

# CLARK HILL

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October 5, 2015

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## VIA E-FILING

Cynthia T. Brown  
Chief, Section of Administration  
Office of Proceedings  
Surface Transportation Board  
395 E Street SW  
Washington, DC 20024

**Re:** V and S Railway, LLC - Abandonment Exemption -  
In Pueblo, Crowley and Kiowa Counties, CO  
STB Docket No. AB 603 (Sub-No. 4X)

Dear Ms. Brown:

On September 22, 2015, V and S Railway, LLC (“V&S”) filed a Reply to Request for Information Related to Offer of Financial Assistance (the “Reply”), and a separate Appendix of “highly confidential” exhibits. Based on discussions with counsel for KCVN, LLC and Colorado Pacific Railroad, LLC (collectively, “Offerors”), V&S is re-designating the confidentiality of the exhibits that were included in the Appendix. Exhibits 1.A and 1.B are being re-designated as “public” documents and copies are enclosed with this letter, and should be added to the Reply.

The other exhibits in the Appendix are being re-designated as “confidential” documents. In addition, V&S is replacing the copy of the UP-CDOT Line Sale Agreement that was included as Exhibit 2, with a new version that includes exhibits to the Line Sale Agreement that were located by V&S after the Reply was filed. The updated and re-designated Appendix is being submitted herewith as a separate “Confidential” document.

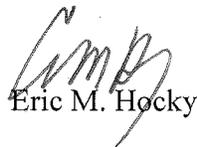
October 5, 2015

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Please let me know if there are any questions regarding this filing.

Respectfully,

CLARK HILL PLC



Eric M. Hocky

EMH/dml

cc: Thomas W. Wilcox (by email, with encls. and Confidential Appendix)  
Kiowa County Commissioners (by email and first class mail, with encls. only)

## **EXHIBIT 1.A**

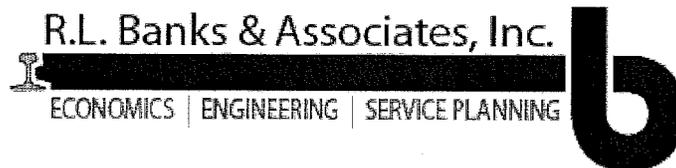
**R.L. BANKS & ASSOCIATES, INC.**

**ECONOMICS | ENGINEERING | SERVICE PLANNING**



**Track Asset Valuation  
of the  
V&S Railway  
Towner Junction, CO - NA Junction, CO**

**Prepared  
By  
R.L. Banks & Associates, Inc.  
October 2, 2014**



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## Track Asset Valuation of the V&S Railway

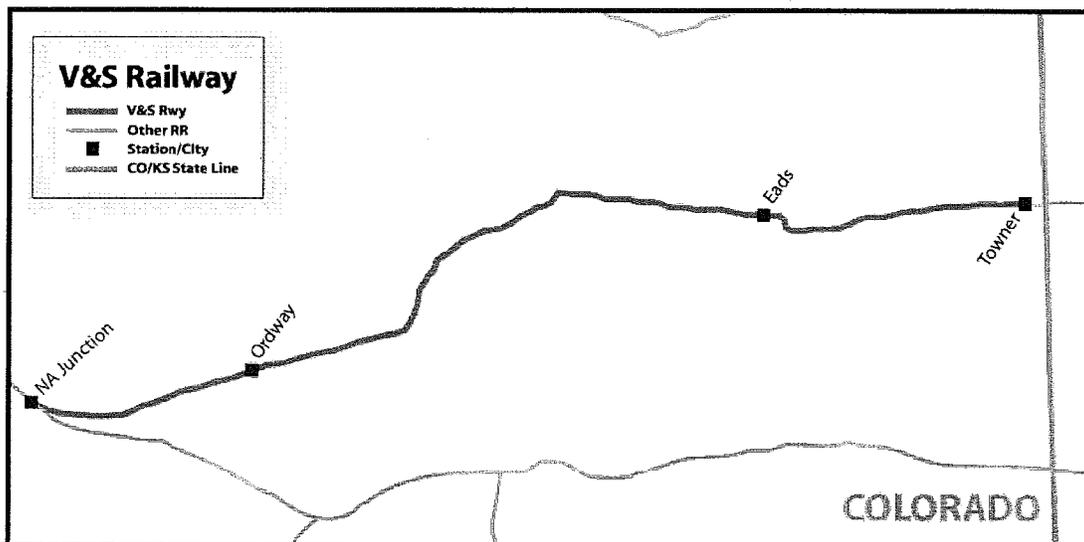
### Introduction

The V&S Railway (V&S) is a currently inactive railroad consisting of 121.9 mainline miles and 134.1 total miles of track in eastern Colorado. The railroad extends from west Towner Junction at milepost 747.5 to NA Junction at milepost 869.4. R.L. Banks & Associates, Inc. (RLBA) was retained by A&K Railroad Materials of Salt Lake City, UT to perform a valuation of track assets constituting the entire railroad between Towner, Colorado and a location outside Avondale, Colorado.

This effort determines the Net Liquidation Value (NLV) of track assets in the subject property as of September 30, 2014 based on findings recorded during a physical inspection of the assets which occurred on October 1, 2014 conducted by Crew Heimer, , RLBA's Director, Transportation Engineering. This report presents findings of the research and discusses the factors which influence the value of railroad rail, other track material (OTM), ties and ballast.

A summary of the track evaluated appears in Appendix One, which identifies key rail asset characteristics by milepost location. The evaluation covers rail, ties, ballast, switches and other track material (OTM) including joint bars, anchors, tie plates and spikes.

### Map of the V&S Railway



### **Net Liquidation Value**

As summarized below in Table 1 and seen in greater detail on Appendix Two with respect to each segment, the NLV is \$26,951,300 as of September 30, 2014. That figure was determined via desktop application of current market prices to the physical inventory.

RLBA arrived at this NLV as a result of four principal steps: first, computation of Gross Liquidation Value (GLV), the market value of salvageable assets (primary components with a value greater than related salvage expenses); second, calculation of various liquidation expenses; third, Track Salvage Value (TSV), that value remaining after deductions of Liquidation Expenses due to removal and restoration as necessary to render assets saleable and preparation of the corridor for non-rail use and fourth, Net Liquidation Value (NLV), that value remaining after deductions of administration/marketing expense and conduct of the sales process such as transportation of materials.

### **Methodology to Compute NLV**

NLV was determined utilizing exactly the same process RLBA always employs as in the previous valuation through application of a multiple step process, the building blocks of which are summarized below:

1. Gross Liquidation Value
  - a) Fixed Asset Ownership
  - b) Fixed Asset Inventory
  - c) Inventory Adjustment for Wear and Recovery Reductions and
  - d) Application of Market Value Unit Prices
2. Liquidation Expenses
  - a) Removal Expenses and
  - b) Restoration Expenses
3. Track Salvage Value
4. Administrative, Marketing and Transportation Expenses and
5. Net Liquidation Value.

That approach, by design, adheres to the methodology employed by the Surface Transportation Board, as manifest in decisions made by its Commissioners involving abandonments and other, related issues involving the prescribed use of NLV.

### **Gross Liquidation Value**

GLV in the context of this analysis was defined as current retail market value (with the exception of ties, which would be wholesaled) of all fixed assets as if they were available for immediate sale.

**TABLE 1: V&S Railway Net Liquidation Value Summary**

Net Liquidation Value - <u>Total</u> Track Assets				
<u>V&amp;S Railway</u>				
Towner Jct. - NA Jct. (mileposts 747.5 -869.4)				
As of September 30, 2014				
	Unit	Unit Cost	Total	Grand Total
Track Nominal Value:				
Relay Railroad Materials			\$31,326,400	
Scrap and Reroll Materials (net of transportation)			964,700	
Ties and Non-steel Materials			1,258,200	
Gross Value				\$33,549,300
Preparation Cost Adjustments:				
Fit Rail & OTM Removal (miles)	127	\$16,000	-\$2,032,100	
Scrap/Reroll Rail & OTM Removal (miles)	7	12,000	-85,100	
Fit Turnout Removal (each)	18	800	-14,400	
Scrap Turnout Removal (each)	11	500	-5,500	
Total Adjustments				-2,137,100
Restoration Cost Adjustments:				
Public Highway Crossing (each)	64	\$2,000	-\$128,000	
Private Highway Crossing (each)	12	300	-3,600	
Total Adjustments				-131,600
Track Salvage Value				\$31,280,600
Administrative, Marketing and Transportation Expense				
Relay Steel Materials - 13 percent			-4,072,400	
Scrap, Reroll and Non-steel Materials - 5 percent			-111,100	
Steel Transportation (by rail) - carloads to <i>Chicago</i>	25	@ \$5,831	-145,800	
Total Estimated Expense				-4,329,300
Net Liquidation Value				\$26,951,300

Notes: Dollar amounts are rounded to the nearest hundred; units to the nearest tenth.

Values may not appear to add due to rounding.

Bridges, highway crossing devices, ballast and culverts, as will be explained later, yield no positive NLV value because of high removal costs.

Fixed Asset Ownership In performing this track-related NLV evaluation, RLBA assumed that V&S owns all the rail assets in fee simple including all yard, siding and industry spur tracks.

Fixed Asset Inventory To assess the physical condition of the track assets, the valuation was based on field inspections. Data concerning track condition and inventory obtained during that field inspection was used to inform the development of this NLV report.

Steel. The most significant marketable materials reflected in this valuation were steel track components, assumed to be sold for railroad reuse or as steel mill scrap, depending upon condition. Generally, rail in the main track designated as "fit" or "relay" can be reused in other railroad applications, if it weighs at least 85 pounds per yard or greater. Rail may have a functional use and life with wear up to and exceeding ½ inch vertical or horizontal head wear but is not generally considered worth installing again into a relay, (cascading) position if it exhibits more than 1/4 inch wear. At the time of this valuation it was found that certain V&S rail met two suitable, relay categories: Fit #1, which includes all rail with less than 1/8 of an inch head wear and Fit #2, all rail with less than 3/16 of an inch head wear. The retail price of Fit #1 is set at a premium relative to Fit #2. If not suitable for rail relay, the next highest value application is as reroll, where rail is rolled into new, non-rail products. Rail not suitable for reroll because of excessive side head wear, excessive metal flow, holes mid-rail, short length or attached asphalt or concrete is suitable only as scrap. Reroll rail generally brings higher dealer prices than scrap subject to market demands by the US electric steel mills. Scrap is divided into two categories: rail and other track material (OTM) such as joint bars, tie plates, rail anchors, nuts, bolts, washers and spikes. OTM commands a higher price than rail because the melting of OTM avoids the extra effort required by mills to cut rail into sections suitable for melting. Table 2 displays the values assigned to each rail and OTM classification.

Turnouts were determined or estimated as scrap or relay if their rail size was of 115 pounds per yard or heavier. All relay switches were #10 turnouts having rail-bound manganese (RBM) frogs in good condition. All double shoulder main track tie plates used on 132 pound rail were classified as relay, even if the rail they supported was classified as scrap because they would be matched with other relay rail featuring less desirable tie plates. All other single shoulder tie plates except high quality 9 ½" and 10 ½" were scrapped due to low market demand. If rail reuse as relay was warranted, joint bars and rail anchors were assumed reused whereas if rail were assumed scrapped or rerolled, the joint bars and rail anchors were assumed to be scrapped. All other track material (OTM) such as nuts, bolts, washers and spikes were valued as scrap.

TABLE 2: Unit Market Prices, September 30, 2014

Unit Market Prices Applicable to Track Materials As of Week - September 30, 2014		
Steel (Rail)	Unit Prices per	
	Component	Ton
Rail 136 pound per yard, CWR, Fit #1		\$775.00
Rail 133 pound per yard, CWR, Fit #1		\$700.00
Rail 133 pound per yard, CWR, Fit #2		\$630.00
Rail 115 pound per yard, CWR, Fit #1		\$850.00
Rail 115 pound per yard, CWR, Fit #2		\$800.00
Rail 115 pound per yard, Jointed, Fit #1		\$870.00
Rail 115 pound per yard, Jointed, Fit #2		\$820.00
Rail 113 pound per yard, CWR, Fit #2		\$650.00
Rail 112 pound per yard, Jointed, Fit #1		\$835.00
Rail 112 pound per yard, Jointed, Fit #2		\$700.00
Rail 90 pound per yard, CWR, Fit #1		\$600.00
Rail Reroll		\$425.00
Rail Scrap		\$323.00
<u>Steel (OTM)</u>		
Scrap OTM		\$363.00
Tie Plates, D/S, 16" long, 6" base, Fit	\$10.00	
Tie Plates, D/S, 14" long, 6" base, Fit	\$9.75	
Tie Plates, D/S, 13" long, 5.5" base, Fit	\$9.00	
Tie Plates, S/S, 11" long, 5.125 - 5.375" base, Fit	\$8.00	
Tie Plates, D/S, 11" long, 5.5" base, Fit	\$8.00	
Joint Bars, 133/132/131 pound per yard, Fit	\$75.00	
Joint Bars, 119/112 pound per yard, Fit	\$40.00	
Joint Bars, 115 pound per yard, Fit	\$75.00	
Joint Bars, 90 pound per yard, Fit	\$25.00	
Anchors, Fit	\$1.25	
<u>Timber (Ties)</u>		
Relay (ea)	\$18.00	
Landscape #1 (ea)	\$8.00	
Landscape #2 (ea)	\$4.00	
Scrap (ea)	(2.00)	
<u>Turnouts</u>		
Fit (136#10)	\$6,000.00	
Fit (115/112#10)	\$4,000.00	
Fit (Long)	\$0.00	
Sources: American Metal Market, Unitrac, A&K 11AUG14 similar sale, and RLBA estimates.		

Ties. Because tie installation costs often approach tie material costs, only recently installed ties are suitable for rail reuse. The cost to sort, handle, transport and inventory ties is high, and in comparison with the wholesale prices they command, generally yield only a low net salvage value. Overall tie condition on the inspected V&S track was fair to poor.

Ballast. There is not a substantial quantity of ballast on the track bed; therefore, recovery of ballast was not considered.

Other Track Assets. No net salvage value was assigned to signals and communications facilities, highway crossing signals, highway crossing panels, bridges or culverts on the line in the calculation of the NLV. Highway crossing signals generally yield little or no alternative use value. Use by even a short line railroad to replace a damaged signal is unlikely; typically, no inventory is kept on-hand and new replacements are ordered from standard suppliers and immediately installed. Marketing costs to inform railroads of second-hand availability and handling costs likely would exceed the amount that could be recovered through sale. Signal materials scrap value would not exceed salvage costs. Likewise, there is no ready market in which to sell used, highway crossing panels and so they are not included in NLV calculations.

Bridge and culvert removal costs and proceeds traditionally approximate each other and therefore have no net effect on NLV and so are omitted from NLV calculations.

#### **Inventory Adjustment Reflection of Wear and Recovery Reductions**

Due to material age, condition and the economics of expedited removal procedures, it was determined that not all railroad assets in the existing right-of-way would be recovered. Instead, liquidation of the property was assumed to yield the following recovery rates, based on the theoretical weight of new rail:

- 97 percent of fit rail, remainder as scrap rail;
- 97 percent of scrap and reroll rail;
- 97 percent of tie plates on fit rail;
- 95 percent of tie plates on scrapped rail;
- 97 percent of joint bars on fit rail;
- 95 percent of joint bars on scrapped rail;
- 97 percent of scrap turnout material;
- 80 percent of fit rail anchors and
- 80 percent of rail anchors, bolts, spikes, washers and other scrap materials.

The recovery rate assumption as to scrap and reroll rail reflects a three percent reduction applied to gross rail weight as an adjustment recognizing average rail wear. Fit tie plates and joint bars were

assumed sold by unit; therefore no weight reduction was assumed. However, five percent of OTM gross weight was judged likely to be lost as a result of the removal process. Ninety-five percent of OTM was assumed to be recovered in connection with scrapped rail. Rail anchors salvaged from fit rail were assumed to be fifty percent acceptable as relay. Finally, twenty percent of anchors, bolts, spikes, washers and other materials were estimated as rusted or lost during salvage operations, leaving only eighty percent to be salvaged as scrap.

#### **Application of Market Value Unit Prices**

The GLV and NLV estimates were based on the application of actual unit market prices as at September 30, 2014, as supplied by specifically identified market participants and displayed in Table 2.

RLBA assumed that the seller would use its own personnel and/or contract out efforts to remove, organize and sell released materials as opposed to a single bulk transaction to a rail or scrap broker at an in-place price. However, used crossties were assumed sold in bulk to a broker at a net wholesale price reflecting removal by the broker. As is readily apparent, relay steel (rail and OTM) materials are the significant components of the NLV.

RLBA determined that reroll rail and railroad scrap loaded in railcars in the NA Junction, CO area and delivered to the Chicago, IL area would command larger net value based on metal prices and rail transportation costs.

#### **Liquidation Expenses**

Two fundamental assumptions were employed in development of expenses that were netted against gross liquidation values:

- 1) costs associated with removal, sorting and transporting railroad materials reflected a deliberate and efficient liquidation and
- 2) restoration expenses were assumed to be required in connection with highways, including coordination with local governments.

#### **Removal Expenses**

The cost of taking up track, including disassembly, sorting, stacking and loading of materials for shipment and disposing of ties was estimated at \$16,000 per mile where rail was classified as relay and \$12,000 per mile where classified as scrap. Turnout removal was estimated at \$800 per fit turnout and \$500 per scrap turnout.

### **Restoration Expenses**

As a condition of service termination and non-rail reuse of the real property, governments frequently require correction of some existing conditions that might cause the public sector to incur future expense. Such regulations affect the subject NLV determination in three principal asset categories: 1) bridges and culverts, 2) highway crossings and 3) structures.

RLBA assumed that the cost to remove bridge superstructures would approximate salvage proceeds, resulting in no impact on NLV. While removal expense likely could exceed salvage proceeds, because some trestles are constructed of timber and may be in environmentally sensitive areas, it is not unusual for bridges and culverts to be left in place in the event a line is converted to a trail. Such a disposition would yield the same NLV as that assumed in the estimate. Supporting and sub-structures are assumed to be allowed to remain in place, thereby generating neither proceeds nor expenses.

All tracks in roadways and crossing protection devices must be removed and pavement restored as a condition of service termination. The removal of track materials from pavement and restoration of pavement was estimated at \$2,000 per public crossing and \$300 per private crossing. Removal of crossing protection devices was estimated to equate to salvage value.

### **Track Salvage Value**

Track salvage value is equal to gross liquidation value less liquidation expense.

### **Administrative, Marketing and Transportation Expenses**

RLBA's standard methodology to determine cost to administer liquidation and market steel assets so as to achieve retail prices arrived at an estimation of fifteen percent of retail GLV (excluding transportation) regarding relay steel materials and five percent of GLV re scrap, reroll and non-steel materials. This methodology assumes liquidation is either performed by the railroad itself, which presumable has limited liquidation experience, or by a hired, third party at a premium. However, because liquidation and marketing of rail assets is one of A&K's primary lines of business, RLBA assumes the company could complete the liquidation process more efficiently and at less cost. As such, RLBA has decreased cost to administer liquidation and market steel assets to thirteen percent in an effort to reflect the more efficient practices of an experienced liquidator such as A&K. Transportation of reroll and scrap steel materials was assumed to be shipped by rail to Chicago to maximize income with carload transportation costs reflecting same. Relay materials were estimated to be shipped to Chicago by rail to obtain maximum, net market prices.

### **Net Liquidation Value**

NLV is the remainder after liquidation expenses were deducted from GLV. This is a reasonable expectation of what a seller (acting as its own broker) could receive were the line liquidated in October 2014.

### **Railroad Rail Market**

The predominant component of railroad track asset value is the rail itself. The rail market consists of four primary products: new rail and the three, previously described grades of used rail: relay, reroll and scrap. Since the V&S line is entirely comprised of older, second-hand rail, the discussion which follows is limited to the used rail markets. The NLV depends not only on the wear experienced on the subject rail but also on the situation in those markets.

### **Relay Rail**

Rail replaced because of wear or defects on a busy or fast main track is eminently suitable to install on slower speed or lighter traffic lines. At the slow speeds operated in yards, few broken rails result in derailments. In turn, welded replacement rail installed on secondary lines is superior to older rail still in use in some yards. Relay rail tonnages installed consistently exceed new rail tonnages because rail removed from a main line and installed on a branch line frequently generates an additional rail cascade to yard tracks. At each step, however, a portion of the rail is scrapped, usually resulting in short lengths of rail (from cuts made at road crossings and switches) or rail with excessive curve wear.

Through the cascading process, relay rail is generated by installing new rail (or other relay rail). In addition, some liquidated rail lines generate relay rail, though abandonment rail is frequently light, worn sections which are scrapped. While most relay material generated by a railroad is used on its own lines, there is a very active commercial relay market; several brokers supply material to regional and short line railroads and shipper-owned spurs, which neither require nor can justify the cost of new rail.

At lower levels of remaining useful life, rail becomes unattractive to sell in the relay market because the expenses of marketing, transportation and installation of rail on a regional or short line railroad would constitute an excessive share of total value.

Most rail relay programs include welding the rail before installation. Welding significantly reduces maintenance expenses incurred in the joint area associated with surfacing and bolt tightening. In addition, by removing the location of greatest rail wear, rail life is extended.

### Reroll and Scrap Rail

Rail is a premium scrap grade because it is hard steel with known chemistry. While the scrap steel market includes many grades, used rail enters the scrap market as reroll or as charging material (heavy melting scrap) to be melted in furnaces and made into other steel products. Reroll is the designation attached to clean lengths of rail that can be rerolled into new products (construction rebar, fence posts, etc.). Scrap material is required in charging both integrated mills and in mini-mill electric furnaces. The mini-mill demand for scrap is expected to remain strong. While most mills will accommodate rails up to five feet in length, some buyers prefer shorter lengths of two or three feet.

### User Categories

The primary categories of rail users are Class I (large), regional, short line railroads and industrial plants with rail sidings and/or yards. Class I railroads primarily purchase new rail and generate relay rail internally with light weight rail sold as scrap.

Use of relay rail by weight depends on specific railroad practice but, in general, on Class I (major) railroads, 112 pounds per yard and heavier will be reinstalled on secondary main lines if within wear limits, otherwise it will be installed in yard tracks. Good relay rail is required in yard turnouts. Rail between 100 and 112 pounds per yard is suitable in yard and industry tracks, though if generated in abundance in any one year, it may be sold into the second-hand market. Rail sections less than 100 pounds per yard are generally scrapped when taken up by Class I railroads.

Regional railroads are in need of second-hand rail and demand for repair rail has propelled second-hand prices on medium and heavy rail to a high value proportionate to prices of new rail with respect to remaining life as indicated by rail wear. This anomaly results because at typical regional railroad annual traffic levels of three to five million gross tons (MGT), half-worn rail may last another 50 - 80 years and so is a relative bargain at \$800 per ton compared with new rail at about \$1,200 per ton.

From the distinct economic perspective of regional railroads, by contrast with Class I railroads, paying one-half to three-quarters the price of new rail for half-worn rail can provide savings because replacement expenditures are years away. Rail weighing 115 pounds per yard or greater is preferred for replacement. Rail designated 132RE or greater (RE designation representing rail that adheres to AREMA specifications) would be considered if the costs, including shipping and other track materials, were the same or less than a 115RE section of rail. Similar economics drive the decision of Class I railroads to cascade worn rail, with little in-place economic life to another line on the system with lower traffic density rather than continuing to wear the rail down to scrap condition at its original location.

Short line railroads use any rail from new 136RE to second-hand 85 pounds per yard rail, depending on traffic volume and financial strength. Generally, 100 pounds per yard rail or heavier is preferred but some lines still install less than 100-pound rail (to replace even lighter weight installments). If predominant traffic is carried in 100 ton cars, 100 pounds per yard is a minimum standard although some western railroads in dryer climates, and hence better subgrade conditions, use 90 pounds per yard section. (The demand for relay quality 90 and 100 pounds per yard rail is still there but appears to be more regionalized, resulting in decreasing value due to the shift of the railroad industry toward being able to handle even greater axle loads.) Only a few short lines, generally those owned by the primary company they serve, can finance new rail purchases.

Industrial users can use any weight rail but prefer 100 pounds per yard or heavier section. A nearly universal specification by civil engineering firms of 115RE rail (instead of 115RE or heavier) on new sidetrack construction has driven the relay price per ton of that rail section higher than most other sections. The high volume of 115RE rail installed in mainline tracks during the 1950's and 1960's followed by a shift to heavier 119, 132 and 136RE rail has led to a scarcity of available 115RE repair rail. During the last few years, the relative bargain of 119 and 132RE rail has been recognized and those prices also have risen to match that of 115RE at least on a lineal foot basis. .

#### **Qualifications to Estimate**

The findings of this cost estimate are subject to several qualifications and limiting conditions which are stated as follows:

It is assumed that all rail valued was manufactured according to AREMA and ASCE recommended practices and that the rail assets are in full compliance with all FRA standards;

Further, RLBA assumes full compliance with all applicable Federal, state and local regulations and laws;

RLBA takes no responsibility for changes in market conditions which may occur after the date of valuation or for the inability of the rail owner to identify a qualified purchaser;

With regards to the valuation, RLBA has not conducted any title search or verification of legal ownership. RLBA has conducted this valuation under the assumption that the entire rail described herein is owned by NRL free and clear of any liens and encumbrances;

No employee or representative of RLBA will be required to give testimony or attend court or appear at any governmental hearing with reference to the subject rail material, unless prior

arrangements have been made directly with RLBA;

RLBA takes no responsibility for changes in track structure under portions of the railroad that were covered by material obstructing physical inspection or areas not inspected;

RLBA has not conducted any environmental remediation investigation and as such has not factored in any environmental remediation costs that may result from actual liquidation of line.

## Certification

I, Crew Heimer, do hereby certify that to the best of my knowledge and belief:

The statements of fact contained in this report are true and correct.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and is my personal, unbiased, professional analyses, opinions and conclusions.

I have no specified or unspecified present or prospective interest in the properties that are the subject of this report and I have no personal interest or bias with respect to the parties involved.

My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result or the occurrence of a subsequent event.

I made a personal inspection of the property that is the subject of this report on September 30, 2014.

Submitted,

Crew Heimer

**Appendix One**

Net Liquidation Value - *Total* Track Assets

*V&S Railway*

Towner Jct. - NA Jct. (mileposts 747.5 -869.4)

As of September 30, 2014



	Unit	Unit Cost	Total	Grand Total
Track Nominal Value:				
Relay Railroad Materials			\$31,326,400	
Scrap and Reroll Materials (net of transportation)			964,700	
Ties and Non-steel Materials			1,258,200	
 Gross Value				 \$33,549,300
Preparation Cost Adjustments:				
Fit Rail & OTM Removal (miles)	127	\$16,000	-\$2,032,100	
Scrap/Reroll Rail & OTM Removal (miles)	7	12,000	-85,100	
Fit Turnout Removal (each)	18	800	-14,400	
Scrap Turnout Removal (each)	11	500	-5,500	
Total Adjustments				-2,137,100
Restoration Cost Adjustments:				
Public Highway Crossing (each)	64	\$2,000	-\$128,000	
Private Highway Crossing (each)	12	300	-3,600	
Total Adjustments				-131,600
Track Salvage Value				\$31,280,600
Administrative, Marketing and Transportation Expense				
Relay Steel Materials - 13 percent			-4,072,400	
Scrap, Reroll and Non-steel Materials - 5 percent			-111,100	
Steel Transportation (by rail) - carloads to <i>Chicago</i>	25	@	\$5,831	-145,800
Total Estimated Expense				-4,329,300
Net Liquidation Value				\$26,951,300

Notes: Dollar amounts are rounded to the nearest hundred; units to the nearest tenth.

Values may not appear to add due to rounding.

Source: Appendix Two - *Segment or Total*.

**Appendix Two**  
**Gross Value - Total Track Assets**  
**V&S Railway**  
**Towner Jct. - NA Jct. (mileposts 747.5 - 869.4)**  
**As of September 30, 2014**

Miles		Description	Condition	Quantity per mile	Unit	Total	Re-Useable			Scrap and Reroll			Grand Total (a+b)	
Fit	Scrap						Percent	Unit Value	Value (a)	Percent	Unit	Value (b)		
<b>RAIL:</b>														
49.30		136 RE CWR	Fit #1	239.4	Ton	11,802	97	%	775	8,872,500			8,872,500	
	1.25	136 RE CWR	Reroll	239.4	Ton	299					97	%	425	123,400
0.18		133 RE CWR	Fit #1	234.1	Ton	41	97		700	27,800			27,800	
0.18		133 RE CWR	Fit #2	234.1	Ton	41	97		630	25,000			25,000	
	3.75	132 RE CWR	Reroll	232.3	Ton	871					97		425	359,100
0.73		115 RE CWR	Fit #1	202.4	Ton	147	97		850	121,000			121,000	
2.23		115 RE CWR	Fit #2	202.4	Ton	450	97		800	349,500			349,500	
52.40		115 RE	Fit #1	202.4	Ton	10,606	97		870	8,950,200			8,950,200	
3.15		113 RE CWR	Fit #2	198.9	Ton	627	97		650	395,000			395,000	
18.41		112 RE	Fit #1	197.1	Ton	3,628	97		835	2,938,200			2,938,200	
	0.24	112 RE	Reroll	197.1	Ton	46					97		425	19,100
	0.01	112 RE	Scrap	197.1	Ton	2					97		323	600
0.45		90 RA	Fit #1	158.4	Ton	71	97		0	-			-	
	0.13	90 RA	Reroll	158.4	Ton	21					97		425	8,500
	0.02	90 RA	Scrap	158.4	Ton	3					97		323	1,000
	1.36	85 AS	Reroll	149.6	Ton	203					97		425	83,900
	0.34	85 AS	Scrap	149.6	Ton	51					97		323	15,900
127.01	7.10	TOTAL RAIL								\$21,679,200			\$611,500	\$22,290,700

Miles		Description	Condition	Quantity per mile	Unit	Total	Re-Useable			Scrap and Reroll			Grand Total (a+b)	
Fit	Scrap						Percent	Unit Value	Value (a)	Percent	Unit	Value (b)		
<b>OTHER TRACK MATERIAL:</b>														
121.90	0.00	Ties Relay	Each	3,249	Each	396,053	2	%	\$18.00	\$154,500			\$154,500	
121.90	0.00	Ties Landscape #1	Each	3,249	Each	396,053					27	%	\$8.00	\$842,300
121.90	0.00	Ties Landscape #2	Each	3,249	Each	396,053					35	%	\$4.00	\$550,500
121.90	0.00	Ties Scrap	Each	3,249	Each	396,053					37		(2.00)	-289,100
0.35	3.70	Tie Plates 8 x 16 DS Pan	Relay	Each	6,498	Each	26,317	97		10.00	255,300			255,300
49.30	1.30	Tie Plates 8 x 14 DS	Relay	Each	6,498	Each	328,799	97		9.75	3,109,600			3,109,600
76.91	0.25	Tie Plates 8 x 13 DS	Relay	Each	6,498	Each	501,321	97		9.00	4,376,500			4,376,500
0.45		Tie Plates 7 x 11 SS	Relay	Each	6,498	Each	2,924	97		8.00	22,700			22,700
	1.85	Tie Plates 7 x 11 SS	Scrap	Ton	108.9	Ton	201				95		363	69,500
52.40		Jt. Bars 115# 36"	Relay	Pair	271	Pair	14,188	97		75.00	1,032,200			1,032,200
18.41		Jt. Bars 112# 24"	Relay	Pair	271	Pair	4,984	97		41.90	202,500			202,500
0.45		Jt. Bars 90#	Relay	Pair	320	Pair	144	97		28.80	4,000			4,000
	0.12	Jt. Bars 112#24"	Scrap	Ton	9.5	Ton	1				97		363	400
	0.15	Jt. Bars 90#	Scrap	Ton	9.5	Ton	1				97		363	500
	1.70	Jt. Bars 85#	Scrap	Ton	9.5	Ton	16				95		363	5,600
54.48		Rail Anchors Welded	Relay	Each	6,498	Each	354,004	80		1.25	354,000			354,000
72.53		Rail Anchors Jointed	Relay	Each	2,708	Each	196,411	80		1.25	196,400			196,400
	7.10	Rail Anchors	Scrap	Ton	3.7	Ton	27				80		363	7,700
127.01	7.10	Spikes	Scrap	Ton	5.1	Ton	679				80		363	197,200
127.01	7.10	Boits & Washers	Scrap	Ton	1.4	Ton	190				80		363	55,100
TOTAL OTHER TRACK MATERIAL										\$9,707,700			\$1,439,700	\$11,147,400

Turnouts		Description	Condition	Quantity	Unit	Total	Re-Useable			Scrap			Total Value		
Fit	Scrap						Percent	Unit Value	Value	Percent	Unit	Value			
11		Turnouts (136#10)	Fit	Each	1	Each	11	100	%	\$6,000	\$66,000		\$66,000		
7		Turnouts (115/112#10)	Fit	Each	1	Each	7	100	%	\$4,000	\$28,000		\$28,000		
	11	Scrap Turnouts	Scrap	Ton	5	Ton	55					97	%	\$323	\$17,200
18	11	TOTAL TURNOUTS									\$94,000		\$17,200	\$111,200	
<b>GRAND TOTAL</b>										<b>\$31,481,000</b>			<b>\$2,068,000</b>	<b>\$33,549,000</b>	

Notes: Dollar amounts are rounded to the nearest hundred; tons to the nearest tenth; units to the nearest integer. Values may not appear to add due to rounding.



### Appendix Three

#### Yard Tracks and Sidings Summary - Total Track Assets

V&S Railway

Towner Jct. To NA Jct. (mileposts 747.5 -869.4)

As of September 30, 2014

Segment	MP	Location	Mileage (by Rail Weight)						
			136	133	132	115	112	90	85
1	752.4	Stuart			1.2				
1	757.3	Sheridan Lake							0.4
1	766.5	Brandon						0.3	
1	771.1	Chivington	0.6						
1	771.1	Chivington			0.6				
1	784.8	Eads north 1	0.65						
1	784.8	Eads north 2			0.65				
1	785.7	Eads north 2						0.2	
1	785.7	Eads south							0.4
2	799.2	Galatea						0.1	
2	806.4	Haswell North			1.3				
2	807.2	Haswell South					0.6		
3	821.4	Arlington							0.1
3	829.6	Heath					1.3		
3	840.9	Sugar City					0.4		
3	840.9	Sugar City							0.2
3	846.3	Ordway							0.2
3	846.5	Ordway					1.4		
3	852.1	Crowley							0.2
3	857.0	Olney Springs							0.2
3	862.4	Pultney					1.2		
<b>Subtotals =</b>			<b>1.25</b>	<b>0.00</b>	<b>3.75</b>	<b>0.00</b>	<b>4.90</b>	<b>0.60</b>	<b>1.70</b>

**Grand Total (All Yard Tracks & Sidings) = 12.2 Miles**

Note: Total may vary slightly due to rounding.

Source: RLBA



**Appendix Four**

Turnout Summary - *Total* Track Assets  
 V&S Railway  
 Towner Jct. To NA Jct. (mileposts 747.5 -869.4)  
 As of September 30, 2014



Town	Location MP	Condition		Rail	Frog			Comments
		Relay	Scrap	Weight	Type	Size (#)	Weight	
Stuart	752.4		1	115	RBM	10	115	broken casting heel and rail on RBM 1962 rail
Stuart	753.7		1	115	RBM	10	115	C Clamps
Sherdan Lake	757.3		1	115	RBM	10	115	
Brandon	766.5		1	115	RBM	10	115	
Chivington	771.1		1	115	RBM	10	115	1957 weld frog
Chivington	772.3		1	136	RBM	10	136	
Eads N1	784.6		1	115	RBM	10	115	
Eads N2	785.7		1	115	RBM	10	115	
Eads S	785.6		1	115	RBM	10	115	
Eads N2	787.9		1	115	RBM	10	115	
Eads N1	785.9		1	115	RBM	10	115	
Eads S	786.0		1	115	RBM	10	115	
Galatea	799.2		1	115	RBM	10	115	
Haswell	806.4		1	136	RBM	10	136	
Haswell	807.2		1	112	RBM	10	112	
Haswell	807.7		1	112	RBM	10	112	
Haswell	807.8		1	112	RBM	10	112	
Arlington	821.4		1	136	RBM	10	136	
Heath	829.6		1	136	RBM	10	136	
Heath	830.9		1	136	RBM	10	136	
Sugar City	840.9		1	136	RBM	10	136	
Sugar City	841.5		1	136	RBM	10	136	
Ordway	846.3		1	136	RBM	10	136	
Ordway	846.5		1	136	RBM	10	136	
Ordway	848.0		1	136	RBM	10	136	
Crowley	852.1		1	136	RBM	10	136	
Olney Springs	857.0		1	136	RBM	10	136	
Pultney	862.4		1	136	RBM	10	136	
<u>Pultney</u>	<u>863.7</u>		<u>1</u>	<u>136</u>	<u>RBM</u>	<u>10</u>	<u>136</u>	
Subtotal	115/112	7	9					
Subtotal	136	<u>11</u>	<u>2</u>					
Totals:		18	11					

Source: RLBA

## Appendix Five

Tie Summary - Total Track Assets  
V&S Railway  
Towner Jct. To NA Jct. (mileposts 747.5 -869.4)  
As of September 30, 2014  
(Sample Blocks of 100)

	<u>Location</u>	<u>Relay</u>	<u>Landscape #1</u>	<u>Landscape #2</u>	<u>Scrap</u>
MP	755	1	25	39	35
MP	765	3	16	35	46
MP	775	0	24	35	41
MP	785	0	15	39	46
MP	795	1	42	40	17
MP	805	3	32	38	27
MP	815	1	16	45	38
MP	825	2	29	35	34
MP	835	1	23	22	54
MP	844	1	19	36	44
MP	855	5	48	27	20
MP	865	8	30	26	36
	Average % Totals	2	27	35	37

With tie spacing of 19.5 inches on center equates to : 3,249 ties per mile

Expect average of 70 Relay ties per mile  
864 Landscape #1 ties per mile  
1,129 Landscape #2 ties per mile  
1,186 Scrap ties per mile



Notes: Units are rounded to the nearest integer.

Source: RLBA



## Appendix Seven

### Rail Summary - *Total* Track Assets

#### *V&S Railway*

Towner Jct. To NA Jct. (mileposts 747.5 -869.4)

As of September 30, 2014

Milepost		Rail			Control	Miles
South	North	Section	Rolled	Type	Cooled	
<b>Main Track:</b>						
747.50	750.65	113	1944	CWR	Yes	3.15
750.65	770.35	115	1949	Jointed	Yes	19.70
770.35	770.70	133	1982	CWR	Yes	0.35
770.70	805.00	115	1949	Jointed	Yes	34.30
805.00	820.10	112	1947/1948	Jointed	Yes	15.10
820.10	869.40	136	1975/1979	CWR	Yes	49.30

Main Track Subtotal = 121.90

#### Yard Tracks and Sidings:

752.4	Stuart	132HF		CWR	Yes	1.20
757.3	Sheridan Lake	85		Jointed	No	0.40
766.5	Brandon	90	1929	Jointed	No	0.30
771.1	Chivington	132HF/136		Jointed		1.20
784.8	Eads north 1	132HF/136		Jointed		1.30
785.7	Eads north 2	90		Jointed		0.20
785.7	Eads south	85		Jointed		0.40
799.2	Galatea	90		Jointed		0.10
806.4	Haswell North	132HF		Jointed		1.30
807.2	Haswell South	112		Jointed		0.60
821.4	Arlington	85		Jointed		0.10
829.6	Heath	112		Jointed	No	1.30
840.9	Sugar City	112/85		Jointed	No	0.60
846.3	Ordway	85		Jointed	No	0.20
846.5	Ordway	112	1947	Jointed	No	1.40
852.1	Crowley	85		Jointed	Yes	0.20
857.0	Olney Springs	85		Jointed	No	0.20
862.4	Pultney	112	1945	Jointed	No	1.20

YT & Siding Subtotal = 12.20

**Total Miles = 134.10**



Source: RLBA

**Appendix Eight**  
Unit Market Prices Applicable to Track Materials  
As of Week - September 30, 2014

<u>Steel (Rail)</u>	Unit Prices per	
	Component	Ton
Rail 136 pound per yard, CWR, Fit #1		\$775.00
Rail 133 pound per yard, CWR, Fit #1		\$700.00
Rail 133 pound per yard, CWR, Fit #2		\$630.00
Rail 115 pound per yard, CWR, Fit #1		\$850.00
Rail 115 pound per yard, CWR, Fit #2		\$800.00
Rail 115 pound per yard, Jointed, Fit #1		\$870.00
Rail 115 pound per yard, Jointed, Fit #2		\$820.00
Rail 113 pound per yard, CWR, Fit #2		\$650.00
Rail 112 pound per yard, Jointed, Fit #1		\$835.00
Rail 112 pound per yard, Jointed, Fit #2		\$700.00
Rail 90 pound per yard, CWR, Fit #1		\$600.00
Rail Reroll		\$425.00
Rail Scrap		\$323.00
<u>Steel (OTM)</u>		
Scrap OTM		\$363.00
Tie Plates, D/S, 16" long, 6" base, Fit	\$10.00	
Tie Plates, D/S, 14" long, 6" base, Fit	\$9.75	
Tie Plates, D/S, 13" long, 5.5" base, Fit	\$9.00	
Tie Plates, S/S, 11" long, 5.125 - 5.375" base, Fit	\$8.00	
Tie Plates, D/S, 11" long, 5.5" base, Fit	\$8.00	
Joint Bars, 133/132/131 pound per yard, Fit	\$75.00	
Joint Bars, 119/112 pound per yard, Fit	\$40.00	
Joint Bars, 115 pound per yard, Fit	\$75.00	
Joint Bars, 90 pound per yard, Fit	\$25.00	
Anchors, Fit	\$1.25	
<u>Timber (Ties)</u>		
Relay (ea)	\$18.00	
Landscape #1 (ea)	\$8.00	
Landscape #2 (ea)	\$4.00	
Scrap (ea)	(2.00)	
<u>Turnouts</u>		
Fit (136#10)	\$6,000.00	
Fit (115/112#10)	\$4,000.00	
Fit (Long)	\$0.00	

Sources: American Metal Market, Unitrac, A&K 11AUG14 similar sell and RLBA estimates.

**Appendix Nine Shipping Cost Summary - Total Track Assets**  
**V&S Railway**  
**Towner Jct. To NA Jct. (mileposts 747.5 -869.4)**  
**As of September 30, 2014**

	Rail Size							
	Total	85	90	112	115	132	133	136
Tons per gon (scrap & reroller rail) =		100	100	100	100	100	100	100
Net Tons of Reroller Rail =	1,441	203	21	46	-	871	-	299
Number of cars (reroller rail) =	14	2	0	0	0	9	0	3
Net Tons of Scrap Rail =	56	51	3	2	-	-	-	-
Number of cars (scrap rail) =	1	1	0	0	0	0	0	0
Net Tons of Scrap OTM ( tie plates) =	191	191	0	0	0	0	0	0
Number of cars (scrap tie plates) =	2	2	0	0	0	0	0	0
Net Tons of Scrap OTM (jt. bars) =	18	15	1	1	0	0	0	0
Number of cars (scrap jt. bars) =	0	0	0	0	0	0	0	0
Net Tons of Scrap OTM (anchors) =	21							
Number of cars (scrap anchors) =	0							
Net Tons of Scrap OTM (spikes/bolts) =	695							
Number of cars (spikes/bolts) =	7							
Net Tons of Scrap Turnouts =	53							
Total cars (scrap Turnouts) =	1							
Number of cars (reroller rail) =	14							
Number of cars (scrap rail) =	2							
Number of cars (scrap OTM) =	9							
<b>Total</b>	<b>25</b>							

Notes: Use full 100 ton gon, stacked rails per gon varies by size (one inch board between layers) and 100 .ton load for OTM

Assume tie plate weights of 12# for < or = 90# rail, 15# for 100# rail, 17# for 105/110# rail, 21# for 112/113/115/119/127/130# rail, 23 # for 131/132/133/136/140/141# rail (small) and 35# for 131/132/133/136/140/141# rail (big).

Assume joint bar weights (per pair) of 40# for rail up to 85# rail, 50# for 85# rail, 65# for 90/100/105/110# rail, 105# for 112/113/115/119/127/130# rail, 115# for 131/132/133/136/140/141# rail.

Tie plates are grouped together by base width with the predominate size showing the total number.

Source: Attachment Three.

	Railroad Price (per car)		
Cost to ship rail car from NA Jct. CO to Chicago, IL =	\$5,618	\$56 per ton	Reroll
Cost to ship rail car from NA Jct. CO to Hedwisch, IL =	\$5,465	\$55 per ton	Scrap Rail
Cost to ship rail car from NA Jct. CO to Burns Harbor, IL =	\$6,244	\$62 per ton	Scrap OTM
Cost to ship rail car from NA Jct. CO to Chicago Area IL =	\$5,831	Weighted Average of Above	

Appendix Ten Qualification of  
**Crew S. Heimer, P.E.**  
Director of Transportation Engineering

**Education**

BS in Civil Engineering, Cum Laude, University of Maryland, 1976

**Professional Registration**

Professional Engineer, West Virginia, # 9099

**Professional Certifications and Affiliations**

AREMA, American Railway Engineering and Maintenance Association and past Committee Chairman of Committee 16 - Economics of Railway Engineering & Operations. While Committee Chairman, my committee put on a day-long seminar about Rail Line Capacity Modeling with 35 attendees.

**Years of Transportation Experience**

36

**Qualifications**

Since joining RLBA in 1988, Mr. Heimer has inspected or appraised over 6,200 miles of track, conducting numerous rail and bridge physical asset inspections to determine costs to obtain a state of good repair as well to estimate various railroad capital and operating costs. To this end, over 4,600 miles of these inspections have been by hi-rail while more than 1,600 miles have been completed by walking and driving. These physical inspections of many railroads have addressed audit of adherence to safe practices, compliance with FRA track safety standards, track condition, maintenance requirements and rehabilitation costs. Mr. Heimer has inspected/ appraised rail lines owned by the following: Amtrak, BNSF Railway, Canadian Pacific, Conrail, CSX Transportation, Delaware & Hudson Railway, Iowa Interstate Railroad, Kansas City Southern, Norfolk Southern Railway, San Pedro & Southwestern, Soo Line Railroad, Union Pacific Railroad, Vermont Railway, Wheeling & Lake Erie Railway and Wisconsin Southern Railroad.

**Relevant Project Experience:**

- **Johnson County Public Works Department (KS)** Conducted a physical inspection of existing rail facilities as a point of departure for developing minimum and maximum Kansas – suburban commuter rail investment scenarios. Assisted in selection of station sites.
- **Orange County Transportation Commission (OCTC)** Examined the feasibility and cost of alternative approaches to accessing right-of-way owned by The Atchison, Topeka and Santa Fe Railway Company (Santa Fe) to host an enduring commuter rail operation between Orange County transit centers and the Los Angeles Union Passenger Terminal. Access was obtained via a combination of operating trackage rights and a sale transaction. Appraised the value of rail assets.
- **San Diego Association of Governments, Orange County Transportation Commission, San Bernardino Associated Governments, Riverside County Transportation Commission** Inspected track and prepared asset valuations, prior to public agency rail line acquisition. Evaluated cost estimates of upgrading freight trackage to accommodate commuter rail operations, recommended station design standards, and analyzed operating issues, including dispatching, in support of a trackage rights agreement drafted by RLBA
- **Nashville Metropolitan Transportation Authority** Inspected five Nashville area rail lines to assess condition and track capacity to develop and analyze alternative commuter rail alignments. Assisted in selection of station sites.

## Crew S. Heimer, P.E.

- **Chittenden County (Vermont) Metropolitan Planning Organization** Evaluated and inspected the infrastructure in the Burlington-Essex corridor as part of a regional rail feasibility study. Assisted in selection of station sites.
- **Tri-County Regional Planning Commission and the McLean County Planning Commission** Inspected the existing rail lines, evaluated alternatives, identified possible station sites, and calculated capital and costs reflecting various levels of service in connection with exploring the feasibility of providing regional rail passenger transportation service along a corridor between Peoria and Bloomington/Normal combining tracks of the Norfolk Southern, Union Pacific, and Peoria and Pekin Union railroads.
- **LAKETRAN (OH)** Inspected Norfolk Southern and Conrail trackage potentially useful in the development of a cost-effective commuter rail service linking Cleveland with cities in Lake and Ashtabula counties. Determined capital improvements and investment cost necessary to develop attractive commuter rail alternatives.
- **Pennsylvania Department of Transportation** Directed consulting team evaluating Keystone Corridor right-of-way physical plant. Assessed infrastructure condition and costs associated with bringing it to a state of good repair as well as increasing speed. Inspected and reported on the Philadelphia-Harrisburg route bridge condition and rehabilitation costs.
- **Santa Clara Valley Transportation Authority (CA)** Estimated all infrastructure capital costs associated with analyzing the feasibility of linking San Jose with the Bay Area Rapid Transit (BART) system via any one of three routes and more combinations.
- **Northeast Indiana Regional Planning Commission** Inspected three alternative rail corridors as to feasibility and cost of diverting rail traffic from a fourth corridor. To avoid increasing rail traffic on a line with many highway crossings, identified three alternative corridors, evaluated and detailed additional tracks required to handle rail traffic if moved from the existing corridor, developed length and potential speed of required rail connections, evaluated the reductions in highway crossing conflicts and estimated costs for each alternative.
- **City of Dartmouth, Nova Scotia** evaluated existing and proposed operating patterns to determine impacts, feasibility and costs associated with relocating downtown rail yards from city centers.
- **Confidential Client** developed a computerized format with standard activities and unit costs to apply in annual maintenance planning so that improved maintenance efficiency may be realized through a planned approach. Provided counsel to prioritize and prepare a coherent long term plan that would also provide information to the finance and transportation departments and executive management.

### Prior Work Experience

At CSXT Transportation (1976-87), Mr. Heimer held several engineering and operating posts, starting as an Assistant Engineer surveying and designing track installations. As a Roadmaster on passenger main line and terminal territories, he prepared maintenance programs, managed track forces and oversaw construction. As Trainmaster, he directed Yardmasters in switching and train delivery and prepared proposals to expedite train movements. Additionally, Mr. Heimer served at the Passenger Rail Manager/Principal Project Manager for the Georgia Regional Transportation Authority (2000-2012), where he directed various projects supporting the regional bus system (Xpress) totaling in over \$625 million of capital investments. He also assembled a State negotiating team to purchase a Norfolk Southern Railway line, in addition to drafting purchase and operating agreements for Macon-Atlanta commuter rail.

## **EXHIBIT 1.B**

# R.L. BANKS & ASSOCIATES, INC.

ECONOMICS | ENGINEERING | SERVICE PLANNING



Doug Davis, Esquire  
General Counsel  
A&K Railroad Materials  
P.O. Box 30076  
Salt Lake City, UT 84130

August 7, 2015

**SUBJECT: Updated Net Liquidation Valuation of V&S Railway Towner Line**

Dear Mr. Davis:

Per your request, RLBA has updated the report entitled "Track Asset Valuation of the V&S Railway, Towner Junction, CO - NA Junction, CO (originally transmitted October, 2 2014)" to reflect current market prices. The update was achieved by applying current track material unit prices to the track inventory quantities observed by RLBA's September 30, 2014 track inspection of the subject trackage. The new track material unit prices are current as of August 5, 2015. Otherwise, the methodology and mathematics RLBA employed to derive the updated NLV are identical to the approaches employed in the derivation of the original NLV amount communicated last October.

Below is the updated estimated net liquidation value of the V&S Towner Line, adjusted to reflect the current track material prices.

V&S Towner Line Net Liquidation Valuation Summary Table			
Milepost Start	Milepost End	Salvage Value	Net Total
747.5	869.4	\$33,650,100	\$27,023,500

Enclosed with the remainder of this communication are RLBA's worksheets used to derive the above value.

Again, on behalf of my colleagues and myself, I wish to thank you for offering RLBA the opportunity to be of assistance to you and A&K Railroad Materials.

Sincerely,

Charles H. Bank

WASHINGTON, D.C. AREA OFFICE

## Appendix One

Net Liquidation Value of Track Assets  
V&S Railway  
Towner Jct. To NA Jct., CO (Mileposts 747.5 - 869.4)  
As of August 05, 2015

	Unit	Unit Cost	Total	Grand Total
<b>Track Nominal Value:</b>				
Relay Railroad Materials			\$31,637,900	
Scrap and Reroll Materials (net of transportation)			\$668,200	
Ties and Non-steel Materials			\$1,344,000	
<b>Gross Value</b>				<b>\$33,650,100</b>
<b>Preparation Cost Adjustments:</b>				
Fit Rail & OTM Removal (miles)	127	\$16,000	-\$2,032,100	
Scrap/Reroll Rail & OTM Removal (miles)	7	\$12,000	-\$85,100	
Fit Turnout Removal (each)	18	\$800	-\$14,400	
Scrap Turnout Removal (each)	11	\$500	-\$5,500	
<b>Total Adjustments</b>				<b>-\$2,137,100</b>
<b>Restoration Cost Adjustments:</b>				
Public Highway Crossing (each)	64	\$2,000	-\$128,000	
Private Highway Crossing (each)	12	\$300	-\$3,600	
<b>Total Adjustments</b>				<b>-\$131,600</b>
<b>Track Salvage Value</b>				<b>\$31,381,400</b>
<b>Administrative, Marketing and Transportation Expense</b>				
Relay Steel Materials - 13 percent			-\$4,112,900	
Scrap, Reroll and Non-steel Materials - 5 percent			-\$100,600	
Transportation - Carloads to Chicago	25	@	\$5,776	-\$144,400
<b>Total Estimated Expense</b>				<b>-\$4,357,900</b>
<b>Net Liquidation Value</b>				<b>\$27,023,500</b>

Notes: Dollar amounts are rounded to the nearest hundred; units to the nearest tenth. Values may not appear to add due to rounding.

Appendix Two

Gross Liquidation Value of Track Assets  
V&S Railway  
Towner Jct. To NA Jct., CO (Mileposts 747.5 - 869.4)  
As of August 05, 2015

Miles		Description	Condition	Unit	Quantity per mile	Total	Re-Useable			Scrap and Reroil			Grand Total (a+b)
Fit	Scrap						Percent	Value (a)	Value (b)	Unit	Value	Percent	
49.30	1.36	RE CWR	Fit #1	239.4	Ton	11,802	97 %	\$770,000	\$8,815,200	296	97 %	\$86,000	\$8,815,200
	1.25	RE CWR	Reroil	239.4	Ton	299							\$86,000
0.18	1.33	RE CWR	Fit #1	234.1	Ton	41	97 %	\$770,000	\$30,600				\$30,600
0.18	1.33	RE CWR	Fit #2	234.1	Ton	41	97 %	\$700,000	\$27,800				\$27,800
3.75	1.32	RE CWR	Reroil	232.3	Ton	871							\$250,400
0.73	1.15	RE CWR	Fit #1	202.4	Ton	147	97 %	\$870,000	\$123,800				\$123,800
2.23	1.15	RE CWR	Fit #2	202.4	Ton	450	97 %	\$800,000	\$349,500				\$349,500
52.40	1.15	RE CWR	Fit #1	202.4	Ton	10,606	97 %	\$870,000	\$8,950,200				\$8,950,200
3.15	1.13	RE CWR	Fit #2	198.9	Ton	627	97 %	\$650,000	\$395,000				\$395,000
18.41	1.12	RE	Fit #1	197.1	Ton	3,628	97 %	\$850,000	\$2,991,000				\$2,991,000
	0.18	RE	Reroil	197.1	Ton	34							\$9,900
	0.07	RE	Reroil	197.1	Ton	14							\$3,300
	0.13	RA	Reroil	158.4	Ton	21	97 %	\$596,000	\$5,900				\$5,900
	0.02	RA	Scrap	158.4	Ton	3							\$800
	1.36	AS	Reroil	149.6	Ton	203	97 %	\$58,500	\$8,500				\$8,500
	0.34	AS	Scrap	149.6	Ton	51							\$12,200
127.01	7.10	Rail Total						\$21,683,100	\$477,000				\$22,110,100

Other Track Material:

Miles		Description	Condition	Unit	Quantity per mile	Total	Re-Useable			Scrap			Grand Total (a+b)
Fit	Scrap						Percent	Value (a)	Value (b)	Unit	Value	Percent	
121.90		Ties	Relay	Each	3,249	Each	396,053	2 %	\$28,000	\$240,300			\$240,300
121.90		Ties	Relay	Each	3,249	Each	396,053			\$84,300			\$84,300
121.90		Ties	Landscape #1	Each	3,249	Each	396,053			\$400			\$400
121.90		Ties	Landscape #2	Each	3,249	Each	396,053			(2.00)			(\$289,100)
0.35	3.70	Tie Plates	8 x 16 DS Pand	Relay	6,998	Each	26,317	97 %	\$9,000	\$229,700			\$229,700
49.30	1.30	Tie Plates	8 x 14 DS	Relay	6,998	Each	328,799	97 %	\$9,000	\$2,870,400			\$2,870,400
76.91	0.25	Tie Plates	8 x 13 DS	Relay	6,998	Each	501,321	97 %	\$9,000	\$4,376,500			\$4,376,500
0.45		Tie Plates	7 x 11 SS	Relay	6,998	Each	2,924	97 %	\$7,000	\$19,900			\$19,900
	1.85	Tie Plates	7 x 11 SS	Scrap	108.9	Ton	201						\$47,200
52.40		Jt. Bars 115# 36"	Relay	Pair	271	Pair	14,188	97 %	\$80,000	\$1,101,000			\$1,101,000
18.41		Jt. Bars 112# 24"	Relay	Pair	271	Pair	4,984	97 %	\$41,900	\$702,500			\$702,500
0.45		Jt. Bars 90#	Relay	Pair	320	Pair	144	97 %	\$28,800	\$4,000			\$4,000
	0.12	Jt. Bars 112# 24"	Scrap	Ton	9.5	Ton	1						\$500
	0.15	Jt. Bars 90#	Scrap	Ton	9.5	Ton	1						\$400
	1.70	Jt. Bars 85#	Scrap	Ton	9.5	Ton	16						\$3,800
54.48		Rail Anchors Welded	Relay	Each	6,998	Each	354,004	80 %	\$2.40	\$679,700			\$679,700
72.53		Rail Anchors Jointed	Relay	Each	2,708	Each	196,389	80 %	\$2.40	\$377,100			\$377,100
127.01	7.10	Spikes	Scrap	Ton	3.7	Ton	27						\$5,200
127.01	7.10	Spikes	Scrap	Ton	5.1	Ton	679						\$133,800
		Bolts & Washers	Scrap	Ton	1.4	Ton	190						\$37,400
		Other Track Material Total							\$10,101,100	\$94,000			\$10,195,100

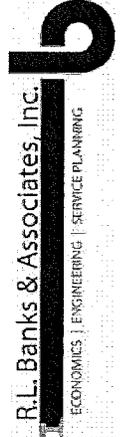
Turnouts:

Turnouts		Description	Condition	Unit	Quantity	Total	Re-Useable			Scrap			Grand Total (a+b)
Fit	Scrap						Percent	Value (a)	Value (b)	Unit	Value	Percent	
11		Turnouts (136#10)	Fit	Each	11	Each	11	100 %	\$6,000,000	\$66,000			\$6,066,000
7		Turnouts (115/112#10)	Fit	Each	7	Each	7	100 %	\$4,000,000	\$28,000			\$4,028,000
		Turnouts (Long)	Fit	Each		Each		100 %		\$0			\$0
18	11	Scrap Turnouts	Scrap	Ton	5.5	Ton	55			\$246			\$246
		Turnouts Total							\$94,000	\$246			\$94,246

Grand Total

\$1,772,000 \$33,650,000

Notes: Dollar amounts are rounded to the nearest hundred, tons to the nearest tenth; units to the nearest integer. Values may not appear to add due to rounding.  
Source: Vendors, and RLBA estimates.



### Appendix Three

Summary of Rail Evaluated  
V&S Railway  
Towner Jct. To NA Jct., CO (Mileposts 747.5 - 869.4)  
As of August 05, 2015

#### Main Track:

Milepost		Rail					Miles
South	North	Section	Rolled	Type	Control Cooled		
747.50	750.65	113	1944	CWR	Yes	3.15	
750.65	770.35	115	1949	Jointed	Yes	19.70	
770.35	770.70	133	1982	CWR	Yes	0.35	
770.70	805.00	115	1949	Jointed	Yes	34.30	
805.00	820.10	112	1947/1948	Jointed	Yes	15.10	
820.10	869.40	136	1975/1979	CWR	Yes	49.30	
<b>Main Track Total</b>						<b>121.90</b>	

#### Yard Tracks and Sidings:

Milepost		Rail					Miles
South	Name	Section	Rolled	Type	Control Cooled		
752.4	Stuart	132HF		CWR	Yes	1.20	
757.3	Sheridan Lake	85		Jointed	No	0.40	
766.5	Brandon	90	1929	Jointed	No	0.30	
771.1	Chivington	132HF/136		Jointed		1.20	
784.8	Eads north 1	132HF/136		Jointed		1.30	
785.7	Eads north 2	90		Jointed		0.20	
785.7	Eads south	85		Jointed		0.40	
799.2	Galatea	90		Jointed		0.10	
806.4	Haswell North	132HF		Jointed		1.30	
807.2	Haswell South	112		Jointed		0.60	
821.4	Arlington	85		Jointed		0.10	
829.6	Heath	112		Jointed	No	1.30	
840.9	Sugar City	112/85		Jointed	No	0.60	
846.3	Ordway	85		Jointed	No	0.20	
846.5	Ordway	112	1947	Jointed	No	1.40	
852.1	Crowley	85		Jointed	Yes	0.20	
857.0	Olney Springs	85		Jointed	No	0.20	
862.4	Pultney	112	1945	Jointed	No	1.20	
<b>Yard Track &amp; Siding Total</b>						<b>12.20</b>	

**Track Miles Grand Total**

**134.10**

Source: RLBA On-site Inspection

## Appendix Four

### Summary of Turnouts

#### V&S Railway

Towner Jct. To NA Jct., CO (Mileposts 747.5 - 869.4)

As of August 05, 2015

Location MP	Rail		Frog		Condition	
	Weight	Type	Size (#)	Weight	Relay	Scrap
752.4	115	RBM	10	115		1
753.7	115	RBM	10	115		1
757.3	115	RBM	10	115	1	
766.5	115	RBM	10	115		1
771.1	115	RBM	10	115	1	
772.3	136	RBM	10	136	1	
784.6	115	RBM	10	115	1	
785.7	115	RBM	10	115		1
785.6	115	RBM	10	115	1	
785.9	115	RBM	10	115		1
785.9	115	RBM	10	115	1	
786.0	115	RBM	10	115		1
799.2	115	RBM	10	115	1	
806.4	136	RBM	10	136	1	
807.2	112	RBM	10	112		1
807.7	112	RBM	10	112		1
807.8	112	RBM	10	112		1
821.4	136	RBM	10	136	1	
829.6	136	RBM	10	136	1	
830.9	136	RBM	10	136		1
840.9	136	RBM	10	136	1	
841.5	136	RBM	10	136	1	
846.3	136	RBM	10	136	1	
846.5	136	RBM	10	136		1
848.0	136	RBM	10	136	1	
852.1	136	RBM	10	136	1	
857.0	136	RBM	10	136	1	
862.4	136	RBM	10	136	1	
863.7	136	RBM	10	136	1	0
	<b>115/112 Weight Total</b>				<b>7</b>	<b>9</b>
	<b>132 Weight Total</b>				<b>11</b>	<b>2</b>
<b>Grand Total</b>					<b>18</b>	<b>11</b>

Source: RLBA On-site Inspection

## Appendix Five

### Summary of Tie Condition

V&S Railway

Towner Jct. To NA Jct., CO (Mileposts 747.5 - 869.4)

As of August 05, 2015

(Sample Blocks of 100)

Location	Condition (%)			
	MP	Relay	Landscape #1	Landscape #2
755	1	25	39	35
765	3	16	35	46
775	0	24	35	41
785	0	15	39	46
795	1	42	40	17
805	3	32	38	27
815	1	16	45	38
825	2	29	35	34
835	1	23	22	54
844	1	19	36	44
855	5	48	27	20
865	8	30	26	36
<b>Average Total (%)</b>	<b>2</b>	<b>27</b>	<b>35</b>	<b>37</b>

With tie spacing of	19.5	inches
Inches on center equates to	3,249	ties per mile

Estimated average of	70	Relay ties per mile
	864	Landscape #1 ties per mile
	1,129	Landscape #2 ties per mile
	1,186	Scrap ties per mile

Notes: Units are rounded to the nearest integer.

Source: RLBA On-site Inspection



## Appendix Seven

### Track Material Unit Prices

V&S Railway

Towner Jct. To NA Jct., CO (Mileposts 747.5 - 869.4)

As of August 05, 2015

<b>Steel (Rail)</b>	Unit Prices per	
	<u>Component</u>	<u>Net Ton</u>
Rail 136 pound per yard, CWR, Fit #1		\$770.00
Rail 133 pound per yard, CWR, Fit #1		\$770.00
Rail 133 pound per yard, CWR, Fit #2		\$700.00
Rail 115 pound per yard, CWR, Fit #1		\$870.00
Rail 115 pound per yard, CWR, Fit #2		\$800.00
Rail 115 pound per yard, Jointed, Fit #1		\$870.00
Rail 115 pound per yard, Jointed, Fit #2		\$800.00
Rail 113 pound per yard, CWR, Fit #2		\$650.00
Rail 112 pound per yard, Jointed, Fit #1		\$850.00
Rail 112 pound per yard, Jointed, Fit #2		\$800.00
Rail 90 pound per yard, CWR, Fit #1		\$800.00
Rail Reroll (Gross Ton)		\$296.35
Rail Scrap (Gross Ton)		\$246.35

<b>Steel (OTM)</b>	<u>Component</u>	<u>Gross Ton</u>
Scrap OTM		\$246.35
Tie Plates, D/S, 16" long, 6" base, Fit	\$9.00	
Tie Plates, D/S, 14" long, 6" base, Fit	\$9.00	
Tie Plates, D/S, 13" long, 5.5" base, Fit	\$9.00	
Tie Plates, S/S, 11" long, 5.125 - 5.375" base, Fit	\$7.00	
Tie Plates, D/S, 11" long, 5.5" base, Fit	\$7.00	
Joint Bars, 133/132/131 pound per yard, Fit	\$80.00	
Joint Bars, 119/112 pound per yard, Fit	\$80.00	
Joint Bars, 115 pound per yard, Fit	\$80.00	
Joint Bars, 90 pound per yard, Fit	\$60.00	
Anchors, Fit	\$2.40	

<b>Timber (Ties)</b>	<u>Component</u>
Relay	\$28.00
Landscape #1	\$8.00
Landscape #2	\$4.00
Scrap	(2.00)

<b>Turnouts</b>	<u>Component</u>
Fit (136#10)	\$6,000.00
Fit (115/112#10)	\$4,000.00

Source: Vendors, American Metal Markets & R.I.B.A. Estimates

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**Appendix Eight**

Summary of Shipment Volumes  
V&S Railway  
Townner Jet. To NA Jet., CO (Mileposts 747.5 - 869.4)  
As of August 05, 2015

	Rail Weight										
	80 100	85 100	90 100	100 100	105 100	110 100	112 100	115 100	112 100	131 100	132 100
Tons per gon (scrap & reroller rail) =											
<b>Total</b>											
Net Tons of Reroller Rail =	0	203	21	0	0	0	34	0	0	0	871
Number of cars (reroller rail) =	0	2	0	0	0	0	0	0	0	0	9
Net Tons of Scrap Rail =	0	51	3	0	0	0	14	0	0	0	0
Number of cars (scrap rail) =	0	1	0	0	0	0	0	0	0	0	0
Net Tons of Scrap OTM (tie plates) =	0	191	0	0	0	0	0	0	0	0	0
Number of cars (scrap tie plates) =	0	2	0	0	0	0	0	0	0	0	0
Net Tons of Scrap OTM (jt. bars) =	0	15	1	0	0	0	1	0	0	0	0
Number of cars (scrap jt. bars) =	0	0	0	0	0	0	0	0	0	0	0
Net Tons of Scrap OTM (anchors) =	0	21	0	0	0	0	0	0	0	0	0
Number of cars (scrap anchors) =	0	0	0	0	0	0	0	0	0	0	0
Net Tons of Scrap OTM (spikes/bolts) =	0	695	0	0	0	0	0	0	0	0	0
Number of cars (spikes/bolts) =	0	7	0	0	0	0	0	0	0	0	0
Net Tons of Scrap Turnouts =	0	33	0	0	0	0	0	0	0	0	0
Number of cars (scrap Turnouts) =	0	1	0	0	0	0	0	0	0	0	0
<b>Total cars (reroller rail) =</b>											
<b>Total cars (scrap rail) =</b>											
<b>Total cars (scrap OTM) =</b>											
<b>Railcars Grand Total</b>											

	Routing	Railroad Price (per car)
Cost to ship rail car from NA Jet. CO to Chicago, IL =		\$5,618
Cost to ship rail car from NA Jet. CO to Hedwisch, IL =		\$5,465
Cost to ship rail car from NA Jet. CO to Burns Harbor, IL =		\$6,244
<b>Cost to ship rail car from NA Jet. CO to Chicago Area =</b>		<b>\$5,776</b>

Notes: Use full 100 ton gon, stacked rails per gon varies by size (one inch board between layers) and 100 ton load for OTM. Assume tie plate weights of 12# for < or = 90# rail, 15# for 100# rail, 17# for 105/110# rail, 21# for 112/113/115/119/127/130# rail, 23 # for and 35# for 131/132/133/136/140/141# rail (big). Assume joint bar weights (per pair) of 40# for rail up to 85# rail, 50# for 85# rail, 65# for 90/100/105/110# rail, 105# for 112/113/115/119/127/130# rail, 115# for 131/132/133/136/140/141# rail. Tie plates are grouped together by base width with the predominate size showing the total number.

Source: Gross Liquidation Value of Track Assets (Attachment Two)

