one active customer for over five (5) years. Since BNSF

resumed operations on the Line, the volume of traffic has been very limited. The shortness of the Line, the fact that only one active customer remains on the Line and the extremely low volume of traffic moving over the Line demonstrate the limited scope of the proposed abandonment. *See, e.g.,* Docket No. AB 397 (Sub-No. 3X), *Tulare Valley Railroad Company – Abandonment Exemption – In Tulare And Fresno Counties, CA* (not printed), served February 9, 1995.

C. This Transaction Will Not Result in an Abuse of Market Power

The last remaining customer on the Line is Pure Asphalt and apparently it uses other modes for the vast majority of its traffic. Therefore, regulation is not necessary to protect shippers from an abuse of market power. *See, e.g.,* STB Docket No. AB 55 (Sub-No. 576) *CSX Transportation, Inc. – Abandonment Exemption – In Guernsey County, OH* (not printed), served November 22, 1999; STB Docket No. AB 55 (Sub-No. 563X), *CSX Transportation, Inc. – Abandonment Exemption – In Harrison County, WV* (not printed), served September 25, 1998; *Georgia Central.*

Pure Asphalt may well again oppose the abandonment of the Line. Any increase in traffic projected by Pure Asphalt would only lead to increased losses to BNSF if BNSF merely receives the reciprocal switch fee. In any event, the Board and its predecessor have consistently rejected speculation about future traffic as a sound basis for denying the abandonment of an otherwise unprofitable rail line. *See, e.g.,* STB Docket No. AB-433X, *Idaho Northern & Pacific Railroad Company – Abandonment Exemption – In Wallowa and Union Counties, OR* (not

printed), served April 16, 1997 ("*Idaho Northern*");[7] STB Docket No. 290 (Sub-No. 260X), *Tennessee Railway Company – Abandonment Exemption – In Scott County, TN* (not printed), served June 17, 2005 ("*Tennessee*");[8] STB Docket No. AB-6 (Sub-No. 370X), *Burlington Northern Railroad Company – Abandonment Exemption – Between Mesa and Basin City, Franklin County, WA* (not printed), served January 27, 1997; Docket No. AB-290 (Sub-No. 122X), *Norfolk and Western Railway Company – Abandonment Exemption – In Randolph, Macon, Adair, and Schuyler Counties, MO, and Davis, Appanoose, and Monroe Counties, IA* (not printed), served September 17, 1993; Docket No. AB-55 (Sub-No. 413X), *CSX Transportation, Inc. – Abandonment Exemption – In Webster County* (not printed), served May 29, 1992. Also, a shipper, such as Pure Asphalt, "may not insist upon the maintenance of a burdensome line solely for its own benefit." *Busboom Grain Company, Inc. v. ICC*, 856 F.2d 790, 795 (7th Cir. 1988).

ENVIRONMENTAL AND HISTORIC REPORTS

The Environmental Report and the Historic Report containing the information required by 49 C.F.R. §§ 1105.07 and 1105.08 were forwarded to the Board on April 3, 2012.

CERTIFICATES OF SERVICE

The Certificate of Service of the Environmental and Historic Reports is attached to the Petition as **Exhibit B**. The Certificate of Service for this Petition for Exemption is attached as **Exhibit C**.

---

[7] In *Idaho Northern*, the Board granted the abandonment even though a lumber mill had projected a total of 2,102 outbound movements of lumber and wood chips annually. In granting the abandonment, the Board found the traffic projections speculative but also noted that the mill had been utilizing truck service to deliver the finished products.

[8] Citing *Idaho Northern*, the Board, in *Tennessee*, noted that under its precedent "mere speculation about future traffic is not a sound basis upon which to deny an abandonment." *Tennessee*, slip op., at 4.

CERTIFICATE OF PUBLICATION

The Certificate of Publication is attached as **Exhibit D**.

FEDERAL REGISTER NOTICE

A draft Federal Register notice is attached to this Petition as **Exhibit E**.

LABOR PROTECTION

The interests of railroad employees who may be adversely affected by the proposed abandonment will be adequately protected by the labor protection conditions in *Oregon Short Line R. Co. – Abandonment – Goshen,* 360 I.C.C. 91 (1979).

IV. CONCLUSION

Application of the regulatory requirements and procedures of 49 U.S.C. § 10903 is not required to carry out the rail transportation policy set forth in 49 U.S.C. § 10101, as previously described in this Petition, nor is STB regulation required to protect shippers from an abuse of market power. Moreover, this abandonment is of limited scope. Accordingly, BNSF respectfully urges the Board to grant this petition.

Respectfully submitted,

Karl Morell

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Of Counsel
BALL JANIK LLP
Suite 225
655 Fifteenth Street, N.W.
Washington, D.C. 20005
(202) 638-3307

Courtney B. Estes
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2500 Lou Menk Drive, AOB-3
Fort Worth, Texas 76131-2828

December 21, 2012

South Lawndale
Cook County Criminal Court
Station 149 + 87
Pure Asphalt
Station 36 + 70
Corwith
A
J

EXHIBIT A

EXHIBIT B

CERTIFICATE OF SERVICE
ENVIRONMENTAL AND HISTORIC REPORTS

The undersigned hereby certifies that, in STB Docket No. AB-6 (Sub-No. 182X), the transmittal letter required by 49 C.F.R. § 1105.11, was mailed to all agencies listed in 49 C.F.R. § 1105.7(b), as well as the additional agencies listed below, via first class mail on the 3rd day of April 2012.

The undersigned further hereby certifies that a copy of the Environmental and Historic Reports in STB Docket No. AB-6 (Sub-No. 182X) was served by first class mail on the 3rd day of April 2012 on the following:

Ms. Victoria Rutson
Chief, Section of Environmental Analysis
Surface Transportation Board
395 E Street S.W.
Washington, DC 20423-0001

— — — — — —

Carson Sub-area Office
Bureau of Land Management
7450 Boston Boulevard
Springfield, VA 22153-3121

Chicago Plan Commission
City Hall
121 N. LaSalle Street
Chicago, Illinois 60602

Cook County
Planning and Development
69 W. Washington, Suite 2900
Chicago, Illinois 60602

The National Geodetic Survey
Department of Commerce/NOAA
SSMC3
Station 9356
1315 East-West Highway
Silver Spring, MD 20910

Illinois Office of Water Resources
60 N. LaSalle St., Suite 5-700
Chicago, Illinois 60601

USEPA Region 5
Ralph Metcalfe Federal Building

77 West Jackson Blvd
Chicago, Illinois 60604-3590

U.S. Fish and Wildlife Service
Chicago Illinois Field Office
1250 South Grove, Suite 103
Barrington, Illinois 60010

Mr. Michael Reynolds, Regional Director
National Park Service
Midwest Region
601 Riverfront Drive
Omaha, NE 68102-4226

NRCS Illinois State Office
2118 W. Park Court
Champaign, Illinois 61821

Director and Program Administrator
Illinois Historic Preservation Agency
Old State Journal Register Building
313 South Sixth Street
Springfield, IL 62701

U.S. Army Corps of Engineers
Chicago District
111 N. Canal Street
Chicago, IL 60606-7206

Illinois Department of Transportation
2300 S. Dirksen Parkway
Springfield, IL 62764

Illinois Commerce Commission
527 East Capitol Avenue
Springfield, Illinois 62701

Dated: December 21, 2011

Karl Morell

Karl Morell

EXHIBIT C

CERTIFICATE OF SERVICE

Pursuant to 49 C.F.R. § 1152.60(d), the undersigned hereby certifies that copies of the Petition for Exemption in STB Docket No. AB-571(Sub-No. 482X) were mailed via first class mail on December 21, 2012 to the following parties:

State Public Service Commission

Illinois State Clearinghouse
Office of the Governor
207 Statehouse
Springfield, IL 62706

Illinois Commerce Commission
527 East Capitol Avenue
Springfield, IL 62701

Attorney for Pure Asphalt Company

Thomas F. McFarland, Ltd.
208 South LaSalle Street, Suite 1890
Chicago, Illinois 60604-1112

Military Traffic Management Command

MTMCTEA
ATTN: SDTE-SA (Railroad or National Defense)
709 Ward Drive, Building 1990
Scott AFB, IL 62225-5357

National Park Service

Midwest Region
National Park Service
U.S. Department of Interior
601 Riverfront Drive
Omaha, NE 68102-4226

U.S. Department of Agriculture

U.S. Department of Agriculture
Chief of the Forest Service
1 Thomas Circle N.W., Auditors' Building
14th Street and Independence Avenue S.W.
Washington, DC 20250

Dated: December 21, 2012

Karl Morell

EXHIBIT B

CERTIFICATE OF PUBLICATION

The undersigned hereby certifies that notice of the proposed abandonment in STB Docket No. AB 6 (Sub-No. 192X) was published on April 23, 2012, in the Daily Herald, a newspaper of general circulation in Cook County, Illinois as required by 49 C.F.R. § 1105.12.

Dated: December 21, 2017

Karl Morell

Karl Morell

EXHIBIT 1

SURFACE TRANSPORTATION BOARD

DOCKET NO. AB 6 (Sub-No. 482X)

BNSF RAILWAY COMPANY
–ABANDONMENT EXEMPTION–
IN COOK COUNTY, ILLINOIS

On December 2012, BNSF Railway Company ("BNSF") filed with the Surface Transportation Board a petition under 49 U.S.C. 10502 for exemption from the provisions of 49 U.S.C. 10903 for BNSF to abandon a line of rail extending from Station 36 70, north of the Chicago Sanitary and Ship Canal Bridge, to Station 119 + 87, at the end of the track near Western Avenue, in Cook County, Illinois (the "Line"). The Line traverses U.S. Postal Service Zip Codes 60608, 60623 and 60632. There are no stations on the Line.

The line does not contain federally granted rights-of-way. Any documentation in the railroad's possession will be made available promptly to those requesting it.

The interests of railroad employees will be protected by the conditions set forth in Oregon Short Line R.R. Co.—Abandonment—Goshen, 360 I.C.C. 91 (1979).

By issuance of this notice, the Board is initiating an exemption proceeding pursuant to 49 U.S.C. 10502(b). A final decision will be issued within 90 days (by _ __ 2013).

Any offer of financial assistance under 49 C.F.R. 1152.27(b)(2) will be due no later than 10 days after service of a decision granting the petition for exemption. Each offer of financial assistance must be accompanied by the filing fee, which currently is set at $1,400. See 49 C.F.R. 1002.2(f)(25).

All interested persons should be aware that following abandonment of rail service and salvage of the line, the line may be suitable for other public use, including interim trail use. Any

request for a public use condition under 49 C.F.R. § 1152.28 and any request for trail use/rail banking under 49 C.F.R. § 1152.29 will be due no later than 20 days after notice of the filing of the petition for exemption is published in the *Federal Register*. Each trail use request must be accompanied by a $250 filing fee. See 49 C.F.R. § 1002.2(f)(27).

All filings in response to this notice must refer to Docket No. AB 6 (Sub-No. 482X) and must be sent to: (1) Chief, Section of Administration, Office of Proceedings, Surface Transportation Board, 395 E Street, S.W., Washington, DC 20423-0001; and (2) Karl Morell, Ball Janik LLP, Suite 225, 655 Fifteenth Street, N.W., Washington, DC 20005.

Persons seeking further information concerning abandonment procedures may contact the Surface Transportation Board or refer to the full abandonment regulations at 49 C.F.R. Part 1152. Questions concerning environmental issues may be directed to the Board's Office of Environmental Analysis at (202) 245-0295. [Assistance for the hearing impaired is available through the Federal Information Relay Service at 1-800-877-8339.]

An environmental assessment (EA) (or environmental impact statement (EIS), if necessary) prepared by the Office of Environmental Analysis will be served upon all parties of record and upon any agencies or other persons who commented during its preparation. Any other persons who would like to obtain a copy of the EA (or EIS) may contact the Office of Environmental Analysis. EAs in these abandonment proceedings normally will be available within 60 days of the filing of the petition. The deadline for submission of comments on the EA will generally be within 30 days of its service.

Decided: ___, 2013.

By the Board: Rachel D. Campbell, Director, Office of Proceedings.

Appendix A

VERIFIED STATEMENT OF SCOTT L. LONG

I Qualifications

My name is Scott L. Long. I have been employed by BNSF Railway Company ("BNSF") since 1992 and currently hold the position of Senior Manager Regulatory Cost in the Finance Department. My office address is 2500 Lou Menk Drive, Fort Worth, Texas 76131. I hold a Master of Business Administration degree from the University of Georgia. Throughout my career at BNSF, I have worked in various marketing and finance positions.

II Introduction and Background

The BNSF rail line located between Station 36+70, north of the Chicago Sanitary and Ship Canal Bridge, and Station 119+87, at the end of the track near the Western Avenue Bridge (the "Line") was embargoed on October 28, 2011, because of poor track condition.

As is demonstrated below and in Exhibit 1, BNSF's continued operation of the Line in the Forecast Year would result in an operating loss of $1,594. Additionally, as demonstrated in Exhibit 1, BNSF would have incurred an annual opportunity cost of $595,487 by continuing to operate the Line, and the estimated subsidy payment is $1,218,749 in the Forecast Year. Thus, continued operation of the Line would result in a substantial financial burden on BNSF.

Work Papers used to develop the avoidable costs are attached.

III Revenue and Cost Data (Exhibit 1)

Exhibit 1 provides revenue, cost and subsidy data for the Line for the Base Year ending September 30, 2012 and the Forecast Year beginning December 1, 2012 and ending November 30, 2013. During the Base Year, there was no traffic on the line and BNSF generated no

revenues on the Line. Revenue and cost estimates for the Forecast Year are based on actual traffic from August 1, 2010 to July 31, 2011, which is the last 12-month period in which there was any activity on the Line.

B) VENUES

During the Forecast Year, BNSF is projected to generate gross revenues of $780 from the forwarding to the Line (Line 1). The freight revenues generated by BNSF in the Forecast Year are from 1 car of traffic forwarding inbound to Pure Asphalt Company. The Line is a stub-ended and, therefore, not capable of handling overhead traffic (Line 2). In the Forecast Year BNSF will generate no other income on or along the Line (Line 3). The total revenues projected to be generated in the Forecasted Year are $780 (Line 4).

AVOIDABLE COSTS

Lines 5a through 5k under On Branch Costs represent the actual on branch costs projected to be incurred by BNSF in operating the Line during the Forecast Year.

BNSF is projected to incur no Maintenance of Way ("MOW") costs on the Line in the Forecast Year (Line 5a).[1]

Locomotive costs (Line 5b) include locomotive repair and maintenance and depreciation costs allocated to the Line by on-branch locomotive miles and hours. For the Forecast Year locomotive repair and maintenance is $15 and locomotive depreciation is $18. Therefore, the total locomotive cost (Line 5b) is projected to total $33 in the Forecast Year.

Transportation costs (Line 5c) include crew wages, train inspection and lubrication, locomotive fuel and locomotive servicing. These costs are allocated to the Line based upon on-

[1] As explained below, the cost of rehabilitating the first mile of the Line in order to serve Pure Asphalt Company ("Pure Asphalt") is estimated to be $650,000. Once the first mile is rehabilitated, little additional maintenance would be required during the first year. Consequently, no MOW costs are anticipated for the Forecast Year.

branch avoidable crew wages, locomotive hours and locomotive unit miles. Due to the low traffic volume, I calculated avoidable crew wages based on hourly overtime service by a 3-man switch crew (engineer, foreman and helper) as used in Circuit II. Following is a breakdown of the on branch transportation costs for the Base Year and Forecast Year.

Transportation Costs	Base Year	Forecast Year
Crew Wages	$0	$1,470
Train Inspection & Lubrication	$0	$78
Fuel	$0	$[illegible]
Locomotive Servicing	$0	$2
Total	$0	$2,783

BNSF is not attributing any General and Administrative expenses (Line 5d) to the Line for the Forecast Year. BNSF is also not attributing any Deadheading, Taxi and Hotel expenses (Line 5e) to the Line for the Forecast Year.

Because the Line is stub ended, there are no costs associated with overhead movements (Line 5f).

All of the cars used to serve Pure Asphalt were private cars. Therefore, there are no Freight Car costs (Lines 5g and 5h) projected for the Forecast Year.

Return on Value – Locomotives (Line 5i) is based on a replacement cost of $100,000 per unit for 1 locomotive. Return on Value – Locomotives is projected to be $2k for the Forecast Year.

There are no revenue taxes (Line 5j) associated with BNSF's operations over the Line in the Forecast Year. Property taxes (Line 5k) associated with BNSF's operations over the Line in the Forecast Year are projected to be minor and extremely distant at this point in time to calculate.

Avoidable OI Branch costs for traffic that either originated or terminated on the Line were computed using URCS.

Line 7 is the total avoidable cost incurred in operating the Line during the Forecast Year. The avoidable loss from operating the Line is projected to be $3,591 in the Forecast Year.

SUBSIDIZATION COSTS

The cost of rehabilitating the portion of the Line used by Pure Asphalt to FRA Class I standards is $650,000 (Line 8). See Verified Statement of Arthur M. Charnow.

Line 9 shows the administrative costs of $8 that BNSF would incur if operations over the Line were subsidized and consist of one percent of the total annual revenues attributable to the Line during the subsidy year (rounded to the nearest whole dollar). See 49 C.F.R. § 1152.32(k).

BNSF cannot determine at this time the amount required to obtain insurance if operations over the Line were subsidized (Line 10).

Line 11 is the total subsidy costs associated with continued operation of the Line.

Line 12 represents the valuation of the road properties consisting of working capital (On-Branch avoidable costs, less depreciation and return on value divided by 365 and multiplied by 15), income tax consequences (at a combined BNSF tax rate of 37 percent) and net liquidation value.

Line 13 is the nominal rate of return in 2011.

Line 14 is the return on value of $595,187.

BNSF is not applying any holding gains (Line 15).

Opportunity costs (Line 16) reflect the economic loss experienced by BNSF from foregoing a more profitable alternative use of the assets associated with the Line. Pursuant to *Abandonment Regulations – Costing*, 3 I.C.C.2d 830 (1987), the opportunity cost of road property is computed on an investment base equal to the sum of: (1) allowable working capital,

(2) the net liquidation value ("NLV") of the Line; and (3) current income tax benefits (if any) resulting from abandonment.

The net salvage value of the pack components of the Line is estimated to be $0. A preliminary BNSF estimate of the net value of the real estate associated with the Line is $3,330,000. Consequently, the Net Liquidation Value of the Line equals $3,330,000. See Verified Statement of Arthur M. Clemons.

Line 17 represents the available loss from operations.

Line 18 represents the estimated Forecast Year loss from operations.

Line 19 represents the true economic costs to BNSF of operating the Line in the Forecast and Subsidy years.

EXHIBIT 1

BNSF RAILWAY COMPANY
Revenue and Cost Data
Rail Line Located Between Stations 36 + 70 and 149 + 87

Item		Base Year	Forecast and Subsidy Year
Revenues Attributable to			
1	Freight Originated and/or Terminated On Branch	$0	$780
2	Bridge Traffic	$0	$0
3	All Other Revenue and Income	$0	$0
4	Total Attributable Revenue (sum of lines 1 thru 3)	$0	$780
Avoidable Costs for			
5	On-Branch Costs		
	a Maintenance of Way and Structures	$0	$0
	b Locomotive Costs	$0	$33
	c Transportation	$0	$2,783
	d General & Administrative	$0	$0
	e Deadheading, Taxi and Hotel	$0	$0
	f Overhead Movement	$0	$0
	g Freight Car Costs	$0	$0
	h Return on Value - Freight Cars	$0	$0
	i Return on Value - Locomotives	$0	$26
	j Revenue Taxes	$0	$0
	k Property Taxes	$0	$0
	l Total (sum of lines 5a thru 5k)	$0	$2,842
6.	Off Branch Costs	$0	$1,532
7.	Total Avoidable Costs (sum of lines 5 and 6)	$0	$4,374
Avoidable Gain or (Loss) from Operations (Line 4 - line 7)		$0	($3,594)

EXHIBIT 1

BNSF RAILWAY COMPANY
Revenue and Cost Data
Rail Line Located Between Stations 36 + 70 and 149 + 87

Item		Base Year	Forecast and Subsidy Year
Subsidization Costs for			
8	Rehabilitation		$650,000
9	Administrative Costs (Subsidy Year only)		$8
10.	Casualty Reserve Amount		$0
11	Total Subsidization Cost (Subsidy Year only)		$650,008
12	Valuation of Real Property		
	a Working Capital		$113
	b. Income Tax Consequences		($1,330)
	c Net Liquidation Value		$3,330,000
	d Valuation of Property (sum of lines 12a thru 12c)		$3,328,785
13	Nominal Rate of Return		17.88%
14	Nominal Return on Value (line 12d x line 13)		$595,187
15	Holding Gain (Loss)		$0
16	Total Return on Value - Opportunity Cost (line 14 - line 15)		$595,187
17	Avoidable Gain or (Loss) from Operations (line 1 - line 7)		($3,594)
18	Estimated Forecast Year Loss (line 8 - lines 7 and 16)		($598,781)
19	Estimated Subsidy Payment (line 4 - lines 7, 11 and 16)		($1,248,789)

STATE OF TEXAS)

) ss.

TARRANT COUNTY)

I, Scott Long, being duly sworn deposed and state that I am Senior Manager Regulatory Cost for BNSF Railway Company Inc. I am authorized to make this verification, and that I have read the foregoing document and know the facts recited therein are true and accurate as stated to the best of my knowledge, information, and belief.

Scott Long

SUBSCRIBED AND SWORN TO before me this 10th day of December 2012

My Commission Expires 7-16-2015

Notary Public

ELIZABETH A. DURHAM
Notary Public, State of Texas
My Commission Expires
July 16, 2015

WORKPAPERS

Summary

Group	Line	Sub	Item	Car	Source/Formula	Base Year Cost: [illegible]	Current Year Cost: [illegible]
Revenue	1		Freight Originated/Terminated [illegible]		[illegible]	[illegible]	[illegible]
	2		Bridge Traffic		[illegible]	[illegible]	[illegible]
	3		All Other		[illegible]	[illegible]	[illegible]
	4		Total Revenue		[illegible]	[illegible]	[illegible]
On-Stream Average Costs	[illegible]		Maintenance of Way & Structures		[illegible]	[illegible]	[illegible]
	[illegible]		Locomotive Repair & Maintenance		[illegible]	[illegible]	[illegible]
		[illegible]	Locomotive Depreciation		[illegible]	[illegible]	[illegible]
		Total				[illegible]	[illegible]
	[illegible]	1	Crew Wages		[illegible]	[illegible]	[illegible]
		2	Train Inspection & Lubrication		[illegible]	[illegible]	[illegible]
		3	Fuel		[illegible]	[illegible]	[illegible]
		4	Locomotive Servicing		[illegible]	[illegible]	[illegible]
		Total				[illegible]	[illegible]
	[illegible]		General & Administrative		[illegible]	[illegible]	[illegible]
	[illegible]		[illegible]		[illegible]	[illegible]	[illegible]
	[illegible]		[illegible]		[illegible]	[illegible]	[illegible]
	[illegible]	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
		2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
		3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
		4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
		Total				[illegible]	[illegible]
	[illegible]		Freight Car [illegible] Cost	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]		Locomotive [illegible] Cost		[illegible]	[illegible]	[illegible]
	[illegible]		[illegible]		[illegible]	[illegible]	[illegible]
	[illegible]		Property Tax		[illegible]	[illegible]	[illegible]
	[illegible]		Total On-Stream Cost		[illegible]	[illegible]	[illegible]

Summary

Workpaper

Category	Line	Item	Class	Source/Formula	New Year Car Type Gutgard and Over	Forecast Year Car Type 1 Dahlia and Over
Off Branch	1	Non-ROI Freight Car Cost per Car Day	RR	Freight Car L15	$ [illegible]	$ [illegible]
Non-ROI Cost	2	Non-ROI Freight Car Cost per Car Mile	RR	Freight Car L 6	[illegible]	[illegible]
RR Owned	3	Total Non-ROI Car Day Costs	RR	L 1 x Inputs L36	[illegible]	[illegible]
	4	Total Non-ROI Car Mile Costs	RR	L2 x Inputs L37	[illegible]	[illegible]
	5	Total Non-ROI Car Costs	RR	L3 + L4	[illegible]	[illegible]
On-Branch	6	Non-ROI Freight Car Cost per Car Day	PV		[illegible]	[illegible]
Non-ROI Cost	7	Non-ROI Freight Car Cost per Car Mile	PV	Freight Car L20E	[illegible]	[illegible]
PV Owned	8	Total Non-ROI Car Day Costs	PV	L6 x Inputs L36	[illegible]	[illegible]
	9	Total Non-ROI Car Mile Costs	PV	L7 x Inputs L37	[illegible]	[illegible]
	10	Total Non-ROI Car Costs	PV	L5 + L9	[illegible]	[illegible]
On-Branch	11	ROI Cost per Car Day	RR	Freight Car L 31 (B) or L12h (P)	[illegible]	[illegible]
ROI Cost	*12	Total ROI Car Costs	RR	L 1 x Inputs L36	[illegible]	[illegible]
RR Owned						
Off Branch	13	Modified Terminal Non-ROI	RR	Freight Car L27O	[illegible]	[illegible]
Non-ROI Cost	14	Total Non-ROI Off Branch Modified Terminal Costs	RR	L 13 x Inputs L3	[illegible]	[illegible]
RR Owned	15	Normal Terminal Non-ROI	RR	Freight Car L23F	[illegible]	[illegible]
	16	Total Non-ROI Off Branch Normal Terminal Costs	RR	L 15 x Inputs L4	[illegible]	[illegible]
	17	Complete Interchange	RR	Inputs L3 Inputs L4		-
	18	IC Terminal Non-ROI	RR	Freight Car L24L	[illegible]	[illegible]
	*19	Total Non-ROI Off Branch IC Terminal Costs	RR	L 17 x L 18	[illegible]	[illegible]
	20	Cost per Car Mile Non-ROI	RR	Freight Car L25G	[illegible]	[illegible]
	21	Total Non-ROI Off Branch Car Mile Costs	RR	L20 x Inputs L6	[illegible]	[illegible]
	22	Cost per Gross Ton Mile Non-ROI	RR	Freight Car L26J	[illegible]	[illegible]
	23	Total Non-ROI Off Branch GTM Cost	RR	L22 x Inputs L7	[illegible]	[illegible]
	24	Total Non-ROI Off Branch Costs	RR	L14 + L19 + L21 + L23	[illegible]	[illegible]
Off Branch	25	Modified Terminal Non-ROI	PV	Freight Car L27	[illegible]	[illegible]
Non-ROI Cost	26	Total Non-ROI Off Branch Modified Terminal Costs	PV	L25 x Inputs L3	[illegible]	[illegible]
PV Owned	27	Normal Terminal Non-ROI	PV	Freight Car L28	[illegible]	[illegible]
	28	Total Non-ROI Off Branch Normal Terminal Costs	PV	L27 x Inputs L4	[illegible]	[illegible]
	29	Complete Interchange	PV	Inputs L3 Inputs L4	-	-
	30	IC Terminal Non-ROI	PV	Freight Car L29	[illegible]	[illegible]
	31	Total Non-ROI Off Branch IC Terminal Costs	PV	L29 x L30	[illegible]	[illegible]
	32	Cost per Car Mile Non-ROI	PV	Freight Car L30	[illegible]	[illegible]
	33	Total Non-ROI Off Branch Car Mile Costs	PV	L32 x Inputs L11	[illegible]	[illegible]
	34	Cost per Gross Ton Mile Non-ROI	PV	Freight Car L34	[illegible]	[illegible]
	35	Total Non-ROI Off Branch GTM Cost	PV	L34 x Inputs L 7	[illegible]	[illegible]
	36	Total Non-ROI Off Branch Costs	PV	L25 + L26 + L31 + L33 + L35	[illegible]	[illegible]

Workpaper

Group	Line	Item	Owner	Source/Formula	Base Year Car Type 1 Term - 22,000 Gallons and Over	Forecast Year Car Type 1 Term - 22,000 Gallons and Over
Off Branch	37	Modified Terminal ROI	RR	Freight Car L31C	$214 [illegible]	$184 [illegible]
ROI Cost	38	Total ROI Off Branch Modified Terminal Costs	RR	L37 x Inputs L3	$0 00	$0 00
RR Owned	39	Normal Terminal ROI	RR	Freight Car L32A	$223 [illegible]	$197 [illegible]
	40	Total ROI Off Branch Normal Terminal Costs	RR	L39 x Inputs L4	$0 00	$0 00
	41	IC Terminal ROI	RR	Freight Car L33B	$ 76 [illegible]	$ 54 [illegible]
	42	Total ROI Off Branch IC Terminal Costs	RR	L41 x L4	$0 00	$0 00
	43	Car Mile Cost ROI	RR	Freight Car L35B	$0 00000	$0 [illegible]
	44	Total ROI Off Branch Car Mile Costs	RR	L43 x Inputs L6	$0 00	$0 00
	45	Cost per Gross Ton Mile ROI	RR	Freight Car L34D	$0 00000	$0 [illegible]
	46	Total ROI Off-Branch Ton Mile Costs	RR	L45 x Inputs L7	$0 00	$0 00
	47	Total ROI Off Branch Costs	RR	L38 + L40 + L42 + L44 + L46	$0 00	$0 00
Off Branch	48	Modified Terminal ROI	PV	Freight Car L36	$ 3 [illegible]	$ 0 [illegible]
ROI Cost	49	Total ROI Off Branch Modified Terminal Costs	PV	L48 x Inputs J3	$0 00	$0 [illegible]
RR Owned	50	Normal Terminal ROI	PV	Freight Car L37	$38 [illegible]	$38 [illegible]
	51	Total ROI Off-Branch Normal Terminal Costs	PV	L50 x Inputs L5	$0 00	$0 00
	52	IC Terminal ROI	PV	Freight Car L38	$27 [illegible]	$27 [illegible]
	53	Total ROI Off Branch IC Terminal Costs	PV	L39 x L52	$0 00	$0 [illegible]
	54	Car Mile Cost ROI	PV	Freight Car L4E	$0 00000	$0 [illegible]
	55	Total ROI Off Branch Car Mile Costs	PV	L54 x Inputs L**	$0 00	$0 [illegible]
	56	Cost per Gross Ton Mile ROI	PV	Freight Car L38	$0 00000	$0 [illegible]
	57	Total ROI Off-Branch Ton Mile Costs	PV	L56 x Inputs L12	$0 00	$10 [illegible]
	58	Total ROI Off Branch Costs	PV	L48 + L51 + L53 + L55 + L57	$0 00	$147 [illegible]

Locos

Line	Item	Source/Formula	Base Year	Forecast Year
1A	Loco Repair & Maintenance - Salaries & Wages	R1 8410 L2B2 CB x 1000	$177,318,000	$177,[illegible]
1B	Loco Repair & Maintenance - Fringe Benefits	R1 8410 L2B CF x 1000	[illegible]	[illegible]
1C	Total Locomotives Salaries & Wages	R1 8410 L2B CR x 1000	$188,884,000	$188,884,000
1D	Repair & Maintenance Fringe Benefits	L1A x L1B / L1C	$77,243,[illegible]	$77,243,[illegible]
1E	Road Locomotive Repairs	R1 8410 L2 CB x 1000	$[illegible]	$[illegible]
1F	Total Locomotive Repairs	R1 8410 L2 CB x 1000	$[illegible]	$[illegible]
1G	Road Repair & Maintenance %	L1E / L1F	[illegible]	[illegible]
1H	Loco Repair & Maintenance - Total	R1 8410 L2C2 CF x 1000	$[illegible]	$721,[illegible]
1I	Road Locomotive GTMs	R1 8710 L36 CB x 1000	101,812,577,000	[illegible]
1J	Cost per Loco GTM	L1H / L1I = L1G / L1J	$0.00197	$0.00197
1K	On-Branch Loco Use Miles	Inputs L29		4
1L	On-Branch Loco GTMs	L1K x 120 Tons		1,814
1M	Unallocated On-Branch Loco Repair & Maintenance	J x L1L	$0	$ 4
1N	Total On-Branch Loco Repair & Maintenance	L1M x Inputs R1	$0	$15
2A	Road Loco Depreciation - Owned	R1 8410 L2 CE x 1000	$238,631,000	$238,[illegible]
2B	Road Loco Depreciation - Capitalized Lease	R1 8410 L2 CD x 1000	$[illegible]	$133,[illegible]
2C	Basic Depreciation	L2A - L2B	$343,339,000	$343,339,000
2D	Road Loco Investment Base - Owned	R1 8410 L2 CG x 1000	$2,981,[illegible]	$2,981,[illegible]
2E	Road Loco Investment Base - Capitalized Lease	R1 8410 L2 CH x 1000	$1,[illegible]	$[illegible]
2F	Base Cost	L2D - L2E	$3,773,377,000	$3,773,377,000
2G	Depreciation Rate	L2C / L2F	9.10%	9.10%
2H	Annual Depreciation	L2G x Inputs L32	$0	$0 [illegible]
2I	Loco Unit Miles	R1 8726 L11 CB	496,853,2[illegible]	496,[illegible]
2J	Train Miles - Revenue	R1 8725 L5 CB	168,225,464	168,225,464
2K	Locomotives per Train	L2I / L2J	3.14	3.14
2L	Train Hours - Road	R1 8726 L11 CB	[illegible]	[illegible]
2M	Train Hours - Yard Switching	R1 8726 L [illegible] CB	[illegible]	[illegible]
2N	Yard Hours - Running	L2L - L2M	[illegible]	[illegible]
2O	Loco Hours - Running	L2K x L2N	28,837,303	28,837,303
2P	Loco Unit Miles - Train Switching	R1 8726 L [illegible] CB	4,853,217	[illegible]
2Q	Average Switching Speed	Inputs L31		6
2R	Loco Hours - Switching	L2P / L2Q	-	797,203
2S	Total Loco Hours	L2O + L2R	28,837,303	[illegible]
2T	Locomotives in Service - Beginning of Year	R1 8710 L3 CB	[illegible]	[illegible]
2U	Locomotives in Service - End of Year	R1 8710 L3 CE	[illegible]	[illegible]
2V	Average Locomotives in Service	(L2T + L2U) / 2	[illegible]	[illegible]
2W	Average Hours per Locomotive	L2S / L2V	4,[illegible]	4,[illegible]
2X	Depreciation per Hour	L2H / L2W	$0.00000	$0.[illegible]
2Y	On-Branch Loco Hours	Inputs L33 x Inputs L33		4
2Z	On-Branch Loco Depreciation	L2X x L2Y	$0	$15

Loco

Line	Item	Source or Formula	Base Year	Forecast Year
3	Maintenance of Equipment	L1N + L2J	[illegible]	[illegible]
4A	Train Inspector & Lubricator - Salaries & Wages	R1 S4[illegible] L4[illegible] CB x 1000	[illegible]	[illegible]
4B	Train Operations - Fringe Benefits	R1 S4 [illegible] .414 CF x 1000	[illegible]	[illegible]
4C	Train Operations - Salaries & Wages	R1 S4 [illegible] L4 [illegible] CB x [illegible]	$ [illegible]	$ [illegible]
4D	Train Inspection & Lubrication - Fringe Benefits	L4A x L4B / L4C	[illegible]	[illegible]
4E	Train Crews - Materials/Supplies and Lubricants	R1 S4[illegible] L4[illegible] CC x [illegible]	[illegible]	[illegible]
4F	Train Inspection & Lubrication - Total Expense	R1 S4 [illegible] L4[illegible] CF x [illegible]	[illegible]	[illegible]
4G	Loco Inspection/Lubrication/Supplies - Unit Cost	(L4D + L4E + L4F) / L2E + L2NE	[illegible]	[illegible]
4H	Unallocated On-Branch Loco Inspection/Lubrication/Supplies	L4G x Inputs L32	[illegible]	[illegible]
4I	Allocated On-Branch Loco Inspection/Lubrication/Supplies	L4H x Inputs R1	[illegible]	[illegible]
5A	Fuel Cost per [illegible] Hour	Inputs L34	[illegible]	[illegible]
5B	Allocated Fuel Cost per Loco Hour	L5A x Inputs Fuel	[illegible]	$ [illegible]
5C	Locomotive Fuel	L5B x L2Y	[illegible]	[illegible]
6A	Loco Servicing - Salaries & Wages	R1 S4[illegible] L4[illegible] CB x 1000	[illegible]	[illegible]
6B	Loco Servicing - Fringe Benefits	L6A x L4R / L4C	[illegible]	[illegible]
6C	Loco Servicing - Total Expense	R1 S4[illegible] L4[illegible] CF x [illegible]	[illegible]	[illegible]
6D	Loco Servicing - Unit Cost	(L6B + L6C) / L2F	[illegible]	[illegible]
6E	Unallocated On-Branch Loco Servicing	L6D x L1K	[illegible]	[illegible]
6F	Allocated On-Branch Loco Servicing	L6E x Inputs R1	[illegible]	[illegible]
7	Transportation Switching Crew Wages	L4 + L5C + L6F	[illegible]	[illegible]
8A	Train Operations - Fringe Benefits	R1 S4[illegible] L4[illegible] CF x [illegible]	[illegible]	[illegible]
8B	Train Operations - Salaries & Wages	R1 S4[illegible] L4 [illegible] CB x [illegible]	$ [illegible]	$ [illegible]
8C	Train Operations - Fringe Benefits Rate	L8A / L8B	[illegible]	[illegible]
8D	On Branch Crew Wages	Inputs L35	[illegible]	[illegible]
8E	Unallocated On Branch Crew Wages with Fringe Benefits	(1 + L8C) x L8D	[illegible]	[illegible]
8F	Allocated On Branch Crew Wages with Fringe Benefits	L8E x Inputs R1	[illegible]	[illegible]
9A	Rail Loco Accumulated Depreciation - Owned	R1 S4 [illegible] L2 C[illegible] x [illegible]	[illegible]	[illegible]
9B	Rail Loco Accumulated Depreciation - Capitalized Leases	R1 S4 [illegible] L2 CJ x [illegible]	$ [illegible]	$ [illegible]
9C	Accumulated Back Depreciation	L9A + L9B	[illegible]	[illegible]
9D	Undepreciated Book Value	L2F - L9C	[illegible]	[illegible]
9E	Undepreciated Book Ratio	L9D / L2F	[illegible]	[illegible]
9F	Undepreciated Replacement Value	L9E x Inputs L30	[illegible]	[illegible]
9G	Current Cost of Capital	CoC L3	[illegible]	[illegible]
9H	Locomotive ROI	L9F x L9G	[illegible]	[illegible]
9I	Replacement ROI per Loco Hour	L9H / L2W	[illegible]	[illegible]
9J	Undepreciated Replacement Value	L9F x Inputs L30		[illegible]

Loss

Line	Item	Source/Formula	Base Year	Forecast Year
BK	Holding Gain Rate	CalC L3		2 [illegible]
BL	Annual Holding Gain ($ mm)	LBJ x LBK		[illegible]
BM	Holding Gain per Lost Hour	LBL / J2Y		[illegible]
BN	Net ROI per Lost Hour	LBI - LBM	[illegible]	[illegible]
CO	On-Branch Leasehold ROI	LBN x L2Y	90	[illegible]

Freight Car

Line	Item	Own	Source/Formula	Base Year Car Type Form - 22,000 Gallons and Over	Forecast Year Car Type Form - 22,000 Gallons and Over
A	Units in Service Beginning of Year	RR	R1 B7 [illegible] L38-41 CK	255	255
B	Units in Service End of Year	RR	R1 B7 [illegible] L38-41 CK	430	430
C	Units Leased to Others End of Year	RR	R1 B7 [illegible] L38-41 CK		
1D	Average Freight Car Ownership	RR	[illegible] L1D 2 + L C	348	348
2	Permanent Car Days	RR	L1D x 348 Days	126,936	126,936
3	Car Days on Foreign Lines	RR	Car Days Report	10,997	10,997
4	Foreign Car Days on Home Line	RR	Car Days Report	-	
5	Total System Car Days On-Line	RR	L2 L3 L4	58,773	68,773
6	Total Loaded Car Miles	RR	R1 B750 L 8-38 CB x 1000	2,770,810,000	2,770,810,000
7	Total Empty Car Miles	RR	R1 B750 L3 -44 CB x 1000	1,842,888,000	842,888,000
8	Total Car Miles	RR	L6 L7	3,613,698,000	3,613,698,000
9A	Repair Cost [illegible]	RR	R B4 5 L5-19 CB x 1000 x Inflation R1	588,864	587,341
9B	Adjusted Repair Amount Time or Miles	RR	L9A x 30%	544,002	543,873
10A	Current Cost per Car	RR	Estimated Replacement Cost at Year End	100,000	100,000
10B	Total Current Value (Replacement Cost)	RR	L1D x L10A	827,800,000	827,800,000
11A	Depreciation Owned	RR	R1 B4 5 6 19 CC x 200	1,400,000	1,400,000
B	Depreciation Capitalized Leases	RR	R1 B41B L8- 9 CD x 1000	50	50
1C	Blended Depreciation	RR	L11A + L B	1,400,000	1,400,000
D	Investment Base as of 12/31 Owned	RR	R1 B4 5 L6 9 CG x 200	10,938,000	10,938,000
E	Investment Base as of 12/31 Capitalized Leases	RR	R B41F L8-19 CH x 1000	50	50
1F	Blended Rate Depreciation	RR	L11D L1E	10,938,000	10,938,000
1G	Composite Depreciation Rate	RR	L11C / L1 F	5.79%	5.79%
11H	Annual Depreciation for Replacement	RR	L 09 x L11D	1,278,974	1,278,974
12A	Accumulated Depreciation as of 12/31 Owned	RR	R B4 5 L5-19 CI x 1000	1111,000	(811,300)

Freight Car

Line	[illegible]	Curr	[illegible]	Base Year Car Type 1 Term 22,000 Gallons and Over	Previous Year Car Type Term - 22,000 Gallons and Over
120	Accumulated Depreciation as of 12/31 Capitalized Lease	RR	R1 $4 5 6-18 CJ x 100	$0	$0
120	Accumulated Book Depreciation	RR	L12A L 20	/$111 000)	[illegible]
120	Unamortized Book Value	RR	L11F - L 30	$7,000 000	$7 000 000
20	Unamortized Book Basis	RR	L120 / L11F	[illegible]	[illegible]
12F	Net Current Value	RR	L 08 x L12F	$28,244 704	$28 944 704
12G	Nominal Cost of Capital	RR	Calc L3	17 [illegible]%	7 [illegible]%
12H	Annual Return on Investment	RR	L 2F x L 3G	$5 080 [illegible]	$5 050 53
12I	ROI Cost per Car Day (w/o Holding Gain)	RR	L12H / L3	$48 2 [illegible]	$48 21[illegible]
2J	Net Current Value	RR	L108 x L12E	$28 944 704	$28 944 704
2K	Holding Gain Rate Deflator	RR	Calc L7	0 [illegible]%	7 [illegible]%
12L	Holding Gain on Investment	RR	L 2J x 2K	$0	$773 084
2M	Holding Gain per Car Day	RR	L12L / L3	$0 00000	$5 51715
12N	ROI Cost per Car Day (w/Holding Gain)	RR	L12I L 2M	$48 2[illegible]	$3[illegible]
3	Applicable Depreciation Amount Time	RR	L11H x 50%	$1 127,584	$ 127 384
14A	Per Diem Payments Incurred	RR	R1 $414 [illegible] 18 CD x 1000 x Income R	$0	$0
14B	Per Diem Receipts Incurred	RR	R1 $4 4 L 18 CD x 1000 x Income R	$23 472	$23 874
14C	Leases & Rentals Net Incurred	RR	R $413 (L/18 CF x 1000 x Income R1	$0	$0
5	Total Cost per Car Time	RR	L03 + L 3 L14A + L14C + L 4B	$ 48 8 5	$1 148 183
6	Non-ROI Cost per Car Day	RR	L 5 / L3	$[illegible] 5 [illegible]	$ [illegible]
7A	Application Depreciation Amount Miles	RR	L11H x 40%	$[illegible] 080	$[illegible] 380
7B	Mileage Payments - Incurred	RR	R1 $4 4 L 18 CF x 1000 x Income R	$0	$0
17C	Mileage Receipts Incurred	RR	R $4 4 L 18 CC x 1000 x Income R	$8 153	$8,100
18	Total Mileage Cost	RR	L03 + 7A + L17B L17C	$[illegible]	$[illegible]
8	Non-ROI Cost per Car Mile	RR	L 6 / L8	$0 00[illegible]	$0 00[illegible]
20A	Total Mileage Payments Incurred	RV	R1 $414 (L/18 CE x 1000 x Income R1	$43 687	$44 [illegible]
20B	Private Limited Car Miles	RV	R1 $336 / 41 50 CR x 1000	44[illegible] 200	443 [illegible] 000

Freight Car

Line	Item	Qual	Source/Formula	Base Year Car Type 1 Tank 77 000 Gallons and Over	Renewal Year Car Type 1 Tank 77 000 Gallons and Over
20C	Private Company Car Miles	PV	R1 [illegible]	[illegible]	[illegible]
20D	Total Private Car Miles	PV	L20B + L20C	[illegible]	[illegible]
21C	Non-ROI Cost per Car Mile	PV	L20A / L20D	[illegible]	[illegible]
21A	Empty Return Ratio	RR	L8 / L8	1.72343	1.72343
21B	Empty Return Ratio	PV	L20C / L20D	2.67241	2.67241
22A	Rate Variability		D8.X01C4	[illegible]	[illegible]
22B	Station Cost [illegible]		F [illegible] x Index [illegible]	57.44111	[illegible]
22C	Total Operating Expense Repairs		D8.X20C5	534.232	534.232
22D	Freight Car Repairs		D8.X01C5	578.638	578.638
22E	Maintenance of Equipment Oth-		L22C / L22D	1.18878	[illegible]
22F	General Oth- Opr		F8.X07C1	087.5	1.087.5
22G	Depreciation Variability		D8.X33C4	[illegible]	1.00000
22H	General Oth- Dir.		D8.[illegible]	1.15782	5782
22I	Current Year $/FM per [illegible] Switch		E2.110C28	1.08187	08187
22J	Switch Engine Minutes - Car Unit Cost - Indexed		E [illegible] C x Index L7C8	53.87783	[illegible]
22K	Switch Engine Minutes Oth. Exp Unit Cost - Indexed		F [illegible] C2 x Index [illegible]	53.79.68	[illegible]
22L	[illegible] Switching Cost per Switch Non ROI		L22[illegible] x (L22J + L22K)	87.08	87.75434
22M	Average Non-ROI Cost per Car Day		(L8B x L72A x L72[illegible] x L22F + L[illegible]3 x L22G x L22H [illegible] L14A x L22H [illegible] L 48 x L22H - L14C x L22H[illegible] / L5	512.[illegible]13	[illegible]
22N	[illegible] Spots Between - Indexed		E1L100C1 x Index [illegible]	[illegible]	[illegible]
22O	Mile [illegible] Non ROI	RR	22N [illegible] L22E + (L22M x 2 + L22L) x L7A	[illegible]	[illegible]
23A	O/D Switch [illegible]		E2L [illegible]	2.00000	2.00000
23B	Current Year $/FM per Industry Switch		E2.110C25	4.34788	4.34788
23C	O/D Switching Non ROI		L23B x (L23J L23K)	[illegible]	[illegible]
23D	O/D per L&UL Industry Switch		E2L 100C14	2.00000	2.00000
23E	Car Days O/D		L23D x L20A	4.00000	4.00000
23F	Interline Terminal Non-ROI	RR	L23A x L23C + L23B L23E x L22M	[illegible]	[illegible]
24A	Car Days per VC Switch		F2L110C15	1.00000	[illegible]

Freight Car

Line	Item	Unit	Source/Formula	Base Year Car Type Tank 22,000 Gallons and Over	Forecast Year Car Type 1 Tank 22,000 Gallons and Over
24B	Current Year ECM per Interchange Switch		F21 XXXC28	2 33833	2 33833
24C	I/C Switch Cost Non-RCI		L24B x $ 22J L27KJ	$ 5 58	$18 84983
24D	Empty Return Ratio		E2L100C27	2 20076	2 22276
24L	I/C Terminal Non-RCI	TM	(L24A x L22M L24C) x 24D	$74 4 480	$75 3 [illegible]
25A	Cost per GTM Operating - Inbound		F1L 0 C x Indexes LRCB	$0 00309	$0 00308
25B	Cost per GTM Door Rents & Losses Inbound		E ..101C2 x Indexes LRCB	$0 00072	$0 00073
25C	Weighted Average Train Miles Off Branch		WavTrn ..12		5 818
25D	Cost per LUM Operating Inbound		E1L 35C x Indexes LRCB	$6 03808	$6 75088
25E	Cost per LUM Door Rents & Losses - Inbound		F L 100C2 x Indexes LRCB	$0 0 158	$0 07580
25F	Weighted Average Loads per Train Off Branch		AvgTrn ..19		3 13
25G	Crew Wages per Train Mile Inbound		L1L154C1 x Indexes LRCB	$0 02364	$0 78877
25H	Other Cost per Train Mile Operating - Inbound		F1L .03C x Indexes LRCB	$0 33128	$0 33087
25I	Other Cost per Train Mile Door Rents & Losses Inbound		E L 00C2 x Indexes LRCB	$0 00388	$0 00372
25J	Average Non-GTM Non-RCI		(L25A + L25B) x L25C 5.2180 L25D) x L25F + .25G 25H + L25I + .25E	$0 00000	$0 00003
25A	Average Miles Between Switches		C2L XXC23	230	200
25B	Switching per Car Mile Non-RCI		L27 /1 29A	$0 0364	$0 03862
26C	Running Miles per Day		E2L100C27	44 7836C	441 7836C
26D	Car Days per Switch		F2L1XXC13	0 8000C	0 30000
26E	Turn Time per Car		F21 1XXC	38 0000C	38 0000C
26F	Average Non-RCI Cost per Car Mile		$ 86 x L29A x L22E x L27F + L17A x 29D x L22H + ..178 x L27F L17C x L22F) / L8	$0 00273	$0 00323

Freight Car

Line	Item	Code	Formula or Input	Base Year Car Type 1 Year 22,000 Gallons and Over	Forecast Year Car Type Year 22,000 Gallons and Over
26D	Car Mile Cost Average Non-ROI Cost per Car Mile	RR	[illegible] L26C + L26D + [illegible] + L26E + L25J + L24D	[illegible]	[illegible]
27	Material Terminal Non-ROI	PV	L22K + L21B [illegible] L22N	[illegible]	[illegible]
28	Normal [illegible] Non-ROI	PV	L23A + [illegible] + [illegible]	[illegible]	[illegible]
29	AC Terminal Non-ROI	PV	L24C + [illegible]	[illegible]	[illegible]
30	Car Mile Costs Non-ROI	PV	L26E -([illegible] + L25C + L25J + L21B	[illegible]	[illegible]
31A	Switch Engine Maintenance ROI Per Unit Car		E1L [illegible]	[illegible]	[illegible]
31B	[illegible] ROI		L29I + L31A	[illegible]	[illegible]
31C	Modified Terminal ROI	RR	(L12N + 2 + L31L) + L34D	[illegible]	[illegible]
32A	OC Switching ROI		L23B + L32A	[illegible]	[illegible]
32B	Normal [illegible] ROI	RR	L25A + L32A + L25A + L25D + [illegible]	[illegible]	[illegible]
33A	AC Break Cost ROI		L34E + [illegible]	[illegible]	[illegible]
33B	AC Terminal ROI	RR	(L34F + [illegible] + L33A) + L34D	[illegible]	[illegible]
34A	Cost per GTM ROI		E1L/[illegible]	[illegible]	[illegible]
34B	Car per LUM ROI		F [illegible]	[illegible]	[illegible]
34C	Other Cost per Train Mile ROI		[illegible]	[illegible]	[illegible]
34D	Train Mile ROI		(L34A + L26C + L34B + L26F [illegible] L34D) / L25C	[illegible]	[illegible]
35A	[illegible] per Car Mile ROI		L32E + L31A / L25A	[illegible]	[illegible]
35B	Car Mile Cost Average ROI Cost per Car Mile	RR	(L35A + [illegible] / L26C + L26D + L12N / 200 [illegible] L25F + L34A + L25C [illegible] L34B + L25A [illegible] L25C) + L34D	[illegible]	[illegible]
36	Modified Terminal ROI	PV	[illegible] + L21B	[illegible]	[illegible]
37	Normal Terminal ROI	PV	L23A + L32A	[illegible]	[illegible]
38	AC Terminal ROI	PV	L23A + L21B	[illegible]	[illegible]
39	Train Mile ROI	PV	L34D	[illegible]	[illegible]
40	Car Mile Cost ROI	PV	(L35A [illegible] + (L34A + L26C + L34B + L26F L34D) / L26D) + L21B	[illegible]	[illegible]

Way/Tons

Line	Item	Source/Formula	Base Year Car Type Tons 72,000 Gallons and Over	Forecast Year Car Type 1 Tons - 72,000 Gallons and Over
	Average Miles/Car on Way Train	[illegible]	[illegible]	[illegible]
2	County Average	L2 [illegible] through [illegible]	4.73	[illegible]
3	County Factor	[illegible] through [illegible]	[illegible]	[illegible]
4	Empty/Loaded Ratio	[illegible] through [illegible]	[illegible]	[illegible]
5	Way Train Miles per Loaded Car Road Service	L2 x L3 / L4	[illegible]	[illegible]
6	Loaded Miles - Way Train - Off Branch	L5 x [illegible] L4 + [illegible]		-
7	Loaded Miles - Thru Train - Off Branch	[illegible] L5 - [illegible] L11 - L6		[illegible]
8	Percentage Way Train	L6 / [illegible] L5 [illegible]	[illegible]	[illegible]
9	Percentage Thru Train	L7 / [illegible] L5 [illegible] L11)	0.00%	100.00%
9	Average Thru Train Tons - Thru	[illegible]	[illegible]	[illegible]
	Average Train Tons - Way	[illegible]	2.544	2.044
12	Weighted Avg Train Tons - Off-Branch	[illegible] - L11 x L8	-	[illegible]
13	Average Loads per Train - Way	[illegible]	2.15	2.15
14	Average Loads per Train - Thru	[illegible]	[illegible]	[illegible]
15	Weighted Avg Loads per Train - Off Branch	L6 x L13 L8 x L14		[illegible]

Line	Car Type			Base Year Car Type I Year [illegible] Dollars and Cents	Forecast Year Car Type Year [illegible] Dollars and Cents
	[illegible]	[illegible]	[illegible]		
2	[illegible]	[illegible]	[illegible]	-	-
3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4	[illegible]	[illegible]	[illegible]		-
5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7	[illegible]	[illegible]	[illegible]	-	
8	[illegible]	[illegible]	[illegible]	-	[illegible]
9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10	[illegible]	[illegible]	[illegible]	-	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
14	[illegible]	[illegible]	[illegible]	-	-
15	[illegible]	[illegible]	[illegible]		
16	[illegible]	[illegible]	[illegible]	-	
17	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
18	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
19	[illegible]	[illegible]	[illegible]		
20	[illegible]	[illegible]	[illegible]		[illegible]
21	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
24	[illegible]	[illegible]	[illegible]		
25	[illegible]	[illegible]	[illegible]		
26	[illegible]	[illegible]	[illegible]		
27	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
28	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30	[illegible]	[illegible]	[illegible]	-	-
31	[illegible]	[illegible]	[illegible]	-	
32	[illegible]	[illegible]	[illegible]		-
33	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]

Motor Weight Adjustment

				Base Year	Terminal Year
				Car Type [illegible]	Car Type [illegible]
				Gasoline and Diesel	Gasoline and Diesel
[illegible]	[illegible]	[illegible]	[illegible]		
[illegible]	[illegible]	[illegible]	[illegible]		
[illegible]	[illegible]	[illegible]	[illegible]		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Base Year	[illegible]
Forecast Year	[illegible]

[illegible]	[illegible]	[illegible]	[illegible]
Base Year	[illegible]	[illegible]	[illegible]
Base Year PPI Avg	[illegible]	[illegible]	[illegible]
Base Year PPI Avg	[illegible]	[illegible]	[illegible]
Forecast Year PPI Avg	[illegible]	[illegible]	[illegible]
Base to Base Years	[illegible]	[illegible]	[illegible]
Base to Forecast Year	[illegible]	[illegible]	[illegible]

Global Insights Forecast of PPI
Finished Goods Other Than Food & Energy
as of [illegible]

Year	Quarter	Index
[illegible]		[illegible]
[illegible]	Q1	[illegible]
2011	Q2	[illegible]
[illegible]	Q3	[illegible]
2011	Q4	[illegible]
[illegible]	Q1	[illegible]
2012	Q2	[illegible]
2012	Q3	[illegible]
[illegible]	Q4	[illegible]
2013	Q	[illegible]
[illegible]	Q2	[illegible]
[illegible]	Q3	[illegible]
2013	Q4	[illegible]

Global Insights Forecast of PPI
Refined Petroleum Products
as of [illegible]

Year	Quarter	Index
[illegible]		[illegible]
2011	Q1	[illegible]
[illegible]	Q2	[illegible]
[illegible]	Q3	[illegible]
2011	Q4	[illegible]
[illegible]	Q1	[illegible]
2012	Q2	[illegible]
2012	Q3	[illegible]
[illegible]	Q4	[illegible]
2013	Q	[illegible]
[illegible]	Q2	[illegible]
2013	Q3	[illegible]
[illegible]	Q4	[illegible]

Cost of Capital

Line	Type	Item	20 After-Tax Cost	GDP Deflator	Deflated After-Tax Cost	Capital Structure	Weighted Cost	Tax Rate	Pre Tax Cost
1	Nominal	Common Equity	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2		Debt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
3		Overall					[illegible]		[illegible]
4	Real	Common Equity	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5		Debt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
6		Overall					[illegible]		[illegible]
7	Deflator (Nominal to Real)								[illegible]

GDP Deflator Calculation

		20[illegible]1	2012 Q1-Q3 Avg	GDP Deflator
8	Index	[illegible]	[illegible]	[illegible]

Data Sources

1 20[illegible]1 After Tax Cost of Capital and Capital Structure from [illegible] Revised Cost of Capital [illegible] 8/13/12

2 GDP Deflator Indices from Bureau of Economic Analysis Website, Industry and Product Accounts chapter Price Deflators for Gross Domestic Product - Table [illegible]

3 Corporate federal and state tax rate of 37% is used

Loss & Damage

STCC	UPCS Cost/Year	Base Year: UPCS Data at Base Level — Cost/Year	Type	Ratio Cost	Forecast Year: UPCS Data at Forecast Level — Cost/Year	Type	Ratio Cost
41	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
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[illegible]	[illegible]	[illegible]		[illegible]	[illegible]		[illegible]
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[illegible]	[illegible]	[illegible]		[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]		[illegible]
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[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
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[illegible]	[illegible]	[illegible]		[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]		[illegible]
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[illegible]	[illegible]	[illegible]		[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Total				[illegible]		[illegible]	[illegible]

Car Days

Line	UPCR Car Type	AAR Car Kind	Railroad Cars Offline Car Days 20 *	Foreign Cars Online Car Days 2011
Summary	Box Plain		[illegible]	[illegible]
	Box Equipped		[illegible]	[illegible]
	Gondola Plain		[illegible]	[illegible]
	Gondola Covered		[illegible]	[illegible]
	Hopper-Covered		[illegible]	[illegible]
	Hopper Open Top General Service		[illegible]	[illegible]
	Hopper Open Top-Special Service		[illegible]	[illegible]
	Refrigerator Mechanical		[illegible]	[illegible]
	Refrigerator Non Mechanical		[illegible]	[illegible]
	Flat TOFC/COFC		[illegible]	[illegible]
	Flat Multi Level		[illegible]	[illegible]
	Flat Container		[illegible]	[illegible]
	Flat All Other		[illegible]	[illegible]
	Tank Under 27 000 Gallons		[illegible]	[illegible]
	Tank 27 000 Gallons and Over		[illegible]	
	All Other Freight Cars		[illegible]	[illegible]
	Total		[illegible]	[illegible]

Note: Excludes general use TTX cars.

Car Days

Level	UIC/B Car Type	AAR Car Kind	System Last Office Car Days 2011	Foreign Cars Orders Car Days 2011
Series	Box Equipped	A300		5
	Box Equipped	A307	10 084	43 761
	Box Equipped	A309	788	13 619
	Box Equipped	A308		18 788
	Box Equipped	A305	488	30 758
	Box Equipped	A307		2 214
	Box Equipped	A312		53
	Box Boxcar	A332	2,309	12 443
	Box Equipped	A333		73
	Box Equipped	A335	318	1 437
	Flat Equipped	A430	78	
	Box Equipped	A402	4 749	230,872
	Box Equipped	A403	-	33 380
	Box Equipped	A405	43 471	158 193
	Box Equipped	A406	376 490	357 484
	Box Equipped	A407	-	2 34
	Box Equipped	A419	12	
	Box Equipped	A416		138
	Box Equipped	A432	178	8 988
	Box Equipped	A433	30	3 677
	Box Equipped	A436	30,882	16 845
	Box Equipped	A435	5,863	3 5 7
	Box Equipped	A445		342
	Box Equipped	A602	312	
	Box Equipped	A607		12 349
	Box Equipped	A602	47 346	9 753
	Box Equipped	A603		85 604
	Box Equipped	A606	31 274	11 189
	Box Equipped	A605	80 487	281 238
	Box Equipped	A607		135
	Box Equipped	A616		28
	Box Equipped	A6 8		41
	Box Equipped	A632	4 308	9,736
	Box Equipped	A633	-	331
	Box Equipped	A636	-	4 602
	Box Equipped	A635		24 747
	Box Equipped	A645		17
	Box Equipped	A600		277
	Box Equipped	A608		8 873
	Box Equipped	A630		204
	Box Equipped	A638		6 131
	Box Plan	R384	-	1 848
	Box Plan	R3 4		3 784
	Box Plan	U317		20
	Box Plan	R334		13
	Box Plan	A434		78
	Box Plan	U414		10 849
	Box Plan	B419		4 988
	Box Plan	B417		475
	Box Plan	B424		208
	Box Plan	B427	-	17
	Box Plan	B434		207
	Box Plan	B435		21,185
	Box Plan	B437		984
	Box Plan	B814		247
	Box Plan	R8 6	-	851
	Box Plan	B817		2,088
	Box Plan	B827		13
	Box Plan	B834	-	5 605

Car Days

Level	UMLER Car Type	AAR Car Type	System Cars Online Car-Days 2011	Foreign Cars Online Car-Days 2011
Detail	Box Plain	B[illegible]	-	73 [illegible]
	Box Plain	A[illegible]	4 [illegible]	8,016
	Hopper Covered	C [illegible]	[illegible]	30 [illegible]
	Hopper Covered	C112	1[illegible] 356	702 470
	Hopper Covered	C113	1 1 [illegible]	1 124 [illegible]
	Hopper Covered	C 14	[illegible] 7 [illegible]	7[illegible] [illegible]
	Hopper Covered	C213		30
	Hopper Covered	C217		70
	Hopper Covered	C313	[illegible] 035	71 1[illegible]
	Hopper Covered	C314	140 085	20 7[illegible]
	Hopper Covered	C413	2[illegible] 4[illegible]	204
	Hopper Covered	C[illegible] 4		7
	Gondola Equipped	L1[illegible]	-	3 757
	Gondola Equipped	F [illegible]		2[illegible]
	Gondola Equipped	F11[illegible]	2	
	Gondola Equipped	L [illegible]		70
	Gondola Equipped	L[illegible]34		16 [illegible]
	Gondola Equipped	E141		13 27[illegible]
	Gondola Equipped	F 42	-	3 [illegible]
	Gondola Equipped	E 44		3 1[illegible]
	Gondola Equipped	L14[illegible]		273
	Gondola Equipped	L231	[illegible] 2[illegible]	[illegible]
	Gondola Equipped	[illegible]232		5[illegible]
	Gondola Equipped	[illegible]241	44 224	150 [illegible]
	Gondola Equipped	L242	-	[illegible]
	Gondola Equipped	C30[illegible]		3
	Gondola Equipped	E307		1[illegible]
	Gondola Equipped	F331		[illegible]
	Gondola Equipped	[illegible]334	3,5[illegible]	2,1[illegible]
	Gondola Equipped	L33[illegible]		2 [illegible]
	Gondola Equipped	L43	7[illegible]	6[illegible]
	Gondola Equipped	F434		15
	Gondola Equipped	L441	[illegible]	1[illegible] [illegible]
	Gondola Equipped	L447	-	[illegible]
	Gondola Equipped	F444		[illegible]
	Gondola Equipped	F504		[illegible]
	Gondola Equipped	L507	24 457	[illegible]
	Gondola Equipped	E524	73 [illegible]	1 1[illegible]
	Gondola Equipped	F531	77[illegible]	[illegible]
	Gondola Equipped	L532		[illegible]
	Gondola Equipped	L534	[illegible]	222 34[illegible]
	Gondola Equipped	F[illegible]	1 30[illegible]	4 [illegible]
	Gondola Equipped	[illegible]	[illegible]1[illegible]	1 10
	Gondola Equipped	L542		1 370
	Gondola Equipped	E544		[illegible]
	Gondola Equipped	F524		24
	Gondola Equipped	[illegible]631		3 7[illegible]
	Gondola Equipped	L[illegible]	[illegible] 0[illegible]	7 10[illegible]
	Gondola Equipped	E[illegible]	204	
	Gondola Equipped	E641		30,[illegible]
	Gondola Equipped	[illegible]642	7,47[illegible]	
	Gondola Equipped	L544	-	340
	Gondola Equipped	F73[illegible]		[illegible]50
	Gondola Equipped	F734	2 743	2[illegible]
	Gondola Equipped	L735	172 413	[illegible]
	Gondola Equipped	F835	[illegible]	2,140
	Flat General	F10[illegible]	-	7,[illegible]
	Flat General	F1[illegible]	1[illegible]	
	Flat General	F [illegible]	2[illegible]	6

Car Days

Level Detail	UI/CII Car Type	AAR Car Kind	System Cars Offline Car Days 30	Average Cars Online Car Days 2011
	Flat All Other	F111	78	
	Flat All Other	F112	116	-
	Flat All Other	F116		615
	Flat All Other	F121	67	
	Flat All Other	F122	684	
	Flat All Other	F123	4 436	1 049
	Flat All Other	F126	8 275	2,387
	Flat All Other	F141	43	26
	Flat All Other	F142	7	2 726
	Flat All Other	F144		13,836
	Flat All Other	F146		3
	All Other Freight Cars	F172	329	7 437
	All Other Freight Cars	F174	7 481	
	All Other Freight Cars	F176		44
	Flat Gondola	F203		12
	Flat Gondola	F203		1 944
	Flat Gondola	F204	-	29
	Flat All Other	F2	67	
	Flat All Other	F212	9	
	Flat All Other	F213	-	93
	Flat All Other	F218	24	888
	Flat All Other	F222		854
	Flat All Other	F223		1 231
	Flat All Other	F226	1 377	8 278
	Flat All Other	F241		34 692
	Flat All Other	F242	17 448	1 614
	Flat All Other	F243	9 452	13 [illegible]
	Flat All Other	F244	-	857
	Flat All Other	F261	44	77
	Flat All Other	F262	1 247	1,208
	Flat All Other	F263	2 043	7 184
	Flat All Other	F266	4 129	76
	Flat All Other	F268		200
	All Other Freight Cars	F271		18
	All Other Freight Cars	F272	51	3 281
	All Other Freight Cars	F273		415
	Flat All Other	F281		714
	Flat All Other	F283		35
	Flat Gondola	F302	321	
	Flat Gondola	F303		298
	Flat All Other	F315	-	344
	Flat All Other	F325	750	7,862
	Flat All Other	F326		1 708
	Flat All Other	F331	-	19
	Flat All Other	F34		772
	Flat All Other	F342	5 273	1,383
	Flat All Other	F343	10 250	10 [illegible]
	Flat All Other	F351	87	271
	Flat All Other	F352	483	1 160
	Flat All Other	F353		13 373
	Flat All Other	F355		23
	All Other Freight Cars	F372	34	737
	All Other Freight Cars	F373		17
	Flat All Other	F383	3 659	28,178
	Flat All Other	F403	42	3 387
	Flat All Other	F434		9 [illegible]
	Flat All Other	F405		448
	Flat All Other	F411	2 [illegible]16	
	Flat All Other	F412	183	

Car Days

Level	LRCB Car Type	AAR Car Kind	System Cars Offline Car Days 2011	Foreign Cars Owns Car-Days 2011
Detail	Flat All Other	F413		[illegible]
	Flat All Other	F414	1	-
	Flat All Other	F425	[illegible]	[illegible]
	Flat All Other	F426		[illegible]
	Flat All Other	F431		[illegible]
	Flat All Other	F432		413
	Flat All Other	F433	-	[illegible]
	Flat All Other	F434		234
	Flat All Other	F435		[illegible]
	Flat All Other	F436		[illegible]
	Flat All Other	F441		[illegible]
	Flat All Other	F443	[illegible]	[illegible]
	Flat All Other	F444		[illegible]
	Flat All Other	F451	181	[illegible]
	Flat All Other	F452		[illegible]
	Flat All Other	F453		[illegible]
	Flat All Other	F481	-	[illegible]
	Flat All Other	F483	[illegible]	[illegible]
	Flat All Other	F484	[illegible]	
	Gondola Plan	G114		[illegible]
	Gondola Plan	G116		4
	Gondola Plan	G[illegible]		[illegible]
	Gondola Plan	G314		[illegible]
	Gondola Plan	G412	[illegible]	-
	Gondola Plan	G4[illegible]		[illegible]
	Gondola Plan	G510	[illegible]	
	Gondola Plan	G511	[illegible]	
	Gondola Plan	G512	[illegible]	[illegible]
	Gondola Plan	G513		[illegible]
	Gondola Plan	G514	-	[illegible]
	Gondola Plan	G5[illegible]	-	[illegible]
	Gondola Plan	G5[illegible]		[illegible]
	Gondola Plan	G517	-	[illegible]
	Gondola Plan	G518	-	[illegible]
	Gondola Plan	G52[illegible]	[illegible]	
	Gondola Plan	G523		[illegible]
	Gondola Plan	G532	[illegible]	
	Gondola Plan	G536		[illegible]
	Gondola Plan	G537		[illegible]
	Gondola Plan	G61[illegible]	[illegible]	
	Gondola Plan	G6[illegible]	[illegible]	
	Gondola Plan	G615	-	[illegible]
	Gondola Plan	G618		[illegible]
	Gondola Plan	G620	[illegible]	
	Gondola Plan	G621	[illegible]	
	Gondola Plan	G715		[illegible]
	Gondola Plan	G7[illegible]		[illegible]
	Gondola Plan	G7[illegible]		[illegible]
	Hopper-Open Top General Service	H[illegible]	[illegible]	-
	Hopper-Open Top General Service	H230	[illegible]	[illegible]
	Hopper-Open Top General Service	H250	[illegible]	[illegible]
	Hopper-Open Top General Service	H[illegible]	[illegible]	[illegible]
	Hopper-Open Top General Service	H[illegible]		[illegible]
	Hopper-Open Top General Service	H[illegible]	[illegible]	[illegible]
	Hopper-Open Top General Service	H[illegible]	[illegible]	[illegible]
	Hopper-Open Top General Service	H[illegible]	[illegible]	[illegible]
	Hopper-Open Top Special Service	J[illegible]		[illegible]
	Gondola Plan	J[illegible]	[illegible]	[illegible]
	Gondola Plan	J[illegible]		[illegible]

Car-Days

Level	UMCB Car Type	AAR Car Kind	System Cars Offline Car Days	Foreign Cars Offline Car Days
Detail	Gondola Flat	J300	[illegible]	2 471
	Gondola Flat	J311	[illegible]	[illegible]
	Gondola Flat	J312		4 [illegible]
	Hopper-Open Top Special Service	K344	436	
	Hopper Open Top-Special Service	K347		[illegible]
	Hopper Open Top-Special Service	K34	132 264	492
	Hopper Open Top-Special Service	K347	[illegible]	-
	Hopper Open Top Special Service	K344	-	1 577
	Hopper-Open Top Special Service	K345	[illegible]	[illegible]
	Hopper Open Top Special Service	K346	48	16
	Hopper Open Top-Special Service	K347		[illegible]
	Hopper Open Top-Special Service	K384	[illegible]	-
	All Other Freight Cars	L0[illegible]		3,379
	All Other Freight Cars	L326		[illegible]
	All Other Freight Cars	L027		12
	All Other Freight Cars	L047		273
	All Other Freight Cars	L078	117	
	All Other Freight Cars	M100	[illegible]	273
	All Other Freight Cars	M112	[illegible]	14 [illegible]
	All Other Freight Cars	M [illegible]	[illegible]	2 [illegible]
	All Other Freight Cars	M15[illegible]	[illegible]	9 547
	All Other Freight Cars	M190	[illegible]	2 [illegible]
	All Other Freight Cars	M200	44	
	All Other Freight Cars	M210	-	[illegible]
	All Other Freight Cars	M250	472	43
	All Other Freight Cars	M300	51	35
	All Other Freight Cars	M300	4	374
	All Other Freight Cars	M[illegible]		3
	All Other Freight Cars	M530		45
	All Other Freight Cars	M590		4
	All Other Freight Cars	M600	5	
	Flat TOFC/COFC	P[illegible]		[illegible]
	Flat-TOFC/COFC	P433		[illegible]
	Flat TOFC/COFC	P480		27
	Flat TOFC/COFC	P481	2	
	Flat TOFC/COFC	P757		[illegible]
	Flat TOFC/COFC	P782		1 784
	Flat TOFC/COFC	P823	[illegible]	
	Flat TOFC/COFC	P83	-	39
	Flat TOFC/COFC	P833		61
	Flat TOFC/COFC	P834		31
	Flat TOFC/COFC	P836	38	
	Flat TOFC/COFC	P841	3	[illegible]
	Flat TOFC/COFC	P842	1	12
	Flat-TOFC/COFC	P852		57
	Flat TOFC/COFC	P862		65
	Flat TOFC/COFC	P880		753
	Flat TOFC/COFC	Q370	-	[illegible]
	Flat TOFC/COFC	Q730		6 315
	Flat TOFC/COFC	Q752		53
	Refrigerator Non Mechanical	R400	407	[illegible]
	Refrigerator Non Mechanical	R413		3 [illegible]
	Refrigerator Mechanical	R460		18
	Refrigerator Mechanical	R470		20 37
	Refrigerator Non Mechanical	R500	181,158	[illegible] 291
	Refrigerator Non Mechanical	R810	[illegible]	[illegible]
	Refrigerator Mechanical	R800	60 331	1 [illegible]
	Flat TOFC/COFC	S[illegible]10		[illegible]
	Flat TOFC/COFC	S112		78

Car Days

Level	UMLER Car Type	AAR Car Type	System Cars Online Car Days 2011	Foreign Cars Online Car Days 2011
Other	Flat TOFC/COFC	S110		10 824
	Flat TOFC/COFC	S130		35 621
	Flat TOFC/COFC	S138	-	78 308
	Flat TOFC/COFC	S150	-	9 189
	Flat TOFC/COFC	S152	88	-
	Flat TOFC/COFC	S160		2 860
	Flat TOFC/COFC	S167	41,378	2 697
	Flat TOFC/COFC	S167	52	
	Flat TOFC/COFC	S169		8 838
	Flat TOFC/COFC	S170	-	2,800
	Flat TOFC/COFC	S171	-	178
	Flat TOFC/COFC	S172	-	3 087
	Flat TOFC/COFC	S174	588	9 688
	Flat TOFC/COFC	S175	347	10 895
	Flat TOFC/COFC	S176		8 952
	Flat TOFC/COFC	S310	33	
	Flat TOFC/COFC	S311	65	
	Flat TOFC/COFC	S312	152	4 384
	Flat TOFC/COFC	S313	-	84 743
	Flat TOFC/COFC	S332	818	5 779
	Flat TOFC/COFC	S333	718	3 731
	Flat TOFC/COFC	S347		84
	Flat TOFC/COFC	S350		688
	Flat TOFC/COFC	S35E	-	188
	Flat TOFC/COFC	S367	9 491	43 118
	Flat TOFC/COFC	S368	6	
	Flat TOFC/COFC	S400		6 352
	Flat TOFC/COFC	S563	4	
	Flat TOFC/COFC	S562	858	4 078
	Flat TOFC/COFC	S564	28	
	Flat TOFC/COFC	S610		88,185
	Flat TOFC/COFC	S6 0		48 348
	Flat TOFC/COFC	S6 0		21 203
	Flat TOFC/COFC	S635	841	84 387
	Flat TOFC/COFC	S650		8
	Tank Under 22 000 Gallons	T05 5		178
	Tank Under 22 000 Gallons	T108	6 284	37
	Tank 22 000 Gallons and Over	T107	10 071	
	Tank 22 000 Gallons and Over	T108	881	
	Flat Multi-Level	V785	58 344	84 008
	Flat Multi-Level	V401		988
	Flat Multi-Level	V411	87	38 142
	Flat Multi-Level	V412		153
	Flat Multi-Level	V413		294
	Flat Multi-Level	V418	-	33
	Flat Multi-Level	V441	-	1,173
	Flat Multi-Level	V442		8 023
	Flat Multi-Level	V443		1 798
	Flat Multi-Level	V406		348
	Flat Multi-Level	V778		1 285
	Flat Multi-Level	V786	3 79	4 900
	Flat Multi-Level	V980	35	
	Flat Multi-Level	V941		8 324
	Flat Multi-Level	V951	270	2 161
	Flat Multi-Level	V962		82
	Flat Multi-Level	V967		13
	Flat Multi-Level	V971	22 487	21 081
	Flat Multi-Level	V972		8 781
	Flat Multi-Level	V973	-	881

Car Days

Level	UNICB Car Type	AAR Car Kind	System Cars Office Car Days	Foreign Cars Office Car Days
Detail	[illegible]	[illegible]	70	[illegible]
	[illegible]	[illegible]		[illegible]
	[illegible]	[illegible]		[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]
	Total		[illegible]	[illegible]

[illegible] RAILWAY OPERATING EXPENSES

[illegible]

Line No.	Check Digit	Items of railway operating expenses	Freight	Passenger	Total	Line No.
			(a)	(b)	(c)	
		WAYS & STRUCTURES MAINTENANCE				
1		Ties	[illegible]	[illegible]	[illegible]	1
2		Rails & fastening	[illegible]	[illegible]	[illegible]	2
3		Rails	[illegible]	[illegible]	[illegible]	3
4		Crossing	[illegible]	[illegible]	[illegible]	4
5		Other	[illegible]	[illegible]	[illegible]	5
		REPAIRS AND MAINTENANCE				
6		Roadway, [illegible]	[illegible]	[illegible]	[illegible]	6
7		Roadway, [illegible]	[illegible]	[illegible]	[illegible]	7
8		[illegible]		[illegible]	[illegible]	8
9		[illegible]		[illegible]	[illegible]	9
10		[illegible]	[illegible]	[illegible]	[illegible]	10
11		[illegible]	[illegible]	[illegible]	[illegible]	11
12		[illegible]	[illegible]	[illegible]	[illegible]	12
13		[illegible]	[illegible]	[illegible]	[illegible]	13
14		[illegible]	[illegible]	[illegible]	[illegible]	14
15		[illegible]	[illegible]	[illegible]	[illegible]	15
16		[illegible]	[illegible]	[illegible]	[illegible]	16
17		[illegible]	[illegible]	[illegible]	[illegible]	17
18		[illegible]				18
19		[illegible]				19
20		[illegible]				20
21		[illegible]	[illegible]	[illegible]	[illegible]	21
22		[illegible]	[illegible]	[illegible]	[illegible]	22
23		[illegible]	[illegible]	[illegible]	[illegible]	23
24		[illegible]	[illegible]	[illegible]	[illegible]	24
25		[illegible]	[illegible]	[illegible]	[illegible]	25
26		[illegible]	[illegible]	[illegible]	[illegible]	26
27		[illegible]	[illegible]	[illegible]	[illegible]	27
28		[illegible]	[illegible]	[illegible]	[illegible]	28
29		[illegible]	[illegible]	[illegible]	[illegible]	29
30		[illegible]	[illegible]	[illegible]	[illegible]	30

[illegible]

THE RAILWAY OPERATING STATISTICS - (CONTINUED)

(Dollars in Thousands)

Line No.	Group Code	Name of Income Accounting Reporting Company	Operating Revenues	Operating Expenses	Net Operating Income	Income	Fixed Charges	Net Income	Line No.

[illegible]

413. RAIL WAY OPERATING EXPENSES - (Continued)

(Dollars in Thousands)

Line No.	Account	Name of railway operating expense account	Salaries & Wages	Supplies and Materials	Equipment Rents	Rents	Other Expenses	Transportation	Total
			(a)	(b)	(c)	(d)	(e)	(f)	(g)
		YARD OPERATIONS (Continued)							
4[illegible]		Switching operations	[illegible]		[illegible]		[illegible]		[illegible]
4[illegible]		Yard and terminal stations	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
4[illegible]		Operating joint yards and terminals - Dr.							
4[illegible]		Operating Cr.		[illegible]			[illegible]		[illegible]
4[illegible]		Terminal power operating power expenses - applicable to yards and terminals							
4[illegible]		Switching locomotives	[illegible]				[illegible]		[illegible]
4[illegible]		Freight car or freight train repairs	[illegible]	[illegible]	[illegible]				
4[illegible]		Terminal repairs			[illegible]		[illegible]		[illegible]
4[illegible]		Freight handling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
4[illegible]		Other equipment & supplies	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
4[illegible]		Joint facility - rent	[illegible]	[illegible]	[illegible]		[illegible]		[illegible]
4[illegible]		Joint facility - credit	[illegible]	[illegible]					
4[illegible]		Other			[illegible]		[illegible]		[illegible]
4[illegible]		TOTAL YARD OPERATIONS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
		TRAIN & YARD OPERATIONS CONTROL							
[illegible]		Clerks and stations	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
[illegible]		Allowance & incentive pay			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		Car cleaning, fumigation & yard clerks				[illegible]		[illegible]	
[illegible]		Freight car or equipment damage - Dr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
[illegible]		Freight damage	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
[illegible]		TOTAL TRAIN & YARD OPERATIONS CONTROL	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
		DIESEL FUEL OPERATIONS							
[illegible]		Supervision	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		Fuelers & servicers and other yard men			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		Fuelers & servicers and other yard men		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		Protective gloves	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		Freight car or equipment damage - Dr.	[illegible]	[illegible]	[illegible]				
[illegible]		Freight damage	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		Commissary & restaurant	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		Joint facility - rent	[illegible]	[illegible]		[illegible]	[illegible]		
[illegible]		Joint facility - credit	[illegible]	[illegible]		[illegible]	[illegible]		
[illegible]		Other					[illegible]		
[illegible]		TOTAL DIESEL FUEL OPERATIONS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible] RAILWAY OPERATING STATISTICS (Continued)

[illegible] Thousands

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
		[illegible]								
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]
[illegible]		[illegible]								[illegible]
[illegible]		[illegible]								[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]					[illegible]
[illegible]		[illegible]	[illegible]		[illegible]					[illegible]
[illegible]		[illegible]								[illegible]
[illegible]		[illegible]								[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]

[illegible] RATES FOR INTERCHANGED FREIGHT TRAIN CARS AND OTHER FREIGHT CARRYING EQUIPMENT

[illegible]

Line No.	Code Check	Type of Equipment	[illegible]			[illegible]			
			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
		[illegible]							
		[illegible]							
1		[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1
2		[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2
3		[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3
4		[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4
5		[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5
6		[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6
7		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7
8		[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8
9		[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9
9		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9
10		[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10
11		[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11
12		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12
13		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13
14		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14
15		[illegible]		[illegible]	[illegible]	[illegible]			15
16		[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	16
17		[illegible]			[illegible]				17
18		[illegible]			[illegible]	[illegible]	[illegible]	[illegible]	18
19		[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	19
		[illegible]							
20		[illegible]	[illegible]						20
21		[illegible]	[illegible]						21
22		[illegible]							22
23		[illegible]							23
24		[illegible]							24
25		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	25

[illegible] SUPPORT MUSEC HAUL EQUIPMENT

[illegible]

Line No	Group Code	Items of equipment (a)	Reports (end equipment) (b)	Increases Owned (c)	Increases Capitalized [illegible] (d)	Transfers Adjustments and [illegible] (e)	Line No
1		LOCOMOTIVES					
2		[illegible] Yard					2
3		[illegible] Road	[illegible]	[illegible]	[illegible]		3
4		[illegible] Yard					4
5		[illegible] Road					5
6		TOTAL LOCOMOTIVES	[illegible]	[illegible]	[illegible]		6
7		FREIGHT TRAIN CARS					
8		[illegible]		2			8
9		[illegible]	[illegible]				9
10		[illegible]	[illegible]	[illegible]			10
11		[illegible]	[illegible]	[illegible]			11
12		[illegible]	[illegible]	[illegible]			12
13		[illegible]	[illegible]	[illegible]	[illegible]		13
14		[illegible]	[illegible]	[illegible]			14
15		[illegible]	[illegible]	[illegible]			15
16		[illegible]	[illegible]	[illegible]	[illegible]		16
17		[illegible]	[illegible]	[illegible]	[illegible]		17
18		[illegible]	[illegible]	[illegible]			18
19		[illegible]	[illegible]	[illegible]	[illegible]		19
20		All Other Freight Cars	[illegible]	[illegible]			20
21		Caboose	[illegible]	[illegible]			21
22		Auto Racks		[illegible]			22
23		[illegible]	[illegible]	[illegible]			23
24		TOTAL FREIGHT TRAIN CARS	[illegible]	[illegible]	[illegible]		24
25		HIGHWAY EQUIPMENT REVENUE FREIGHT HIGHWAY EQUIPMENT					25
26		[illegible]					26
27		Other Trucks	[illegible]				27
28		[illegible]	[illegible]				28
29		[illegible]	[illegible]	[illegible]			29
30		[illegible]					30
31		[illegible]	[illegible]	[illegible]			31
32		[illegible]	[illegible]				32
33		TOTAL HIGHWAY EQUIPMENT	[illegible]	[illegible]			33
34		FLOATING EQUIPMENT REVENUE FREIGHT					34
35		[illegible]					35
36		[illegible]					36
37		TOTAL FLOATING EQUIPMENT					37
38		OTHER EQUIPMENT Passenger & Other Revenue Equipment Freight Portion	[illegible]				38
39		[illegible]		[illegible]			39
40		[illegible]	[illegible]	[illegible]			40
41		[illegible]	[illegible]	[illegible]			41
42		[illegible]	[illegible]	[illegible]			42
43		[illegible]	[illegible]	[illegible]	[illegible]		43
44		TOTAL OTHER EQUIPMENT	[illegible]	[illegible]	[illegible]		44
45		TOTAL ALL EQUIPMENT FREIGHT PORTION	[illegible]	[illegible]	[illegible]		45

[illegible] (Continued)

Line No.	Class Code	Income & expense (Pg. [illegible])	Investment basis as of 12/31 Tenant (G)	Investment basis as of 12/31 Capitalized costs (H)	Accumulated depreciation as of 12/31 Tenant (I)	Accumulated depreciation as of 12/31 Capitalized costs (J)	Line No.
1							1
2		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2
3							3
4							4
5		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5
6			[illegible]		[illegible]		6
7			[illegible]		[illegible]		7
8		[illegible]	[illegible]		[illegible]		8
9			[illegible]		[illegible]		9
10		[illegible]	[illegible]		[illegible]		10
11		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11
12			[illegible]		[illegible]		12
13		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13
14			[illegible]		[illegible]		14
15		[illegible]	[illegible]		[illegible]		15
16		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	16
17			[illegible]	[illegible]	[illegible]	[illegible]	17
18			[illegible]		[illegible]		18
19		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	19
20		[illegible]	[illegible]		[illegible]		20
21		[illegible]	[illegible]		[illegible]		21
22		[illegible]	[illegible]		[illegible]		22
23			[illegible]		[illegible]		23
24		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	24
25							25
26							26
27							27
28		[illegible]	[illegible]		[illegible]		28
29							29
30		[illegible]	[illegible]		[illegible]		30
31							31
32		[illegible]	[illegible]		[illegible]		32
33							33
34							34
35							35
36							36
37			[illegible]		[illegible]		37
38			[illegible]		[illegible]		38
39			[illegible]		[illegible]		39
40			[illegible]		[illegible]		40
41	•		[illegible]	[illegible]	[illegible]	[illegible]	41
42			[illegible]	[illegible]	[illegible]	[illegible]	42
43		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	43

(1) Class reported on lines 28, 29 and 40 = column (g) and (h) are investment basis in property owned. (4) allocated to improvements, freight costs, and other equipment.

(2) Depreciation reported on lines 28, 29 and 40 = column (g) is calculated by multiplying the investment basis shown by the effective depreciable rate for property owned. (4) and from adding or subtracting the adjustment number in column (e). This depreciation should cross the amount shown in column (h). Schedule 335.

THE [illegible] CITY OF [illegible]

LIFE'S OWNED, INCLUDED IN INVESTMENT ACCOUNT AND LEASED FROM OTHERS

[illegible]

[illegible]

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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3. [illegible]

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Line No.	Class Code	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Line No.
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Table 1.1.9. Implicit Price Deflators for Gross Domestic Product
(Index numbers, 2005=100)

Bureau of Economic Analysis
Last Revised on: November 29, 2012 - Next Release Date December 28, 2012

Line		2011	[illegible]
	Gross domestic product	1[illegible]3.359	114.599
2	Personal consumption expenditures	113.790	1[illegible]5.297
3	Goods	98.827	10.254
4	Durable goods	90.703	90.[illegible]68
5	Nondurable goods	1[illegible]9.430	122.136
6	Services	[illegible]10.435	117.[illegible]88
7	Gross private domestic investment	106.382	[illegible]07.234
8	Fixed investment	106.[illegible]80	137.[illegible]38
9	Nonresidential	[illegible]07.359	108.532
10	Structures	126.850	[illegible]30.014
11	Equipment and software	100.445	100.982
12	Residential	93.408	[illegible]03.[illegible]31
13	Change in private inventories	—	—
14	Net exports of goods and services	—	—
15	Exports	117.850	18.951
[illegible]	Goods	1[illegible]8.182	118.[illegible]72
17	Services	10.972	118.[illegible]34
18	Imports	121.651	24.[illegible]45
19	Goods	122.482	125.243
20	Services	115.128	[illegible]18.117
21	Government consumption expenditures and gross investment	121.233	122.983
22	Federal	116.721	118.042
23	National defense	117.411	[illegible]19.004
24	Nondefense	115.337	1[illegible]5.[illegible]17
25	State and local	24.00[illegible]	126.[illegible]46
	Addendum:		
26	Gross national product	113.353	114.600

2012	
[illegible]	[illegible]
1 5 035	*15 833
15 433	1*5 951
106 74*	110 256
84 689	89 380
121 473	122 658
118 573	118 099
107 543	107 835
107 651	108 267
108 847	109 059
131 044	3* 378
*01 085	101 257
103 748	04 484
–	–
–	
118 801	118 952
118 515	1*8 282
1*9 379	19 246
22 931	120 886
123 730	*21 320
18 399	1 8 *32
123 15	123 572
118 436	115 873
119 264	110 624
116 865	18 968
128 043	126 605
115 035	1 6 830

Appendix B

VERIFIED STATEMENT OF ARTHUR M. CHARROW

I. Qualifications

My name is Arthur M. Charrow. I have been employed by BNSF Railway Company ("BNSF") since 1973 and currently hold the position of General Director, Main Track Planning. My office address is 2600 Lou Menk Drive, GOB-3, Fort Worth, TX 76131. A copy of my resume is attached.

II. Introduction and Background

The BNSF rail line located between Station 30+[illegible], near the Chicago Sanitary and Ship Canal Bridge, and Station 1+[illegible]87, near the Western Avenue Bridge (the "Line") was embargoed on October 28, 2011 because of poor track conditions. There is only one active rail customer remaining on the Line, Pure Asphalt Company, located at 3000 W. 31st Street, Chicago, Illinois ("Pure Asphalt"). Pure Asphalt is located approximately 1 mile south of the beginning of the Line at Station 30+[illegible].

Exhibit 1 contains photos to illustrate the deteriorated condition of the Line as well as the estimated costs of rehabilitating the portion of the Line used to serve Pure Asphalt ("Pure Asphalt Segment").

I estimate the cost of restoring the Pure Asphalt Segment to FRA Class 1 status would total $[illegible]. Two sections of the Pure Asphalt Segment located immediately north and south of the Canadian National Railway crossing require the installation of new panels at an estimated cost of $180,000. The Pure Asphalt Segment also requires new ties at an estimated cost of $135,000 and surfacing at an estimated cost of $20,000.

The current track and building configuration at Pure Asphalt's plant do not comply with BNSI's track standards. To meet these standards, the turnout must be replaced at an estimated cost of $140,000. In addition, the 31st Street crossing must be renewed at an estimated cost of $155,000 and new signal cables must be installed at an estimated cost of $20,000.

III. Rehabilitation Costs

The following are estimates of the costs, materials and labor required to rehabilitate the Pure Asphalt Segment:

Activity	Cost of Labor and Materials
Install Track Panels	$80,000
Insert Ties	$35,000
Surfacing	20,000
Renew Turnout	$140,000
Renew 31st Street Crossing	$155,000
Install Signal Cables	20,000
Total	$450,000

The above cited rehabilitation activities would enable the Pure Asphalt Segment to be restored to meet FRA Class 1 standards. In order safely to serve Pure Asphalt, however, BNSI would also need to replace ties on the bridge crossing the Chicago Sanitary and Ship Canal at a cost of $260,000.

IV. Net Liquidation Value

BNSI's estimate of the net liquidation value of the rails and track materials is $9. The line consists of approximately 2.14 miles of mainline and a total of 2.26 miles including the passing track. The rails are 90# welded rail. The gross values of the tracks and track materials are estimated to be $1,450,000. Because the line runs through city streets with numerous weldments and heavy traffic, the take up costs will likely be at least the gross value of the track and track materials.

In two Appraisal Reports dated September 10, 2012 Colliers International Valuation & Advisory Services determined that Across the Fence Value of the real estate underlying the Line is $7,330,000. The Line consists of approximately 1.33 acres of non-revenue-generating real estate.

STATE OF TEXAS)

) ss

TARRANT COUNTY)

I, Arthur M. Charrow, being duly sworn, depose and state that I am General Director-Maintenance Planning Manager for BNSF Railway Company ("BNSF"), the Entity authorized to make this verification, and that I have read the foregoing document and know the facts asserted therein are true and accurate as stated to the best of my knowledge, information and belief.

Arthur M. Charrow

SUBSCRIBED AND SWORN TO before me this 7th day of December, 2012.

My Commission Expires 9_26_2014

Pearl M. Grant
Notary Public

PEARL M. GRANT
Notary Public, State of Texas
My Commission Expires
September 26, 2014

P.O. Box [illegible]
Fort Worth, Tx [illegible]

Phone [illegible]
E-mail [illegible]

Arthur M. Charrow

DOB August 3, 1952, Syracuse, New York

Current Position Director, Director Maintenance Planning, The BNSF Railway, Ft. Worth, TX

Work experience

BNSF (Formerly Atchison, Topeka & Santa Fe Railway Company)

2/2012-Present	General Director Maintenance Planning, Fort Worth
10/2010-2/2012	Director-Engineering Planning, Fort Worth
6/2003-10/2010	Director Engineering Planning, Fort Worth
9/1998-6/2003	General Director Maintenance-Seattle
9/1989-8/1998	Division Engineer-Gallup, NM
11/1987-8/1989	Division Engineer-La Junta, CO
5/1981-10/1987	Assistant Division Engineer-Amarillo, TX
1/1980-5/1981	Roadmaster-Needles, CA
11/1979-10/1980	Roadmaster-Bisbee, TX
5/1977-10/1979	Assistant Roadmaster-San Bernardino, CA
4/1976-5/1977	Roadway Assistant-Los Angeles

United States Air Force Reserve

10/1975-2/1976	Civil Engineering Officer, 934th Tactical Airlift Group, Minneapolis-St. Paul, MN

The Atchison, Topeka & Santa Fe Railway Company

1/1976-11/1976	Chainman/Engineering, Alco-San Bernardino
Summer 1974	Summer Student Chainman-Winslow, AZ
Summer 1973	Summer Student Chainman-Winslow, Phoenix, AZ

Education

The University of Arizona, Tucson, AZ 1970-1974

Bachelor of Science, Civil Engineering

Graduated with honors, attended on U.S. Air Force ROTC scholarship

Academic University of Illinois Short Course, Railroad Civil Engineering 1980

Military Honorably discharged 1993, Captain, USAF Reserve

Licenses Professional Engineer (Civil) in New Mexico (#11487), Washington State (#37574) and British Columbia (#133300)

Professional memberships American Railway Engineering and Maintenance Association (Committee 24)

Community Chairman, Parent Committee, Congressman Beth Li, Ft Worth

Line between and including Chicago Sanitary & Ship Canal Bridge and 31st St.

Looking north to CN Crossing

Looking south from CN Crossing

Estimated cost to install track panels $180,000

EXHIBIT I

Confidential - Estimates are only for infrastructure used by Pure Asphalt

Line between and including Chicago Sanitary & Ship Canal Bridge and 31st St.

Looking south from CN crossing

Looking south from CN crossing

Confidential - Estimates are only for infrastructure used by Pure Asphalt

Line between and including Chicago Sanitary & Ship Canal Bridge and 31st St.

Between CN crossing and Pure Asphalt

Estimated cost to insert ties with mini-mech gang
$135,000
Estimated cost of surfacing
$20,000

Pure Asphalt turnout

Estimated cost to renew turnout
$140,000

Confidential - Estimates are only for infrastructure used by Pure Asphalt

Line between and including Chicago Sanitary & Ship Canal Bridge and 31st St.

Signal wiring and trackage south from CN crossing

Confidential - Estimates are only for infrastructure used by Pure Asphalt

Line between and including Chicago Sanitary & Ship Canal Bridge and 31st St.

31st St Crossing between
Pure Asphalt's two facilities

31st St Crossing

Estimated cost to renew 31st crossing
$155,000
Estimated cost to install new signal cables
$20,000

Confidential - Estimates are only for infrastructure used by Pure Asphalt

BEFORE THE

SURFACE TRANSPORTATION BOARD

DEC 21 2012
RECEIVED

BNSF RAILWAY COMPANY	)	
ABANDONMENT EXEMPTION	)	DOCKET NO. AB-6
IN COOK COUNTY,	)	(SUB-NO. 482X)
ILLINOIS	)	

PETITION FOR EXEMPTION

VOLUME 2

BNSF RAILWAY COMPANY
2650 Lou Menk Drive
P.O. Box 96157
Fort Worth, TX 76161-0057

Courtney B. Estes
General Attorney
Tyler White
Assistant General Attorney
BNSF Railway Company
2500 Lou Menk Drive, AOB-3
Fort Worth, Texas 76131-2828

Karl Morell
Of Counsel
BALL JANIK LLP
Suite 225
655 Fifteenth Street, N.W.
Washington, D.C. 20005
(202) 638-3307

Dated: December 21, 2012

Colliers INTERNATIONAL

FORMER BSNF RAIL CORRIDOR

W. 35th Street to W. 31st Street
Chicago, Illinois 60623

SUMMARY APPRAISAL REPORT

Date of Report: September 10, 2012

Colliers File #: G120304

*Subject highlighted in yellow

PREPARED FOR
BNSF Railway Company
c/o Roger Schwinghammer
Jones Lang LaSalle
4105 N. Lexington Avenue Suite 200
Arden Hills, MN 55126

PREPARED BY
COLLIERS INTERNATIONAL
VALUATION & ADVISORY SERVICES

LETTER OF TRANSMITTAL

COLLIERS INTERNATIONAL
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WEB www.colliers.com

Colliers INTERNATIONAL

September 10, 2012

BNSF Railway Company
c/o Roger Schwinghammer
Jones Lang LaSalle
4105 N. Lexington Avenue, Suite 200
Arden Hills, MN 55126

RE: Former BSNF Rail Corridor
W. 35th Street to W. 31st Street
Chicago, Illinois 60623

Colliers File #: G120304

Mr. Schwinghammer:

This appraisal report is intended to satisfy the scope of work and requirements agreed upon by Jones Lang *LaSalle and Colliers International Valuation & Advisory Services. The date of this report is September 10,* 2012. At the request of the client, this appraisal is presented in a Summary appraisal format as defined by *USPAP* Standards Rule 2-2(b). This format provides a summary description of the appraisal process, subject and market data and valuation analyses.

The purpose of this appraisal is to develop an opinion of the Across the Fence Value of the subject property's fee simple interest. The following table conveys the final opinion of ATF value of the subject property that is developed within this appraisal report:

VALUE TYPE	INTEREST APPRAISED	DATE OF VALUE	VALUE
ATF Value	Fee Simple	July 23, 2012	$1,160,000

The subject is a portion of an inactive BNSF railway corridor that traverses from a point north of the Chicago River (South Branch) and east of West 35th Street, to a point near West 31st Street in the City of Chicago. The corridor is inactive and bypasses several abutting parcels, zoning districts and uses, all of which are industrial in nature. The subject has a total estimated land area of 210,768 SF (4.84 AC). The land area is estimated based on surveys provided by BNSF.

The analyses, opinions and conclusions communicated within this appraisal report were developed based upon my interpretation of the requirements and guidelines of the current Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

Colliers International Valuation & Advisory Services, and certain of its subsidiaries, is an independently owned and operated business and a member firm of Colliers International Property Consultants, an affiliation of independent companies with over 500+ offices throughout more than 62 countries worldwide

The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter. *USPAP* defines an Extraordinary Assumption as, "an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. *USPAP* defines a Hypothetical Condition as, "that which is contrary to what exists but is supposed for the purpose of analysis."

The Extraordinary Assumptions and/or Hypothetical Conditions that were made during the appraisal process to arrive at my opinion of value are fully discussed below. I advise the client to consider these issues carefully given the intended use of this appraisal, as this use might have affected the assignment results.

EXTRAORDINARY ASSUMPTIONS

The subject's land areas were provided by the BNSF, and are assumed to be accurate.

No title report was provided. Discussions with the client indicate BNSF holds fee simple ownership over the subject of this report. Fee simple ownership is assumed.

HYPOTHETICAL CONDITIONS

No Hypothetical Conditions were made for this assignment.

The signature below indicates my assurance to the client that the development process and extent of analysis for this assignment adhere to the scope requirements and intended use of the appraisal. If you have any specific questions or concerns regarding the attached appraisal report, or if Colliers International Valuation & Advisory Services can be of additional assistance, please contact the individuals listed below.

Sincerely,

COLLIERS INTERNATIONAL
VALUATION & ADVISORY SERVICES

Jeremy Walling, MAI, MRICS
Managing Director | Chicago
Certified General Real Estate Appraiser
State of Illinois License #553-001377
+1 312 602 6157
jeremy.walling@colliers.com

LETTER OF TRANSMITTAL

INTRODUCTION 1
- Executive Summary 1
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CERTIFICATION OF APPRAISAL

ASSUMPTIONS & LIMITING CONDITIONS

ADDENDA

- Valuation Glossary
- Qualifications of Appraiser
- Qualifications of Colliers International Valuation & Advisory Services

GENERAL INFORMATION

Property Name	Former BSNF Rail Corridor
Property Type	Land - Right-of-Way
Address	W. 35th Street to W. 31st Street
City	Chicago
State	Illinois
Zip Code	60623
County	Cook
Core Based Statistical Area (CBSA)	Chicago-Naperville-Joliet, IN-IN-WI

SITE INFORMATION

Land Area	**Acres**	**Square Feet**
Total	**4.84**	**210,768**
Topography	Level at street grade	
Shape	Irregular	
Access	Average	
Exposure	Average	
Current Zoning	Various (See Zoning Section)	
Flood Zone	Zone X	
Seismic Zone	No Risk	

HIGHEST & BEST USE

As Vacant	Assemblage And Future Industrial

EXPOSURE TIME & MARKETING PERIOD

Exposure Time	18 to 24 Months

VALUATION SUMMARY

VALUATION INDICES	MARKET VALUE *AS-IS*
INTEREST APPRAISED	FEE SIMPLE
DATE OF VALUE	JULY 23, 2012
LAND VALUATION	
ATF VALUE	**$1,160,000**
Value/SF	$5.50/SF

LOOKING SOUTHWESTERLY ALONG SUBJECT FROM 31ST STREET

(IT IS NOTED THAT REMAINING PORTIONS OF SUBJECT COULD NOT PHYSICALLY BE INSPECTED)

©2012 COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES

PROPERTY IDENTIFICATION

The subject is a portion of an inactive BNSF railway corridor that traverses from a point north of the Chicago River (South Branch) and east of West 35th Street, to a point near West 31st Street in the City of Chicago. The corridor is inactive and bypasses several abutting parcels, zoning districts and uses, all of which are industrial *in nature. The subject has a total estimated land area of 210,768 SF (4.84 AC). The land area is estimated* based on surveys provided by BNSF.

The entirety of the subject appears to be tax exempt, and a detailed legal description was not provided.

CLIENT IDENTIFICATION

The client of this specific assignment is BNSF Railway Company c/o Jones Lang LaSalle.

PURPOSE

The purpose of this appraisal is to develop an opinion of the Across the Fence (ATF) Value of the subject property's fee simple interest.

INTENDED USE

The intended use of this appraisal is to assist the client in making internal business decisions related to this asset.

INTENDED USERS

Intended users of this report include Jones Lang LaSalle and BNSF Railway Company.

ASSIGNMENT DATES

Date of Report	September 10, 2012
Date of Inspection	July 23, 2012
Valuation Date - As-Is	July 23, 2012

PERSONAL INTANGIBLE PROPERTY

No personal property or intangible items are included in this valuation.

PROPERTY AND SALES HISTORY

Current Owner
A title report has not been provided. Ownership of the subject property is assumed to be vested in BNSF.

Three-Year Sales History
The subject has not sold in the last three years.

Subject Sale Status
The subject is not currently listed for sale.

DEFINITIONS

This section summarizes the definitions of value, property rights appraised, and value scenarios that are applicable for this appraisal assignment. All other applicable definitions for this assignment are located in the Valuation Glossary section of the Addenda.

DEFINITIONS OF VALUE

Given the scope and intended use of this assignment, the definition of ATF Value is applicable.

Across the Fence (ATF) is defined as:

"In the valuation of real estate corridors, the value concluded based on a comparison with adjacent lands before the consideration of any other adjustment factors. The ATF value accounts for location and market

conditions. Accordingly, this is an intermediate value without (or prior to) the consideration of the corridor factor." (Appraisal Institute, The Dictionary of Real Estate Appraisal, Fourth Edition, Chicago, 2002, p. 5)

PROPERTY RIGHTS APPRAISED

The property rights appraised constitute the fee simple interest.

VALUE SCENARIOS

The valuation scenario developed in this appraisal report include the ATF Value.

INTRODUCTION

The appraisal development and reporting processes requires gathering and analyzing information about those assignment elements necessary to properly identify the appraisal problem to be solved. The scope of work decision must include the research and analyses that are necessary to develop credible assignment results given the intended use of the appraisal. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed. The scope of work for *this appraisal assignment is outlined below:*

- The appraiser analyzed the regional and local area economic profiles including employment, population, household income, and real estate trends. The local area was further studied to assess the general quality and condition, and emerging development trends for the real estate market. The immediate market area *was inspected and examined to consider external influences on the subject.*
- The appraiser confirmed and analyzed legal and physical features of the subject property including sizes of the site, flood plain data, seismic zone, zoning, access and exposure of the site.
- The appraiser completed industrial market analysis that included market and sub-market overviews. The Chicago market and South Chicago sub-market overviews analyzed supply/demand conditions using vacancy, absorption, supply change and rent change statistics. Conclusions were drawn regarding the subject property's competitive position given its physical and locational characteristics, the prevailing economic conditions and external influences.
- The appraiser conducted Highest and Best Use analysis and conclusions were drawn for the highest and best use of the subject property As-Vacant. The analysis considered legal, locational, physical and financial feasibility characteristics of the subject site.
- The appraiser confirmed and analyzed financial features of the subject property including potential entitlement issues.
- Selection of valuation methods considered scope requirements and the intended use of the appraisal. This appraisal developed the Sales Comparison Approach to value, which was adjusted and reconciled as appropriate. The appraisal develops an opinion of the ATF Value of the subject property's fee simple interest.
- Preparation of this appraisal in a Summary format as indicated in USPAP Standard 2.
- I understand the Competency Rule of USPAP and the author of this report meets the standards.
- Felicia Bell provided significant real property appraisal assistance to appraiser signing this certification. Assistance included gathering, analyzing and reporting regional and local area information, confirming and *analyzing the subject's zoning, and confirming some of the comparable data used for this analysis.*

SOURCES OF INFORMATION

The following sources were contacted to obtain relevant information:

SOURCES OF INFORMATION	
ITEM	*SOURCE*
Tax Information	Cook County Tax Assessor
Zoning Information	City of Chicago Zoning Code
Site Size Information	BNSF
Building Size Information	Cook County Tax Assessor
Flood Map	STDB On-line
Demographics	STDB On-line
Comparable Information	See Comparable Datasheets for details

SUBJECT PROPERTY INSPECTION

SUBJECT PROPERTY INSPECTION			
APPRAISER	INSPECTED	EXTENT	DATE OF INSPECTION
Jeremy Walling, MAI, MRICS	Yes	Site	July 23, 2012

Chicago
East Chicago
Gary
Hammond
DeLORME
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www.delorme.com
MN (3.6° W)
0 3 6 9 12 15 18
mi
Data Zoom 8-3

W CHICAGO AVE
W ROOSEVELT RD
W DOUGLAS BLVD
W 31ST ST
W 47TH ST
W 63RD ST
W MARQUETTE RD
Chicago
SUBJECT
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MN (3.6° W)
0 ½ 1 1½ 2 mi
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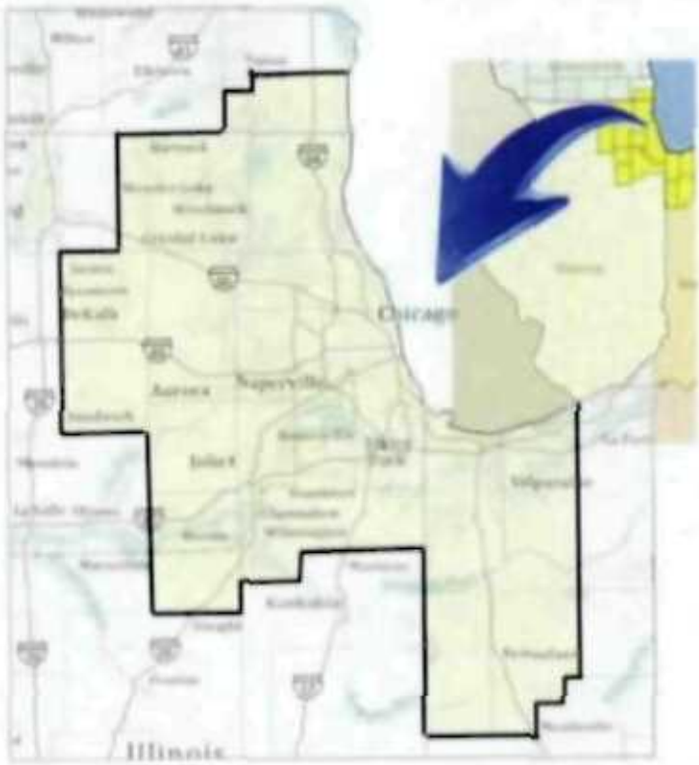
REGIONAL ANALYSIS

The Chicago-Naperville-Joliet IL-IN-WI MSA is located along the southwestern shoreline of Lake Michigan in the northeastern section of the state of Illinois, the northwestern corner in the state of Indiana and the southeastern section in the state of Wisconsin. The 14 counties that make up the MSA include: Cook, DeKalb, DuPage, Grundy, Kane, Kendall, Lake, McHenry, and Will in Illinois, Jasper, Lake, Newton and Porter in Indiana and the county of Kenosha in Wisconsin. As typical of a Midwest location, the Chicago MSA experiences the distinct changes of the seasons; hot, humid summers, cold snowy and windy winters, with springs and autumns that fluctuates between sunny and mild to volatile temperature fluctuations.



Economy

With a population of approximately 9.7 million, the Chicago MSA is the 3rd most populated MSA in the US – trailing 1st place New York by over 9 million and 2nd place Los Angeles by 3 million. The Chicago MSA enjoys an expanded economy based on finance, insurance, printing and publishing, manufacturing, and food processing. Over 400 major corporate headquarters make their home in the Chicago MSA with 27 of the 31 Fortune 500 companies situated in Illinois among them. Most notably are Walgreens, Boeing, Kraft Foods, Sara Lee, Allstate, Discover Financial Services, OfficeMax and United Continental Holdings. Moody's Investor Services notes that every economic sector from risk management innovation, to manufacturing, to information technology, and to health services are present and are key players in Chicago.

Since its founding, Chicago has been an important transportation and distribution point, with an extensive industrial base utilizing Chicago's inland port. Even as the city becomes one the nation's busiest aviation centers (Chicago's O'Hare International Airport is now rated the third busiest airport in the world with an estimated 66,665,390 passengers in 2010, reflecting a 3.3% increase from 2009), 50% of U.S. rail freight continues to pass through Chicago.

The Loop, or Chicago Loop, is the historic commercial center with theater and shopping for downtown Chicago is the second largest commercial business district in the Unites States, after New York City's Midtown Manhattan. Company headquarters within this district include CHASE Bank, United Airlines, United Continental

Holdings, Blue Cross and Blue Shield Association, Sidley Austin, Morton Salt, as well as the Chicagoland Chamber of Commerce and over 20 foreign consulates. In addition, the Loop serves as the seat of government for the city of Chicago and Cook County.

In addition to multi-billion corporations, universities, hospitals and public sector entities located within the Chicago MSA, smaller businesses still continue to make up a large percentage of the local employment picture. A 2011 report issued by the U.S. Census lists 237,245 established businesses in the Chicago MSA (down 5,350 from last year's report). Of these businesses 276 companies employed 1,000 people or more whereas 173,945 businesses employed 1-9 people, representing 73% of all businesses listed. These figures reflect the impact and importance of small business in the local economy.

Key Market Indicators

CoStar, a commercial real estate information company, publishes analytic survey reports for various counties, regions and major metropolitan areas throughout the U.S. The following information provided includes key facts garnered from those reports.

KEY MARKET INDICATORS AS OF 2011 Q4		
Industrial		
Number of Properties	21,604	
Inventory - SF	1,149,657,701	
Vacant - SF / %	131,697,807	11.5%
Occupied - SF / %	1,017,959,894	88.5%
Net Absorp YTD - SF	8,481,930	
AVG Rent/SF	$4.87	
Office		
Number of Properties	12,291	
Inventory - SF	453,491,009	
Vacant - SF / %	67,135,112	14.8%
Occupied - SF / %	386,355,897	85.2%
Net Absorp YTD - SF	2,621,551	
AVG Rent/SF	$22.63	
Retail		
Number of Properties	32,762	
Inventory - SF	494,678,173	
Vacant - SF / %	42,195,038	8.5%
Occupied - SF / %	452,483,135	91.5%
Net Absorp YTD - SF	1,738,780	
AVG Rent/SF	$16.11	

Source: CoStar

According to CoStar's current 4th quarter reading, the Chicago MSA Industrial Market has a vacancy rate of 11.5%. CoStar surveyed 1,149,657,701 SF in 21,604 buildings with 131,697,807 SF of available space. Net absorption for the overall industrial market was positive 8,481,930 SF. The average quoted asking rental rate for available industrial space was $4.87 per square foot per year.

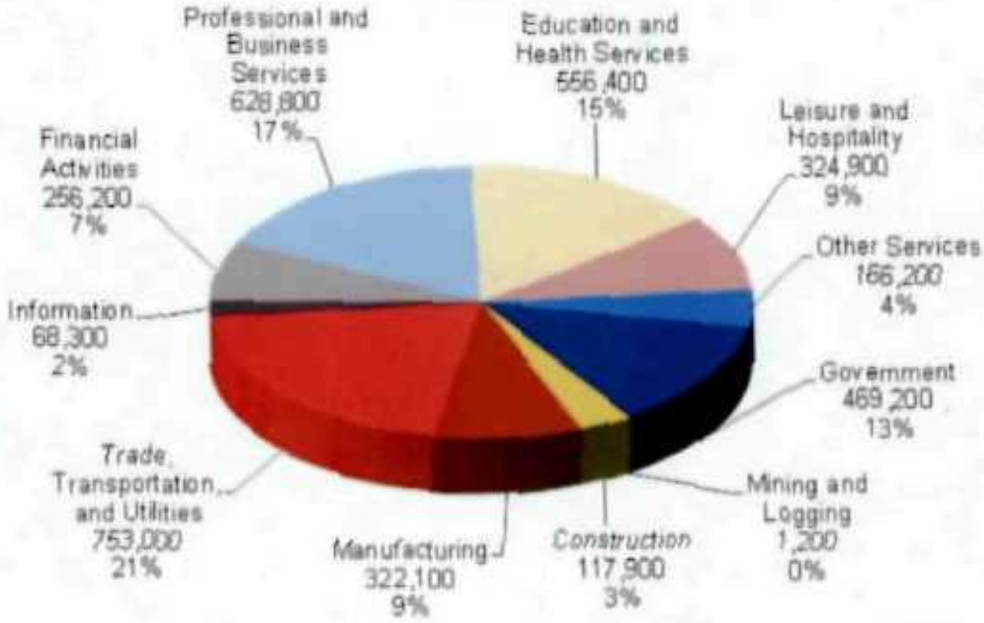
The quarterly reading of the Chicago MSA Office Market Analytics reported a vacancy rate of 14.8%. Costar surveyed 453,491,009 SF in 12,291 buildings with 67,135,112 SF of available space. Net absorption for the overall MSA office market was positive 2,621,551 SF. The average quoted asking rental rate for available office space was $22.63 per square foot per year.

The Retail Market had a vacancy rate of 8.5% in the 4th quarter. Costar surveyed 494,678173 SF in 32,762 properties with 42,195,038 SF of available space. The net absorption for the overall the MSA retail market was positive 1,738,780 SF. The average quoted asking rental rate for available retail space was $16.11 per square foot per year.

Labor

The U.S. Department of Labor reported a year-over-year job growth of 12,800 jobs (0.2%) within the overall nonfarm employment sectors for the Chicago MSA although 6 out of the 11 work sectors reported losses. Job gains occurred in the Professional and Business Services industry up 15,500 (2.5%), Trade, Transportation and Utilities industry up 7,600 jobs (1.0%), Education and Health Services industry up 3,700 jobs (0.7%), and Manufacturing up 2,700 jobs (0.8%). Losses occurred in Construction down 300 jobs (0.3%), Information down 5,500 jobs (7.5%), Financial Activities down 2,500 jobs (1.0%), Leisure and Hospitality down 1,700 jobs (0.5%), Other Services down 2,300 jobs (1.4%), and Government down 4,400 jobs (0.9%).

Chicago-Naperville-Joliet MSA Nonfarm Employment Sectors-December 2011



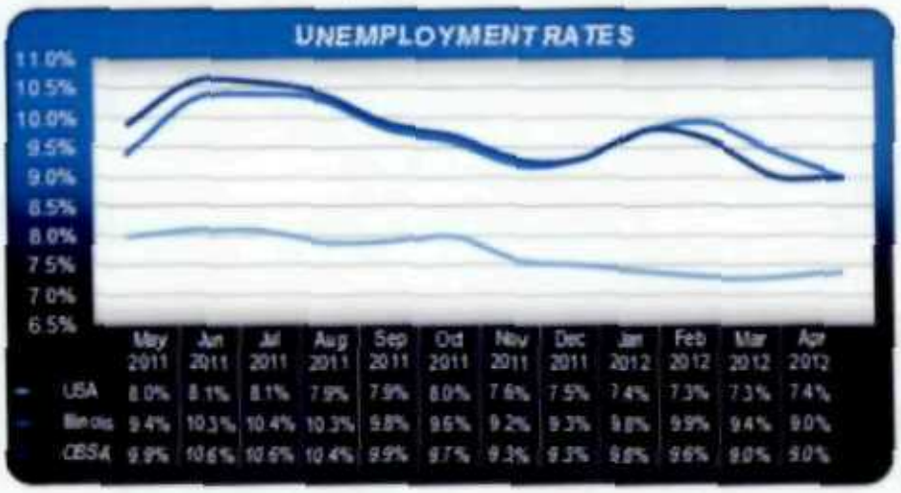
Total employment has decreased annually over the past decade in the state of Illinois and the metropolitan area by 0.1%. From 2010 to 2011 unemployment decreased in Illinois by 70 bps moving from 10.5% to 9.8%, and by 60 bps in the metropolitan area moving from 10.4% to 9.8%.

EMPLOYMENT & UNEMPLOYMENT STATISTICS 2002 - 2011

	EMPLOYMENT				UNEMPLOYMENT RATE		
	Illinois		Chicago-Joliet-Naperville, IL-IN-WI				
Year	Total	% Δ Yr Ago	Total	% Δ Yr Ago	United States*	Illinois	Chicago-Joliet-Naperville, IL-IN-WI
2002	5,969,393	-2.4%	4,401,116	-2.5%	5.8%	6.5%	6.7%
2003	5,916,830	-0.9%	4,378,289	-0.5%	6.0%	6.7%	6.8%
2004	5,968,561	0.9%	4,414,548	0.8%	5.5%	6.2%	6.2%
2005	6,033,421	1.1%	4,432,502	0.4%	5.1%	5.8%	5.9%
2006	6,225,095	3.2%	4,577,389	3.3%	4.6%	4.6%	4.5%
2007	6,322,029	1.6%	4,652,950	1.7%	4.6%	5.1%	4.9%
2008	6,242,636	-1.3%	4,610,066	-0.9%	5.8%	6.4%	6.2%
2009	5,927,434	-5.0%	4,370,291	-5.2%	9.3%	10.0%	10.1%
2010	5,910,743	-0.3%	4,342,581	-0.6%	9.6%	10.5%	10.4%
2011	5,925,154	0.2%	4,355,600	0.3%	8.9%	9.8%	9.8%
CAGR	**-0.1%**	-	**-0.1%**	-	-	-	-

Source: U.S. Bureau of Labor Statistics *Unadjusted Non-Seasonal Rate

The MSA's May 2011 unemployment rate was 9.9%. Since that time, monthly unemployment rates have fluctuated, but the most recent unemployment statistics for April 2012 indicate an unemployment rate of 9.0%, *which is a decrease of 90 bps over the past year, and indicates improvements in the local job market.* Please note that employment figures are not-seasonally adjusted in this analysis.



	May 2011	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011	Dec 2011	Jan 2012	Feb 2012	Mar 2012	Apr 2012
USA	8.0%	8.1%	8.1%	7.9%	7.9%	8.0%	7.8%	7.5%	7.4%	7.3%	7.3%	7.4%
Illinois	9.4%	10.3%	10.4%	10.3%	9.8%	9.6%	9.2%	9.3%	9.0%	9.9%	9.4%	9.0%
CBSA	9.9%	10.6%	10.6%	10.4%	9.9%	9.7%	9.3%	9.3%	9.0%	9.6%	9.0%	9.0%

The growing trend in employment is in the health care and education sectors. According to the Department of Labor, these two industries have increased by 120,300 jobs over the past decade within the Chicago MSA. Advocate Health Care provides care for more cancer and pediatric patients than any other health system in Illinois. Named as one of the nation's top 10 health systems by Thompson Reuters, Advocate operates the largest trauma network in Illinois, has more than 250 sites throughout the state and employs 28,000 in the Chicago Metropolitan area alone.

JP Morgan Chase, through its Chase subsidiary, is one of the Big Four banks of the United States and is headquartered in the 60-story Chase Tower in the Chicago Loop Area, housing its U.S. and Canada *commercial and retail banking headquarters here. The building is also the headquarters of Exelon, a utilities-*holding company with approximately 5,000 employees.

TOP PRIVATE EMPLOYERS

EMPLOYER NAME	EMPLOYEES	INDUSTRY
Advocate Health Care	28,000	Healthcare
Chase	20,000	Financial
Walgreen	13,122	Retail/Pharmacy
Allstate Insurance Co	13,000	Insurance
State Farm Mutual Auto Ins Co	*13,000*	*Insurance*
United Continental Holdings Inc	13,000	Transportation
Abbott Laboratories	12,000	Pharmaceutical
AT&T	12,200	Telecommunications
University of Illinois Chicago	11,515	Education
Motorola	10,000	Communications/Electronics

Source: ARC Business Journal

Demographics

According to Esri, a Geographic Information System (GIS) Company, the Chicago-Joliet-Naperville, IL metropolitan area has a 2010 total population of 9,739,919 and has experienced an annual growth rate of 0.7% for the past decade, which is higher than the Illinois annual growth rate of 0.5% over this timeframe. The metropolitan area accounts for 74.4% of the total Illinois population (13,089,726). Within the metropolitan area

the population density is 1,351 people per square mile compared to the lower Illinois population density of 235 people per square mile and the lower United States population density of 88 people per square mile.

POPULATION			
YEAR	US	IL	CBSA
2000 Total Population	281,421,906	12,419,293	9,098,316
2010 Total Population	311,212,863	13,089,726	9,739,919
2015 Total Population	323,209,391	13,268,796	9,920,929
2000 - 2010 CAGR	*1.0%*	*0.5%*	*0.7%*
2010 - 2015 CAGR	0.8%	0.3%	0.4%

Source: Sites To Do Business (STDB) Online

POPULATION DENSITY			
YEAR	US	IL	CBSA
2010 Per Square Mile	88	235	1,351
2015 Per Square Mile	*91*	*239*	*1,378*

Source: Sites To Do Business (STDB) Online

The 2010 median age for the metropolitan area is 35.4, which is 4.5% younger than the United States median *age of 37.0 for 2010. The metropolitan area is anticipated to see the median age to grow by 0.1% annually* over the next five years, increasing the median age to 35.5 by 2015.

MEDIAN AGE			
YEAR	*US*	*IL*	*CBSA*
2010	37.0	36.2	35.4
2015	37.3	36.4	35.5
CAGR	*0.2%*	*0.1%*	*0.1%*

Source: Sites To Do Business (STDB) Online

The 2010 average household size for the metropolitan area is 2.7, which is 5.4% larger than the United States average household size of 2.6 for 2010. The metropolitan area is anticipated to see the average household size remain stable at 2.7 through 2015.

AVERAGE HOUSEHOLD SIZE			
YEAR	US	IL	CBSA
2010	2.6	2.6	2.7
2015	2.6	2.6	2.7
CAGR	0.1%	0.0%	0.0%

Source: Sites To Do Business (STDB) Online

The Chicago-Joliet-Naperville, IL metropolitan area has a 31.9% renter occupied market, compared to the lower 29.9% in Illinois and the lower 30.1% in the United States.

HOUSING UNITS			
	US	IL	CBSA
Total Housing Units	132,607,736	5,356,282	3,832,358
Owner Occupied	58.0%	60.4%	59.5%
Renter Occupied	30.1%	29.9%	31.9%
Vacant Housing Units	11.9%	9.7%	8.6%

Source: Sites To Do Business (STDB) Online

The 2010 median household income for the metropolitan area is $65,796, which is 20.9% higher than the United States median household income of $54,442. The median household income for the metropolitan area is projected to grow by 3.1% annually over the next five years, raising the median household income to $76,699 by 2015. As is often the case, when the median household income rates are higher than the national average, the cost of living index is higher also. According to the American Chamber of Commerce Researchers Association (ACCRA) Cost of Living Index, the Chicago-Naperville-Joliet MSA's cost of living is 114.4 compared to the national average score of 100. The ACCRA Cost of Living Index compares groceries, housing, utilities, transportation, health care and miscellaneous goods and services for over 300 urban areas.

MEDIAN HOUSEHOLD INCOME			
YEAR	US	IL	CBSA
2010	$54,442	$60,254	$65,796
2015	$61,189	$69,034	$76,699
CAGR	2.4%	2.8%	3.1%

Source: Sites To Do Business (STDB) Online

Education

Ranked among the top "National Universities" in the U.S. by U.S. News & World Report, Chicago's top universities include Northwestern University; University of Chicago; Loyola University Chicago; DePaul University; Illinois Institute of Technology; and University of Illinois at Chicago. These and other local institutions of higher education contribute to creating a world center of learning and research.

The University of Illinois Chicago and the University of Chicago are among the top employers in the area and have a combined employment of over 20,000. With 28,000 students attending the University of Illinois Chicago and over 15,000 attending the University of Chicago these institutions of higher learning add to the overall impact of the local economy.

PUBLIC COLLEGES & UNIVERSITIES	
University of Illinois-Chicago	28,091
Northeastern Illinois University	12,227
Chicago State University	7,131
COMMUNITY COLLEGES	
Moranine Valley Community College	35,000
College of DuPage	31,000
College of Lake County	18,092
Elgin Community College	16,207
PRIVATE COLLEGES & UNIVERSITIES	
Loyola University Chicago	16,040
University of Chicago	15,438
Columbia College Chicago	11,922
Illinois Institute of Technology	7,707
North Park University	3,251

Source: Wikipedia.org

Within the Chicago-Joliet-Naperville, IL metropolitan area, 34% (3,221,998) of the total population (9,739,919) has a four year college degree or higher, compared to the lower 30% in Illinois and the lower 28% in the United States.

EDUCATION			
	US	IL	CBSA
Less than 9th Grade	6%	6%	7%
9-12th Grade/No Diploma	8%	8%	8%
High School Graduate	30%	28%	26%
Some College/No Degree	20%	20%	20%
Associate Degree	8%	7%	7%
Bachelor's Degree	18%	19%	21%
Grad/Professional Degree	10%	11%	13%

Source: Sites To Do Business (STDB) Online

REGIONAL SUMMARY

In summary, and aside from the employment issues that continue to impact most of the USA, the Chicago MSA has a diverse culture and business climate with a workforce that combines and unites to create and maintain an economic stronghold in America's heartland while having the ability to affect regions not only locally, but nationally and internationally.

INTRODUCTION

In this section of the report, I provide details about the local area and describe the influences that bear on the real estate market as well as the subject property. A map of the local area is presented on the prior page. Below are insights into the local area based on fieldwork, interviews, demographic data and experience working in this market. A demographic study of the area is presented along the right side of the page, sourced by Site To Do Business (STDB Online), an on-line resource center that provides information used to analyze and compare the past, present, and future trends of properties and geographical areas.

LOCAL AREA PROFILE

The subject property is located in Chicago, Illinois, within Cook County. More specifically, the subject is located within the Little Village (or South Lawndale) neighborhood on Chicago's southwest side. The area is bordered by Western Avenue (east), Cicero Avenue (west), Ogden Avenue (north) and the Stevenson Expressway/Interstate 55 (south). The area is urban in nature.

Transportation Routes

Public transportation is provided by the Chicago Transit Authority (CTA). The Pink line subway services the area (running along Cermak Road and terminating at 54th Street) alongside numerous public bus routes. Primary vehicular access to the area is via I-55, Cermak Road and 26th Street (east/west) and California Avenue, Kedzie Avenue, Pulaski Road and Cicero Avenue (north/south). Lastly, commercial transit is conducted via the extensive rail lines that feed into the BNSF Clyde Yard facility to the west in Cicero, Illinois, and the BNSF Corwith Intermodal facility, located slightly south across I-55 in Archer Heights.

Economic Factors

The area is approximately three miles southwest of Chicago's central business district, which is the economic center of the nation's third largest market area. The largest employer in the more local area is Cook County given the presence of the Cook County Courthouse and Correctional Facility complex near 26th Street and California. The area west of the Cook County complex along West 26th Street is dominated by restaurants and retailers who celebrate the community's Mexican heritage. Two annual events that draw sizeable crowds and are strong economic drivers are the three-day Cinco de May Festival and the Little Village Arts Festival held in October. The southern portion of the area is primarily industrial users concentrated along the Interstate 55 industrial corridor.

POPULATION

	1 MILE	3 MILES	5 MILES
2000 Census	69,288	377,559	1,035,860
2010 Population	68,192	382,282	1,057,888
2015 Population	67,210	379,686	1,055,058
Change 2000-2010	-1.58%	1.25%	2.13%
Change 2010-2015	-1.44%	-0.68%	-0.27%

Source: Sites To Do Business (STDB) Online

POPULATION BY AGE

HOUSEHOLDS

	1 MILE	3 MILES	5 MILES
2000 Census	13,766	100,701	320,195
2010 Households	13,123	98,942	325,392
2015 Households	12,872	98,021	325,163
Change 2000-2010	-4.67%	-1.75%	1.62%
Change 2010-2015	-1.91%	-0.93%	-0.07%

Source: Sites To Do Business (STDB) Online

2010 HOUSEHOLDS BY INCOME

	1 MILE	3 MILES	5 MILES
Household Income Base	13,888	100,748	320,507
< $15,000	14.3%	17.8%	18.4%
$15,000 - $24,999	11.8%	12.3%	10.7%
$25,000 - $34,999	10.6%	10.4%	9.2%
$35,000 - $49,999	19.4%	17.0%	14.9%
$50,000 - $74,999	20.3%	19.4%	19.2%
$75,000 - $99,999	15.9%	14.8%	16.0%
$100,000 - $149,999	5.6%	6.0%	7.5%
$150,000 - $199,999	1.4%	1.2%	2.1%
$200,000 +	0.8%	1.0%	1.9%

Source: Sites To Do Business (STDB) Online

IMMEDIATE AREA PROFILE

This section discusses uses and development trends in the immediate area that directly impact the performance and appeal of the subject property.

Predominant Land Uses

The northern portion of the area consists primarily of single-family and low-rise multifamily residential uses. Commercial and retail uses serving the area are scattered along arterials such as Pulaski, Kedzie, California, Cermak, and Ogden. However, the most notable commercial corridor is along 26th Street with its renowned Mexican eateries. The Cook County Courthouse and Correctional Complex encompasses approximately 96 acres south of 26th Street between Sacramento Avenue and just west of Western Avenue. The complex reportedly contains the largest jail in the United States as well as a criminal courthouse and various county sheriff and correctional facilities. The southern portion of the area is influenced by heavy industrial uses, which are part of the Interstate 55 industrial corridor that extends well beyond the neighborhood boundaries in each direction. The industrial inventory consists primarily of older manufacturing and warehouse facilities.

SUBJECT PROPERTY ANALYSIS

The following discussion draws context and analysis on how the subject property is influenced by the local and immediate areas.

Subject Property Analysis

The uses adjacent to the property vary given the subject's length, but are predominantly industrial or governmental in nature. The commercial and residential appeal of the subject's adjoining parcels is generally considered negligible.

Access and Exposure

Access to the immediate area is average noting proximity to Interstate 55 with access points at Western Avenue, California Avenue and Pulaski Road. The subject has several access points near its intersection with several roadways in the area. The subject's exposure from varies given its shape and length, while sites adjoining the property generally have average exposure with clear street visibility.

Subject Conclusion

Trends in the local and immediate areas as well as adjacent uses indicate an overall average external influence for the subject.

INCOME (CURRENT YEAR)

	1 MILE	3 MILES	5 MILES
Average Household Income	$53,012	$52,172	$57,766
Median Household Income	$45,433	$43,224	$46,523
Per Capita Income	$13,153	$14,198	$18,178

Source: Sites To Do Business (STDB) Online

MEDIAN HOME VALUE

Year	1 MILE	3 MILES	5 MILES
2000	$121,747	$119,259	$127,242
2010	$151,071	$147,012	$161,613
2015	$169,244	$164,556	$181,686

Source: Sites To Do Business (STDB) Online

HOUSING UNITS (CURRENT YEAR)

	1 MILE	3 MILES	5 MILES
Total Housing Units	15,014	113,702	375,474
Owner Occupied	35.90%	36.90%	37.60%
Renter Occupied	51.50%	50.20%	49.00%
Vacant Housing Units	12.60%	13.00%	13.30%

Source: Sites To Do Business (STDB) Online

HOUSING UNITS BY UNIT IN STRUCTURE

	1 MILE	3 MILES	5 MILES
Total	15,006	110,776	355,417
1, Detached	17.5%	20.7%	25.4%
1, Attached	2.6%	2.8%	3.3%
2	43.8%	37.0%	26.8%
3 or 4	27.2%	24.3%	18.3%
5 to 9	7.1%	9.4%	9.3%
10 to 19	0.9%	2.5%	3.9%
20+	0.7%	3.2%	12.8%
Mobile Home	0.2%	0.1%	0.1%
Other	0.1%	0.0%	0.0%

Source: Sites To Do Business (STDB) Online

HOUSING UNITS BY YEAR IN STRUCTURE

	1 MILE	3 MILES	5 MILES
Total	14,996	110,784	355,274
1999 to March 2000	0.9%	0.8%	1.0%
1995 to 1998	1.2%	1.5%	2.2%
1990 to 1994	1.0%	1.3%	1.7%
1980 to 1989	1.8%	1.8%	3.6%
1970 to 1979	5.0%	6.1%	6.9%
1969 or Earlier	90.1%	88.4%	84.7%
Median Year Structure Built	1941	1942	1946

Source: Sites To Do Business (STDB) Online

SUMMARY

Overall the condition and appeal of the market area ranges from below average to average. Growth is physically restricted by the lack of undeveloped land. New projects will likely come in the form of redevelopment. As demand continues to increase for underdeveloped properties and after the real estate market begins to recover from the national recession, property values are expected to appreciate marginally in the subject's immediate market area. In the interim, property values for land are anticipated to be stable to slightly increasing given the supply restrictions of undeveloped land.

General Description

The subject is a portion of an inactive BNSF railway corridor that traverses from a point north of the Chicago River (South Branch) and east of West 35th Street, to West 31st Street in the City of Chicago. The corridor is inactive and bypasses several abutting parcels, zoning districts and uses, all of which are industrial in nature. The site is a long, narrow strip of land that is typically at grade with surrounding parcels. As noted below, the subject has a total estimated land area of 210,768 SF (4.84 AC). The land area is estimated based on surveys provided by BNSF, and may change if a professional survey determines more precise measurements. The following discussion summarizes the subject site size and its characteristics.

Number of BNSF Parcels	10	
Total Land Area	**4.84**	**210,768**
Shape	Irregular	
Topography	Level and generally at street grade	
Utilities	All available to the site	

Accessibility

Average - Access to the immediate area is average noting proximity to Interstate 55 with access points at Western Avenue, California Avenue and Pulaski Road. The subject is accessible at its intersection with West 31st Street.

Exposure

Average - The subject is considered to have average exposure as compared to competitive sites in the general area.

Seismic

The subject is in No Risk.

Flood Zone

Zone X. This is referenced by Community Number 0074, Panel Number 17031C0504J, dated August 19, 2008. Zone X is a Special Flood Hazard Area determined to be outside the 500-year floodplain. No Base Flood Elevations (BFEs) or depths are shown in this zone, and insurance purchase is not required.

Easements

A preliminary title report was not available for review. During the on-site inspection, no adverse easements or encumbrances were noted. This appraisal assumes that there is no negative value impact on the subject improvements. If questions arise regarding easements, encroachments, or other encumbrances, *further research is advised.*

Soils

A detailed soils analysis was not available for review. Based on the development of the subject, it appears the soils are stable and suitable for the existing improvements.

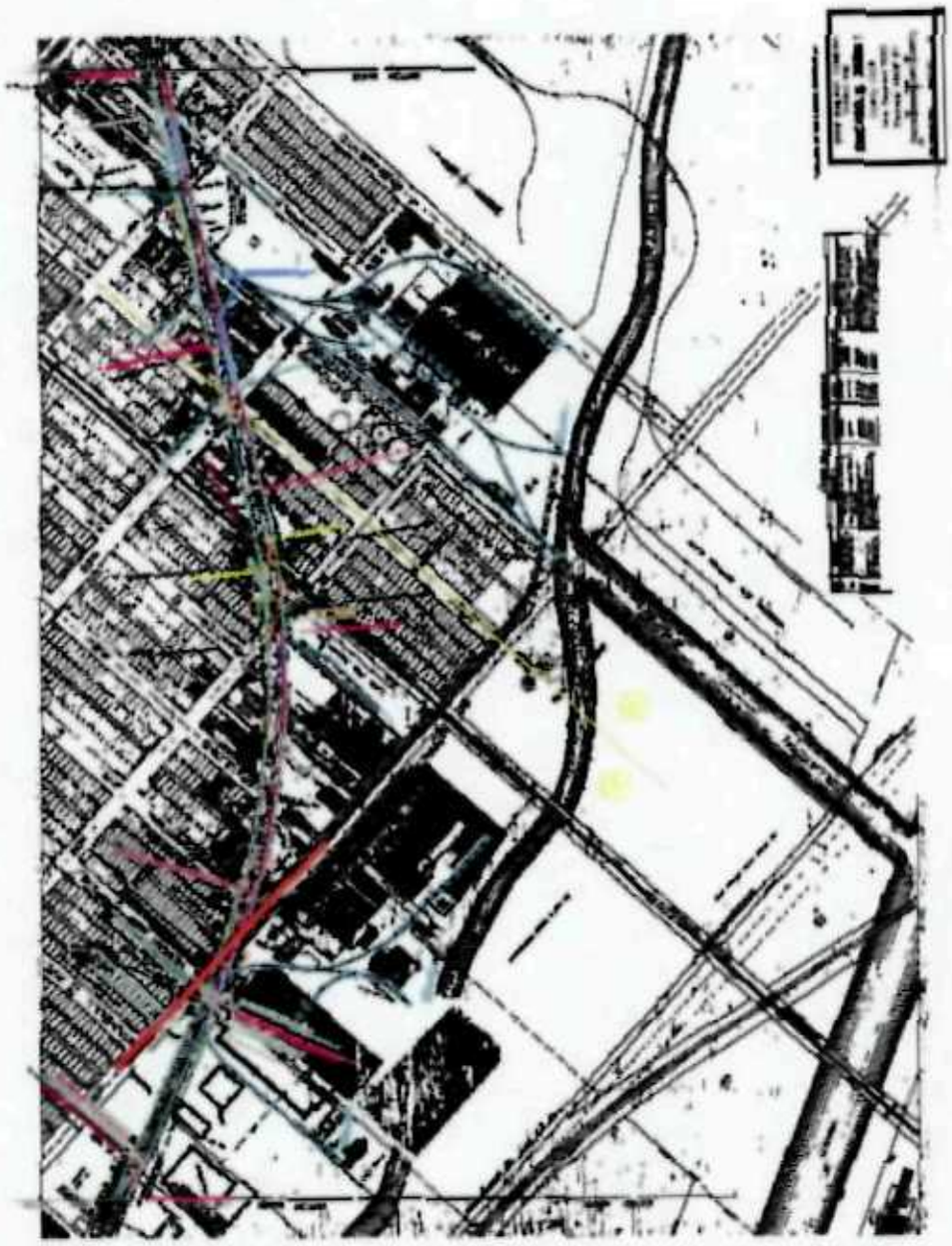
Hazardous Waste

We have not conducted an independent investigation to determine the presence or absence of toxins on the subject property. If questions arise, the reader is strongly cautioned to seek qualified professional assistance in this matter. Please see the Assumptions and Limiting Conditions for a full disclaimer.

Improvement Description

The site is improved rail lines, overgrown vegetation, and some minor asphalt and gravel paving. No additional site improvements could be confirmed based on visual inspection.

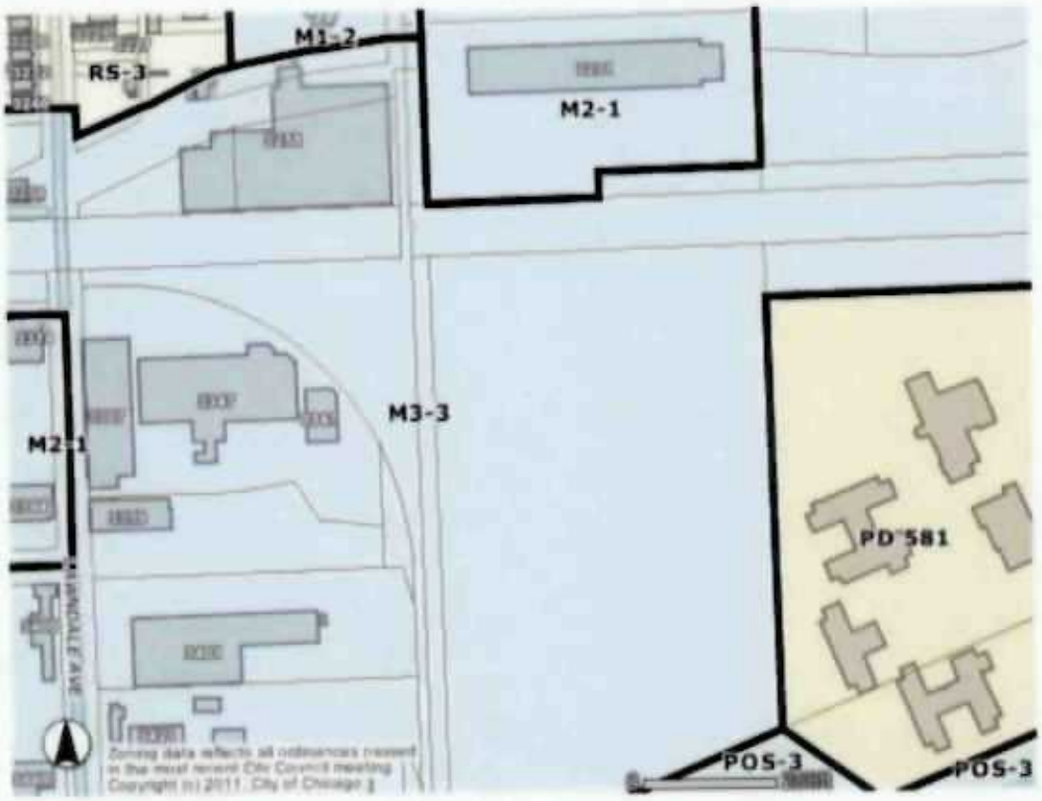
BNSF MAP 501193 (SUBJECT IS BELOW RED LINE)

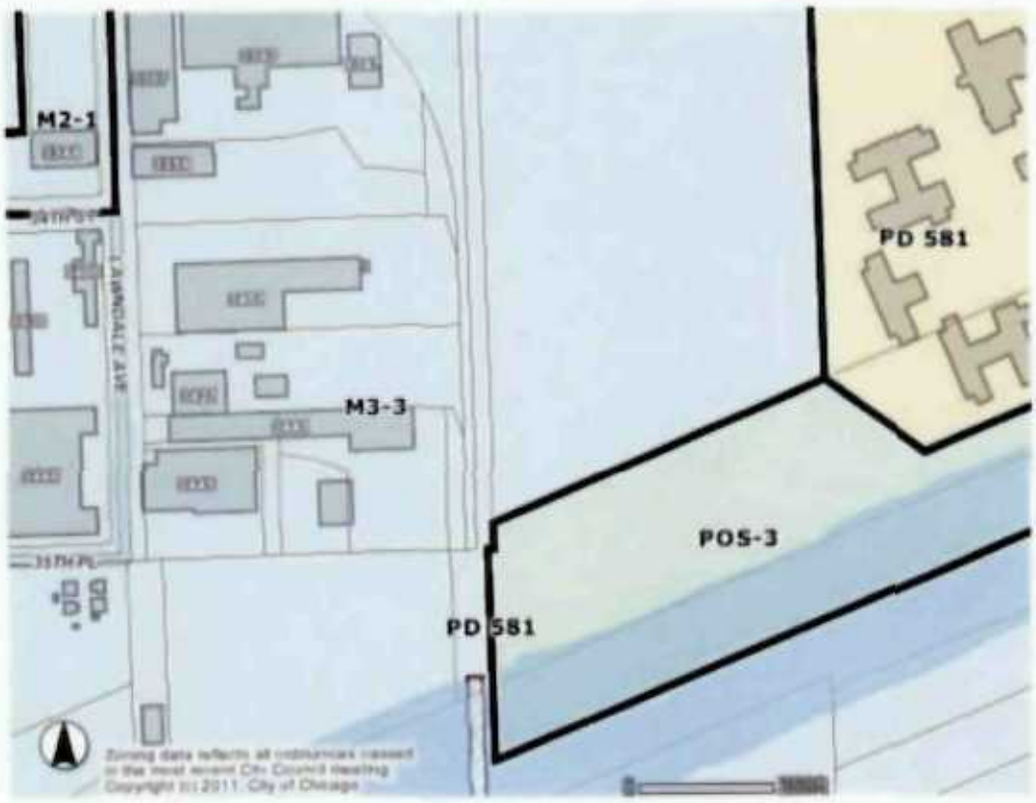


BNSF MAP 501194

ZONING MAPS

(TRAVELING NORTH TO SOUTH)




M2-1
M3-3
PD 581
POS-3
PD 581
Zoning data reflects all ordinances passed
in the most recent City Council meeting
Copyright (c) 2011, City of Chicago

FLOOD MAP

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TAX ANALYSIS

The subject is tax exempt. As such, a tax analysis is beyond the scope of this analysis.

ZONING INTRODUCTION

Zoning requirements typically establish permitted and prohibited uses, building height, lot coverage, setbacks, parking and other factors that control the size and location of improvements on a site. The zoning subject property bypasses several zoning classifications, which are summarized below:

ZONING SUMMARY	
Municipality Governing Zoning	City of Chicago Planning & Zoning Department
Current Zoning	Limited Manufacturing (M1-2); Light Industry (M2-1); & Heavy Industry (M3-3)
Permitted Uses	
Limited Manufacturing	Office, Retail, Industrial
Light Industry	Office, Retail, Industrial
Heavy Industry	Office, Retail, Industrial, Intense Industrial
Current Use	Portion of inactive railway corridor
Is Current Use Legally Permitted?	Not Applicable
Zoning Change	Not Likely

The information presented is intended to provide a general overview of the subject's zoning classification. The site is a long, narrow corridor that cannot be developed as a standalone parcel.

Detailed zoning studies are typically performed by a zoning or land use expert, including attorneys, land use planners, or architects. The depth of my analysis correlates directly with the scope of this assignment, and it considers all pertinent issues that have been discovered through my due diligence.

INTRODUCTION

As concluded ahead, the highest and best use of the subject site as-vacant is assemblage and future industrial. Therefore, this section provides a brief study of industrial supply/demand conditions for the Chicago Market and South Chicago Submarket.

CHICAGO INDUSTRIAL MARKET

The following is an analysis of supply/demand trends in the Chicago Industrial Market using information provided by CoStar, widely recognized as a credible source for tracking market statistics. The table below presents historical data for key market indicators.

CHICAGO HISTORICAL STATISTICS (LAST TEN YEARS)

PERIOD	SUPPLY	ADDED SUPPLY	NET ABSORPTION	VACANCY	ASKING RENT
2002	1,089,651,426 SF	1,135,194 SF	(64,173) SF	8.6%	$4.54/SF
2003	1,099,477,571 SF	9,826,145 SF	(2,525,690) SF	9.3%	$4.45/SF
2004	1,103,024,743 SF	3,547,172 SF	10,422,295 SF	9.1%	$4.66/SF
2005	1,116,010,496 SF	12,985,753 SF	9,702,473 SF	9.3%	$4.43/SF
2006	1,133,648,415 SF	17,637,919 SF	18,931,418 SF	9.1%	$4.45/SF
2007	1,148,116,351 SF	14,467,936 SF	13,097,405 SF	9.1%	$4.54/SF
2008	1,164,192,330 SF	16,075,979 SF	3,307,481 SF	9.5%	$4.70/SF
2009	1,166,376,789 SF	2,184,459 SF	(18,499,738) SF	11.3%	$4.51/SF
2010	1,161,847,149 SF	(4,529,640) SF	(2,478,833) SF	11.8%	$4.25/SF
2011	1,162,837,821 SF	990,672 SF	8,348,230 SF	11.3%	$4.15/SF
CAGR	0.7%	-	-	-	(1.0%)

Source: CoStar®

The following table summarizes the trailing four quarter performance of the Chicago market.

CHICAGO TRAILING FOUR QUARTER PERFORMANCE

PERIOD	SUPPLY	ADDED SUPPLY	NET ABSORPTION	VACANCY	ASKING RENT
2011 3Q	1,163,498,559 SF	2,375,645 SF	3,834,049 SF	10.7%	$4.15/SF
2011 4Q	1,162,837,821 SF	196,056 SF	1,820,120 SF	10.6%	$4.13/SF
2012 1Q	1,162,763,604 SF	313,560 SF	1,285,979 SF	10.2%	$4.13/SF
2012 2Q	1,163,146,022 SF	600,000 SF	6,319,950 SF	10.0%	$4.08/SF

Source: CoStar®

Key supply/demand statistics for the most recent quarter, last year and historical averages for the last 10-years are summarized below.

CHICAGO MARKET TREND ANALYSIS

	2Q 2012	2011	Last 10
Total SF	1,163,146,022	1,162,837,821	1,134,518,309
Vacant SF	115,735,712	122,947,534	111,625,256
Market Vacancy	10.0%	11.3%	9.8%
Construction Growth Rate	0.1%	0.1%	0.7%
Absorption Rate	0.5%	0.7%	0.3%
Average Asking Rent/SF	$4.08	$4.15	$4.47

Source: CoStar®

Chicago Market Conclusion

Based on the preceding analysis, the Chicago industrial market demonstrates relatively sound fundamentals. Analysis of supply and demand indicators reflects the market is currently in a state of stability with no evidence to prove this will change any time soon given the recent trend of absorption outpacing construction.

SOUTH CHICAGO INDUSTRIAL SUBMARKET OVERVIEW

The following is an analysis of supply/demand trends in the South Chicago Industrial Submarket using information provided by CoStar. The table below presents historical data for key market indicators.

SOUTH CHICAGO HISTORICAL STATISTICS (LAST TEN YEARS)

PERIOD	SUPPLY	ADDED SUPPLY	NET ABSORPTION	VACANCY	ASKING RENT
2002	127,165,454 SF	(266,416) SF	(1,104,429) SF	8.3%	$4.34/SF
2003	128,995,855 SF	1,830,401 SF	(1,384,950) SF	9.7%	$3.86/SF
2004	125,158,066 SF	(3,837,789) SF	(1,044,123) SF	9.1%	$3.59/SF
2005	124,590,241 SF	(567,825) SF	(934,733) SF	9.5%	$4.01/SF
2006	124,385,465 SF	(204,776) SF	368,182 SF	9.0%	$4.12/SF
2007	123,453,379 SF	(932,086) SF	731,799 SF	8.4%	$4.02/SF
2008	123,422,387 SF	(30,992) SF	(35,321) SF	7.2%	$4.11/SF
2009	122,921,905 SF	(500,482) SF	(2,498,398) SF	8.9%	$4.18/SF
2010	120,799,365 SF	(2,122,540) SF	(3,040,888) SF	10.2%	$4.28/SF
2011	118,550,991 SF	(2,248,374) SF	(2,155,954) SF	10.9%	$4.26/SF
CAGR	(0.8%)	-	-	-	(0.2%)

Source: CoStar®

The inventory contracted by 0.8% annually over the past ten years. The majority of the removed supply was concentrated in the UIC and South Loop areas of the submarket as a result of gentrification and redevelopment. Despite the reduced inventory, vacancy increased over the ten year period while asking rents have fluctuated but remained relatively stable.

The following table summarizes the trailing four quarter performance of the South Chicago submarket.

SOUTH CHICAGO TRAILING FOUR QUARTER PERFORMANCE

PERIOD	SUPPLY	ADDED SUPPLY	NET ABSORPTION	VACANCY	ASKING RENT
2011 3Q	118,762,625 SF	0 SF	(15,371) SF	10.5%	$4.36/SF
2011 4Q	118,550,991 SF	0 SF	434,527 SF	10.3%	$4.04/SF
2012 1Q	118,539,651 SF	0 SF	(1,006,314) SF	11.0%	$4.10/SF
2012 2Q	118,465,938 SF	0 SF	367,520 SF	10.6%	$4.03/SF

Source: CoStar®

*Key supply/demand statistics for the most recent quarter, last year and historical averages over the last 10-*years are summarized below.

SOUTH CHICAGO MARKET TREND ANALYSIS			
	2Q 2012	2011	Last 10
Total SF	118,465,938	118,550,991	123,944,311
Vacant SF	12,551,706	12,169,712	11,301,242
Market Vacancy	10.6%	10.9%	9.1%
Construction Growth Rate	0.0%	-1.9%	-0.8%
Absorption Rate	0.3%	(1.8%)	(0.9%)
Average Asking Rent/SF	*$4.03*	*$4.26*	*$4.08*

South Chicago Submarket Conclusion

Based on the preceding analysis, the South Chicago industrial market demonstrates relatively sound *fundamentals. Analysis of supply and demand indicators suggests the market is currently stable with no* evidence to prove this will change any time soon. The greatest weakness of the market appears to be its high vacancy rates.

The stability of the local industrial submarket and the built-up nature of the area have a positive impact on the subject property. The industrial uses surrounding the subject are infill sites with high ratio of building to land. As a result, it is reasonable that there would be demand for assemblage.

EXPOSURE TIME & MARKETING PERIOD

Exposure time is defined as "The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market" (The Dictionary of Real Estate Appraisal, Appraisal Institute, 2010). Reasonable exposure time is impacted by the aggressiveness and effectiveness of a property's exposure to market participants, availability and cost of financing, and demand for similar investments. Exposure time is best established based the recent *history of marketing periods for comparable sales, discussions with market participants and information from* published surveys.

Exposure Time Conclusion

The subject is a portion of an inactive rail corridor that abuts several different properties with varying ownership. The subject passes through portions of the local area that are dominated by industrial uses. While new development is currently stalled due to the ongoing soft macroeconomic conditions, acquisition by abutting users would be a desirable opportunity given the infill nature of area. Considering these factors, a reasonable estimate of exposure time for the subject property to a single interim investor is 18 to 24 months.

INTRODUCTION

The highest and best use of an improved property is defined as that reasonable and most probable use that will support its highest present value. The highest and best use, or most probable use, must be legally permissible, physically possible, financially feasible, and maximally productive. This section develops the highest and best use of the subject property As-Vacant.

AS-VACANT ANALYSIS

Legal Factors

The legal factors that possibly influence the highest and best use of the subject site are discussed in this section. Private restrictions, zoning, building codes, historic district controls, and environmental regulations are considered, if applicable to the subject site. As a portion of a railway corridor, the legal factors affecting the subject are different from typical real property. The zoning of the subject and abutting properties are industrial in nature. Overall, legal factors support industrial uses.

Physical & Locational Factors

Regarding physical characteristics, the narrow width and long shape preclude most development options without assemblage. Of the outright permitted uses, physical features best support assemblage with neighboring parcels.

The subject's immediate area is proximate to Interstate 55 with access points at Western Avenue, California Avenue and Pulaski Road. The I-55 corridor is characterized with a heavy concentration of industrial uses. In addition, there is strong demand for industrial land along the Chicago River (South Branch), which runs parallel to the north of the expressway. Land uses south and east of the subject are all industrial in nature. On balance, the subject is dominated by industrial uses and the most likely use of the subject would industrial in nature.

As-Vacant Conclusion

The subject is located in a heavily developed area with existing utility and road infrastructure in place. The adjacent ownership would be enhanced through plottage, which is the consolidating of adjacent lots into one larger lot, with the consequent result of improved usability and increased value. Future development of abutting parcels would benefit from the expanded site area which could be created. Overall, the subject's highest and best use as-vacant is concluded to be assemblage and future industrial.

INTRODUCTION

The following presentation of the appraisal process deals directly with the valuation of the subject property. The ATF Value of the subject's fee simple interest is estimated using the Sales Comparison Approach. The Cost and Income Capitalization Approaches are not applicable when valuing small portions of rail corridors such as the subject and are therefore excluded. Their exclusion is not detrimental to the reliability or credibility of the final value conclusion.

SALES COMPARISON APPROACH

The Sales Comparison Approach is based on the principle of substitution, which asserts that no one would pay more for a property than the value of similar properties in the market. This approach analyzes comparable sales by applying transactional and property adjustments in order to bracket the subject property on an appropriate unit value comparison. The sales comparison approach is applicable when sufficient data on recent market transactions is available. Alternatively, this approach may offer limited reliability because many properties have unique characteristics that cannot be accounted for in the adjustment process.

In valuing corridors, direct comparison of corridor sales is not reliable due to the limited number of sales and varying physical, location, and market factors. The preferred methodology is using an ATF or Across The Fence Valuation. The basis of this method is the premise that the value of a corridor should be at least as much as the land through which the corridor passes. The ATF value is estimated by establishing a value estimate of adjoining land.

LAND VALUATION

To establish the ATF Value, the subject has been analyzed by sales of individual parcels. The subject is analyzed primarily by its location and zoning of adjacent properties. As previously discussed, the zoning of the subject and abutting properties varies but is primarily influenced by industrial uses. As such, we have incorporated nearby industrial sales into this analysis. In an ATF valuation, the underlying assumption is that a corridor is worth at least as much as the land through which it passes.

UNIT OF COMPARISON

The most relevant unit of comparison is the price per square foot. This indicator best reflects the analysis used by buyers and sellers in this market for land with similar utility and zoning in this marketplace.

COMPARABLE SELECTION

A thorough search was made for land sales in terms of proximity to the subject (location), zoning, and date of sale. In selecting comparables, emphasis was placed on confirming recent sales of industrial sites that are similar to the subject property in terms of location and zoning. Overall, the sales selected represent the best comparables available for this analysis.

ADJUSTMENT PROCESS

Qualatative adjustments are made to the comparable sales. The following adjustments or general market trends were considered for the basis of valuation.

Transactional Adjustments

Dollar adjustments to the comparable sales were considered and made when warranted for transitional adjustments in the sequence shown below:

Property Rights Transferred	The valuation of the subject site was completed on a fee simple basis. If warranted, leased fee, leasehold and/or partial interest land sales were adjusted accordingly.
Financing Terms	The subject site was valued on a cash equivalent basis. Adjustments were made to the comparables involving financing terms atypical of the marketplace.
Conditions of Sale	This adjustment accounts for extraordinary motivation on the part of the buyer or seller often associated with distressed sales and/or assemblages.
Expenditures After Purchase	Adjustments were applied if site conditions warranted expenditures on the part of the buyer to create a buildable site. Examples include costs for razing pre-existing structures, general site clearing and/or mitigation of environmental issues.
Market Conditions	Market conditions adjustments were based on a review of historical sale data, market participant interviews and review of current versus historical pricing. Based on my research, the following table summarizes the market conditions adjustment applied in this analysis.

FLAT ADJUSTMENT	
Per Year	2%

Based on my research and interpretation of value trends, I have elected to apply a flat market conditions adjustment. The analysis applies an upward market conditions adjustment of 2% annually reflecting the relatively consistent appreciation that occurred between the oldest comparable sale date up through the effective valuation date.

LAND VALUATION PRESENTATION

The following Land Sales Summation Table, Location Map and datasheets summarize the sales data used in this analysis.

LAND SALES SUMMATION TABLE

Comparable	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Name	Former BSNF	4100 S Packers	7349 Massasoit	SEC 41st & Pulaski	66th & Menard
Address	W. 35th Street	4100 S Packers	7349 Massasoit	SEC 41st & Pulaski	66th & Menard
City	Chicago	Chicago	Bedford Park	Chicago	Bedford Park
State	IL	IL	IL	IL	IL
Zip	60623	60609	60638	60632	60638
County	Cook	Cook	Cook	Cook	Cook
PHYSICAL INFORMATION					
SF	210,768	133,810	187,744	50,530	134,165
Location	Average	Average	Average	Average	Average
Zoning	Industrial	PMD-8	F (Motor Freight)	B3-3	I (Heavy
Shape	Irregular	Rectangular	Rectangular	Rectangular	Irregular
Corner	Varies	Yes	No	Yes	No
Topography	Level	Level	Level	Level	Level
Site Utility Rating	Average	Average	Average	Average	Average
Access	Average	Average	Average	Average	Average
Exposure	Average	Average	Average	Average	Average
Utilities	Yes	All	All	All	All
SALE INFORMATION					
Date		7/27/2012	9/26/2011	9/2/2011	9/23/2010
Status		Offer/Pending	Recorded	Recorded	Recorded
Rights Transferred		Fee Simple	Fee Simple	Fee Simple	Fee Simple
Transaction Price		$875,000	$1,100,000	$350,000	$700,000
Analysis Price		$875,000	$1,100,000	$350,000	$700,000
$/SF Land		$6.54	$5.86	$6.93	$5.22

LAND SALES LOCATION MAP

COMPARABLE 1

LOCATION INFORMATION

Name	4100 S Packers Ave
Address	4100 S Packers Ave
City, State, Zip Code	Chicago, IL, 60609
County	Cook
MSA	Chicago-Gary-Kenosha, IL-IN-WI CMSA

SALE INFORMATION

Buyer	Unknown
Seller	Scherston Real Estate Inc.
Transaction Date	07/27/2012
Transaction Status	Offer/Pending
Transaction Price	$875,000
Analysis Price	$875,000
Rights Transferred	Fee Simple
Marketing Time	919 Day(s)

PHYSICAL INFORMATION

Allowed Use	Industrial	
Intended Use	Investment Property - Industrial/Commercial	
Site Size	Acres	SF
Net	3.1	133,810
Gross	3.1	133,810
Zoning	PMD-8	
Shape	Rectangular	
Topography	Level	
Access	Average	
Exposure	Average	
Corner	Yes	
View	No	
Off-Site Improvements	Completed	
Easements	Standard	
Environmental Issues	None Noted	
Utilities	All	

4100 S PACKERS AVE

ANALYSIS INFORMATION

Price	$/Acre	$/SF
Gross	$285,016	$6.54
Net	$285,016	$6.54

CONFIRMATION

Name	Mark Nelson
Company	NelsonHill
Source	Sellers Broker, Public Record, CoStar
Date	07/27/2012

REMARKS

Vacant land parcel that is currently under contract and is located 1 block east of the Union Stock Yards (railway), 1-mile south of Interstate 55 and 1.5- miles west of Interstate 87. The area is a part of the Stockyards Industrial Tax Increment Financing (TIF) district.

COMPARABLE 2

LOCATION INFORMATION

Name	7349 Massasoit St
Address	7349 Massasoit St
City, State, Zip Code	Bedford Park, IL, 60638
County	Cook
MSA	Chicago-Gary-Kenosha, IL-IN-WI CMSA
APN	19-29-200-058

SALE INFORMATION

Buyer	Dwight Merriman
Seller	Ridge Property Trust
Transaction Date	*09/26/2011*
Transaction Status	Recorded
Transaction Price	$1,100,000
Analysis Price	$1,100,000
Rights Transferred	Fee Simple

PHYSICAL INFORMATION

Allowed Use	Industrial	
Intended Use	*Industrial - Cross Dock Truck Terminal*	
Use at Sale	Trailer lot (fully fenced, paved & lit)	
Site Size	Acres	SF
Net	4.3	187,744
Gross	4.3	187,744
Zoning	F (Motor Freight)	
Shape	Rectangular	
Topography	Level	
Access	Average	
Exposure	Average	
Corner	No	
View	No	
Utilities	All	

7349 MASSASOIT ST

ANALYSIS INFORMATION

Price	$/Acre	$/SF
Gross	$255,220	$5.86
Net	*$255,220*	*$5.86*

CONFIRMATION

Name	Thomas Taylor
Company	Colliers
Source	Buyers Broker, Public Record, CoStar
Date	Confidential

REMARKS

Purchased as part of a bulk portfolio sale of 13 properties totaling $195,500,000

COMPARABLE 3

LOCATION INFORMATION

Name	SEC 41st & Pulaski
Address	SEC 41st & Pulaski
City, State, Zip Code	Chicago, IL, 60632
County	Cook
MSA	Chicago-Gary-Kenosha, IL-IN-WI CMSA

SALE INFORMATION

Buyer	Dwight Merriman
Seller	41st and Pulaski BP, Inc
Transaction Date	09/2/2011
Transaction Status	Recorded
Transaction Price	$350,000
Analysis Price	$350,000
Rights Transferred	Fee Simple
Conditions of Sale	Arm's length transaction
Marketing Time	175 Day(s)

PHYSICAL INFORMATION

Allowed Use	Industrial	
Intended Use	Investment Property - Industrial/Commercial	
Use at Sale	Vacant	
Site Size	Acres	SF
Net	1.2	50,530
Gross	1.2	50,530
Zoning	B3-3	
Shape	Rectangular	
Topography	Level	
Access	Average	
Exposure	Average	
Corner	Yes	
View	No	
Off-Site Improvements	Completed	
Easements	Standard	
Environmental Issues	None Noted	
Utilities	All	

SEC 41ST & PULASKI

ANALYSIS INFORMATION

Price	$/Acre	$/SF
Gross	$301,724	$6.93
Net	$301,724	$6.93

CONFIRMATION

Name	Dan Hyman
Company	Millennium Properties
Source	Sellers Broker, Public Record, CoStar
Date	09/2/2011

REMARKS

This was an REO sale for a vacant land parcel that is located one block south of the Pulaski Road entrance on to Interstate 55 and three miles north of Chicago's Midway Airport.

COMPARABLE 4

LOCATION INFORMATION

Name	66th & Menard Avenue
Address	66th & Menard Avenue
City, State, Zip Code	Bedford Park, IL 60638
County	Cook
MSA	Chicago-Gary-Kenosha, IL-IN-WI CMSA
APN	19-20-217-005 19-20-217-006

SALE INFORMATION

Buyer	DMK Express Properties
Seller	Sam Ekstein
Transaction Date	09/23/2010
Transaction Status	Recorded
Transaction Price	$700,000
Analysis Price	$700,000
Rights Transferred	Fee Simple
Financing	Two loans from First Midwest Bank ($434,000
Marketing Time	724 Day(s)

PHYSICAL INFORMATION

Allowed Use	Industrial	
Intended Use	Industrial - Heavy Manufacturing	
Site Size	Acres	SF
Net	3.1	134,165
Gross	3.1	134,165
Zoning	I (Heavy Industrial)	
Shape	Irregular	
Topography	Level	
Access	Average	
Exposure	Average	
Corner	Yes	
View	No	
Utilities	All	

66TH & MENARD AVENUE

ANALYSIS INFORMATION

Price	$/Acre	$/SF
Gross	$227,273	$5.22
Net	$227,273	$5.22

CONFIRMATION

Name	Tom Condon
Company	Colliers
Source	Sellers Broker, Public Record, CoStar
Date	Confidential

REMARKS

The comparable was acquired for the development of an industrial facility that will be owner occupied.

ATF VALUE

Adjustment Process

The comparable land sales indicate an adjusted value range from $5.14 to $6.60/SF, with a median of $5.48/SF and an average of $5.67/SF. The level of total adjustment applied to the comparables is considered to be moderate. Overall, the availability of market data and extent of analysis was adequate to develop a reasonably credible opinion of land value. The adjustment process for each comparable land sale is illustrated in the following paragraphs.

LAND SALES ADJUSTMENT GRID

Comparable	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4
SF	210,768	133,810	187,744	50,530	134,165
Location	Average	Average	Average	Average	Average
Zoning	Industrial	PMD-8	F (Motor Freight)	B3-3	I (Heavy Industrial)
Shape	Irregular	Rectangular	Rectangular	Rectangular	Irregular
Corner	Varies	Yes	No	Yes	No
Topography	Level	Level	Level	Level	Level
Site Utility Rating	Average	Average	Average	Average	Average
Access	Average	Average	Average	Average	Average
Date		7/27/2012	9/26/2011	9/2/2011	9/23/2010
Status		Offer/Pending	Recorded	Recorded	Recorded
Rights Transferred		Fee Simple	Fee Simple	Fee Simple	Fee Simple
Analysis Price		$875,000	$1,100,000	$350,000	$700,000
Price/SF		$6.54	$5.86	$6.93	$5.22
TRANSACTIONAL ADJUSTMENTS					
Property Rights		0%	0%	0%	0%
Conditionsof Sale		-10%	0%	10%	0%
Financing		0%	0%	0%	0%
Market Conditions[1]		0%	2%	2%	4%
Subtotal Transactional Adj Price		$5.89	$5.95	$7.76	$5.41
PROPERTY ADJUSTMENTS					
Location		-10%	0%	-15%	0%
Zoning		0%	0%	0%	0%
Site Improvements		0%	-5%	0%	-5%
Subtotal Property Adjustment		-10%	-5%	-15%	-5%
TOTAL ADJUSTED PRICE		**$5.30**	**$5.65**	**$6.60**	**$5.14**

STATISTICS	UNADJUSTED	ADJUSTED
LOW	$5.22	$5.14
HIGH	$6.93	$6.60
MEDIAN	$6.20	$5.48
AVERAGE	$6.14	$5.67

[1] Market Conditions Adjustment - Compound annual change in market conditions: 2%
Date of Value (for adjustment calculations): 9/23/12

In addition to the above transactions, consideration is also given to the following active listings of industrial land and broker survey.

- 4701 W. 26th, Cicero, IL - The 8.4 acre parcel of land is an asphalt-paved lot that is listed for $7.38/SF of land area.
- 24th and Rockwell, Chicago, IL - The 8.2 acre parcel of land is located approximately one block north of the subject's Northern Portion at a price of $5.03/SF of land area.
- 2642 W. 19th, Chicago, IL – This small (0.55 acre) parcel of industrial land is listed for $8.13/SF of land area.
- John Basile, Colliers International, reported that in-fill industrial land is generally $5/SF in the I-55 industrial corridor.

ATF Conclusion

Based on the prior analysis, industrial land in the subject's immediate area is concluded to support a ATF value for the subject of $5.50/SF.

CALCULATION OF ATF VALUE					
COMPONENT	SUBJECT SF		$/SF CONCLUSION		ATF VALUE
Southern Portion	210,768	x	$5.50	=	$1,160,000
TOTAL PROPERTY	**210,768**	x		=	**$1,160,000**

Rounded to nearest $10,000

VALUE CONCLUSION

The following table conveys the final opinion of Across the Fence value of the subject site that is developed *within this appraisal report*:

ANALYSIS OF VALUE CONCLUSIONS	
VALUATION INDICES	**MARKET VALUE AS-IS**
INTEREST APPRAISED	FEE SIMPLE
DATE OF VALUE	*JULY 23, 2012*
FINAL ACROSS THE FENCE CONCLUSION	**$1,160,000**
$/SF	$5.50/SF
Exposure Time	18 to 24 Months

I 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 of the signer are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- The signer of this report has no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- Jeremy Walling, MAI, MRICS has performed no services, as an appraiser or in any other capacity, for the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- The signer is not biased with respect to the property that is the subject of this report or to the parties involved with this assignment.
- The engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the *Code of Professional Ethics* and *Standards of Professional Appraisal Practice* of the Appraisal Institute, and the *Uniform Standards of Professional Appraisal Practice*, as set forth by the Appraisal Standards Board of the Appraisal Foundation.
- Jeremy Walling, MAI, MRICS inspected the property that is the subject of this report.
- Felicia Bell provided significant real property appraisal assistance to appraiser signing this certification. Assistance included gathering, analyzing and reporting regional and local area information, confirming and analyzing the subject's zoning and tax information, and confirming some of the comparable data used for this analysis.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report Jeremy Walling, MAI, MRICS completed the continuing education program of the Appraisal Institute.

September 10, 2012
Date

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This appraisal is subject to the following assumptions and limiting conditions:

- The appraiser may or may not have been provided with a survey of the subject property. If further verification is required, a survey by a registered surveyor is advised.
- We assume no responsibility for matters legal in character, nor do we render any opinion as to title, which is assumed to be marketable. All existing liens, encumbrances, and assessments have been disregarded, unless otherwise noted, and the property is appraised as though free and clear, under responsible ownership, and competent management.
- The exhibits in this report are included to assist the reader in visualizing the property. We have made no survey of the property and assume no responsibility in connection with such matters.
- Unless otherwise noted herein, it is assumed that there are no encroachments, zoning, or restrictive violations existing in the subject property.
- The appraiser assumes no responsibility for determining if the property requires environmental approval by the appropriate governing agencies, nor if it is in violation thereof, unless otherwise noted herein.
- Information presented in this report has been obtained from reliable sources, and it is assumed that the information is accurate.
- This report shall be used for its intended purpose only, and by the party to whom it is addressed. Possession of this report does not include the right of publication.
- The appraiser may not be required to give testimony or to appear in court by reason of this appraisal, with reference to the property in question, unless prior arrangements have been made therefore.
- The statements of value and all conclusions shall apply as of the dates shown herein.
- There is no present or contemplated future interest in the property by the appraiser which is not specifically disclosed in this report.
- Without the written consent or approval of the author neither all, nor any part of, the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media. This applies particularly to value conclusions and to the identity of the appraiser and the firm with which the appraiser is connected.
- This report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. Unless approval is provided by the author no portion of the report stands alone.
- The liability of Colliers International Valuation & Advisory Services, its principals, agents, and employees is limited to the client. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraiser is in no way responsible for any costs incurred to discover or correct any deficiency in the property.
- The appraiser is not qualified to detect the presence of toxic or hazardous substances or materials which may influence or be associated with the property or any adjacent properties, has made no investigation or analysis as to the presence of such materials, and expressly disclaims any duty to note the degree of fault. Colliers International Valuation & Advisory Services and its principals, agents, employees, shall not be liable for any costs, expenses, assessments, or penalties, or diminution in value, property damage, or personal injury (including death) resulting from or otherwise attributable to toxic or hazardous substances or materials, including without limitation hazardous waste, asbestos material, formaldehyde, or any smoke,

vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids, solids or gasses, waste materials or other irritants, contaminants or pollutants.

- The appraiser assumes no responsibility for determining if the subject property complies with the *Americans with Disabilities Act* (*ADA*). Colliers International Valuation & Advisory Services, its principals, agents, and employees, shall not be liable for any costs, expenses, assessments, penalties or diminution in value resulting from non-compliance. This appraisal assumes that the subject meets an acceptable level of compliance with *ADA* standards; if the subject is not in compliance, the eventual renovation costs and/or penalties would negatively impact the present value of the subject. If the magnitude and time of the cost were known today, they would be reduced from the reported value conclusion.
- An on-site inspection of the subject property was conducted. No evidence of asbestos materials on-site was noted. A Phase 1 Environmental Assessment was not provided for this analysis. This analysis assumes that no asbestos or other hazardous materials are stored or found in or on the subject property. If evidence of hazardous materials of any kind occurs, the reader should seek qualified professional assistance. If hazardous materials are discovered and if future market conditions indicate an impact on value and increased perceived risk, a revision of the concluded values may be necessary.
- A detailed soils study was not provided for this analysis. The subject's soils and sub-soil conditions are assumed to be suitable based upon a visual inspection, which did not indicate evidence of excessive settling or unstable soils. No certification is made regarding the stability or suitability of the soil or sub-soil conditions.

Valuation Glossary
Qualifications of Appraiser
Qualifications of Colliers International Valuation & Advisory Services

Valuation Glossary

Valuation & Advisory Services

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These definitions were extracted from the following sources or publications:

The Dictionary of Real Estate Appraisal, Fifth Edition. Appraisal Institute, Chicago, Illinois, 2010 *(Dictionary)*.

Uniform Standards of Professional Appraisal Practice, 2010-2011 Edition (USPAP).

The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, Chicago, Illinois, 2008 *(13th Edition)*.

Marshall Valuation Service, Marshall & Swift, Los Angeles, California *(MVS)*.

Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. *(Dictionary)*

Ad Valorem Tax

A real estate tax based on the assessed value of the property, which is not necessarily equivalent to its market value. *(13th Edition)*

Aggregate of Retail Values (ARV)

The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent an opinion of value; it is simply the total of multiple market value conclusions *(Dictionary)*

Arm's-length Transaction

A transaction between unrelated parties under no duress. *(13th Edition)*

As-Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. *(Dictionary)*

Assessed Value

The value of a property according to the tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value. *(13th Edition)*

Average Daily Room Rate (ADR)

In the lodging industry, total guest room revenue divided by the total number of occupied rooms. *(Dictionary)*

Band of Investment

A technique in which the capitalization rates attributable to components of a capital investment are weighted and combined to derive a weighted-average rate attributable to the total investment. *(Dictionary)*

Bulk Sale

The sale of two or more parcels of real estate to one buyer in one transaction. Usually a bulk sale will involve multiple parcels of either vacant or improved properties. *(Dictionary)*

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Bulk Sale Valuation Scenario

In subdivision development analysis, a specific appraisal problem in which a group of properties is evaluated to form an opinion of bulk value. The underlying premise is the valuation of an entire group of lots or units to one purchaser as one sale. The valuation scenario considers the individual values of each property, the absorption period needed to sell the entire property inventory over time, and appropriate deductions and discounting for holding and sales costs as well as profit. Lending institutions typically require an analysis of the bulk sale valuation scenario as part of the financing of tract developments. *(Dictionary)*

Bulk Value

The value of multiple units, subdivided lots, or properties in a portfolio as though sold to a single buyer in one transaction. Sometimes called *bulk sale value*. *(Dictionary)*

Cash-Equivalent Price

The price of a property with above- or below-market financing expressed in terms of the price that would have been paid in an all-cash sale. *(Dictionary)*

Common Area

The total area within a property that is not designed for sale or rental but is available for common use by all owners, tenants, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities. *(Dictionary)*

Contract Rent

The actual rental income specified in a lease. *(13th Edition)*

Cost Approach

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised. *(13th Edition)*

Curable Functional Obsolescence

An element of depreciation; a curable defect caused by a flaw in the structure, materials, or design, which can be practically and economically corrected. *(Dictionary)*

Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service, which measures the relative ability of a property to meet its debt service out of net operating income; also called debt service coverage ratio (DSCR). *(Dictionary)*

Deferred Maintenance

Needed repairs or replacement of items that should have taken place during the course of normal maintenance. *Dictionary)*

Depreciation

In appraising, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date. *(Dictionary)*

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Direct Costs

1. Expenditures for the labor and materials used in the construction of improvements; also called *hard costs*. *(Dictionary)*

2. The labor, material, subcontractor, and *heavy equipment costs directly incorporated* into the construction of physical improvements. (R.S. Means)

Discounted Cash Flow (DCF) Analysis

The procedure in which a *discount rate* is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate. *(Dictionary)*

Discount Rate

An interest rate used to convert future payments or receipts into present value; usually considered to be a synonym for *yield rate*. *(Dictionary)*

Disposition Value

The most probable price that a specified interest in real property is likely to bring under all of the following conditions:

1. Consummation of a sale within a future exposure time specified by the client.

2. The property is subjected to market conditions prevailing as of the date of valuation.

3. Both the buyer and seller are acting prudently and knowledgeably.

4. The seller is under compulsion to sell.

5. The buyer is typically motivated.

6. Both parties are acting in what they consider their best interests.

7. An adequate marketing effort will be made during the exposure time specified by the client.

8. Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.

9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms. *(Dictionary)*

Easement

An interest in real property that transfers use, but not ownership, of a portion of an owner's property. Access or right of way easements may be acquired by private parties or public utilities. Governments accept conservation, open space, and preservation easements on private property. *(13th Edition)*

Economic Life

The period over which improvements to real property contribute to property value. *(13th Edition)*

Effective Age

The age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be *different from its chronological age*. *(Dictionary)*

Effective Date

The date on which the analyses, opinions, *and advice in an appraisal, review, or* consulting service apply. *(Dictionary)*

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Effective Gross Income (EGI)

The anticipated income from all operations of the real property after an allowance is made for vacancy and collection losses and an addition is made for any other income. (Dictionary)

Effective Gross Income Multiplier (EGIM)

The ratio between the sale price (or value) of a property and its effective gross income. *(Dictionary)*

Effective Rent

The rental rate net of financial concessions such as periods of no rent during the lease term and above- or below-market tenant improvements (TIs). *(Dictionary)*

Eminent Domain

The right of government to take private property for public use upon the payment of just compensation. The Fifth Amendment of the U.S. Constitution, also known as the *takings clause*, guarantees payment of just compensation upon appropriation of private property. *(Dictionary)*

Entrepreneurial Incentive

A market-derived figure that represents the amount an entrepreneur expects to receive for his or her contribution to a project and risk. *(13th Edition)*

Entrepreneurial Profit

A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. *(13th Edition)*

Excess Land

Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land may have the potential to be sold separately and is valued separately. *(Dictionary)*

Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal, created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. Due to the higher risk inherent in the receipt of excess rent, it may be calculated separately and capitalized at a higher rate in the income capitalization approach. *(Dictionary)*

Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying any operating expenses above a stated level or amount. *(Dictionary)*

Exposure Time

The time a property remains on the market. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal, a retrospective estimate based on an analysis of past events assuming a competitive and open market. *(Dictionary)*

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External Obsolescence

An element of depreciation: a diminution in value caused by negative externalities and generally incurable on the part of the owner, landlord, or tenant. *(Dictionary)*

Extraordinary Assumption

An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. *Extraordinary assumptions presume as fact* otherwise uncertain information about physical, legal, or economic characteristics of the subject property, or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. An extraordinary assumption may be used in an assignment only if:

- It is required to properly develop credible opinions and conclusions;
- The appraiser has a reasonable basis for the extraordinary assumption;
- Use of the extraordinary assumption results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions. (USPAP)

Fair Market Value

A term that is, in concept, similar to market value in general usage, used mainly in condemnation, litigation, income tax, and property tax situations. When an appraisal assignment involves developing an opinion of fair market value, the appropriate, requisite, and precise definition of the term depends on the use of the appraisal and the applicable jurisdiction. (*Dictionary*)

Feasibility Analysis

A study of the cost-benefit relationship of an economic endeavor. *(USPAP)*

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat. *(Dictionary)*

Floor Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area. *(Dictionary)*

Functional Obsolescence

The impairment of functional capacity of a property according to market tastes and standards. *(Dictionary)*

Functional Utility

The ability of a property or building to be useful and to perform the function for which it is intended according to current market tastes and standards; the efficiency of a building's use in terms of architectural style, design and layout, traffic patterns, and the size and type of rooms. *(13th Edition)*

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Furniture, Fixtures, and Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory. *(Dictionary)*

Going-concern Value

1. The market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of the going concern*.

2. The value of an operating business enterprise. Goodwill may be separately *measured but is an integral component of* going-concern value when it exists and is recognizable. *(Dictionary)*

Gross Building Area (GBA)

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the region. *(Dictionary)*

Gross Leasable Area (GLA) - Commercial

Total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines; measured from the center of joint partitioning to the outside wall surfaces. *(Dictionary)*

Gross Living Area (GLA) - Residential

Total area of finished, above-grade residential area; calculated by measuring the outside perimeter of the structure and includes only finished, habitable, above-grade living space. (Finished basements and attic areas are not generally included in total gross living area. Local practices, however, may differ.) *(Dictionary)*

Highest & Best Use

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility and maximum productivity. *(Dictionary)*

Highest and Best Use of Land or a Site as Though Vacant

Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements. *(Dictionary)*

Highest and Best Use of Property as Improved

The use that should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and *constructing a new one. (Dictionary)*

Hypothetical Condition

That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; *or about the integrity of data used in an* analysis. *(USPAP)*

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Income Capitalization Approach

In the income capitalization approach, an appraiser analyzes a property's capacity to generate future benefits and capitalizes the income into an indication of present value. The principle of anticipation is fundamental to this approach. Techniques and procedures from this approach are used to analyze comparable sales data and to measure obsolescence in the cost approach. *(13th Edition)*

Incurable Functional Obsolescence

An element of depreciation; a defect caused by a deficiency or superadequacy in the structure, materials, or design that cannot be practically or economically corrected. *(Dictionary)*

Indirect Costs

Expenditures or allowances for items other than labor and materials that are necessary for construction, but are not typically part of the construction contract. Indirect costs may include administrative costs; professional fees; financing costs and the interest paid on construction loans; taxes and the builder's or developer's all-risk insurance during construction; and marketing, sales, and lease-up costs incurred to achieve occupancy or sale. *(Dictionary)*

Insurable Value

The value of an asset or asset group that is covered by an insurance policy; can be estimated by deducting costs of non-insurable items (e.g., land value) from market value. *(MVS)*

Interim Use

The temporary use to which a site or improved property is put until it is ready to be put to its future highest and best use. *(13th Edition)*

Leased Fee Interest

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship. *(Dictionary)*

Leasehold Interest

The tenant's possessory interest created by a lease. *(Dictionary)*

Legally Nonconforming Use

A use that was lawfully established and maintained, but no longer conforms to the use regulations of the current zoning in the zone where it is located; also known as a *grandfathered use*. *(Dictionary)*

Market Study

A macroeconomic analysis that examines the general market conditions of supply, demand, and pricing or the demographic of demand for a specific area or property type. A market study may also include analyses of construction and absorption trends. *(13th Edition)*

Marketability Study

A microeconomic study that examines the marketability of a given property or class of properties, usually focusing on the market segments in which the property is likely to generate demand. Marketability studies are useful in determining a specific highest and best use, testing development proposals, and projecting an appropriate tenant mix. *(13th Edition)*

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Market Analysis

A process for examining the demand for and supply of a property type and the geographic market area for that property type. This process is sometimes referred to as *a use in search of a site. (13th Edition)*

Market Area

The geographic or locational delineation of the market for a specific category of real estate, i.e., the area in which alternative, similar properties effectively compete with the subject property in the minds of probable, potential purchasers and users.*(13th Edition)*

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the *typical lease agreement, including the rental* adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs). *(13th Edition)*

Market Value

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

1. buyer and seller are typically motivated;

2. both parties are well informed or well advised, and acting in what they consider their own best interests;

3. a reasonable time is allowed for exposure in the open market;

4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. *(Office of Comptroller of the Currency (OCC), Title 12 of the Code of Federal Regulation, Part 34, Subpart C - Appraisals, 34.42 (g); Office of Thrift Supervision (OTS), 12 CFR 564.2 (g). This is also compatible with the RTC, FDIC, FRS and NCUA definitions of market value.)*

Net Operating Income (NOI)

The actual or anticipated net income that remains after all operating expenses are *deducted from effective gross income, but* before mortgage debt service and book depreciation are deducted. Note: This definition mirrors the convention used in corporate finance and business valuation for EBITDA (earnings before interest, taxes, depreciation, and amortization). *(Dictionary)*

Obsolescence

One cause of depreciation; an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production, or external factors that make a property less desirable and valuable for a continued use; may be either functional or external. *(Dictionary)*

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Off-site Costs

Costs incurred in the development of a *project, excluding actual building construction* costs, e.g., the costs of streets, sidewalks, curbing, traffic signals, and water and sewer mains; also called *common costs* or *off-site improvement costs. (Dictionary)*

On-site Costs

Costs incurred for the actual construction of buildings and improvements on a particular site. *(Dictionary)*

Overage Rent

The percentage rent paid over and above the guaranteed minimum rent or base rent; calculated as a percentage of sales in excess of a specified breakeven sales volume. *(13th Edition)*

Overall Capitalization Rate (OAR)

An income rate for a total real property interest that reflects the relationship between a single year's net operating income expectancy and the total property price or value. *(Dictionary)*

Potential Gross Income (PGI)

The total income attributable to real property at full occupancy before vacancy and operating expenses are deducted. *(Dictionary)*

Potential Gross Income Multiplier (PGIM)

The ratio between the sale price (or value) of a property and its annual potential gross income (PGIM = V/PGI). (Dictionary)

Present Value (PV)

The value of a future payment or series of future payments discounted to the current date or to time period zero. *(Dictionary)*

Parking Ratio

The ratio of parking area or parking spaces to *an economic or physical unit of comparison.* Minimum required parking ratios for various land uses are often stated in zoning ordinances *(Dictionary)*

Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy. *(Dictionary)*

Qualitative Analysis

The process of accounting for differences (such as between comparable properties and the subject property) that are not quantified; may be combined with quantitative analysis. *(Dictionary)*

Quantitative Adjustment

In the sale comparison approach, the process of making numerical adjustments to the sale prices of comparable properties, including data analysis techniques (paired data analysis, grouped data analysis, and secondary data analysis), statistical analysis, graphic analysis, trend analysis, cost analysis (cost-to-cure, depreciated cost), and capitalization of rent differences; usually precedes qualitative analysis. *(Dictionary)*

Rentable Area

The amount of space on which the rent is based; calculated according to local practice. *(Dictionary)*

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Replacement Cost

The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout. *(13th Edition)*

Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building. *(13th Edition)*

Retrospective Value Opinion

A value opinion effective as of a specific historical date. The term does not define a type of value. Instead, it defines a value opinion as being effective at some specific prior date. Inclusion of this type of value with this term is appropriate, e.g., "retrospective market value opinion."*(Dictionary)*

Sales Comparison Approach

The process of deriving a value indication for the subject property by comparing similar properties that have recently sold with the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of comparable sales is available. *(13th Edition)*

Scope of Work

The type and extent of research and analysis in an assignment. Scope of work includes, but is not limited to:

The extent to which the property is identified;

The extent to which tangible property is inspected;

The type and extent of data researched; and

The type and extent of analysis applied to arrive at opinions or conclusions. *(USPAP)*

Shopping Center Types

Community Center: A shopping center of 100,000 to 450,000 square feet that usually contains one junior department store, a variety store, discount or department store. A community shopping center generally has between 20 and 70 retail tenants and a market population support of 40,000 to 150,000 people.

Neighborhood Center: The smallest type of shopping center, generally with a gross leasable area of between 30,000 and 100,000 square feet. Typical anchors include supermarkets and pharmacies. Neighborhood shopping centers offer convenience goods and personal services and usually depend on a market population support of 3,000 to 40,000 people.

Power Center: A large center of 500,000 to 2.0 million square feet anchored by three or more full-line department stores. This type of center is typically supported by a population area of 300,000 people. *(13th Edition)*

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Shopping Center Types (cont.)

Regional Center: A shopping center of 300,000 to 900,000 square feet that is built around one or two full-line department stores of approximately 200,000 square feet each plus small tenant spaces. This type of center is typically supported by a minimum population of 150,000 people.

Superadequacy

An excess in the capacity or quality of a structure or structural component, determined by market standards. *(Dictionary)*

Surplus Land

Land that is not currently needed to support the existing improvement but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. *(Dictionary)*

Tenant Improvements (TIs)

1. Fixed improvements to the land or structures installed for use by a lessee.

2. The original installation of finished tenant space in a construction project, subject to periodic change for succeeding tenants. *(Dictionary)*

Triple Net Lease

A lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management. Also called *NNN, triple net lease*, or *fully net lease*. *(Dictionary)*

Usable Area

The area that is actually used by the tenants measured from the inside of the exterior walls to the inside of walls separating the space from hallways and common areas. *(Dictionary)*

Useful Life

The period of time over which a structure or a component of a property may reasonably be expected to perform the function for which it was designed. *(Dictionary)*

Vacancy and Collection Loss

A deduction from potential gross income (PGI) made to reflect income deductions due to vacancies, tenant turnover, and non-payment of rent; also called *vacancy and credit loss* or *vacancy and contingency loss*. Often vacancy and collection loss is expressed as a percentage of potential gross income and should reflect the competitive market. Its treatment can differ according to the interest being appraised, property type, capitalization method, and whether the property is at stabilized occupancy. *(Dictionary)*

Yield Capitalization

A method used to convert future benefits into present value by 1) discounting each future benefit at an appropriate yield rate, or 2) developing an overall rate that explicitly reflects the investment's income pattern, holding period, value change, and yield rate. *(Dictionary)*

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EDUCATION AND QUALIFICATIONS

DePaul University, Chicago, Illinois. Masters of Business Administration, Real Estate Finance and Investment

Ball State University, Muncie, Indiana, Bachelor of Science, Finance

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BUSINESS EXPERIENCE

Jeremy Walling serves as the Managing Director for Colliers International Valuation & Advisory Services in Chicago, Illinois. His extensive experience in commercial real estate is focused on properties located in the Chicago metropolitan area, but also includes assets located throughout Illinois, Indiana, Iowa, Michigan, and Wisconsin.

Retail assignments have ranged from freestanding retail stores to superregional shopping malls, while industrial assignments include distribution warehouses, truck terminals, and manufacturing facilities. Office assignments include high-rise CBD buildings, low- to mid-rise suburban offices, and medical office buildings. Residential assignments include residential subdivisions and condominium developments and conversions. Experience with other property types includes health club facilities, hospitality properties, senior living facilities, parking garages, and vacant land. Specialized real estate assignments include right-of-way projects, vacated railroad corridors and fiber optic cable easements.

Clients served include accountants, investment firms, law firms, lenders, private corporations, universities, local municipalities, and public agencies, including General Services Administration (GSA) and U.S. Department of Housing and Urban Development (HUD).

Qualified as an expert witness in the Circuit Courts of Cook County and Will County.

PRIOR EXPERIENCE

Mr. Walling was formerly a Director at Integra Realty Resources in Chicago, IL. His career began in 1997 as a real estate analyst with Michael Lady Advisors.

MEMBERSHIPS, LICENSES AND PROFESSIONAL AFFILIATIONS

Appraisal Institute, MAI Designation

Royal Institute of Chartered Surveyors, MRICS Designation

Chicago Chapter of Appraisal Institute, Board of Directors, 2010-2012

APPRAISAL INSTITUTE COURSES

Successfully completed all courses and experience requirements to qualify for the MAI designation. Mr. Walling was awarded the designation in 2005, and has completed the requirements under the continuing education program of the Appraisal Institute.

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REPRESENTATIVE PROJECTS

Arboretum of South Barrington (Lifestyle Shopping Center)

AON Center, Chicago, IL (CBD Office)

Boeing Building, Chicago, IL (CBD Office)

Buffington Harbor, Gary, IN (Surplus Land and Harbor Improvements)

Dirksen Federal Plaza Redevelopment Project, Chicago, IL (CBD Office, Retail and Vacant Land)

Franklin Point Development Site, Chicago, IL (Residential Planned Development Site)

Motorola Research and Development Facility, Champaign, IL (Research Park)

Northern Trust Operations Center, Chicago, IL (Single Tenant Office)

River East Arts Center, Chicago, IL (Mixed-Use Development Conversion)

U.S. Postal Office, Carrier Annex, Chicago, IL (CBD Industrial / HBU Analysis)

300 S. Riverside, Chicago, IL (CBD Office)

Social Security Regional Headquarters, Chicago, IL (Single Tenant Office)

State of Illinois

Department of Financial and Professional Regulation
Division of Professional Regulation

LICENSE NO.
553.001377

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

EXPIRES:
09/30/2013

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SUMMARY APPRAISAL REPORT

Date of Report: September 10, 2012

Colliers File #: G120304

Subject highlighted in Green and Blue

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September 10, 2012

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Arden Hills, MN 55126

RE: Former BSNF Rail Corridor
W. 31st Street to S. Western Avenue
Chicago, Illinois 60623

Colliers File #: G120304

Mr. Schwinghammer:

This appraisal report is intended to satisfy the scope of work and requirements agreed upon by Jones Lang LaSalle and Colliers International Valuation & Advisory Services. The date of this report is September 10, 2012. At the request of the client, this appraisal is presented in a Summary appraisal format as defined by *USPAP* Standards Rule 2-2(b). This format provides a summary description of the appraisal process, subject and market data and valuation analyses.

The purpose of this appraisal is to develop an opinion of the Across the Fence Value of the subject property's fee simple interest. The following table conveys the final opinion of market value of the subject property that is developed within this appraisal report:

VALUE TYPE	INTEREST APPRAISED	DATE OF VALUE	VALUE
ATF Value	Fee Simple	July 23, 2012	$2,170,000

The subject is a portion of an inactive BNSF railway corridor that traverses from 31st Street to point just west of South Western Avenue along the south side of West 27th Street in the City of Chicago. The corridor is inactive and bypasses several abutting parcels, zoning districts and uses, most notably industrial and special use (governmental). The site is generally a long, narrow strip of land that is typically at grade with surrounding parcels. As noted below, the subject has a total estimated land area of 413,169 SF (9.49 AC). The land area is estimated based on surveys provided by BNSF.

The analyses, opinions and conclusions communicated within this appraisal report were developed based upon my interpretation of the requirements and guidelines of the current Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

Colliers International Valuation & Advisory Services, and certain of its subsidiaries, is an independently owned and operated business and a member firm of Colliers International Property Consultants, an affiliation of independent companies with over 500+ offices throughout more than 62 countries worldwide.

The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter. *USPAP* defines an Extraordinary Assumption as, "an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. *USPAP* defines a Hypothetical Condition as, "that which is contrary to what exists but is supposed for the purpose of analysis."

The Extraordinary Assumptions and/or Hypothetical Conditions that were made during the appraisal process to arrive at my opinion of value are fully discussed below. I advise the client to consider these issues carefully given the intended use of this appraisal, as this use might have affected the assignment results.

EXTRAORDINARY ASSUMPTIONS

The subject's land areas were provided by the BNSF, and are assumed to be accurate.

No title report was provided. Discussions with the client indicate BNSF holds fee simple ownership over the subject of this report. Fee simple ownership is assumed.

HYPOTHETICAL CONDITIONS

No Hypothetical Conditions were made for this assignment.

The signature below indicates my assurance to the client that the development process and extent of analysis for this assignment adhere to the scope requirements and intended use of the appraisal. If you have any specific questions or concerns regarding the attached appraisal report, or if Colliers International Valuation & Advisory Services can be of additional assistance, please contact the individuals listed below.

Sincerely,

COLLIERS INTERNATIONAL
VALUATION & ADVISORY SERVICES

Jeremy Walling, MAI, MRICS
Managing Director | Chicago
Certified General Real Estate Appraiser
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GENERAL INFORMATION

Property Name	Former BSNF Rail Corridor
Property Type	Land - Right-of-Way
Address	W. 31st Street to S. Western Avenue
City	Chicago
State	Illinois
Zip Code	60623
County	Cook
Core Based Statistical Area (CBSA)	Chicago-Naperville-Joliet, IN-IN-WI

SITE INFORMATION

Land Area	**Acres**	**Square Feet**
Total	***9.49***	***413,169***
Topography	Level at street grade	
Shape	Irregular	
Access	Average	
Exposure	Average	
Current Zoning	Various (See Zoning Section)	
Flood Zone	Zone X	
Seismic Zone	No Risk	

HIGHEST & BEST USE

As Vacant	*Assemblage And Future Industrial*

EXPOSURE TIME & MARKETING PERIOD

Exposure Time	18 to 24 Months

VALUATION SUMMARY

VALUATION INDICES	MARKET VALUE AS-IS
INTEREST APPRAISED	FEE SIMPLE
DATE OF VALUE	JULY 23, 2012

LAND VALUATION

ATF VALUE	**$2,170,000**
Value/SF	$5.25/SF

Portion from Sacramento to Western is highlighted in Green

Portion from Sacramento to W. 31st Street is highlighted in Blue

LOOKING WEST ALONG SUBJECT (& 26TH STREET) NEAR WASHTENA AVE.

LOOKING EAST ALONG SUBJECT (& 26TH STREET) NEAR WASHTENA AVENUE

LOOKING NORTHEASTERLY ALONG SUBJECT FROM SACRAMENTO AVENUE

LOOKING SOUTHWESTERLY ALONG SUBJECT NEAR SACRAMENTO AVENUE

LOOKING NORTHEASTERLY ALONG SUBJECT FROM 30TH STREET

LOOKING SOUTHWESTERLY ALONG SUBJECT FROM 30TH STREET

PROPERTY IDENTIFICATION

The subject is a portion of an inactive BNSF railway corridor that traverses from 31st Street to point just west of South Western Avenue along the south side of West 27th Street in the City of Chicago. The corridor is inactive and bypasses several abuting parcels, zoning districts and uses, most notably industrial and special use (governmental). The site is generally a long, narrow strip of land that is typically at grade with surrounding parcels. The subject has a total estimated land area of 413,169 SF (9.49 AC).

The entirety of the subject appears to be tax exempt, and a detailed legal description was not provided.

CLIENT IDENTIFICATION

The client of this specific assignment is BNSF Railway Company c/o Jones Lang LaSalle.

PURPOSE

The purpose of this appraisal is to develop an opinion of the Across the Fence Value of the subject property's fee simple interest.

INTENDED USE

The intended use of this appraisal is to assist the client in making internal business decisions related to this asset.

INTENDED USERS

Intended users of this report include Jones Lang LaSalle and BNSF Railway Company.

ASSIGNMENT DATES

Date of Report	September 10, 2012
Date of Inspection	July 23, 2012
Valuation Date - As-Is	July 23, 2012

PERSONAL INTANGIBLE PROPERTY

No personal property or intangible items are included in this valuation.

PROPERTY AND SALES HISTORY

Current Owner
A title report has not been provided. Ownership of the subject property is assumed to be vested in BNSF.

Three-Year Sales History
The subject has not sold in the last three years.

Subject Sale Status
The subject is not currently listed for sale.

DEFINITIONS

This section summarizes the definitions of value, property rights appraised, and value scenarios that are applicable for this appraisal assignment. All other applicable definitions for this assignment are located in the Valuation Glossary section of the Addenda.

DEFINITIONS OF VALUE

Given the scope and intended use of this assignment, the definition of ATF Value is applicable.

Across the Fence (ATF) is defined as:

"In the valuation of real estate corridors, the value concluded based on a comparison with adjacent lands before the consideration of any other adjustment factors. The ATF value accounts for location and market

conditions. Accordingly, this is an intermediate value without (or prior to) the consideration of the corridor factor." (Appraisal Institute, The Dictionary of Real Estate Appraisal, Fourth Edition, Chicago, 2002, p. 5)

PROPERTY RIGHTS APPRAISED

The property rights appraised constitute the fee simple interest.

VALUE SCENARIO

The valuation scenarios developed in this appraisal report include the ATF Value.

INTRODUCTION

The appraisal development and reporting processes requires gathering and analyzing information about those assignment elements necessary to properly identify the appraisal problem to be solved. The scope of work decision must include the research and analyses that are necessary to develop credible assignment results given the intended use of the appraisal. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed. The scope of work for this appraisal assignment is outlined below:

- The appraiser analyzed the regional and local area economic profiles including employment, population, household income, and real estate trends. The local area was further studied to assess the general quality and condition, and emerging development trends for the real estate market. The immediate market area was inspected and examined to consider external influences on the subject.
- The appraiser confirmed and analyzed legal and physical features of the subject property including sizes of *the site, flood plain data, seismic zone, zoning, access and exposure of the site.*
- The appraiser completed industrial market analysis that included market and sub-market overviews. The Chicago market and South Chicago sub-market overviews analyzed supply/demand conditions using vacancy, absorption, supply change and rent change statistics. Conclusions were drawn regarding the subject property's competitive position given its physical and locational characteristics, the prevailing economic conditions and external influences.
- The appraiser conducted Highest and Best Use analysis and conclusions were drawn for the highest and best use of the subject property As-Vacant. The analysis considered legal, locational, physical and financial feasibility characteristics of the subject site.
- The appraiser confirmed and analyzed financial features of the subject property including potential entitlement issues.
- Selection of valuation methods considered scope requirements and the intended use of the appraisal. This appraisal developed the Sales Comparison Approach to value, which was adjusted and reconciled as appropriate. The appraisal develops an opinion of ATF Value of the subject property's fee simple interest.
- Preparation of this appraisal in a Summary format as indicated in USPAP Standard 2.
- I understand the Competency Rule of USPAP and the author of this report meets the standards.
- Felicia Bell provided significant real property appraisal assistance to appraiser signing this certification. Assistance included gathering, analyzing and reporting regional and local area information, confirming and analyzing the subject's zoning, and confirming some of the comparable data used for this analysis.

SOURCES OF INFORMATION

The following sources were contacted to obtain relevant information:

SOURCES OF INFORMATION	
ITEM	SOURCE
Tax Information	Cook County Tax Assessor
Zoning Information	City of Chicago Zoning Code
Site Size Information	BNSF
Building Size Information	Cook County Tax Assessor
Flood Map	STDB On-line
Demographics	STDB On-line
Comparable Information	See Comparable Datasheets for details

SUBJECT PROPERTY INSPECTION

SUBJECT PROPERTY INSPECTION			
APPRAISER	INSPECTED	EXTENT	DATE OF INSPECTION
Jeremy Walling, MAI, MRICS	Yes	Site	July 23, 2012

Chicago
East Chicago
Gary
Hammond
DeLORME
Data use subject to license.
© DeLorme. DeLorme Street Atlas USA® 2010.
www.delorme.com
MN (3.6° W)
0 3 6 9 12 15 18
mi
Data Zoom 8-3

G120304

Chicago
SUBJECT
W DIVISION ST
W CHICAGO AVE
W ROOSEVELT RD
W DOUGLAS BLVD
W CERMAK RD
W 35ST ST
W 47TH ST
W 51ST ST
W MARQUETTE RD
DELORME
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www.delorme.com
MN (3.6° W)
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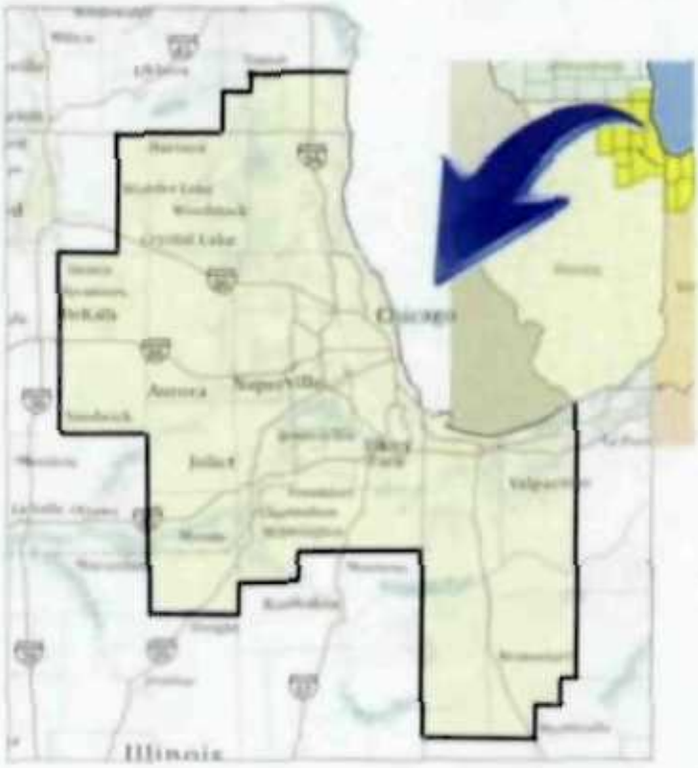
REGIONAL ANALYSIS

The Chicago-Naperville-Joliet IL-IN-WI MSA is located along the southwestern shoreline of Lake Michigan in the northeastern section of the state of Illinois, the northwestern corner in the state of Indiana and the southeastern section in the state of Wisconsin. The 14 counties that make up the MSA include: Cook, DeKalb, DuPage, Grundy, Kane, Kendall, Lake, McHenry, and Will in Illinois, Jasper, Lake, Newton and Porter in Indiana and the county of Kenosha in Wisconsin. As typical of a Midwest location, the Chicago MSA experiences the distinct changes of the seasons; hot, humid summers, cold snowy and windy winters, with springs and autumns that fluctuates between sunny and mild to volatile temperature fluctuations.



Economy

With a population of approximately 9.7 million, the Chicago MSA is the 3rd most populated MSA in the US – trailing 1st place New York by over 9 million and 2nd place Los Angeles by 3 million. The Chicago MSA enjoys an expanded economy based on finance, insurance, printing and publishing, manufacturing, and food processing. Over 400 major corporate headquarters make their home in the Chicago MSA with 27 of the 31 Fortune 500 companies situated in Illinois among them. Most notably are Walgreens, Boeing, Kraft Foods, Sara Lee, Allstate, Discover Financial Services, OfficeMax and United Continental Holdings. Moody's Investor Services notes that every economic sector from risk management innovation, to manufacturing, to information technology, and to health services are present and are key players in Chicago.

Since its founding, Chicago has been an important transportation and distribution point, with an extensive industrial base utilizing Chicago's inland port. Even as the city becomes one the nation's busiest aviation centers (Chicago's O'Hare International Airport is now rated the third busiest airport in the world with an estimated 66,665,390 passengers in 2010, reflecting a 3.3% increase from 2009), 50% of U.S. rail freight continues to pass through Chicago.

The Loop, or Chicago Loop, is the historic commercial center with theater and shopping for downtown Chicago is the second largest commercial business district in the Unites States, after New York City's Midtown Manhattan. Company headquarters within this district include CHASE Bank, United Airlines, United Continental

Holdings, Blue Cross and Blue Shield Association, Sidley Austin, Morton Salt, as well as the Chicagoland Chamber of Commerce and over 20 foreign consulates. In addition, the Loop serves as the seat of government for the city of Chicago and Cook County.

In addition to multi-billion corporations, universities, hospitals and public sector entities located within the Chicago MSA, smaller businesses still continue to make up a large percentage of the local employment picture. A 2011 report issued by the U.S. Census lists 237,245 established businesses in the Chicago MSA (down 5,350 from last year's report). Of these businesses 276 companies employed 1,000 people or more whereas 173,945 businesses employed 1-9 people, representing 73% of all businesses listed. These figures reflect the impact and importance of small business in the local economy.

Key Market Indicators

CoStar, a commercial real estate information company, publishes analytic survey reports for various counties, regions and major metropolitan areas throughout the U.S. The following information provided includes key facts garnered from those reports.

KEY MARKET INDICATORS AS OF 2011 Q4		
Industrial		
Number of Properties	21,604	
Inventory - SF	1,149,657,701	
Vacant - SF / %	131,697,807	11.5%
Occupied - SF / %	1,017,959,894	88.5%
Net Absorp YTD - SF	8,481,930	
AVG Rent/SF	$4.87	
Office		
Number of Properties	12,291	
Inventory - SF	453,491,009	
Vacant - SF / %	67,135,112	14.8%
Occupied - SF / %	386,355,897	85.2%
Net Absorp YTD - SF	2,621,551	
AVG Rent/SF	$22.63	
Retail		
Number of Properties	32,762	
Inventory - SF	494,678,173	
Vacant - SF / %	42,195,038	8.5%
Occupied - SF / %	452,483,135	91.5%
Net Absorp YTD - SF	1,738,780	
AVG Rent/SF	$16.11	

According to CoStar's current 4th quarter reading, the Chicago MSA Industrial Market has a vacancy rate of 11.5%. CoStar surveyed 1,149,657,701 SF in 21,604 buildings with 131,697,807 SF of available space. Net absorption for the overall industrial market was positive 8,481,930 SF. The average quoted asking rental rate for available industrial space was $4.87 per square foot per year.

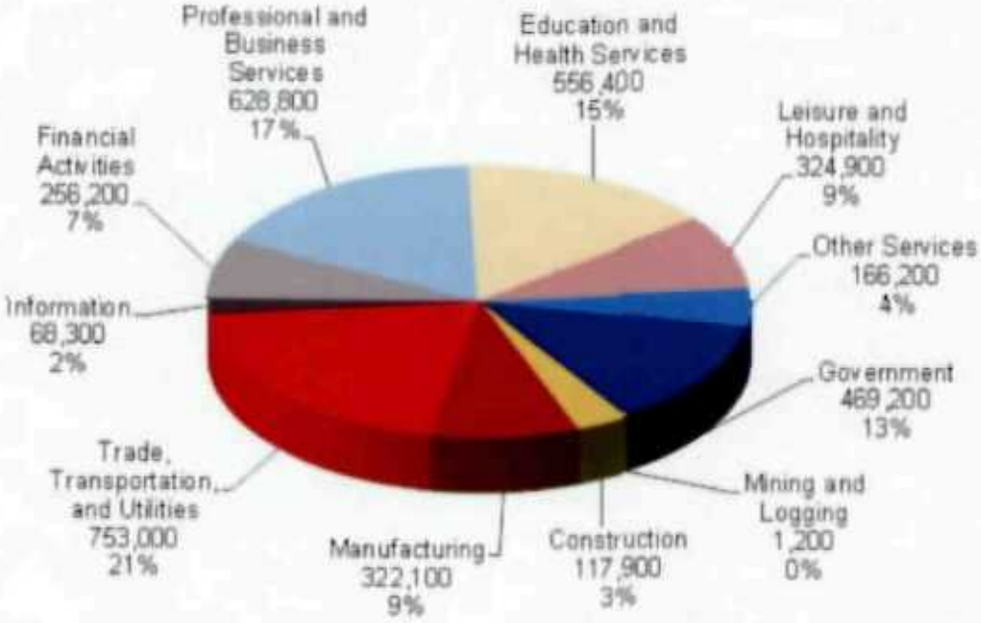
The quarterly reading of the Chicago MSA Office Market Analytics reported a vacancy rate of 14.8%. Costar surveyed 453,491,009 SF in 12,291 buildings with 67,135,112 SF of available space. Net absorption for the overall MSA office market was positive 2,621,551 SF. The average quoted asking rental rate for available office space was $22.63 per square foot per year.

The Retail Market had a vacancy rate of 8.5% in the 4th quarter. Costar surveyed 494,678173 SF in 32,762 properties with 42,195,038 SF of available space. The net absorption for the overall the MSA retail market was positive 1,738,780 SF. The average quoted asking rental rate for available retail space was $16.11 per square foot per year.

Labor

The U.S. Department of Labor reported a year-over-year job growth of 12,800 jobs (0.2%) within the overall nonfarm employment sectors for the Chicago MSA although 6 out of the 11 work sectors reported losses. Job gains occurred in the Professional and Business Services industry up 15,500 (2.5%), Trade, Transportation and Utilities industry up 7,600 jobs (1.0%), Education and Health Services industry up 3,700 jobs (0.7%), and Manufacturing up 2,700 jobs (0.8%). Losses occurred in Construction down 300 jobs (0.3%), Information down 5,500 jobs (7.5%), Financial Activities down 2,500 jobs (1.0%), Leisure and Hospitality down 1,700 jobs (0.5%), Other Services down 2,300 jobs (1.4%), and Government down 4,400 jobs (0.9%).

Chicago-Naperville-Joliet MSA Nonfarm Employment Sectors-December 2011



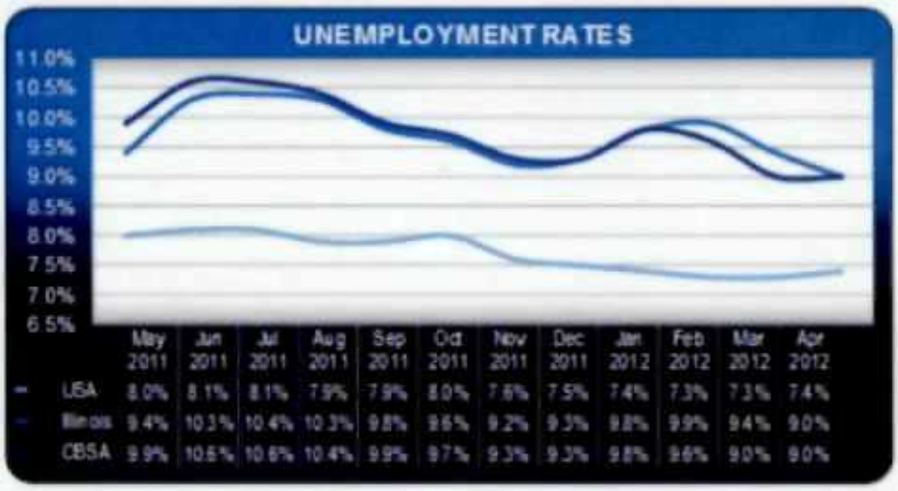
Total employment has decreased annually over the past decade in the state of Illinois and the metropolitan area by 0.1%. From 2010 to 2011 unemployment decreased in Illinois by 70 bps moving from 10.5% to 9.8%, and by 60 bps in the metropolitan area moving from 10.4% to 9.8%.

EMPLOYMENT & UNEMPLOYMENT STATISTICS 2002 - 2011

	EMPLOYMENT				UNEMPLOYMENT RATE		
	Illinois		Chicago-Joliet-Naperville, IL-IN-WI		United States*	Illinois	Chicago-Joliet-Naperville, IL-IN-WI
Year	Total	% Δ Yr Ago	Total	% Δ Yr Ago			
2002	5,969,393	-2.4%	4,401,116	-2.5%	5.8%	6.5%	6.7%
2003	5,916,830	-0.9%	4,378,289	-0.5%	6.0%	6.7%	6.8%
2004	5,968,561	0.9%	4,414,548	0.8%	5.5%	6.2%	6.2%
2005	6,033,421	1.1%	4,432,502	0.4%	5.1%	5.8%	5.9%
2006	6,225,095	3.2%	4,577,389	3.3%	4.6%	4.6%	4.5%
2007	6,322,029	1.6%	4,652,950	1.7%	4.6%	5.1%	4.9%
2008	6,242,636	-1.3%	4,610,088	-0.9%	5.8%	6.4%	6.2%
2009	5,927,434	-5.0%	4,370,291	-5.2%	9.3%	10.0%	10.1%
2010	5,910,743	-0.3%	4,342,581	-0.6%	9.6%	10.5%	10.4%
2011	5,925,154	0.2%	4,355,600	0.3%	8.9%	9.8%	9.8%
CAGR	**-0.1%**	-	**-0.1%**	-	-	-	-

Source: U.S. Bureau of Labor Statistics *Unadjusted Non-Seasonal Rate

The MSA's May 2011 unemployment rate was 9.9%. Since that time, monthly unemployment rates have fluctuated, but the most recent unemployment statistics for April 2012 indicate an unemployment rate of 9.0%, which is a decrease of 90 bps over the past year, and indicates improvements in the local job market. Please note that employment figures are not-seasonally adjusted in this analysis.



	May 2011	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011	Dec 2011	Jan 2012	Feb 2012	Mar 2012	Apr 2012
USA	8.0%	8.1%	8.1%	7.9%	7.9%	8.0%	7.8%	7.5%	7.4%	7.3%	7.3%	7.4%
Illinois	9.4%	10.3%	10.4%	10.3%	9.8%	9.6%	9.2%	9.3%	9.8%	9.9%	9.4%	9.0%
CBSA	9.9%	10.6%	10.6%	10.4%	9.9%	9.7%	9.3%	9.3%	9.8%	9.6%	9.0%	9.0%

The growing trend in employment is in the health care and education sectors. According to the Department of Labor, these two industries have increased by 120,300 jobs over the past decade within the Chicago MSA. Advocate Health Care provides care for more cancer and pediatric patients than any other health system in Illinois. Named as one of the nation's top 10 health systems by Thompson Reuters, Advocate operates the largest trauma network in Illinois, has more than 250 sites throughout the state and employs 28,000 in the Chicago Metropolitan area alone.

JP Morgan Chase, through its Chase subsidiary, is one of the Big Four banks of the United States and is headquartered in the 60-story Chase Tower in the Chicago Loop Area, housing its U.S. and Canada commercial and retail banking headquarters here. The building is also the headquarters of Exelon, a utilities-holding company with approximately 5,000 employees.

TOP PRIVATE EMPLOYERS

EMPLOYER NAME	EMPLOYEES	INDUSTRY
Advocate Health Care	28,000	Healthcare
Chase	20,000	Financial
Walgreen	13,122	Retail/Pharmacy
Allstate Insurance Co	13,000	Insurance
State Farm Mutual Auto Ins Co	13,000	Insurance
United Continental Holdings Inc.	13,000	Transportation
Abbott Laboratories	12,000	Pharmaceutical
AT&T	12,200	Telecommunications
University of Illinois Chicago	11,515	Education
Motorola	10,000	Communications/Electronics

Source: ABC Business Journal

Demographics

According to Esri, a Geographic Information System (GIS) Company, the Chicago-Joliet-Naperville, IL metropolitan area has a 2010 total population of 9,739,919 and has experienced an annual growth rate of 0.7% for the past decade, which is higher than the Illinois annual growth rate of 0.5% over this timeframe. The metropolitan area accounts for 74.4% of the total Illinois population (13,089,726). Within the metropolitan area

the population density is 1,351 people per square mile compared to the lower Illinois population density of 235 people per square mile and the lower United States population density of 88 people per square mile.

POPULATION			
YEAR	US	IL	CBSA
2000 Total Population	281,421,906	12,419,293	9,098,316
2010 Total Population	311,212,863	13,089,726	9,739,919
2015 Total Population	323,209,391	13,268,796	9,920,929
2000 - 2010 CAGR	1.0%	0.5%	0.7%
2010 - 2015 CAGR	0.8%	0.3%	0.4%

Source: Sites To Do Business (STDB) Online

POPULATION DENSITY			
YEAR	US	IL	CBSA
2010 Per Square Mile	88	235	1,351
2015 Per Square Mile	91	239	1,376

Source: Sites To Do Business (STDB) Online

The 2010 median age for the metropolitan area is 35.4, which is 4.5% younger than the United States median age of 37.0 for 2010. The metropolitan area is anticipated to see the median age to grow by 0.1% annually over the next five years, increasing the median age to 35.5 by 2015

MEDIAN AGE			
YEAR	US	IL	CBSA
2010	37.0	36.2	35.4
2015	37.3	36.4	35.5
CAGR	0.2%	0.1%	0.1%

Source: Sites To Do Business (STDB) Online

The 2010 average household size for the metropolitan area is 2.7, which is 5.4% larger than the United States average household size of 2.6 for 2010. The metropolitan area is anticipated to see the average household size remain stable at 2.7 through 2015.

AVERAGE HOUSEHOLD SIZE			
YEAR	US	IL	CBSA
2010	2.6	2.6	2.7
2015	2.6	2.6	2.7
CAGR	0.1%	0.0%	0.0%

Source: Sites To Do Business (STDB) Online

The Chicago-Joliet-Naperville, IL metropolitan area has a 31.9% renter occupied market, compared to the lower 29.9% in Illinois and the lower 30.1% in the United States.

HOUSING UNITS			
	US	IL	CBSA
Total Housing Units	132,607,736	5,356,282	3,832,358
Owner Occupied	58.0%	60.4%	59.5%
Renter Occupied	30.1%	29.9%	31.9%
Vacant Housing Units	11.9%	9.7%	8.6%

Source: Sites To Do Business (STDB) Online

The 2010 median household income for the metropolitan area is $65,796, which is 20.9% higher than the United States median household income of $54,442. The median household income for the metropolitan area *is projected to grow by 3.1% annually over the next five years, raising the median household income to* $76,699 by 2015. As is often the case, when the median household income rates are higher than the national average, the cost of living index is higher also. According to the American Chamber of Commerce Researchers Association (ACCRA) Cost of Living Index, the Chicago-Naperville-Joliet MSA's cost of living is 114.4 compared to the national average score of 100. The ACCRA Cost of Living Index compares groceries, housing, utilities, transportation, health care and miscellaneous goods and services for over 300 urban areas.

MEDIAN HOUSEHOLD INCOME			
YEAR	*US*	*IL*	*CBSA*
2010	$54,442	$60,254	$65,796
2015	$61,189	$69,034	$76,699
CAGR	2.4%	2.8%	3.1%

Source: Sites To Do Business (STDB) Online

Education

Ranked among the top "National Universities" in the U.S. by U.S. News & World Report, Chicago's top universities *include Northwestern University; University of Chicago; Loyola University Chicago; DePaul* University; Illinois Institute of Technology; and University of Illinois at Chicago. These and other local institutions of higher education contribute to creating a world center of learning and research.

The University of Illinois Chicago and the University of Chicago are among the top employers in the area and have a combined employment of over 20,000. With 28,000 students attending the University of Illinois Chicago and over 15,000 attending the University of Chicago these institutions of higher learning add to the overall impact of the local economy.

PUBLIC COLLEGES & UNIVERSITIES	
University of Illinois-Chicago	28,091
Northeastern Illinois University	12,227
Chicago State University	7,131
COMMUNITY COLLEGES	
Moranine Valley Community College	35,000
College of DuPage	31,000
College of Lake County	18,092
Elgin Community College	*16,207*
PRIVATE COLLEGES & UNIVERSITIES	
Loyola University Chicago	16,040
University of Chicago	15,438
Columbia College Chicago	11,922
Illinois Institute of Technology	7,707
North Park University	3,251

Source: Wikipedia.org

Within the Chicago-Joliet-Naperville, IL metropolitan area, 34% (3,221,998) of the total population (9,739,919) has a four year college degree or higher, compared to the lower 30% in Illinois and the lower 28% in the United States.

EDUCATION			
	US	IL	CBSA
Less than 9th Grade	6%	6%	7%
9-12th Grade/No Diploma	8%	8%	8%
High School Graduate	30%	28%	26%
Some College/No Degree	20%	20%	20%
Associate Degree	8%	7%	7%
Bachelor's Degree	18%	19%	21%
Grad/Professional Degree	10%	11%	13%

Source: Sites To Do Business (STDB) Online

REGIONAL SUMMARY

In summary, and aside from the employment issues that continue to impact most of the USA, the Chicago MSA has a diverse culture and business climate with a workforce that combines and unites to create and maintain an economic stronghold in America's heartland while having the ability to affect regions not only locally, but nationally and internationally.

INTRODUCTION

In this section of the report, I provide details about the local area and describe the influences that bear on the real estate market as well as the subject property. A map of the local area is presented on the prior page. Below are insights into the local area based on fieldwork, interviews, demographic data and experience working in this market. A demographic study of the area is presented along the right side of the page, sourced by Site To Do Business (STDB Online), an on-line resource center that provides information used to analyze and compare the past, present, and future trends of properties and geographical areas.

LOCAL AREA PROFILE

The subject property is located in Chicago, Illinois, within Cook County. More specifically, the subject is located within the Little Village (or South Lawndale) neighborhood on Chicago's southwest side. The area is bordered by Western Avenue (east), Cicero Avenue (west), Ogden Avenue (north) and the Stevenson Expressway/Interstate 55 (south). The area is urban in nature.

Transportation Routes

Public transportation is provided by the Chicago Transit Authority (CTA). The Pink line subway services the area (running along Cermak Road and terminating at 54th Street) alongside numerous public bus routes. Primary vehicular access to the area is via I-55, Cermak Road and 26th Street (east/west) and California Avenue, Kedzie Avenue, Pulaski Road and Cicero Avenue (north/south). Lastly, commercial transit is conducted via the extensive rail lines that feed into the BNSF Clyde Yard facility to the west in Cicero, Illinois, and the BNSF Corwith Intermodal facility, located slightly south across I-55 in Archer Heights.

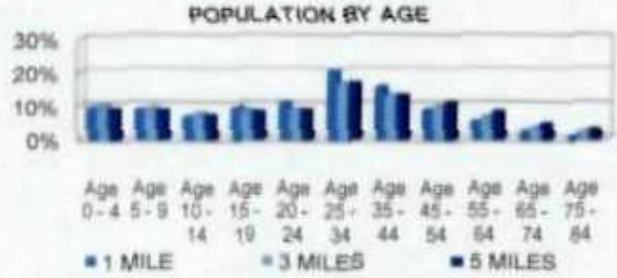
Economic Factors

The area is approximately three miles southwest of Chicago's central business district, which is the economic center of the nation's third largest market area. The largest employer in the more local area is Cook County given the presence of the Cook County Courthouse and Correctional Facility complex near 26th Street and California. The area west of the Cook County complex along West 26th Street is dominated by restaurants and retailers who celebrate the community's Mexican heritage. Two annual events that draw sizeable crowds and are strong economic drivers are the three-day Cinco de May Festival and the Little Village Arts Festival held in October. The southern portion of the area is primarily industrial users concentrated along the Interstate 55 industrial corridor.

POPULATION	1 MILE	3 MILES	5 MILES
2000 Census	69,288	377,559	1,035,860
2010 Population	68,192	382,282	1,057,888
2015 Population	67,210	379,686	1,055,058
Change 2000-2010	-1.58%	1.25%	2.13%
Change 2010-2015	-1.44%	-0.68%	-0.27%

Source: Site To Do Business (STDB) Online

POPULATION BY AGE



HOUSEHOLDS	1 MILE	3 MILES	5 MILES
2000 Census	13,766	100,701	320,195
2010 Households	13,123	98,942	325,392
2015 Households	12,872	98,021	325,163
Change 2000-2010	-4.67%	-1.75%	1.62%
Change 2010-2015	-1.91%	-0.93%	-0.07%

Source: Site To Do Business (STDB) Online

2010 HOUSEHOLDS BY INCOME	1 MILE	3 MILES	5 MILES
Household Income Base	13,888	100,748	320,607
< $15,000	14.3%	17.8%	18.4%
$15,000 - $24,999	11.8%	12.3%	10.7%
$25,000 - $34,999	10.6%	10.4%	9.2%
$35,000 - $49,999	19.4%	17.0%	14.9%
$50,000 - $74,999	20.3%	19.4%	19.2%
$75,000 - $99,999	15.9%	14.8%	16.0%
$100,000 - $149,999	5.6%	6.0%	7.5%
$150,000 - $199,999	1.4%	1.2%	2.1%
$200,000 +	0.8%	1.0%	1.9%

Source: Site To Do Business (STDB) Online

IMMEDIATE AREA PROFILE

This section discusses uses and development trends in the immediate area that directly impact the performance and appeal of the subject property.

Predominant Land Uses

The northern portion of the area consists primarily of single-family and low-rise multifamily residential uses. Commercial and retail uses serving the area are scattered along arterials such as Pulaski, Kedzie, California, Cermak, and Ogden. However, the most notable commercial corridor is along 26th Street with its renowned Mexican eateries. The Cook County Courthouse and Correctional Complex encompasses approximately 96 acres south of 26th Street between Sacramento Avenue and just west of Western Avenue. The complex reportedly contains the largest jail in the United States as well as a criminal courthouse and various county sheriff and correctional facilities. The southern portion of the area is influenced by heavy industrial uses, which are part of the Interstate 55 industrial corridor that extends well beyond the neighborhood boundaries in each direction. The industrial inventory consists primarily of older manufacturing and warehouse facilities.

SUBJECT PROPERTY ANALYSIS

The following discussion draws context and analysis on how the subject property is influenced by the local and immediate areas.

Subject Property Analysis

The uses adjacent to the property vary given the subject's length, but are predominantly industrial or governmental in nature. The commercial and residential appeal of the subject's adjoining parcels is generally considered negligible.

Access and Exposure

Access to the immediate area is average noting proximity to Interstate 55 with access points at Western Avenue, California Avenue and Pulaski Road. The subject has several access points near its intersection with several roadways in the area. The subject's exposure from varies given its shape and length, while sites adjoining the property generally have average exposure with clear street visibility.

Subject Conclusion

Trends in the local and immediate areas as well as adjacent uses indicate an overall average external influence for the subject.

INCOME (CURRENT YEAR)

	1 MILE	3 MILES	5 MILES
Average Household Income	$53,013	$52,172	$57,766
Median Household Income	$45,433	$43,224	$46,523
Per Capita Income	$13,153	$14,198	$18,178

Source: Sites To Do Business (STDB) Online

MEDIAN HOME VALUE

Year	1 MILE	3 MILES	5 MILES
2000	$121,747	$119,259	$127,242
2010	$151,071	$147,012	$161,613
2015	$169,244	$164,556	$181,686

Source: Sites To Do Business (STDB) Online

HOUSING UNITS (CURRENT YEAR)

	1 MILE	3 MILES	5 MILES
Total Housing Units	15,014	113,702	375,474
Owner Occupied	35.90%	36.90%	37.60%
Renter Occupied	51.50%	50.20%	49.00%
Vacant Housing Units	12.60%	13.00%	13.30%

Source: Sites To Do Business (STDB) Online

HOUSING UNITS BY UNIT IN STRUCTURE

	1 MILE	3 MILES	5 MILES
Total	15,006	110,776	355,417
1, Detached	17.5%	20.7%	25.4%
1, Attached	2.6%	2.8%	3.3%
2	43.8%	37.0%	26.8%
3 or 4	27.2%	24.3%	18.3%
5 to 9	7.1%	9.4%	9.3%
10 to 19	0.9%	2.5%	3.9%
20+	0.7%	3.2%	12.8%
Mobile Home	0.2%	0.1%	0.1%
Other	0.1%	0.0%	0.0%

Source: Sites To Do Business (STDB) Online

HOUSING UNITS BY YEAR IN STRUCTURE

	1 MILE	3 MILES	5 MILES
Total	14,996	110,784	355,274
1999 to March 2000	0.9%	0.8%	1.0%
1995 to 1998	1.2%	1.5%	2.2%
1990 to 1994	1.0%	1.3%	1.7%
1980 to 1989	1.8%	1.8%	3.6%
1970 to 1979	5.0%	6.1%	6.9%
1969 or Earlier	90.1%	88.4%	84.7%
Median Year Structure Built	1941	1942	1946

Source: Sites To Do Business (STDB) Online

SUMMARY

Overall the condition and appeal of the market area ranges from below average to average. Growth is physically restricted by the lack of undeveloped land. New projects will likely come in the form of redevelopment. As demand continues to increase for underdeveloped properties and after the real estate market begins to recover from the national recession, property values are expected to appreciate marginally in the subject's immediate market area. In the interim, property values for land are anticipated to be stable to slightly increasing given the supply restrictions of undeveloped land.

General Description

The subject is a portion of an inactive BNSF railway corridor that traverses from 31st Street to point just west of South Western Avenue along the south side of West 27th Street in the City of Chicago. The corridor is inactive and bypasses several abutting parcels, zoning districts and uses, most notably industrial and special use (governmental). The site is generally a long, narrow strip of land that is typically at grade with surrounding parcels. As noted below, the subject has a total estimated land area of 413,169 SF (9.49 AC). The land area is estimated based on surveys provided by BNSF, and may change if a professional survey determines more precise measurements. The following discussion summarizes the subject site size and its characteristics.

LAND SUMMARY

SECTION	DECRIPTION	BNSF MAP/PARCEL	SF	AC
Sacramento to Western	Sacramento to Western	501192 (Balance)	167,005	3.83
Sacremento to 31st	31st St. to Sacramento	501193 (Balance)	221,216	5.08
Sacremento to 31st	31st St. to Sacramento	501192 (Map 11 Pcls 9-10)	24,948	0.57
Grand Total			**413,169**	**9.49**

Number of BNSF Parcels 38

Total Land Area **9.49** **413,169**

Shape Irregular

Topography Level and generally at street grade

Utilities All available to the site

Accessibility

Average - Access to the immediate area is average noting proximity to Interstate 55 with access points at Western Avenue, California Avenue and Pulaski Road. The subject has several access points near its intersection with several roadways in the area.

Exposure

Average - The subject is considered to have average exposure as compared to competitive sites in the general area.

Seismic

The subject is in No Risk.

Flood Zone

Zone X. This is referenced by Community Number 0074, Panel Number 17031C0505J, dated August 19, 2008. Zone X is a Special Flood Hazard Area determined to be outside the 500-year floodplain. No Base Flood Elevations (BFEs) or depths are shown in this zone, and insurance purchase is not required.

Easements

A preliminary title report was not available for review. During the on-site inspection, no adverse easements or encumbrances were noted. This appraisal assumes that there is no negative value impact on the subject improvements. If questions arise regarding easements, encroachments, or other encumbrances, further research is advised.

Soils

A detailed soils analysis was not available for review. Based on the development of the subject, it appears the soils are stable and suitable for the existing improvements.

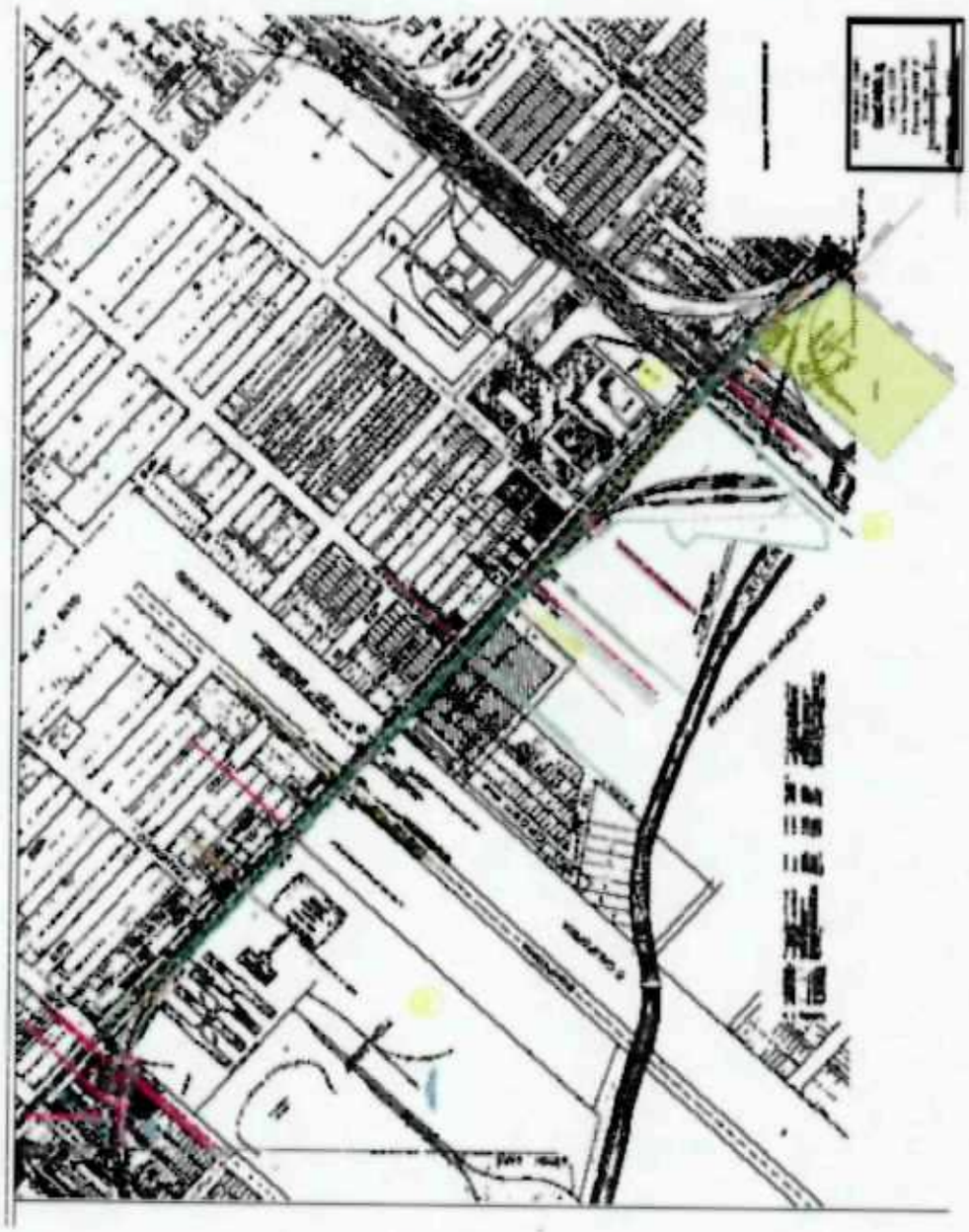
Hazardous Waste

We have not conducted an independent investigation to determine the presence or absence of toxins on the subject property. If questions arise, the reader is strongly cautioned to seek qualified professional assistance in this matter. Please see the Assumptions and Limiting Conditions for a full disclaimer.

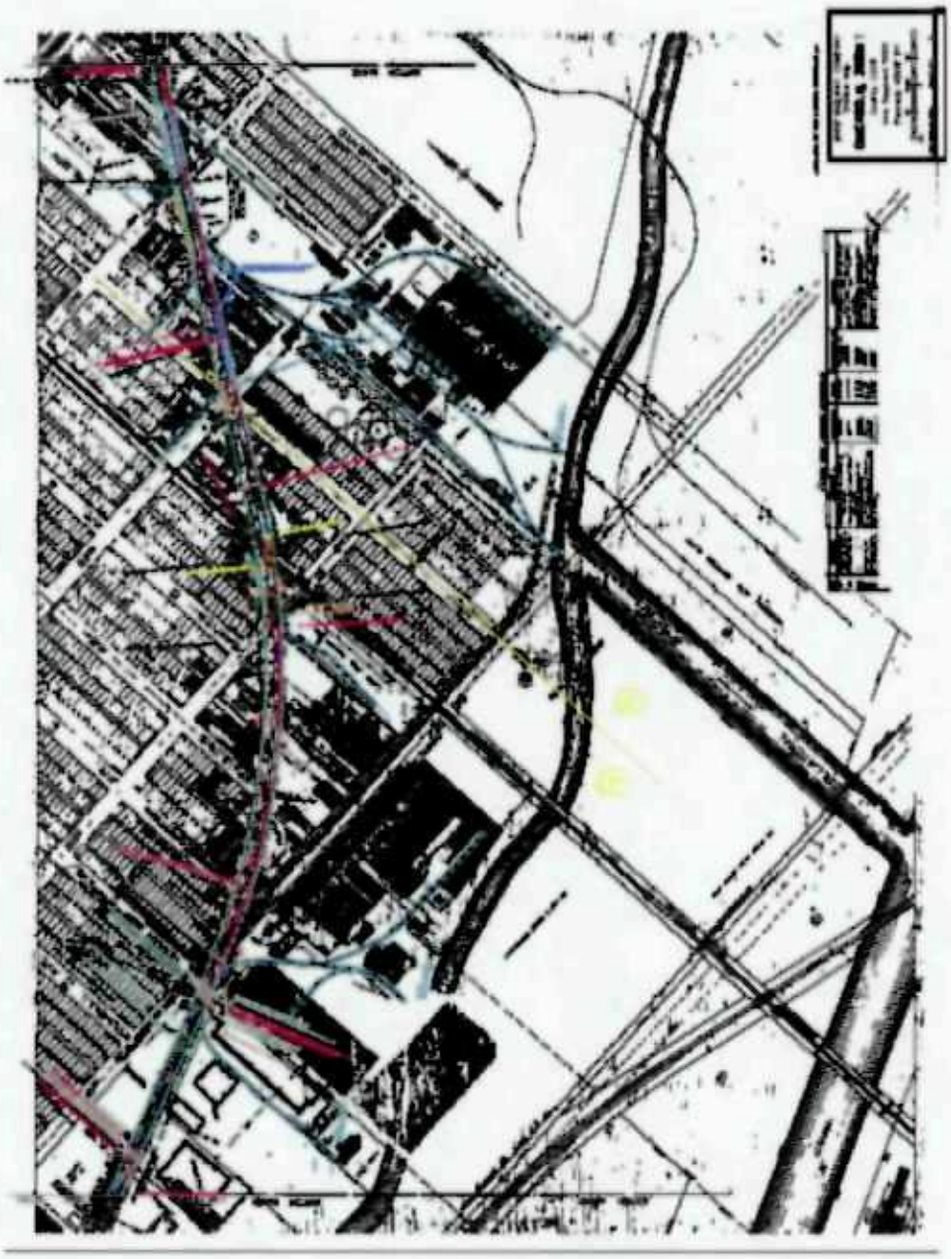
Improvement Description

The site is improved rail lines, overgrown vegetation, and some minor asphalt and gravel paving. No additional site improvements could be confirmed based on visual inspection.

BNSF MAP 501192 (SACRAMENTO TO WESTERN)

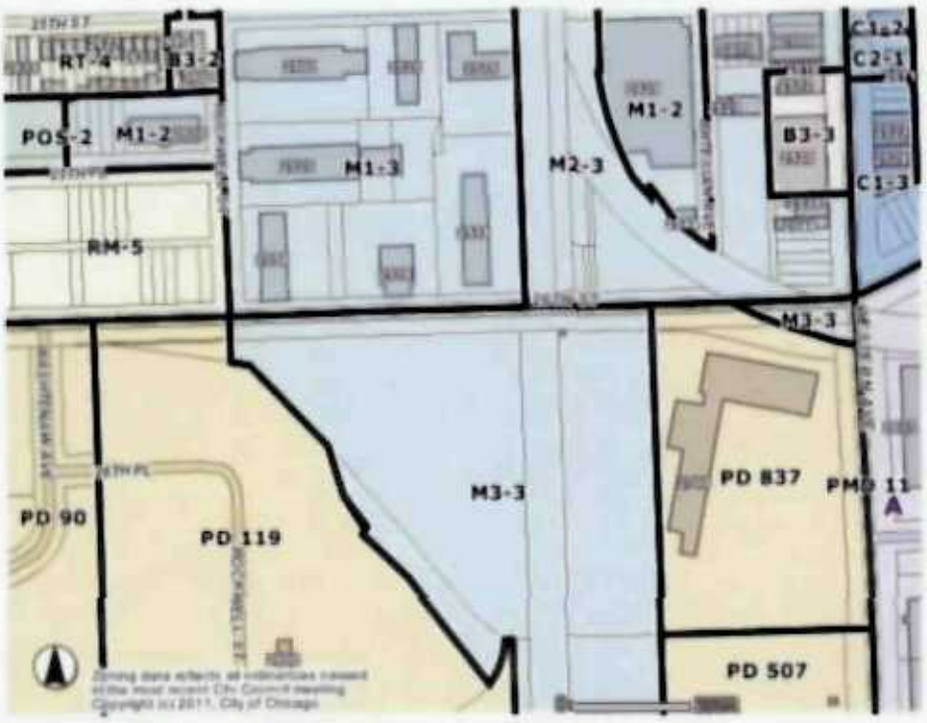


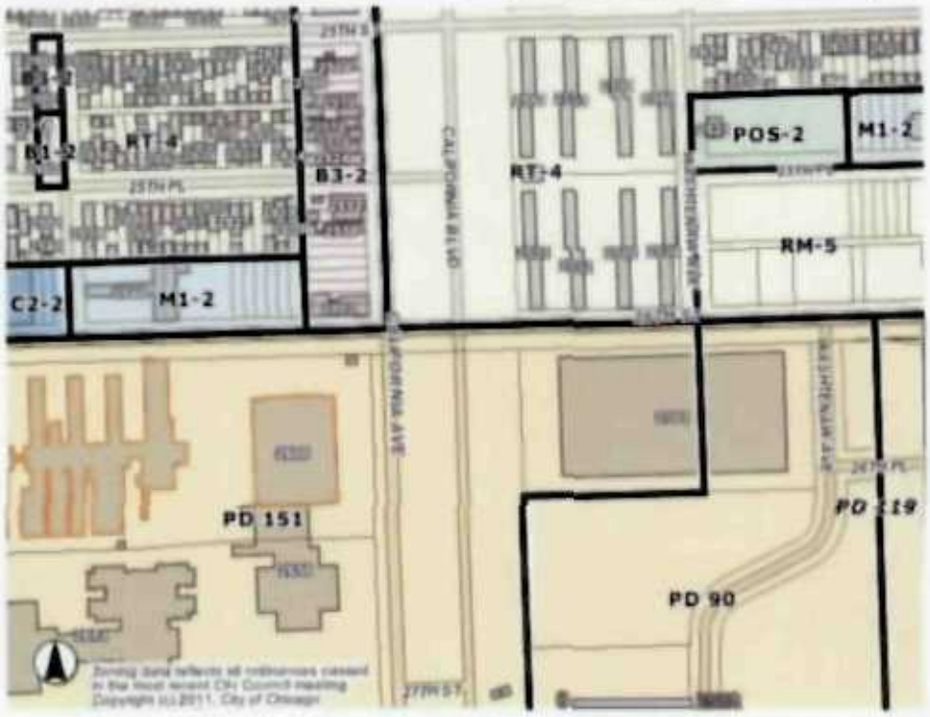
BNSF MAP 501193 (SACRAMENTO TO 31ST)



ZONING MAPS

(TRAVELING NORTH TO SOUTH)





B3-2
B1-1
B3-1
B3-2
B3-2
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C1-2
RT-4
25TH PL
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M1-2
C2-2
M1-2
B3-2
C1-2
M2-2
C1-2
PD 151
RS-3
M2-3
27TH ST

C1-2
M2-2
C1-2
RS-3
RS-3
RS-2
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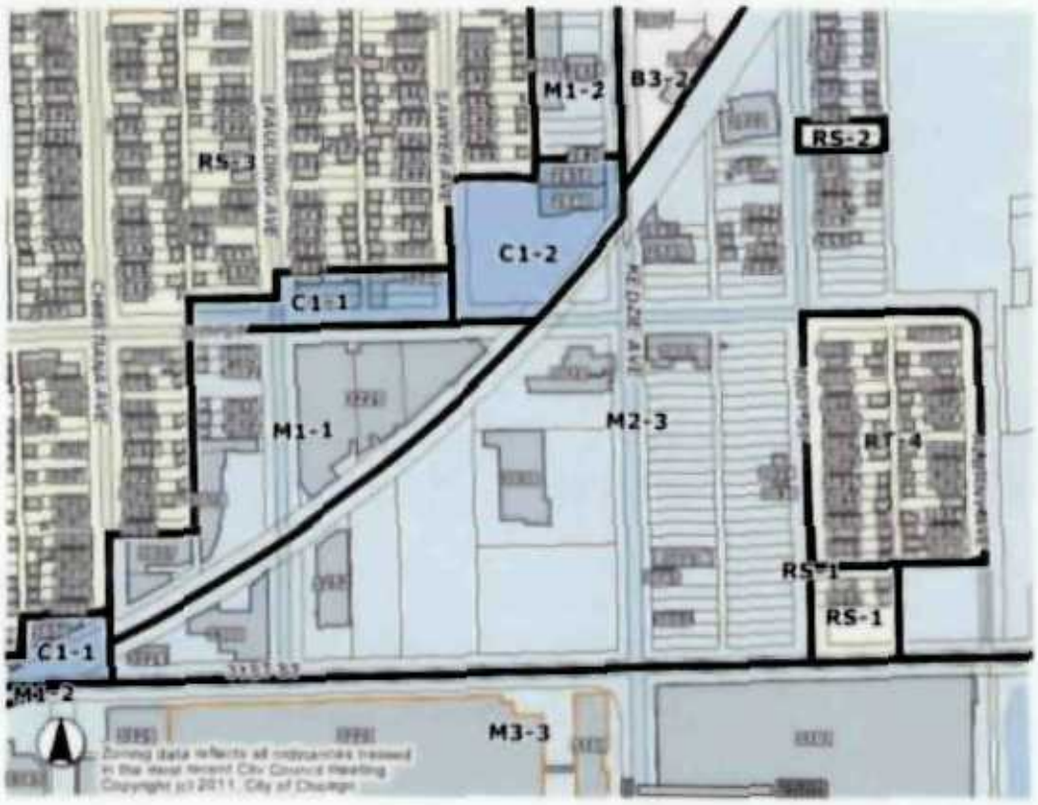
M1-2
B3-2
RS-2
RS-3
C1-2
C1-1
M1-1
M2-3
RT-4
RS-1
RS-1
C1-1
M1-2
M3-3
Zoning data reflects all ordinances passed in the most recent City Council meeting
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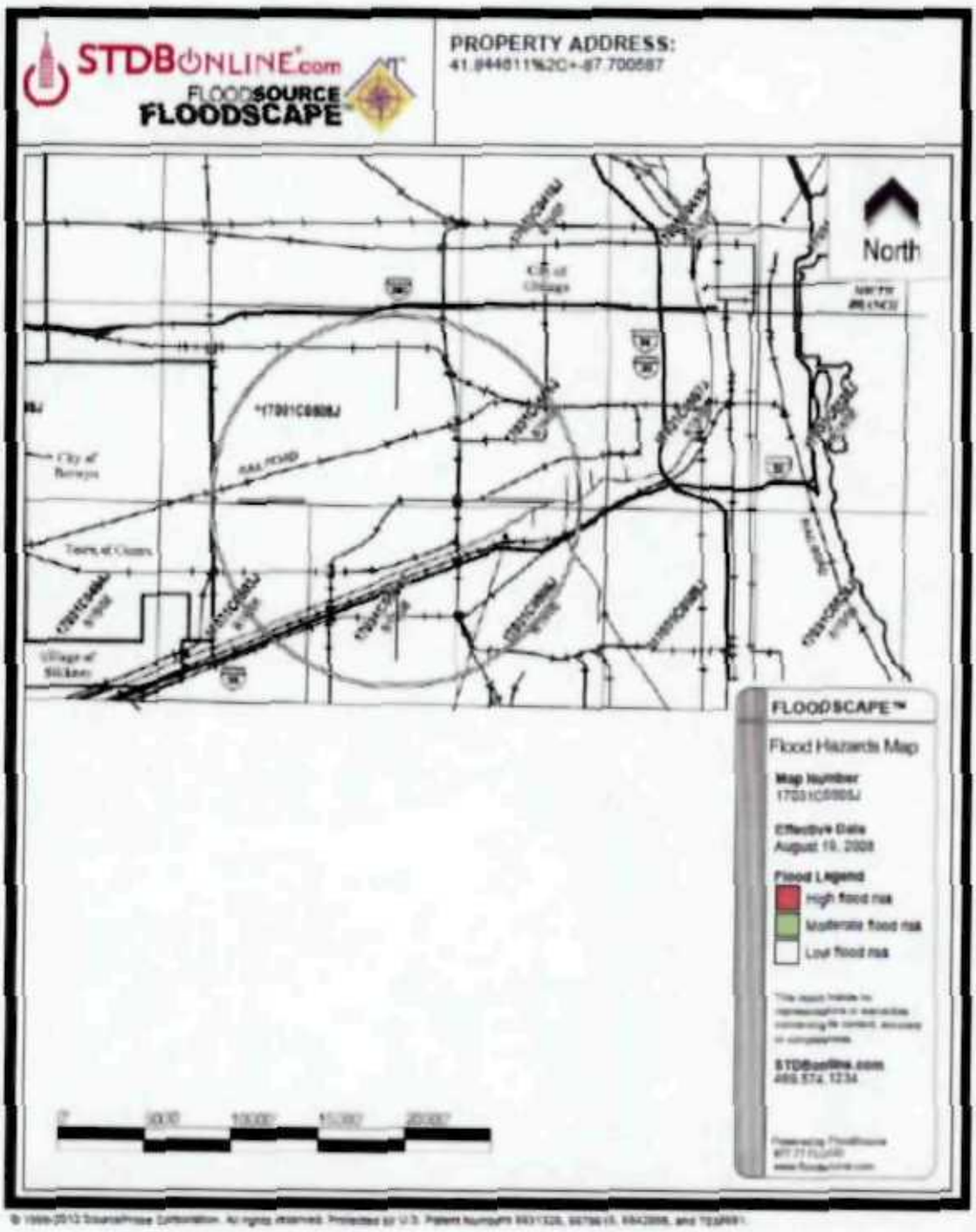
FLOOD MAPS



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TAX ANALYSIS

The subject is tax exempt. As such, a tax analysis is beyond the scope of this analysis.

ZONING INTRODUCTION

Zoning requirements typically establish permitted and prohibited uses, building height, lot coverage, setbacks, parking and other factors that control the size and location of improvements on a site. The zoning subject property bypasses several zoning classifications, which are summarized below:

ZONING SUMMARY	
Municipality Governing Zoning	City of Chicago Planning & Zoning Department
Current Zoning	Limited Manufacturing (M1-1 / M1-2); Light Industry (M2-2 / M2-3); Heavy Industry (M3-3); Community Shopping (B3-2); Neighborhood Commercial (C1-1 / C1-2); Motor Vehicle-Related Commercial (C2-2); Planned Development (PD 837 / PD 119 / PD 90 / PD 151); & Residential Two-Flat, Townhouse & Multi-Unit (RT-4)
Permitted Uses	
Limited Manufacturing	Office, Retail, Industrial
Light Industry	Office, Retail, Industrial
Heavy Industry	Office, Retail, Industrial, Intense Industrial
Community Shopping	Dwelling units above ground, Office, Retail
Neighborhood Shopping	Dwelling units above ground, Office, Retail, Light Industrial
Motor Vehicle-Related Commercial	Dwelling units above ground, Office, Retail, Light Industrial
Planned Development	Per specific property, in this case, appear to be for government and recreation uses.
Residential Two-Flat, Townhouse & Multi-Unit	Single-family and multifamily residential
Current Use	Portion of inactive railway corridor
Is Current Use Legally Permitted?	Not Applicable
Zoning Change	Not Likely

The information presented is intended to provide a general overview of the subject's zoning classification. The site is a long, narrow corridor that cannot be developed as a standalone parcel.

Detailed zoning studies are typically performed by a zoning or land use expert, including attorneys, land use planners, or architects. The depth of my analysis correlates directly with the scope of this assignment, and it considers all pertinent issues that have been discovered through my due diligence.

INTRODUCTION

As concluded ahead, the highest and best use of the subject site as-vacant is assemblage and future industrial. Therefore, this section provides a brief study of industrial supply/demand conditions for the Chicago Market and South Chicago Submarket.

CHICAGO INDUSTRIAL MARKET

The following is an analysis of supply/demand trends in the Chicago Industrial Market using information provided by CoStar, widely recognized as a credible source for tracking market statistics. The table below presents historical data for key market indicators.

CHICAGO HISTORICAL STATISTICS (LAST TEN YEARS)

PERIOD	SUPPLY	ADDED SUPPLY	NET ABSORPTION	VACANCY	ASKING RENT
2002	1,089,651,426 SF	1,135,194 SF	(64,173) SF	8.6%	$4.54/SF
2003	1,099,477,571 SF	9,826,145 SF	(2,525,690) SF	9.3%	$4.45/SF
2004	1,103,024,743 SF	3,547,172 SF	10,422,295 SF	9.1%	$4.68/SF
2005	1,116,010,496 SF	12,985,753 SF	9,702,473 SF	9.3%	$4.43/SF
2006	1,133,648,415 SF	17,637,919 SF	18,931,418 SF	9.1%	$4.45/SF
2007	*1,148,116,351 SF*	*14,467,936 SF*	*13,097,405 SF*	*9.1%*	*$4.54/SF*
2008	1,164,192,330 SF	16,075,979 SF	3,307,481 SF	9.5%	$4.70/SF
2009	1,166,376,789 SF	2,184,459 SF	(18,499,738) SF	11.3%	$4.51/SF
2010	1,161,847,149 SF	(4,529,640) SF	(2,478,833) SF	11.8%	$4.25/SF
2011	1,162,837,821 SF	990,672 SF	8,348,230 SF	11.3%	$4.15/SF
CAGR	0.7%	-	-	-	(1.0%)

Source: CoStar®

The following table summarizes the trailing four quarter performance of the Chicago market.

CHICAGO TRAILING FOUR QUARTER PERFORMANCE

PERIOD	SUPPLY	ADDED SUPPLY	NET ABSORPTION	VACANCY	ASKING RENT
2011 3Q	1,163,496,559 SF	2,375,645 SF	3,834,049 SF	10.7%	$4.15/SF
2011 4Q	1,162,837,821 SF	196,056 SF	1,820,120 SF	10.6%	$4.13/SF
2012 1Q	1,162,763,604 SF	313,560 SF	1,285,979 SF	10.2%	$4.13/SF
2012 2Q	1,163,146,022 SF	600,000 SF	6,319,950 SF	10.0%	$4.08/SF

Source: CoStar®

Key supply/demand statistics for the most recent quarter, last year and historical averages for the last 10-years are summarized below.

CHICAGO MARKET TREND ANALYSIS

	2Q 2012	2011	Last 10
Total SF	1,163,146,022	1,162,837,621	1,134,516,309
Vacant SF	115,735,712	122,947,534	111,625,256
Market Vacancy	10.0%	11.3%	9.8%
Construction Growth Rate	0.1%	0.1%	0.7%
Absorption Rate	0.5%	0.7%	0.3%
Average Asking Rent/SF	*$4.08*	*$4.15*	*$4.47*

Source: CoStar®

Chicago Market Conclusion

Based on the preceding analysis, the Chicago industrial market demonstrates relatively sound fundamentals. Analysis of supply and demand indicators reflects the market is currently in a state of stability with no evidence to prove this will change any time soon given the recent trend of absorption outpacing construction.

SOUTH CHICAGO INDUSTRIAL SUBMARKET OVERVIEW

The following is an analysis of supply/demand trends in the South Chicago Industrial Submarket using information provided by CoStar. The table below presents historical data for key market indicators.

SOUTH CHICAGO HISTORICAL STATISTICS (LAST TEN YEARS)

PERIOD	SUPPLY	ADDED SUPPLY	NET ABSORPTION	VACANCY	ASKING RENT
2002	127,165,454 SF	(266,416) SF	(1,104,429) SF	8.3%	$4.34/SF
2003	128,995,855 SF	1,830,401 SF	(1,384,950) SF	9.7%	$3.86/SF
2004	125,158,066 SF	(3,837,789) SF	(1,044,123) SF	9.1%	$3.59/SF
2005	124,590,241 SF	(567,825) SF	(934,733) SF	9.5%	$4.01/SF
2006	124,385,465 SF	(204,776) SF	368,182 SF	9.0%	$4.12/SF
2007	123,453,379 SF	(932,086) SF	731,799 SF	8.4%	$4.02/SF
2008	123,422,387 SF	(30,992) SF	(35,321) SF	7.2%	$4.11/SF
2009	122,921,905 SF	(500,482) SF	(2,498,398) SF	8.9%	$4.18/SF
2010	120,799,365 SF	(2,122,540) SF	(3,040,888) SF	10.2%	$4.28/SF
2011	118,550,991 SF	(2,248,374) SF	(2,155,954) SF	10.9%	$4.26/SF
CAGR	(0.8%)	-	-	-	(0.2%)

Source: CoStar®

The inventory contracted by 0.8% annually over the past ten years. The majority of the removed supply was concentrated in the UIC and South Loop areas of the submarket as a result of gentrification and redevelopment. Despite the reduced inventory, vacancy increased over the ten year period while asking rents have fluctuated but remained relatively stable.

The following table summarizes the trailing four quarter performance of the South Chicago submarket.

SOUTH CHICAGO TRAILING FOUR QUARTER PERFORMANCE

PERIOD	SUPPLY	ADDED SUPPLY	NET ABSORPTION	VACANCY	ASKING RENT
2011 3Q	118,762,625 SF	0 SF	(15,371) SF	10.5%	$4.36/SF
2011 4Q	118,550,991 SF	0 SF	434,527 SF	10.3%	$4.04/SF
2012 1Q	118,539,651 SF	0 SF	(1,006,314) SF	11.0%	$4.10/SF
2012 2Q	118,465,938 SF	0 SF	367,520 SF	10.6%	$4.03/SF

Source: CoStar®

Key supply/demand statistics for the most recent quarter, last year and historical averages over the last 10-years are summarized below.

SOUTH CHICAGO MARKET TREND ANALYSIS			
	2Q 2012	2011	Last 10
Total SF	118,465,938	118,550,991	123,944,311
Vacant SF	12,551,706	12,169,712	11,301,242
Market Vacancy	10.6%	10.9%	9.1%
Construction Growth Rate	0.0%	-1.9%	-0.8%
Absorption Rate	0.3%	(1.8%)	(0.9%)
Average Asking Rent/SF	$4.03	$4.26	$4.08

Source: CoStar

South Chicago Submarket Conclusion

Based on the preceding analysis, the South Chicago industrial market demonstrates relatively sound fundamentals. Analysis of supply and demand indicators suggests the market is currently stable with no evidence to prove this will change any time soon. The greatest weakness of the market appears to be its high vacancy rates.

The stability of the local industrial submarket and the built-up nature of the area have a positive impact on the subject property. The industrial uses surrounding the subject are infill sites with high ratio of building to land. As a result, it is reasonable that there would be demand for assemblage.

EXPOSURE TIME & MARKETING PERIOD

Exposure time is defined as "The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market" (The Dictionary of Real Estate Appraisal, Appraisal Institute, 2010). Reasonable exposure time is impacted by the aggressiveness and effectiveness of a property's exposure to market participants, availability and cost of financing, and demand for similar investments. Exposure time is best established based the recent history of marketing periods for comparable sales, discussions with market participants and information from published surveys.

Exposure Time Conclusion

The subject is a portion of an inactive rail corridor that abuts several different properties with varying ownership. The adjoining uses vary somewhat but are largely influenced by industrial and governmental uses. While new development is currently stalled due to the ongoing soft macroeconomic conditions, acquisition by abutting users would be a desirable opportunity given the infill nature of area. Considering these factors, a reasonable estimate of exposure time for the subject property to a single interim investor is 18 to 24 months.

INTRODUCTION

The highest and best use of an improved property is defined as that reasonable and most probable use that will support its highest present value. The highest and best use, or most probable use, must be legally permissible, physically possible, financially feasible, and maximally productive. This section develops the highest and best use of the subject property As-Vacant.

AS-VACANT ANALYSIS

Legal Factors

The legal factors that possibly influence the highest and best use of the subject site are discussed in this section. Private restrictions, zoning, building codes, historic district controls, and environmental regulations are considered, if applicable to the subject site. As a portion of a railway corridor, the legal factors affecting the subject are different from typical real property. The zoning of the subject and abutting properties varies considerably but is primarily industrial and governmental in nature. Overall, legal factors support a broad range of industrial, governmental, commercial and multifamily uses.

Physical & Locational Factors

Regarding physical characteristics, the narrow width and long shape preclude most development options without assemblage. Of the outright permitted uses, physical features best support assemblage with neighboring parcels.

The subject's immediate area is proximate to Interstate 55 with access points at Western Avenue, California Avenue and Pulaski Road. The I-55 corridor is characterized with a heavy concentration of industrial uses. In addition, there is strong demand for industrial land along the Chicago River (South Branch), which runs parallel to the north of the expressway. Land uses south and east of the subject are all industrial in nature with the exception of the Cook County Department of Corrections and Courthouse complex. However, the most likely alternative use of this 96 acre governmental complex would be for industrial development if vacant given its surrounding uses and proximity to the Chicago River and Interstate 55 industrial corridor. The land uses to the immediate north and west of the subject are also predominantly industrial but include one off commercial and multifamily uses that serve as transitional uses to the heavier residential uses in the northern portion of the area. On balance, the subject is dominated by industrial uses and the most likely use of the subject would industrial in nature.

While residential uses are near the subject, the only section of the subject zoned for residential is along 26th Street. In that immediate area, land development trends are for more commercial development than residential along the north side of 26th Street, while the Cook County complex dominates the south side of 26th Street. Given the subject is situated south of 26th Street, neither commercial or residential uses are likely for the subject.

As-Vacant Conclusion

The subject is located in a heavily developed area with existing utility and road infrastructure in place. The adjacent ownership would be enhanced through plottage, which is the consolidating of adjacent lots into one larger lot, with the consequent result of improved usability and increased value. Future development of abutting parcels would benefit from the expanded site area which could be created. Overall, the subject's highest and best use as-vacant is concluded to be assemblage and future industrial.

INTRODUCTION

The following presentation of the appraisal process deals directly with the valuation of the subject property. The Across the Fence Value of the subject's fee simple interest are estimated using the Sales Comparison Approach. The Cost and Income Capitalization Approaches are not applicable when valuing small portions of rail corridors such as the subject and are therefore excluded. Their exclusion is not detrimental to the reliability or credibility of the final value conclusion.

SALES COMPARISON APPROACH

The Sales Comparison Approach is based on the principle of substitution, which asserts that no one would pay more for a property than the value of similar properties in the market. This approach analyzes comparable sales by applying transactional and property adjustments in order to bracket the subject property on an appropriate unit value comparison. The sales comparison approach is applicable when sufficient data on recent market transactions is available. Alternatively, this approach may offer limited reliability because many properties have unique characteristics that cannot be accounted for in the adjustment process.

LAND VALUATION

To establish the ATF Value, the subject has been analyzed by sales of individual parcels. The subject is analyzed primarily by its location and zoning of adjacent properties. As previously discussed, the zoning of the subject and abutting properties varies but is primarily influenced by industrial uses. As such, we have incorporated nearby industrial sales into this analysis. In an ATF valuation, the underlying assumption is that a corridor is worth at least as much as the land through which it passes.

UNIT OF COMPARISON

The most relevant unit of comparison is the price per square foot. This indicator best reflects the analysis used by buyers and sellers in this market for land with similar utility and zoning in this marketplace.

COMPARABLE SELECTION

A thorough search was made for land sales in terms of proximity to the subject (location), zoning, and date of sale. In selecting comparables, emphasis was placed on confirming recent sales of industrial sites that are similar to the subject property in terms of location and zoning. Overall, the sales selected represent the best comparables available for this analysis.

ADJUSTMENT PROCESS

Qualitative adjustments are made to the comparable sales. The following adjustments or general market trends were considered for the basis of valuation.

Transactional Adjustments

Dollar adjustments to the comparable sales were considered and made when warranted for transitional adjustments in the sequence shown below:

Property Rights Transferred	The valuation of the subject site was completed on a fee simple basis. If warranted, leased fee, leasehold and/or partial interest land sales were adjusted accordingly.
Financing Terms	The subject site was valued on a cash equivalent basis. Adjustments were made to the comparables involving financing terms atypical of the marketplace.
Conditions of Sale	This adjustment accounts for extraordinary motivation on the part of the buyer or seller often associated with distressed sales and/or assemblages.
Expenditures After Purchase	Adjustments were applied if site conditions warranted expenditures on the part of the buyer to create a buildable site. Examples include costs for razing pre-existing structures, general site clearing and/or mitigation of environmental issues.
Market Conditions	Market conditions adjustments were based on a review of historical sale data, market participant interviews and review of current versus historical pricing. Based on my research, the following table summarizes the market conditions adjustment applied in this analysis.

FLAT ADJUSTMENT	
Per Year	2%

Based on my research and interpretation of value trends, I have elected to apply a flat market conditions adjustment. The analysis applies an upward market conditions adjustment of 2% annually reflecting the relatively consistent appreciation that occurred between the oldest comparable sale date up through the effective valuation date.

LAND VALUATION PRESENTATION

The following Land Sales Summation Table, Location Map and datasheets summarize the sales data used in this analysis.

LAND SALES SUMMATION TABLE

Comparable	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Name	Former BSNF	4100 S Packers	7349 Massasoit	SEC 41st & Pulaski	66th & Menard
Address	W. 31st Street	4100 S Packers	7349 Massasoit	SEC 41st & Pulaski	66th & Menard
City	Chicago	Chicago	Bedford Park	Chicago	Bedford Park
State	IL	IL	IL	IL	IL
Zip	60623	60609	60638	60632	60638
County	Cook	Cook	Cook	Cook	Cook
PHYSICAL INFORMATION					
SF	413,169	133,810	187,744	50,530	134,165
Location	Average	Average	Average	Average	Average
Zoning	-	PMD-8	F (Motor Freight)	B3-3	I (Heavy
Shape	Irregular	Rectangular	Rectangular	Rectangular	Irregular
Corner	Varies	Yes	No	Yes	No
Topography	Level	Level	Level	Level	Level
Site Utility Rating	Average	Average	Average	Average	Average
Access	Average	Average	Average	Average	Average
Exposure	Average	Average	Average	Average	Average
Utilities	Yes	All	All	All	All
SALE INFORMATION					
Date		7/27/2012	9/26/2011	9/2/2011	9/23/2010
Status		Offer/Pending	Recorded	Recorded	Recorded
Rights Transferred		Fee Simple	Fee Simple	Fee Simple	Fee Simple
Transaction Price		$875,000	$1,100,000	$350,000	$700,000
Analysis Price		$875,000	$1,100,000	$350,000	$700,000
$/SF Land		$6.54	$5.86	$6.93	$5.22

LAND SALES LOCATION MAP

COMPARABLE 1

LOCATION INFORMATION

Name	4100 S Packers Ave
Address	4100 S Packers Ave
City, State, Zip Code	Chicago, IL, 60609
County	Cook
MSA	Chicago-Gary-Kenosha, IL-IN-WI CMSA

SALE INFORMATION

Buyer	Unknown
Seller	Scherston Real Estate Inc.
Transaction Date	07/27/2012
Transaction Status	Offer/Pending
Transaction Price	$875,000
Analysis Price	$875,000
Rights Transferred	Fee Simple
Marketing Time	919 Day(s)

PHYSICAL INFORMATION

Allowed Use	Industrial	
Intended Use	Investment Property - Industrial/Commercial	
Site Size	Acres	SF
Net	3.1	133,810
Gross	3.1	133,810
Zoning	PMD-8	
Shape	Rectangular	
Topography	Level	
Access	Average	
Exposure	Average	
Corner	Yes	
View	No	
Off-Site Improvements	Completed	
Easements	Standard	
Environmental Issues	None Noted	
Utilities	All	

4100 S PACKERS AVE

ANALYSIS INFORMATION

Price	$/Acre	$/SF
Gross	$285,016	$6.54
Net	$285,016	$6.54

CONFIRMATION

Name	Mark Nelson
Company	Nelson-Hill
Source	Sellers Broker, Public Record, CoStar
Date	07/27/2012

REMARKS

Vacant land parcel that is currently under contract and is located 1 block east of the Union Stock Yards (railway), 1-mile south of Interstate 55 and 1.5- miles west of Interstate 87. The area is a part of the Stockyards Industrial Tax Increment Financing (TIF) district.

COMPARABLE 2

LOCATION INFORMATION

Name	7349 Massasoit St
Address	7349 Massasoit St
City, State, Zip Code	Bedford Park, IL, 60638
County	Cook
MSA	Chicago-Gary-Kenosha, IL-IN-WI CMSA
APN	19-29-200-058

SALE INFORMATION

Buyer	Dwight Merriman
Seller	*Ridge Property Trust*
Transaction Date	09/26/2011
Transaction Status	Recorded
Transaction Price	$1,100,000
Analysis Price	$1,100,000
Rights Transferred	Fee Simple

PHYSICAL INFORMATION

Allowed Use	Industrial	
Intended Use	Industrial - Cross Dock Truck Terminal	
Use at Sale	Trailer lot (fully fenced, paved & lit)	
Site Size	Acres	SF
Net	4.3	187,744
Gross	4.3	187,744
Zoning	F (Motor Freight)	
Shape	Rectangular	
Topography	Level	
Access	Average	
Exposure	Average	
Corner	No	
View	No	
Utilities	All	

7349 MASSASOIT ST

ANALYSIS INFORMATION

Price	$/Acre	$/SF
Gross	$255,220	$5.86
Net	$255,220	$5.86

CONFIRMATION

Name	Thomas Taylor
Company	Colliers
Source	*Buyers Broker, Public Record, CoStar*
Date	Confidential

REMARKS

Purchased as part of a bulk portfolio sale of 13 properties totaling $195,500,000

COMPARABLE 3

LOCATION INFORMATION

Name	SEC 41st & Pulaski
Address	SEC 41st & Pulaski
City, State, Zip Code	Chicago, IL, 60632
County	Cook
MSA	Chicago-Gary-Kenosha, IL-IN-WI CMSA

SALE INFORMATION

Buyer	Dwight Merriman
Seller	41st and Pulaski BP, Inc
Transaction Date	09/2/2011
Transaction Status	Recorded
Transaction Price	$350,000
Analysis Price	$350,000
Rights Transferred	Fee Simple
Conditions of Sale	Arm's length transaction
Marketing Time	175 Day(s)

PHYSICAL INFORMATION

Allowed Use	Industrial	
Intended Use	Investment Property - Industrial/Commercial	
Use at Sale	Vacant	
Site Size	Acres	SF
Net	1.2	50,530
Gross	1.2	50,530
Zoning	B3-3	
Shape	Rectangular	
Topography	Level	
Access	Average	
Exposure	Average	
Corner	Yes	
View	No	
Off-Site Improvements	Completed	
Easements	Standard	
Environmental Issues	None Noted	
Utilities	All	

SEC 41ST & PULASKI

ANALYSIS INFORMATION

Price	$/Acre	$/SF
Gross	$301,724	$6.93
Net	$301,724	$6.93

CONFIRMATION

Name	Dan Hyman
Company	Millennium Properties
Source	Sellers Broker, Public Record, CoStar
Date	09/2/2011

REMARKS

This was an REO sale for a vacant land parcel that is located one block south of the Pulaski Road entrance on to Interstate 55 and three miles north of Chicago's Midway Airport.

COMPARABLE 4

LOCATION INFORMATION

Name	66th & Menard Avenue
Address	66th & Menard Avenue
City, State, Zip Code	Bedford Park, IL, 60638
County	Cook
MSA	Chicago-Gary-Kenosha, IL-IN-WI CMSA
APN	19-20-217-005 19-20-217-006

SALE INFORMATION

Buyer	DMK Express Properties
Seller	Sam Bistein
Transaction Date	09/23/2010
Transaction Status	Recorded
Transaction Price	$700,000
Analysis Price	$700,000
Rights Transferred	Fee Simple
Financing	Two loans from First Midwest Bank ($434,000
Marketing Time	724 Day(s)

PHYSICAL INFORMATION

Allowed Use	Industrial	
Intended Use	Industrial - Heavy Manufacturing	
Site Size	Acres	SF
Net	3.1	134,165
Gross	3.1	134,165
Zoning	I (Heavy Industrial)	
Shape	Irregular	
Topography	Level	
Access	Average	
Exposure	Average	
Corner	Yes	
View	No	
Utilities	All	

66TH & MENARD AVENUE

ANALYSIS INFORMATION

Price	$/Acre	$/SF
Gross	$227,273	$5.22
Net	$227,273	$5.22

CONFIRMATION

Name	Tom Condon
Company	Colliers
Source	Sellers Broker, Public Record, CoStar
Date	Confidential

REMARKS

The comparable was acquired for the development of an industrial facility that will be owner occupied.

ATF VALUE

Adjustment Process

The comparable land sales indicate an adjusted value range from $5.14 to $6.60/SF, with a median of $5.48/SF and an average of $5.67/SF. The level of total adjustment applied to the comparables is considered to be moderate. Overall, the availability of market data and extent of analysis was adequate to develop a reasonably credible opinion of land value. The adjustment process for each comparable land sale is illustrated in the following paragraphs.

LAND SALES ADJUSTMENT GRID

Comparable	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4
SF	413,169	133,810	187,744	50,530	134,165
Location	Average	Average	Average	Average	Average
Zoning	Varies	PMD-8	F (Motor Freight)	B3-3	I (Heavy Industrial)
Shape	Irregular	Rectangular	Rectangular	Rectangular	Irregular
Corner	Varies	Yes	No	Yes	No
Topography	Level	Level	Level	Level	Level
Site Utility Rating	Average	Average	Average	Average	Average
Access	Average	Average	Average	Average	Average
Date		7/27/2012	9/26/2011	9/2/2011	9/23/2010
Status		Offer/Pending	Recorded	Recorded	Recorded
Rights Transferred		Fee Simple	Fee Simple	Fee Simple	Fee Simple
Analysis Price		$875,000	$1,100,000	$350,000	$700,000
Price/SF		$6.54	$5.86	$6.93	$5.22
TRANSACTIONAL ADJUSTMENTS					
Property Rights		0%	0%	0%	0%
Conditionsof Sale		-10%	0%	10%	0%
Financing		0%	0%	0%	0%
Market Conditions[1]		0%	2%	2%	4%
Subtotal Transactional Adj Price		$5.89	$5.95	$7.76	$5.41
PROPERTY ADJUSTMENTS					
Location		-10%	0%	-15%	0%
Zoning		0%	0%	0%	0%
Site Improvements		0%	-5%	0%	-5%
Subtotal Property Adjustment		-10%	-5%	-15%	-5%
TOTAL ADJUSTED PRICE		$5.30	$5.65	$6.60	$5.14

STATISTICS	UNADJUSTED	ADJUSTED
LOW	$5.22	$5.14
HIGH	$6.93	$6.60
MEDIAN	$6.20	$5.48
AVERAGE	$6.14	$5.67

[1] Market Conditions Adjustment - Compound annual change in market conditions: 2%
Date of Value (for adjustment calculations): 07/03/12

In addition to the above transactions, consideration is also given to the following active listings of industrial land and broker survey.

- 4701 W. 26th, Cicero, IL - The 8.4 acre parcel of land is an asphalt-paved lot that is listed for $7.38/SF of land area.
- 24th and Rockwell, Chicago, IL - The 8.2 acre parcel of land is located approximately one block north of the subject's Northern Portion at a price of $5.03/SF of land area.
- 2642 W. 19th, Chicago, IL – This small (0.55 acre) parcel of industrial land is listed for $8.13/SF of land area.
- John Basile, Colliers International, reported that in-fill industrial land is generally $5/SF in the I-55 industrial corridor.

ATF Conclusion

Based on the prior analysis, industrial land in the subject's immediate area is concluded to have a unit range from $5.25.

CALCULATION OF ATF VALUE					
COMPONENT	SUBJECT SF		$/SF CONCLUSION		ATF VALUE
Northern Portion	413,169	x	$5.25	=	$2,170,000
TOTAL	**413,169**	**x**	**$5.25**	**=**	**$2,170,000**

Rounded to nearest $10,000

VALUE CONCLUSION

The following table conveys the final opinion of ATF value of the subject site that is developed within this appraisal report:

ANALYSIS OF VALUE CONCLUSIONS	
VALUATION INDICES	**MARKET VALUE AS-IS**
INTEREST APPRAISED	FEE SIMPLE
DATE OF VALUE	JULY 23, 2012
FINAL ATF CONCLUSION	**$2,170,000**
$/SF	$5.25/SF
Exposure Time	18 to 24 Months

I 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 of the signer are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- The signer of this report has no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- Jeremy Walling, MAI, MRICS has performed no services, as an appraiser or in any other capacity, for the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- The signer is not biased with respect to the property that is the subject of this report or to the parties involved with this assignment.
- The engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the *Code of Professional Ethics* and *Standards of Professional Appraisal Practice* of the Appraisal Institute, and the *Uniform Standards of Professional Appraisal Practice*, as set forth by the Appraisal Standards Board of the Appraisal Foundation.
- Jeremy Walling, MAI, MRICS inspected the property that is the subject of this report.
- Felicia Bell provided significant real property appraisal assistance to appraiser signing this certification. Assistance included gathering, analyzing and reporting regional and local area information, confirming and analyzing the subject's zoning and tax information, and confirming some of the comparable data used for this analysis.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report Jeremy Walling, MAI, MRICS completed the continuing education program of the Appraisal Institute.

September 10, 2012
Date

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This appraisal is subject to the following assumptions and limiting conditions:

- The appraiser may or may not have been provided with a survey of the subject property. If further verification is required, a survey by a registered surveyor is advised.
- We assume no responsibility for matters legal in character, nor do we render any opinion as to title, which is assumed to be marketable. All existing liens, encumbrances, and assessments have been disregarded, unless otherwise noted, and the property is appraised as though free and clear, under responsible ownership, and competent management.
- The exhibits in this report are included to assist the reader in visualizing the property. We have made no survey of the property and assume no responsibility in connection with such matters.
- Unless otherwise noted herein, it is assumed that there are no encroachments, zoning, or restrictive violations existing in the subject property.
- The appraiser assumes no responsibility for determining if the property requires environmental approval by the appropriate governing agencies, nor if it is in violation thereof, unless otherwise noted herein.
- Information presented in this report has been obtained from reliable sources, and it is assumed that the information is accurate.
- This report shall be used for its intended purpose only, and by the party to whom it is addressed. Possession of this report does not include the right of publication.
- The appraiser may not be required to give testimony or to appear in court by reason of this appraisal, with reference to the property in question, unless prior arrangements have been made therefore.
- The statements of value and all conclusions shall apply as of the dates shown herein.
- There is no present or contemplated future interest in the property by the appraiser which is not specifically disclosed in this report.
- Without the written consent or approval of the author neither all, nor any part of, the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media. This applies particularly to value conclusions and to the identity of the appraiser and the firm with which the appraiser is connected.
- This report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. Unless approval is provided by the author no portion of the report stands alone.
- The liability of Colliers International Valuation & Advisory Services, its principals, agents, and employees is limited to the client. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraiser is in no way responsible for any costs incurred to discover or correct any deficiency in the property.
- The appraiser is not qualified to detect the presence of toxic or hazardous substances or materials which may influence or be associated with the property or any adjacent properties, has made no investigation or analysis as to the presence of such materials, and expressly disclaims any duty to note the degree of fault. Colliers International Valuation & Advisory Services and its principals, agents, employees, shall not be liable for any costs, expenses, assessments, or penalties, or diminution in value, property damage, or personal injury (including death) resulting from or otherwise attributable to toxic or hazardous substances or materials, including without limitation hazardous waste, asbestos material, formaldehyde, or any smoke,

vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids, solids or gasses, waste materials or other irritants, contaminants or pollutants.

- The appraiser assumes no responsibility for determining if the subject property complies with the *Americans with Disabilities Act (ADA)*. Colliers International Valuation & Advisory Services, its principals, agents, and employees, shall not be liable for any costs, expenses, assessments, penalties or diminution in value resulting from non-compliance. This appraisal assumes that the subject meets an acceptable level of compliance with *ADA* standards; if the subject is not in compliance, the eventual renovation costs and/or penalties would negatively impact the present value of the subject. If the magnitude and time of the cost *were known today, they would be reduced from the reported value conclusion.*
- An on-site inspection of the subject property was conducted. No evidence of asbestos materials on-site was noted. A Phase 1 Environmental Assessment was not provided for this analysis. This analysis assumes that no asbestos or other hazardous materials are stored or found in or on the subject property. If evidence of hazardous materials of any kind occurs, the reader should seek qualified professional assistance. If hazardous materials are discovered and if future market conditions indicate an impact on value and increased perceived risk, a revision of the concluded values may be necessary.
- A detailed soils study was not provided for this analysis. The subject's soils and sub-soil conditions are assumed to be suitable based upon a visual inspection, which did not indicate evidence of excessive settling or unstable soils. No certification is made regarding the stability or suitability of the soil or sub-soil conditions.

Valuation Glossary
Qualifications of Appraiser
Qualifications of Colliers International Valuation & Advisory Services

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These definitions were extracted from the following sources or publications:

The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, Chicago, Illinois, 2010 *(Dictionary)*.

Uniform Standards of Professional Appraisal Practice, 2010-2011 Edition (USPAP).

The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, Chicago, Illinois, 2008 *(13th Edition)*.

Marshall Valuation Service, Marshall & Swift, Los Angeles, California *(MVS)*.

Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. *(Dictionary)*

Ad Valorem Tax

A real estate tax based on the assessed value of the property, which is not necessarily equivalent to its market value. *(13th Edition)*

Aggregate of Retail Values (ARV)

The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent an opinion of value; it is simply the total of multiple market value conclusions *(Dictionary)*

Arm's-length Transaction

A transaction between unrelated parties under no duress. *(13th Edition)*

As-Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. *(Dictionary)*

Assessed Value

The value of a property according to the tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value. *(13th Edition)*

Average Daily Room Rate (ADR)

In the lodging industry, total guest room revenue divided by the total number of occupied rooms. *(Dictionary)*

Band of Investment

A technique in which the capitalization rates attributable to components of a capital investment are weighted and combined to derive a weighted-average rate attributable to the total investment. *(Dictionary)*

Bulk Sale

The sale of two or more parcels of real estate to one buyer in one transaction. Usually a bulk sale will involve multiple parcels of either vacant or improved properties. *(Dictionary)*

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Bulk Sale Valuation Scenario

In subdivision development analysis, a specific appraisal problem in which a group of properties is evaluated to form an opinion of bulk value. The underlying premise is the valuation of an entire group of lots or units to one purchaser as one sale. The valuation scenario considers the individual values of each property, the absorption period needed to sell the entire property inventory over time, and appropriate deductions and discounting for holding and sales costs as well as profit. Lending institutions typically require an analysis of the bulk sale valuation scenario as part of the financing of *tract developments*. *(Dictionary)*

Bulk Value

The value of multiple units, subdivided lots, or properties in a portfolio as though sold to a single buyer in one transaction. Sometimes called *bulk sale value*. *(Dictionary)*

Cash-Equivalent Price

The price of a property with above- or below-market financing expressed in terms of the price that would have been paid in an all-cash sale. *(Dictionary)*

Common Area

The total area within a property that is not designed for sale or rental but is available for common use by all owners, tenants, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities. *(Dictionary)*

Contract Rent

The actual rental income specified in a lease. *(13th Edition)*

Cost Approach

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised. *(13th Edition)*

Curable Functional Obsolescence

An element of depreciation; a curable defect caused by a flaw in the structure, materials, or design, which can be practically and economically corrected. *(Dictionary)*

Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service, which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. *(Dictionary)*

Deferred Maintenance

Needed repairs or replacement of items that should have taken place during the course of normal maintenance. *Dictionary)*

Depreciation

In appraising, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date. *(Dictionary)*

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Direct Costs

1. Expenditures for the labor and materials used in the construction of improvements; also called *hard costs*. *(Dictionary)*

2. The labor, material, subcontractor, and heavy equipment costs directly incorporated into the construction of physical improvements. (R.S. Means)

Discounted Cash Flow (DCF) Analysis

The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate. *(Dictionary)*

Discount Rate

An interest rate used to convert future payments or receipts into present value; usually considered to be a synonym for *yield rate*. *(Dictionary)*

Disposition Value

The most probable price that a specified interest in real property is likely to bring under all of the following conditions:

1. Consummation of a sale within a future exposure time specified by the client.

2. The property is subjected to market conditions prevailing as of the date of valuation.

3. Both the buyer and seller are acting prudently and knowledgeably.

4. The seller is under compulsion to sell.

5. The buyer is typically motivated.

6. Both parties are acting in what they consider their best interests.

7. An adequate marketing effort will be made during the exposure time specified by the client.

8. Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.

9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms. *(Dictionary)*

Easement

An interest in real property that transfers use, but not ownership, of a portion of an owner's property. Access or right of way easements may be acquired by private parties or public utilities. Governments accept conservation, open space, and preservation easements on private property. *(13th Edition)*

Economic Life

The period over which improvements to real property contribute to property value. *(13th Edition)*

Effective Age

The age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age. *(Dictionary)*

Effective Date

The date on which the analyses, opinions, and advice in an appraisal, review, or consulting service apply. *(Dictionary)*

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Effective Gross Income (EGI)

The anticipated income from all operations of the real property after an allowance is made for vacancy and collection losses and an addition is made for any other income. *(Dictionary)*

Effective Gross Income Multiplier (EGIM)

The ratio between the sale price (or value) of a property and its effective gross income. *(Dictionary)*

Effective Rent

The rental rate net of financial concessions such as periods of no rent during the lease term and above- or below-market tenant improvements (TIs). *(Dictionary)*

Eminent Domain

The right of government to take private property for public use upon the payment of just compensation. The Fifth Amendment of the U.S. Constitution, also known as the *takings clause*, guarantees payment of just compensation upon appropriation of private property. *(Dictionary)*

Entrepreneurial Incentive

A market-derived figure that represents the amount an entrepreneur expects to receive for his or her contribution to a project and risk. *(13th Edition)*

Entrepreneurial Profit

A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. *(13th Edition)*

Excess Land

Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land may have the potential to be sold separately and is valued separately. *(Dictionary)*

Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. Due to the higher risk inherent in the receipt of excess rent, it may be calculated separately and capitalized at a higher rate in the income capitalization approach. *(Dictionary)*

Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying any operating expenses above a stated level or amount. *(Dictionary)*

Exposure Time

The time a property remains on the market. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. *(Dictionary)*

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External Obsolescence

An element of depreciation; a diminution in value caused by negative externalities and generally incurable on the part of the owner, landlord, or tenant. *(Dictionary)*

Extraordinary Assumption

An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property, or about conditions external to the property such as market conditions or trends, or about the integrity of data used in an analysis. An extraordinary assumption may be used in an assignment only if:

- It is required to properly develop credible opinions and conclusions;
- The appraiser has a reasonable basis for the extraordinary assumption;
- Use of the extraordinary assumption results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions. (USPAP)

Fair Market Value

A term that is, in concept, similar to market value in general usage; used mainly in condemnation, litigation, income tax, and property tax situations. When an appraisal assignment involves developing an opinion of fair market value, the appropriate, requisite, and precise definition of the term depends on the use of the appraisal and the applicable jurisdiction. *(Dictionary)*

Feasibility Analysis

A study of the cost-benefit relationship of an economic endeavor. *(USPAP)*

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat. *(Dictionary)*

Floor Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area. *(Dictionary)*

Functional Obsolescence

The impairment of functional capacity of a property according to market tastes and standards. *(Dictionary)*

Functional Utility

The ability of a property or building to be useful and to perform the function for which it is intended according to current market tastes and standards; the efficiency of a building's use in terms of architectural style, design and layout, traffic patterns, and the size and type of rooms. *(13th Edition)*

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Furniture, Fixtures, and Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory. *(Dictionary)*

Going-concern Value

1. The market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of the going concern*.

2. The value of an operating business enterprise. Goodwill may be separately measured but is an integral component of going-concern value when it exists and is recognizable. *(Dictionary)*

Gross Building Area (GBA)

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the region. *(Dictionary)*

Gross Leasable Area (GLA) - Commercial

Total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines, measured from the center of joint partitioning to the outside wall surfaces. *(Dictionary)*

Gross Living Area (GLA) - Residential

Total area of finished, above-grade residential area; calculated by measuring the outside perimeter of the structure and includes only finished, habitable, above-grade living space. (Finished basements and attic areas are not generally included in total gross living area. Local practices, however, may differ.) *(Dictionary)*

Highest & Best Use

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility and maximum productivity. *(Dictionary)*

Highest and Best Use of Land or a Site as Though Vacant

Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements. *(Dictionary)*

Highest and Best Use of Property as Improved

The use that should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one. *(Dictionary)*

Hypothetical Condition

That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends, or about the integrity of data used in an analysis. *(USPAP)*

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Income Capitalization Approach

In the income capitalization approach, an appraiser analyzes a property's capacity to generate future benefits and capitalizes the income into an indication of present value. The principle of anticipation is fundamental to this approach. Techniques and procedures from this approach are used to analyze comparable sales data and to measure obsolescence in the cost approach. *(13th Edition)*

Incurable Functional Obsolescence

An element of depreciation; a defect caused by a deficiency or superadequacy in the structure, materials, or design that cannot be practically or economically corrected. *(Dictionary)*

Indirect Costs

Expenditures or allowances for items other than labor and materials that are necessary for construction, but are not typically part of the construction contract. Indirect costs may include administrative costs; professional fees; financing costs and the interest paid on construction loans; taxes and the builder's or developer's all-risk insurance during construction; and marketing, sales, and lease-up costs incurred to achieve occupancy or sale. *(Dictionary)*

Insurable Value

The value of an asset or asset group that is covered by an insurance policy; can be estimated by deducting costs of non-insurable items (e.g., land value) from market value. *(MVS)*

Interim Use

The temporary use to which a site or improved property is put until it is ready to be put to its future highest and best use. *(13th Edition)*

Leased Fee Interest

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship. *(Dictionary)*

Leasehold Interest

The tenant's possessory interest created by a lease. *(Dictionary)*

Legally Nonconforming Use

A use that was lawfully established and maintained, but no longer conforms to the use regulations of the current zoning in the zone where it is located; also known as a *grandfathered use*. *(Dictionary)*

Market Study

A macroeconomic analysis that examines the general market conditions of supply, demand, and pricing or the demographic of demand for a specific area or property type. A market study may also include analyses of construction and absorption trends. *(13th Edition)*

Marketability Study

A microeconomic study that examines the marketability of a given property or class of properties, usually focusing on the market segments in which the property is likely to generate demand. Marketability studies are useful in determining a specific highest and best use, testing development proposals, and projecting an appropriate tenant mix. *(13th Edition)*

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Market Analysis

A process for examining the demand for and supply of a property type and the geographic market area for that property type. This process is sometimes referred to as *a use in search of a site. (13th Edition)*

Market Area

The geographic or locational delineation of the market for a specific category of real estate, i.e., the area in which alternative, similar properties effectively compete with the subject property in the minds of probable, potential purchasers and users *(13th Edition)*

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the typical lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs). *(13th Edition)*

Market Value

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

1. buyer and seller are typically motivated;

2. both parties are well informed or well advised, and acting in what they consider their own best interests;

3. a reasonable time is allowed for exposure in the open market;

4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. *(Office of Comptroller of the Currency (OCC), Title 12 of the Code of Federal Regulation, Part 34, Subpart C - Appraisals, 34.42 (g); Office of Thrift Supervision (OTS), 12 CFR 564.2 (g). This is also compatible with the RTC, FDIC, FRS and NCUA definitions of market value.)*

Net Operating Income (NOI)

The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income, but before mortgage debt service and book depreciation are deducted. Note: This definition mirrors the convention used in corporate finance and business valuation for EBITDA (earnings before interest, taxes, depreciation, and amortization). *(Dictionary)*

Obsolescence

One cause of depreciation; an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production, or external factors that make a property less desirable and valuable for a continued use; may be either functional or external. *(Dictionary)*

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Off-site Costs

Costs incurred in the development of a project, excluding actual building construction costs, e.g., the costs of streets, sidewalks, curbing, traffic signals, and water and sewer mains; also called *common costs* or *off-site improvement costs*. *(Dictionary)*

On-site Costs

Costs incurred for the actual construction of buildings and improvements on a particular site. *(Dictionary)*

Overage Rent

The percentage rent paid over and above the guaranteed minimum rent or base rent; calculated as a percentage of sales in excess of a specified breakeven sales volume. *(13th Edition)*

Overall Capitalization Rate (OAR)

An income rate for a total real property interest that reflects the relationship between a single year's net operating income expectancy and the total property price or value. *(Dictionary)*

Potential Gross Income (PGI)

The total income attributable to real property at full occupancy before vacancy and operating expenses are deducted. *(Dictionary)*

Potential Gross Income Multiplier (PGIM)

The ratio between the sale price (or value) of a property and its annual potential gross income (PGIM = V/PGI). (Dictionary)

Present Value (PV)

The value of a future payment or series of future payments discounted to the current date or to time period zero. *(Dictionary)*

Parking Ratio

The ratio of parking area or parking spaces to an economic or physical unit of comparison. Minimum required parking ratios for various land uses are often stated in zoning ordinances. *(Dictionary)*

Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy. *(Dictionary)*

Qualitative Analysis

The process of accounting for differences (such as between comparable properties and the subject property) that are not quantified; may be combined with quantitative analysis. *(Dictionary)*

Quantitative Adjustment

In the sale comparison approach, the process of making numerical adjustments to the sale prices of comparable properties, including data analysis techniques (paired data analysis, grouped data analysis, and secondary data analysis), statistical analysis, graphic analysis, trend analysis, cost analysis (cost-to-cure, depreciated cost), and capitalization of rent differences; usually precedes qualitative analysis. *(Dictionary)*

Rentable Area

The amount of space on which the rent is based; calculated according to local practice. *(Dictionary)*

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Replacement Cost

The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout. *(13th Edition)*

Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building. *(13th Edition)*

Retrospective Value Opinion

A value opinion effective as of a specific historical date. The term does not define a type of value. Instead, it defines a value opinion as being effective at some specific prior date. Inclusion of this type of value with this term is appropriate, e.g., "retrospective market value opinion."*(Dictionary)*

Sales Comparison Approach

The process of deriving a value indication for the subject property by comparing similar properties that have recently sold with the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of comparable sales is available. *(13th Edition)*

Scope of Work

The type and extent of research and analysis in an assignment. Scope of work includes, but is not limited to:

The extent to which the property is identified;

The extent to which tangible property is inspected;

The type and extent of data researched; and

The type and extent of analysis applied to arrive at opinions or conclusions. *(USPAP)*

Shopping Center Types

Community Center: A shopping center of 100,000 to 450,000 square feet that usually contains one junior department store, a variety store, discount or department store. A community shopping center generally has between 20 and 70 retail tenants and a market population support of 40,000 to 150,000 people.

Neighborhood Center: The smallest type of shopping center, generally with a gross leasable area of between 30,000 and 100,000 square feet. Typical anchors include supermarkets and pharmacies. Neighborhood shopping centers offer convenience goods and personal services and usually depend on a market population support of 3,000 to 40,000 people.

Power Center: A large center of 500,000 to 2.0 million square feet anchored by three or more full-line department stores. This type of center is typically supported by a population area of 300,000 people. *(13th Edition)*

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Shopping Center Types (cont.)

Regional Center: A shopping center of 300,000 to 900,000 square feet that is built around one or two full-line department stores of approximately 200,000 square feet each plus small tenant spaces. This type of center is typically supported by a minimum population of 150,000 people.

Superadequacy

An excess in the capacity or quality of a structure or structural component, determined by market standards. *(Dictionary)*

Surplus Land

Land that is not currently needed to support the existing improvement but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. *(Dictionary)*

Tenant Improvements (TIs)

1. Fixed improvements to the land or structures installed for use by a lessee.

2. The original installation of finished tenant space in a construction project, subject to periodic change for succeeding tenants. *(Dictionary)*

Triple Net Lease

A lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management. Also called *NNN, triple net lease*, or *fully net lease*. *(Dictionary)*

Usable Area

The area that is actually used by the tenants measured from the inside of the exterior walls to the inside of walls separating the space from hallways and common areas. *(Dictionary)*

Useful Life

The period of time over which a structure or a component of a property may reasonably be expected to perform the function for which it was designed. *(Dictionary)*

Vacancy and Collection Loss

A deduction from potential gross income (PGI) made to reflect income deductions due to vacancies, tenant turnover, and non-payment of rent; also called *vacancy and credit loss* or *vacancy and contingency loss*. Often vacancy and collection loss is expressed as a percentage of potential gross income and should reflect the competitive market. Its treatment can differ according to the interest being appraised, property type, capitalization method, and whether the property is at stabilized occupancy. *(Dictionary)*

Yield Capitalization

A method used to convert future benefits into present value by 1) discounting each future benefit at an appropriate yield rate, or 2) developing an overall rate that explicitly reflects the investment's income pattern, holding period, value change, and yield rate. *(Dictionary)*

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EDUCATION AND QUALIFICATIONS

DePaul University, Chicago, Illinois, Masters of Business Administration, Real Estate Finance and Investment

Ball State University, Muncie, Indiana, Bachelor of Science, Finance

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BUSINESS EXPERIENCE

Jeremy Walling serves as the Managing Director for Colliers International Valuation & Advisory Services in Chicago, Illinois. His extensive experience in commercial real estate is focused on properties located in the Chicago metropolitan area, but also includes assets located throughout Illinois, Indiana, Iowa, Michigan, and Wisconsin.

Retail assignments have ranged from freestanding retail stores to superregional shopping malls, while industrial assignments include distribution warehouses, truck terminals, and manufacturing facilities. Office assignments include high-rise CBD buildings, low- to mid-rise suburban offices, and medical office buildings. Residential assignments include residential subdivisions and condominium developments and conversions. Experience with other property types includes health club facilities, hospitality properties, senior living facilities, parking garages, and vacant land. Specialized real estate assignments include right-of-way projects, vacated railroad corridors and fiber optic cable easements.

Clients served include accountants, investment firms, law firms, lenders, private corporations, universities, local municipalities, and public agencies, including General Services Administration (GSA) and U.S. Department of Housing and Urban Development (HUD).

Qualified as an expert witness in the Circuit Courts of Cook County and Will County.

PRIOR EXPERIENCE

Mr. Walling was formerly a Director at Integra Realty Resources in Chicago, IL. His career began in 1997 as a real estate analyst with Michael Lady Advisors.

MEMBERSHIPS, LICENSES AND PROFESSIONAL AFFILIATIONS

Appraisal Institute, MAI Designation

Royal Institute of Chartered Surveyors, MRICS Designation

Chicago Chapter of Appraisal Institute, Board of Directors, 2010-2012

APPRAISAL INSTITUTE COURSES

Successfully completed all courses and experience requirements to qualify for the MAI designation. Mr. Walling was awarded the designation in 2005, and has completed the requirements under the continuing education program of the Appraisal Institute.

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REPRESENTATIVE PROJECTS

Arboretum of South Barrington (Lifestyle Shopping Center)

AON Center, Chicago, IL (CBD Office)

Boeing Building, Chicago, IL (CBD Office)

Buffington Harbor, Gary, IN (Surplus Land and Harbor Improvements)

Dirksen Federal Plaza Redevelopment Project, Chicago, IL (CBD Office, Retail and Vacant Land)

Franklin Point Development Site, Chicago, IL (Residential Planned Development Site)

Motorola Research and Development Facility, Champaign, IL (Research Park)

Northern Trust Operations Center, Chicago, IL (Single Tenant Office)

River East Arts Center, Chicago, IL (Mixed-Use Development Conversion)

U.S. Postal Office, Carrier Annex, Chicago, IL (CBD Industrial / HBU Analysis)

300 S. Riverside, Chicago, IL (CBD Office)

Social Security Regional Headquarters, Chicago, IL (Single Tenant Office)

State of Illinois

Department of Financial and Professional Regulation
Division of Professional Regulation

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