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December 22, 2004

BY HAND DELIVERY

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001

ENTERED
Office of Proceedings

DEC 28 2004

Part of
Public Record

RE: Finance Docket No. 34335
Keokuk Junction Railway Co.--Feeder Railroad Development Application
--Line Of Toledo, Peoria & Western Railway Corporation Between
La Harpe And Hollis, IL

Dear Secretary Williams:

Enclosed herewith are an original and eleven copies of the Verified Statement of James W. Klopfenstein, which is Exhibit D to Keokuk Junction Railway Co.'s Reply to Toledo, Peoria and Western Railway Corporation's Petition for Reconsideration, filed December 20, 2004. Keokuk Junction Railway Co. ("KJRY") previously requested leave to file this material, for reasons explained in Footnote 19 of that filing. There is only a Public Version of this document.

Please acknowledge receipt of the enclosed material by date stamping the eleventh copy thereof, enclosed for that purpose, and returning it to the individual making this filing for return to me. If there are any questions about this matter, please contact me directly, either by telephone: (202) 663-7823 or by e-mail: wmullins@bakerandmiller.com.

By my signature below, I certify that a copy of the attached material was served today on the persons and in the manner specified in the Certificate of Service attached to the December 20 filing, except that no copy was served upon Brooke L. Gaede, who has informed us that she was erroneously included on the official service list for the captioned matter and has no connection with this proceeding.

Sincerely,

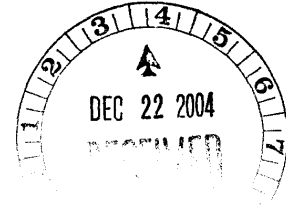
William A. Mullins

Enclosure

cc: All Parties of Record

Before the Surface Transportation Board

Finance Docket No. 34335



KEOKUK JUNCTION RAILWAY COMPANY--FEEDER RAILROAD
DEVELOPMENT APPLICATION--LINE OF TOLEDO, PEORIA & WESTERN
RAILWAY CORPORATION BETWEEN LA HARPE AND HOLLIS, IL

VERIFIED STATEMENT OF
JAMES W. KLOPFENSTEIN

My name is James W. Klopfenstein. I am President of James W. Klopfenstein & Associates, Inc., a Real Estate Valuation and Consulting Firm, specializing in the valuation of agricultural, commercial, industrial and residential properties within a 100-mile radius of Peoria, Illinois. I am an Illinois Certified General Appraiser, and a Designated Member of the Appraisal Institute, and have been appraising since 1965.

My résumé is attached.

The purpose of this statement is to:

- Analyze the valuation methodology presented by Todd N. Cecil in his Verified Statement, dated October 13, 2003
- Analyze the L. Arlen Higgs Review (Verified Statement, dated November 6, 2003) of Mr. Cecil's Verified Statement

Legal Counsel for Pioneer Rail Corp. has engaged me to review the Verified Statements relative to the valuation of the 76.0 mile rail corridor between Mile Post 118.5 at Hollis to Mile Post 194.5 at LaHarpe.

In that regard, the Verified Statements of Mr. Cecil and Mr. Higgs; the STB Decision dated October 28, 2004; excerpts of the Keokuk Junction Railway Company Argument; and the Petition for Reconsideration filed by the attorneys for the Toledo, Peoria & Western Railway Corporation have been read and reviewed.

A cursory inspection of the captioned rail line and surrounding areas has been performed.

It is apparent that there is a difference of opinion relative to the area owned in fee simple, and the appropriate valuation methodology.

I have not made a determination as to title, the land area involved, nor have I inspected or verified any comparable sales data included in either the Cecil or Higgs Statements.

During the previous 25 years, I have had occasion to appraise various properties adjacent to, or in close proximity to the rail line in Peoria, Fulton, McDonough and Hancock Counties, and am familiar with and have knowledge of sales throughout this area.

ANALYSIS OF L. ARLEN HIGGS STATEMENT

The Higgs Statement identifies six sales of former railroad right-of-way, and provides generalized information relative to sales of right-of-way and land surrounding the rail line; however, there is no specific identification of the sales surrounding the rail line in question.

Mr. Higgs concludes a discount ranging from 50.8 to 84 percent for sales of abandoned railroad right-of-way when compared to value of land with similar location and highest and best use. In addition, Mr. Higgs concludes a 4-year absorption period, presuming the corridor would be separated into various parcels, and further presumes 50 percent of the property could be sold the first year, 45 percent over the course of the second and third years, with the final 5 percent taking an undetermined longer period.

Mr. Higgs' Statement fails to provide specific market data in the vicinity of the rail line; bases his conclusions upon his knowledge of the real estate market in the vicinity of the line; and fails to provide adequate support for his conclusions relative to absorption.

ANALYSIS OF STATEMENT OF TODD N. CECIL

Mr. Cecil considers two methodologies in valuing the property. The first is as an Assembled Corridor, with the second being an Abandonment NLV (Net Liquidation Value).

The Assembled Corridor value gives consideration to an Across the Fence Value (ATF) and relies on the principle of substitution as indicated on Page 112. As indicated on Page 113, "Since ATF assumes continued corridor use, no appraisal adjustments for shape or access are considered." While this may be an appropriate methodology for an Assembled Corridor value, potential purchasers of the property would be concerned with the shape and access, and consider those factors prior to making a purchase decision.

It would appear that the ATF value is based upon a number of comparable sales which are documented in Mr. Cecil's Statement.

The comparable sales considered by Mr. Cecil include sales from the TP&W to adjacent property owners, and would appear to be sales of excess land as opposed to right-of-way. These sales have superior utility in terms of size and shape. It is the reviewer's opinion that the majority of owners adjoining a railroad right-of-way would pay a substantially lesser price for the narrow right-of-way than they would for adjoining parcels having substantially enhanced utility.

A value conclusion for various property uses along the corridor is estimated, and a value assigned to individual segments of the corridor. These individual values are then summed to arrive at Mr. Cecil's ATF for the corridor prior to adjusting for an Enhancement Factor (EF).

The valuation of the individual parcels presumes a 20 percent discount from the ATF value. There is minimal support provided for these conclusions.

It is this reviewer's opinion that this is an inappropriate method of valuation in that valuing the individual portions of a property and then summing the values to arrive at a total value does not represent the value of the whole; rather the total is a retail value of the individual parcels when considered as a whole. Further, there is inadequate analysis relative to the valuation of the various segments and the varying value estimates applied to the industrial, residential and agricultural parcels.

It is the reviewer's opinion that the ATF Value is overstated for the reasons cited.

The second technique is for a Non-Corridor (or Piecemeal) Valuation.

In this technique, Mr. Cecil again values the individual parcels, sums the values and employs a discounted cash flow analysis to arrive at the Non-Corridor (or Piecemeal) Valuation.

The valuation of the individual parcels presumes a 20 percent discount from the ATF value. There is minimal support provided for this conclusion.

Mr. Cecil fails to provide analysis relative to the individual parcel values, particularly with respect to the industrial, residential and agricultural uses which show varying values for the individual parcels.

Mr. Cecil concludes a time adjustment of 5 percent per year, based upon his experience as confirmed by discussions with local appraisers and others knowledgeable of trends in local land values, as indicated on Page 115.

This time adjustment is overstated, based upon the reviewer's 20+ years experience within this market area, and the reviewer's ongoing analysis of comparable sales. A more appropriate market condition adjustment would be 2-3 percent per year.

The Cecil Statement concludes an absorption period of 3 years, with 65 percent of the land sold in the first year, 25 percent in the second year, and 5 percent in the third year, with the remainder 5 percent not being marketable, and concludes a discount rate of 5 percent, as indicated on Page 119.

It is the reviewer's opinion that the absorption period conclusion is optimistic. A realistic absorption period would be 4 years, with 50 percent sold in the first year, 20 percent sold in the second year, 20 percent in the third year, and 10 percent in the fourth year, based upon the reviewer's knowledge of the pertinent market area.

In addition, it is the reviewer's opinion that the 5 percent discount rate used is substantially understated given the type of property being valued, and the failure to give consideration to any factors other than the "...cost of money..." as indicated on Page 119.

It is this reviewer's opinion that the Non-Corridor (or Piecemeal) valuation is overstated for the reasons cited.

GENERAL COMMENTS

The reviewer has not valued the property, nor are any opinions offered as to the valuation of the rail line corridor.

Further, the reviewer has not verified information contained in either the Higgs or Cecil Statements, nor is an opinion offered as to the appropriate valuation methodology which should be employed due to the very apparent differences of opinion.

I certify that, to the best of my knowledge and belief:

The facts and data reported by the reviewer and used in the review process are true and correct;

The analysis, opinions and conclusions in this review are limited only by the assumptions and limiting conditions stated in this Review Verified Statement, and are my personal, impartial and unbiased professional analyses, opinions and conclusions;

I have no present or prospective interest in the property that is the subject of this Verified Statement, and no personal interest with respect to the parties involved;

I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;

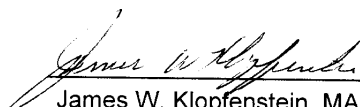
My engagement in this assignment was not contingent upon developing or reporting predetermined results;

My compensation is not contingent on an action or event resulting from the analyses, opinions and conclusions in this review, or from its use;

My analyses, opinions and conclusions were developed and this Verified Statement was prepared in conformity with the Uniform Standards of Professional Appraisal Practice;

I have made a cursory inspection of the subject property.

December 21, 2018
Date


James W. Klopfenstein, MAI, SRA
State Certified General
Real Estate Appraiser
License No. 153.0000459 (Illinois)

QUALIFICATIONS OF THE REVIEWER

JAMES W. KLOPFENSTEIN, MAI, SRA

PRESENT EMPLOYMENT: President, James W. Klopfenstein & Associates, Inc; Real Estate Valuation and Consulting; 320 East Jackson Street; Morton, Illinois

Past Employment: President, Morton Community Service Corp.; Real Estate Appraising; 320 East Jackson Street; Morton, Illinois - 1973-1994

Morton Federal Savings & Loan Association; 150 South Main Street; Morton, Illinois, as Assistant Vice-President and Staff Appraiser, specializing in appraising since 1965

EDUCATION:

Graduate of Bradley University with a Bachelors Degree in Business Administration

Graduate of Illinois Savings and Loan League Management Short Course

Society of Real Estate Appraisers:

Course 1	(Basic Principles, Methods, and Techniques), Purdue University, July, 1965
Course 201	(Income Property Appraising), University of Wisconsin, April, 1972
Course 301	(Special Applications of Real Estate Analysis), Continuing Education Center, Long Island, NY, 1984

Attended various seminars on Regression Analysis, the Income Approach, Depreciation Analysis, and related appraisal topics

GOVERNMENTAL AND INSTITUTIONAL CLIENTS:

State of Illinois Department of Transportation
State of Illinois, Department of Conservation
City of Bloomington, Illinois - Urban Renewal Department
City of Canton, Illinois - Department of Community Development
City of East Peoria, Illinois
City of Pekin, Illinois
City of Peoria, Illinois
City of Washington, Illinois
Greater Peoria Airport Authority
Federal Aviation Administration
Peoria County Highway Department - Peoria, Illinois
U.S. Postal Service
Village of Morton, Illinois

EXPERT TESTIMONY:

Peoria County Circuit Court
Tazewell County Circuit Court
Woodford County Circuit Court
Illinois Property Tax Appeal Board
Federal Bankruptcy Court - Peoria and Danville, Illinois
Federal Tax Court

EXPERIENCE:

Types of properties appraised include residential, commercial, industrial, rural and special purpose. A partial list of clients follows:

American Fly Ash Co.
American Smelting and Refinery Co.
Cargill-Nutrena Food Div.
Caterpillar Tractor Co.
Central Illinois Light Company
Chris Hoerr & Sons
Commonwealth Edison Co.
Equitable Life Assurance Society
H C Products Co.
Hyster Co.
Illinois Bell Telephone Company
Illinois Power Co.
International Business Machines Corp.
Keystone Steel and Wire Co.
The Kroger Co.
Oscar Mayer & Co.
Parke-Davis Co.
Pioneer Industrial Park, Inc.
Wabco
Waste Management

Bank One, Peoria, Illinois
Citizens Equity Federal Credit Union, Peoria, Illinois
Commerce Bank, Pekin and Peoria, Illinois
Continental Bank, Chicago, Illinois
First of America Bank, Bloomington, Morton and Peoria, Illinois
First Financial Bank, Peoria, Illinois
Herget National Bank, Pekin, Illinois
Magna Bank, East Peoria and Peoria, Illinois
Morton Community Bank, Morton, Illinois
Morton Federal Savings Bank, Morton, Illinois
Norwest Bank, Peoria, Illinois
Pekin Savings and Loan, Pekin, Illinois
Security Savings Bank, Monmouth, Illinois
South Side Bank, Peoria, Illinois

Various attorneys and individuals

PROFESSIONAL MEMBERSHIPS:

Appraisal Institute
Pekin Board of Realtors
Peoria Board of Realtors

PROFESSIONAL DESIGNATIONS:

SRA, Senior Residential Appraiser, The Appraisal Institute
MAI, Member Appraisal Institute

PROFESSIONAL ACCOMPLISHMENTS:

Society of Real Estate Appraisers -

International Governor, District 23	1978-1982
International Vice-President	1983-1984
International President-Elect	1985
International President	1986

The Appraisal Foundation

Chair, Appraiser Qualifications Board	1989-1994
Trustee, Board of Trustees	1987-1988

STATE CERTIFICATION:

State of Illinois
Certified General Real Estate Appraiser
License No. 153.0000459