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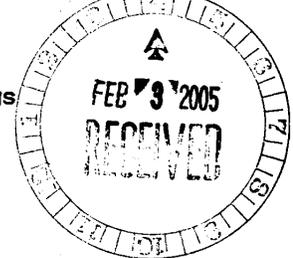
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February 3, 2005

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Honorable Vernon A. Williams
Secretary
Surface Transportation Board
Washington, DC 20423

RE: Finance Docket No. 34335, *Keokuk Junction Railway Company.—Feeder Line Application—Line of Toledo, Peoria and Western Railway Corporation between La Harpe and Hollis, IL*

Dear Secretary Williams:

The Toledo, Peoria and Western Railway Corporation (“TP&W”) welcomes the opportunity to respond to the decision served on January 24, 2005, the Surface Transportation Board (the “Board”) which ordered the TP&W to:

identify which, if any, of the properties it sold were included in its valuation of the Line’s right-of-way by February 3, 2005, and refrain from any such sales. TP&W shall also refrain from removing the Line’s track, switches, and other materials or otherwise taking steps that would further increase the cost of restoring rail service.

Keokuk Junction Railway Company.—Feeder Line Application—Line of Toledo, Peoria and Western Railway Corporation between La Harpe and Hollis, IL, STB Finance Docket No. 34335 (STB served January 24, 2005), at 3. TP&W is submitting the following report in compliance with the Board’s order.

The attached Exhibit lists the real property transfers that have been made by TP&W since it filed its evidence on property valuation on October 16, 2003. As can readily be seen, just these five sales generated substantially greater value for the real estate than suggested by the Keokuk Junction Railway Company (“KJRY”) and adopted by the Board for the entire line. Indeed, all of these sales were for real property that KJRY’s expert Mr. Mooty determined were not owned in fee simple (except for the portion of one small parcel) and for which KJRY’s expert Mr. Higgs determined had no value or substantially little value.

BALL JANIK LLP

Honorable Vernon A. Williams
February 3, 2005
Page 2

The Exhibit identifies the nearest milepost to each land parcel and the location of the valuation of each parcel in Exhibit D to Mr. Cecil's verified statement that was filed on October 16, 2003, in the first three columns. In the fourth through eighth columns, the Exhibit identifies the buyer, the location of the parcel, the date of the sale, the consideration paid, and the parcel size, respectively. The price per acre is in column nine. The TP&W assessment of the quality of title is in column ten and the KJRY quality of assessment (which was adopted by the Board) appears in column 11. Columns 12-14 contain TP&W's non-discounted per acre valuation, TP&W's discounted per acre valuation, and whether the buyer received title insurance or a title commitment on the parcel, respectively.

The sale to Kenneth Dean of 0.218 acres was for \$8,500 (about \$38,991 per acre). Mr. Dean obtained title insurance for the property. Mr. Mooty had included this property in Row 1 as easement property, based on his review of the habendum clause (which he confirmed in his verified statement for KJRY in response to TP&W appeal). Mr. Higgs determined that since this property was not owned in fee, it had no value. In the TP&W appeal that was filed on November 29, 2004, Mr. Gray, based on a full review of the deed, concluded that the title to this property was fee simple, and Mr. Rex and Mr. Golden confirmed Mr. Cecil's prior appraisal of this property at \$38,000 per acre, adjusted. Since the actual sale of this small parcel was higher than the per acre value offered by TP&W, it demonstrates the conservative nature of TP&W's valuation.

The sale to Mac's Convenience Stores ("Mac's") of 0.46 acres was for \$31,900 (about \$69,348 per acre). Mac's has indicated that it obtained a title commitment on this property showing that it was owned in fee simple by TP&W. We do not know whether or not Mac's obtained title insurance. No title document was provided for this parcel, and Mr. Mooty therefore concluded that TP&W did not own marketable title. TP&W was able to sell this parcel to Mac's because assumedly it was able to establish title through adverse possession.

The sale to Vaughan & Bushnell ("V&B") of 0.31 acres was for \$10,000 (about \$32,258 per acre). V&B did not obtain title insurance for this parcel. Mr. Mooty had considered this parcel to be partly fee and partly easement. Mr. Gray determined that the entire parcel was fee. The difference in the analysis can be explained by Mr. Gray, in conformity with Illinois law reviewing the entire deed, while Mr. Mooty relied solely on a review of the habendum clause, contrary to clear Illinois law. Mr. Higgs, who did not value any real estate in Bushnell, IL, determined that the highest per acre value, before discounts was about \$9,680 (Higgs VS, November 6, 2003 at 6), clearly at odds with an actual market sale.

BALL JANIK LLP

Honorable Vernon A. Williams
February 3, 2005
Page 3

The above three parcels consisting of 0.988 acres were sold \$50,400, compared to the KJRY's contention (adopted by the Board) that TP&W possessed only 31.657 acres in fee valued at \$41,635 (or \$1,315 per acre). From sales in the free market, which Mr. Cecil also relied upon in preparing his appraisal, it appears that TP&W's valuation of real estate is much closer to the market than that offered by KJRY.

TP&W transferred three parcels of land, which have no effect on rail operations, to its affiliate, San Pedro Trails, Inc. ("SPT"). These transfers were made for two reasons. First, and most importantly, these parcels are not related to the railroad operations of the TP&W. Second, Mr. Mooty determined that the title to these parcels was not marketable, Mr. Higgs did not assign any value to them, and the Board accepted Mr. Higgs valuation, so that nothing of value was transferred.

The 2.35 acre parcel in Canton, IL (the "Canton Parcel") consists of two non-contiguous sets of lots which are distinct and separate from the right of way. The 4.774 acre parcel in Cuba, IL (the "Cuba Parcel") is no closer than 30 feet from the center line of the railroad at its closest point. The 2.6 acre parcel at Rawalsts, IL (the "Rawalsts Parcel") is located no closer than 50 feet from the center line of the railroad at its closest point. There is no track and no industries located on the Canton Parcel, the Cuba Parcel, or the Rawalsts Parcel.

Since the Canton Parcel, the Cuba Parcel, and the Rawalsts Parcel are not involved in railroad operations, and the Board accepted KJRY's analysis that these parcels have no value, the transfer does not affect the valuation of the real estate in this proceeding. TP&W did not provide title deeds for the Canton Parcel or the Cuba Parcel. Therefore, Mr. Mooty did not consider that these parcels were owned by TP&W in fee. Since Mr. Mooty decided that these two parcels were not held in fee, Mr. Higgs did not give them a value, which KJRY presented to the Board and the Board accepted. TP&W expects to receive an offer of about \$70,000 for the Canton Parcel within the next several days and will present that offer to the Board. Mr. Mooty decided that the Rawalsts Parcel was an easement, not a fee simple property, and as with the other two parcels, KJRY gave them no value, which was accepted by the Board. However, Mr. Gray, upon a review of the complete deed, not just the habendum clause as Mr. Mooty did, determined that the Rawalsts Parcel was owned in fee simple, and Mr. Cecil, as confirmed by Mr. Rex and Mr. Golden, determined it to be worth at least \$3,120.

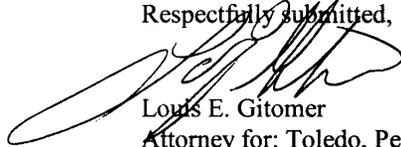
TP&W has not transferred any property that would effect the valuation offered by KJRY based on the analyses of Mr. Mooty and Mr. Higgs. TP&W is willing to have the Board exclude these six parcels from the valuation proposed by Mr. Cecil, as confirmed by Mr. Rex and Mr. Golden. TP&W contends that these free market sales demonstrate the correctness of its position vis-à-vis the value of the real estate in the line.

BALL JANIK LLP

Honorable Vernon A. Williams
February 3, 2005
Page 4

Enclosed are the original and ten copies of this letter. Please time and date stamp the extra copy of this letter and return it with our messenger. Thank you for your assistance. If you have any questions, please contact me.

Respectfully submitted,



Louis E. Gitomer
Attorney for: Toledo, Peoria and Western
Railway Corporation

Enclosures

cc: Parties of record

TPW WEST END SALES SINCE 01/01/04

MILE POST	ADDENDUM REFERENCE NUMBERS		NON-DISCOUNTED STB VALUATION										
	Valuation Map No.	Parcel No.	BUYER	Location	DATE OF SALE	CONSIDERATION PAID	PARCEL SIZE (AC)	SALE PRICE PER ACRE	TPW ASSUMPTION OF TITLE FOR STB	MOOTY DESIGNATION	PER ACRE ATIF	PER ACRE ADJ	TITLE COMMITMENT
139.4	11	13 (pt.)	DEAN, KENNETH	Canton, IL	2/24/2004	\$8,500	0.218	\$ 38,991	Fee	1(Ease.)	\$38,000	\$38,000	Yes
139.7	11	12 (pt.)	MAC'S CONVENIENCE STORES	Canton, IL	9/30/2004	\$31,900	0.46	\$ 69,348	Fee	Adv. Possession No Title	\$0	\$0	Yes
170.9	27	4 (pt.)	VAUGHAN & BUSHNELL	Bushnell, IL	12/17/2004	\$10,000	0.31	\$ 32,258	Fee	1(Ease.) 5(Fee)	\$20,000	\$16,000	No
139.4	11	21 (pt.)	SAN PEDRO TRAILS, INC.	Canton, IL	1/11/2005	None	2.35	N/A	Fee	No title	\$38,000	\$38,000	No
149	16	4 (pt.)	SAN PEDRO TRAILS, INC.	Cuba, IL	1/11/2005	None	4.774	N/A	Fee	No Title	\$0	\$0	No
169.8	10	1 (pt.)	SAN PEDRO TRAILS, INC.	Rawlits, IL	1/20/2005	None	2.6	N/A	Fee	2(Ease.)	\$1,500	\$1,200	No