METRO REGIONAL TRANSIT AUTHORITY

DRAFT

RAIL ASSET MANAGEMENT REPORT

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Executive Summary

The Akron METRO Regional Transit Authority has engaged the services of Bergmann Associates and R.L. Banks & Associates to analyze the current state of affairs of METRO owned rail assets as well as to investigate potential future options for these assets. This task was undertaken to build off the recommendations of the 2012 *Rail Freight System Study* and to help METRO understand the financial implications of pursuing these recommendations, as well as exploring new ownership and management options. This report is meant to inform and guide METRO in its decision making process, not provide recommendations for their management.

This *Rail Asset Management Report* provides a comprehensive summary of the many pieces of this management puzzle. Many subtasks and reports were created to aid in the research; primarily focusing on the current and projected financial state of METRO owned rail assets, as well as exploring alternative and similar rail management styles. A summary of these reports, as well as the studies performed in 2012, are provided in the second chapter. This report also relies on various studies performed to assess how growth and change will occur in Northeastern Ohio as a community.

After summarizing the various related studies, this report delves into the four ownership options that METRO is interested in exploring: 1) Retaining rail assets; 2) leasing rail assets; 3) selling rail assets and 4) transferring ownership of rail assets. This analysis provides benefits and challenges of each option based on the various studies and reports. Again, at the request of METRO no recommendations are made as to which option is best.

Lastly, a discussion of the various ownership and management options that METRO could employ is provided. This includes a comparison of the current management of METRO's freight operations to similar rail operations in the country. It also further discusses options for leasing the rail assets to an outside management company.

All of these components combined should provide METRO with valuable information when deciding the future of their rail assets. This report aims to help METRO determine a financially responsible course of action that allows the agency to continue providing high-quality service to customers and meet its long-term goals.

Chapter 1: Introduction

Report Purpose

The Akron METRO Regional Transit Authority is a public transit agency serving the metropolitan Akron, OH area. METRO owns three railroad corridors in the region, two of which are currently out of service, with the third fully active. The total holdings include roughly 41 miles of rail rights of way in both Stark and Summit Counties. These lines are the Akron Secondary Line, the Sandyville Line, and the Freedom Secondary Line (see Map 1). Bergmann Associates, in association with R.L. Banks Associates performed a number of studies to assess the future options that METRO has with their owned railroad assets. These studies include:

- An assessment of the Net Liquidation Value (NLV) of the railways
- A study into the value of the real estate that METRO owns
- A Going Concern Valuation
- A comparison of METRO's ownership to similar publically owned and managed rails
- A study of the financial feasibility of rail asset management
- A study into applicable Federal Transit Administration (FTA) and Federal Railroad Administration (FRA) requirements

This report will refer to these studies, as well as a multitude of existing studies and reports, to address the four options that METRO is interested in investigating:

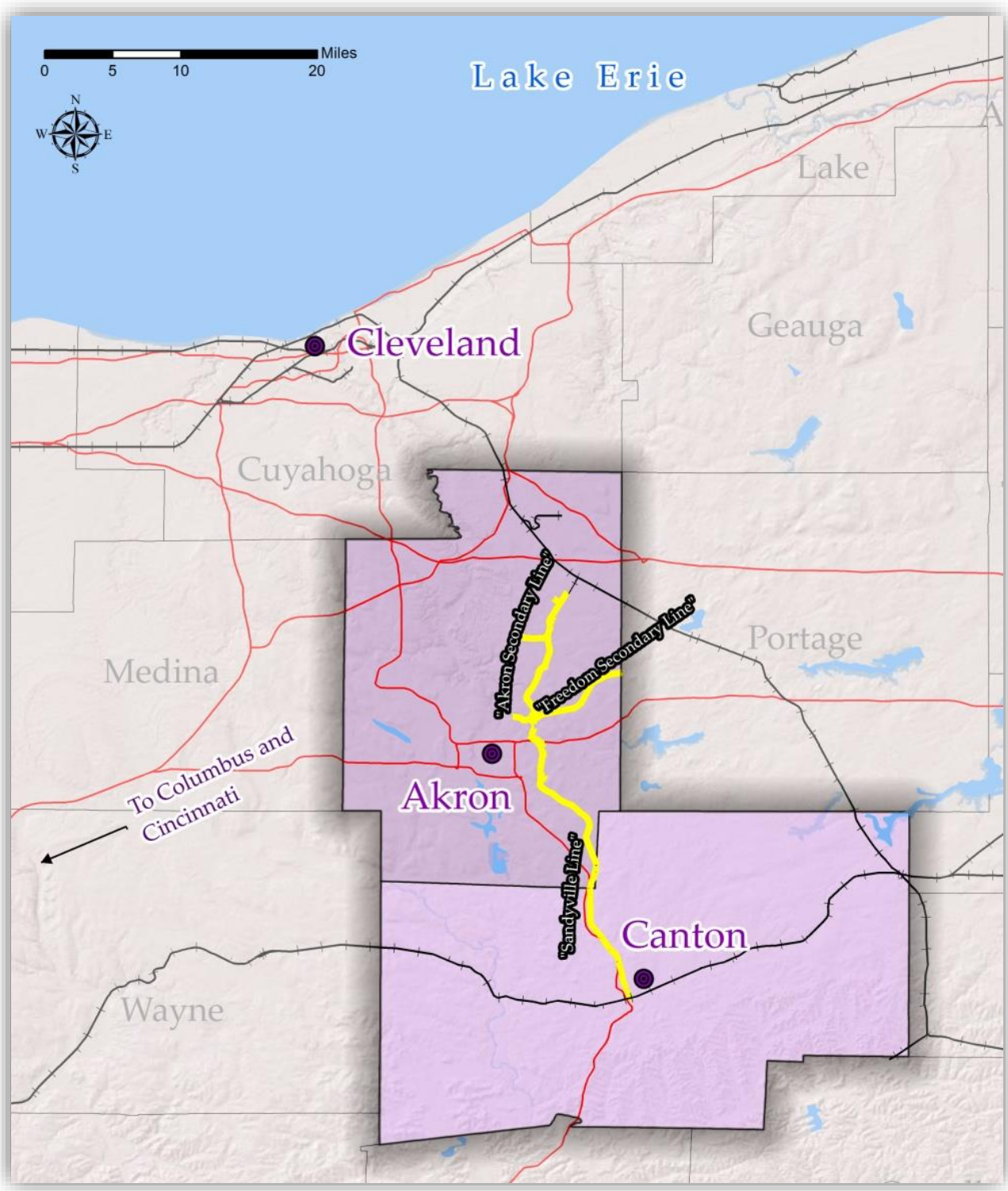
1. Retaining ownership of railroad assets
2. Leasing operation of the railroads
3. Selling all railroad assets
4. Transferring ownership of railroad assets to another entity

Referenced Material

In 2011, METRO initiated a study with Bergmann Associates on the movement of rail freight within the region to investigate how METRO could contribute to the success of the regional economy. This study, the *Rail Freight System Study,* assessed the current state of all METRO owned railroads, the current use of rail for freight movement in the study area, as well as projected future need for rail use in the study area. Bergmann Associates also performed an analysis of potential rehabilitation efforts for the Sandyville line as well as provided recommendations for necessary repairs to reactivate the Akron Secondary line.

This report will also reference the historical activity of each line as well as the METRO Transit Master Plan. The following studies and plans from other organizations are also referenced:

- The Northeast Ohio Commuter Rail Feasibility Study (NEORail)
- The Canton-Akron-Cleveland Major Investment Study
- The Vibrant NEO 2040 Plan
- The AMATS 2030 Regional Transportation Plan



Map 1: Study Area

Chapter 2: Summary of Rail Study Results

METRO Rail Freight System Study

Akron METRO initiated the *METRO Rail Freight System Study* in early 2011 in order to evaluate the movement of rail freight within the METRO region. The aim was to gain a clearer understanding of how METRO could better contribute to the regional economy, as there is a strong link between freight facilities and services to regional competiveness and quality of life. The final *Rail Freight System Study* provided a comprehensive analysis of the regional freight rail network in which METRO operates. It included a broad inventory of the existing freight transportation network in and around the study area, examined the socioeconomic fabric of the region, and included a market analysis of the economic development potential of increased rail use that may result from investment in the current rail freight network in Stark and Summit counties.

The findings of the *Rail Freight System Study* indicated that not only would METRO investments in its rail holdings for freight development have a significant impact on supporting the regional economy, it was also likely that METRO would realize a positive net return on those investments over the long-term. The positive factors influencing the potential for growth include:

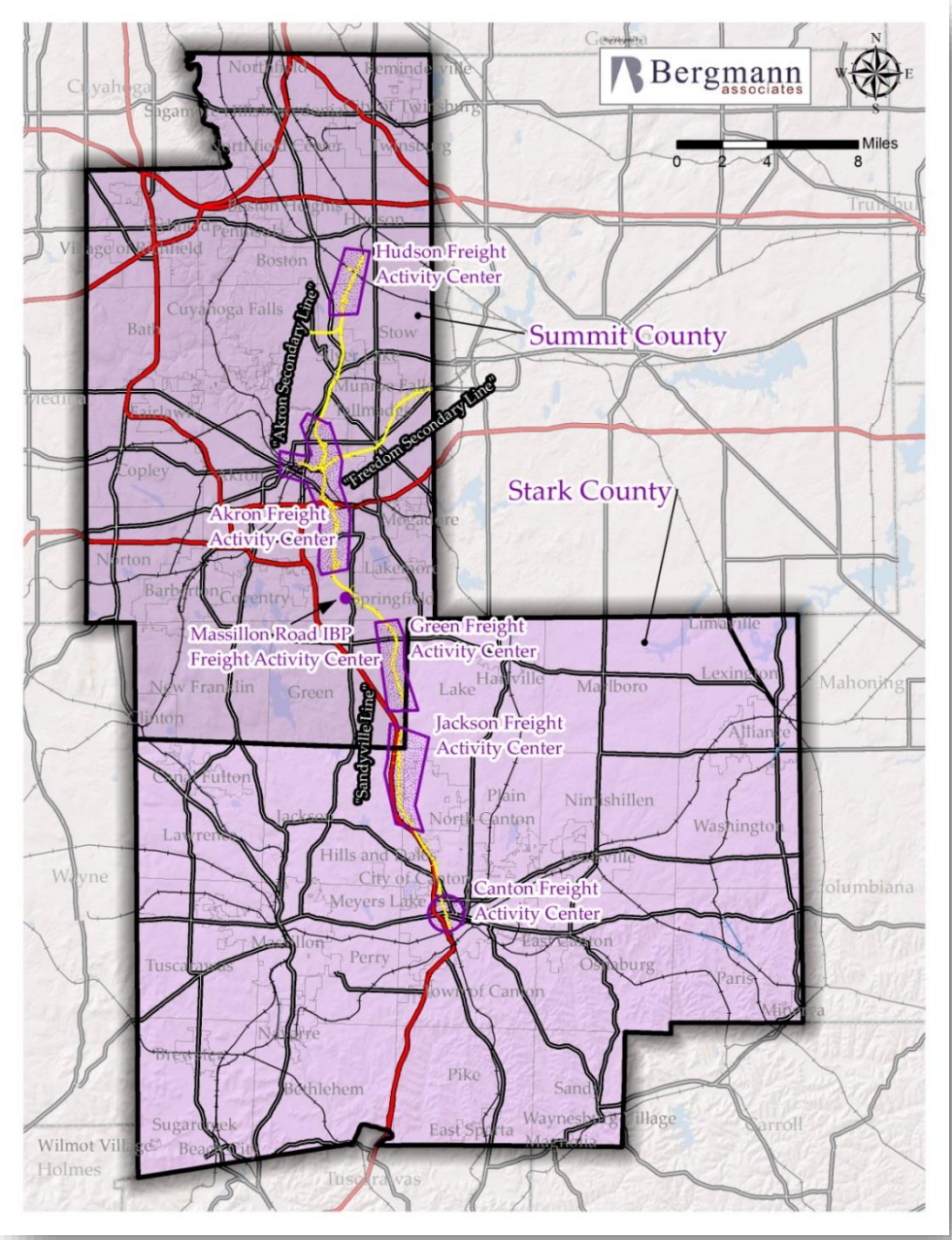
- A skilled and innovative labor force, including many with prior experience in the rail industry, in Summit and Stark counties
- The existing rail network is wholly-owned by a single entity with connections to two Class 1 railroads
- Six (6) Freight Activity Centers (FACs) were found in the study area with a high degree of development potential
- Growing demand in the Utica Shale drilling industry which could in turn require more use of railroads for freight transport
- The location quotient (concentration of employment in particular industries) is very high for many manufacturing industries in the study area as compared to the national average.

While the above indicators show that there is in fact a large potential for growth in the area based on increased rail freight availability, the study also outlined a number of issues and challenges to address before growth could occur. The study also prioritized a number of key investments, listed below:

- Highest Priority Investments:
    - Develop a strategy and administrative capacity to manage all aspects of freight rail operations, infrastructure maintenance and economic development
    - Establish a task force to help preserve, promote and coordinate regional rail development activities
    - Plan, design and construct a transload facility at the Hudson Freight Activity Center
- High Priority Investments:
    - Repair and/or replace bridges along the Sandyville Line

- Work with the City of Akron to maintain rail viability at the Massillon Road Industrial Park
- Restructure policy to allow METRO to make long-term agreements
- Develop a strategy to participate in the emerging Utica Shale gas industry
- Develop mapping inventory of all METRO-owned properties and rights-of-way

This study plays an important role in assessing the future options for METRO and is intended to help develop the benefits and challenges associated with each option that METRO is considering.



Map 2: FACs Identified in *METRO Rail Freight System Study*

Sandyville Line Rehabilitation Program

METRO tasked Bergmann Associates to provide an evaluation and report on the existing conditions of the track structure of the Sandyville line in 2010. At the time, the Cuyahoga Valley Scenic Railroad offered passenger rail service on the Sandyville line. This program has since be retired. Wheeling and Lake Erie (WLE) operated freight traffic between MP 16 and 25.3 and Akron Barberton Cluster Railway (ABC) operated from MP 40 to MP 33.55. This accounted for approximately five freight cars per week. The Federal Railroad Administration (FRA) had provided citations to METRO on the state of Sandyville line and increased scrutiny from the FRA was expected.

Bergmann Associates recommended a number of repairs to upgrade the Sandyville line from a FRA Class 1 railroad to a FRA Class 2. These repairs included line and surface, placing additional ballast, tie replacement, replacement of missing and damaged tie plates, curve patch and vegetation control. In its current state, the Sandyville line will require increased yearly maintenance and downgrade to a FRA Class 1 line is possible. As a FRA Class 1 line, less yearly maintenance would be required. Although the initial estimates for initial repairs were high at $4,242,260, estimations of maintenance of the line on a yearly basis ended up at approximately $10,000 per mile. Without these repairs, the cost to METRO could increase substantially over time.

Additionally, Bergmann Associates provided recommendations for future project not associated with typical track maintenance to improve the state of the Sandyville line. For a full breakdown of repair recommendations and cost estimates, refer to the *Sandyville Line Rehabilitation Program* report.

Bridge 431 looking south towards Case Avenue along the Sandyville Line

Akron Secondary Reactivation Program

Bergmann Associates also evaluated and reported on the existing conditions of the Akron Secondary line and recommend appropriate rehabilitation work necessary to reactivate the line between MP 1.49 (Barlow Road) and MP 2.94 (Seasons Road). Previously owned by Conrail, this line was abandoned in 1991 and has been inactive since. At the time of finalization of this report, there was interest in reactivating the line to facilitate freight movement for the Hudson Industrial Complex. This would be an added source of revenue for METRO.

Although heavily covered in thick brush in places due to the length of its inactive state, the rail itself is in mostly good condition with the exception of some curve wear just south of Barlow Road. Necessary repairs would include completion of clearing of brush and vegetation, replacement of 468' of rail for the curve patch, replacement of 75% of ties, and line and surface. Bergmann Associates also recommended additional inspection of the rails, assessment of the state of the bridge over Powers Creek and a hydraulic study of a flooding pipe culvert. A project to assess the Powers Creek Bridge is currently underway. With these repairs, it was assumed that the line could maintain FRA Class 2 status. The estimated cost of the rail rehabilitation totaled at $1,411,928, with an additional estimate of $150,000 for the additional recommendations and permitting. For a full breakdown of repair recommendations and cost estimates, refer to the *Akron Secondary Reactivation Program* report.

View northeast of the existing railroad bridge over Powers Creek on the Akron Secondary Line

Net Liquidation Valuation of Akron METRO- Owned Rail Assets

R.L. Banks & Associates, Inc. (RLBA) was retained by Bergmann Associates to prepare the *Net Liquidation Valuation of Akron METRO-Owned Rail Assets* report in January 2017. The three corridors were assessed as summarized below:

- *The Sandyville Line:* A 24.14- mile corridor, extending south between Milepost 40.34 (Howard Street) in Akron, OH and Milepost 16.20 (Marion Street) in Canton, OH. This corridor was valued in three separate segments: 1) North (active); 2) Middle (inactive) and 3) South (active). The Akron Barberton Cluster Railway (ABC), a subsidiary of Wheeling & Lake Erie Railway (WLE), currently leases and operates the North segment, while WLE leases and operates the South segment. The Middle segment is currently inactive but maintained by METRO. The entirety of the 24.14- mile corridor that was inspected had track installed on it. ***(Of note, at the time of the NLV inspection, the middle segment was inactive but since that time has been reactivated and is currently in active freight use.)***

- *The Akron Secondary:* A 10.04- mile corridor, extending south between Milepost 1.45 (Barlow Road) in Hudson, OH and Milepost 11.49 (Arlington Street) in Akron, OH. This corridor was valued in two separate segments: 1) North (inactive) and 2) South (inactive). This line has been inactive over such an extended period that thick vegetation covers much of the existing track structure. While the corridor extends 10.04 miles, the physical track structure ends at approximately Milepost 8.0. As such, while the South (Inactive) segment extends between Milepost 4.58 and 11.49, only 3.49 miles of track and associated material were observed and valued

- *The Freedom Secondary:* A 9.33-mile corridor, extending south between Milepost 192.51 (Mogadore Road) in Kent, OH and Milepost 201.84 (Mill Street) in Akron, OH. This corridor was valued as a single segment. This line has been inactive over such an extended period that thick vegetation covers much of the existing track structure. Additionally, a paved recreational trail is present adjacent to the rail over a significant portion of the corridor. While the corridor extends 9.33 miles, the physical track structure ends at approximately Milepost 201.30. Additionally, the inspector observed that approximately 0.25 miles of track and associated material had been removed between Milepost 200.40 and Milepost 200.65. As such, while the Freedom Secondary extends between Milepost 192.51 and 201.84, only 8.54 miles of track and associated material were observed along the corridor.

The report determined the Net Liquidation Value (NLV) of track assets in the subject property as of January 3, 2017, based on findings recorded during a physical inspection of the assets that occurred December 4-9, 2016. The valuation included the value of railroad rail, turnout, other track material (OTM), including joint bars, anchors, tie plates and spikes as well as ties and ballast. Additionally, the report discussed the factors that influenced these values.

The NLV of all combined corridors is $8,826,000. Desktop application of the current market prices of the physical inventory inspected was used to determine this price. The breakdown of the NLV per segment is in Table 1.

Table 1: NLV Segment Summary

Sandyville Line - North (Active) Segment	$1,953,000
Sandyville Line - Middle (Inactive) Segment	$2,074,000
Sandyville Line – South (Active) Segment	$2,672,000
Sandyville Line	**$6,699,000**
Akron Secondary – North (Inactive) Segment	$561,000
Akron Secondary – South (Inactive) Segment	$472,000
Akron Secondary	**$1,033,000**
Freedom Secondary	**$1,094,000**
Grand Total	**$8,826,000**

Please note that this section of the report was finalized before the reactivation of the middle segment of the Sandyville line. The *Net Liquidation Valuation of Akron Metro- Owned Rail Assets Report* contains the fully detailed summary of results of this study and can be found in Appendix A.

View of Akron Secondary showing Ballast fouled with vegetation around MP 4.2

Real Estate Valuation of METRO-owned Assets

The NLV of all real property that METRO owns in all three of the rail corridors was assessed. The assessment focuses on the use of the land in each corridor as no buildings were found that appeared to be METRO owned. The evaluation was performed separately on each line, and each rail was further divided into segments based on the highest and best use of the surrounding land. The Across-the-Fence (ATF) value and liquidation value of each segment was calculated.

Through this assessment, the highest and best use of all rail lines and subject properties is recommended be net liquidation. As the property is special use and railroads are rarely for sale, the assessor used the highest and best use of the adjacent properties to prepare price estimates. They have also assumed that due to the special nature of the rail corridor, the only options to liquidating to the adjoining property owners or to a real estate speculator. The limited nature of potential buyers does put the seller, METRO, at a disadvantage and will most likely require steep discounts to the buyer. The summary of each segment follows in Table 2.

Table 2: Real Estate Valuations for METRO Owned Assets

	EXTENTS	LENGTH (MILES)	LENGTH ADJACENT TO TRAIL (MILES)	AREA (ACRES)	HIGHEST AND BEST USE	ATF VALUE, NO TRAIL ($/ACRE)	ATF VALUE, WITH TRAIL ($/ACRE)	ATF TOTAL	LIQUIDATION VALUE (20% ATF)
SANDYVILLE LINE- NORTH SEGMENT	MP 35.55 to MP 40.34	6.79	-	69.272	Industrial	$30,000	-	$2,100,000	$420,000
SANDYVILLE LINE- MIDDLE SEGMENT	MP 25.5 to MP 35.55	8.08	-	60.390	Agriculture, forestry	$6,100	-	$368,000	$72,000
SANDYVILLE LINE- SOUTH SEGMENT	MP 16.39 to MP 25.5	9.16	1.3	71.292	Industrial	$15,000	$1,500	$204,000	$48,000
AKRON SECONDARY- NORTH SEGMENT	MP 1.45 to MP 4.58	3.13	-	25.04	Industrial	$30,000	-	$751,000	$150,000
AKRON SECONDARY- SOUTH	MP 4.58 to MP 11.49	6.91	-	62.724	Industrial	$30,000	-	$1,882,000	$376,000
FREEDOM SECONDARY	MP 192.51 to MP 201.84	9.33	6.29	113.79	Industrial	$30,000	$3,000	$1,235,000	$250,000

With these estimations, the total NLV of the Sandyville, Akron Secondary, and Freedom Secondary lines are $540,000, $526,000, and $250,000 respectively. The total NLV of all lines is therefore $1,316,000. For a complete discussion on the real estate valuation, please refer to Appendix B.

Going Concern Valuation

RLBA assessed the operations for a going concern valuation of the rail lines owned by METRO and concluded that none of the rail lines constituted a going concern. The only line that could be a going concern is the Sandyville Line, which is the only operational line. The rule of thumb for a rail line to be considered viable is having at least 30 cars per mile per year. The north end of the Sandyville line averaged 98 cars per year in the five years prior to 2016. Averaged over the 6.79 miles that are operational, this equates to 14.4 cars originating or terminating on this line per mile. This segment is therefore not a going concern. The south end of the Sandyville Line averaged a higher yield of 234 loads per year in the past five years. However, when averaged over the 9.3 miles that are operational, this equates to only 25.2 cars originating or terminating on this line per mile. As this is under 30 cars per year per mile, this end is also not a going concern.

With METRO's reactivation of the middle segment of the Sandyville line, the reliability of service could be improved and lower prices for customers may be seen. While this is beneficial, it has added to the mileage that will need to be maintained. This also increases the mileage that is used to calculate the annual loads per mile metric, which if using the current load trends of 332 loads per over the new mileage of 24.14, the metric decreases to only 13.76 loads per mile per year originating or terminating on this line. For the complete going concern valuation, refer to Appendix C.

Public Ownership and Management Comparison

The institutional arrangements currently in place at similar institutions with the active management and operation system in place at METRO were compared. In order to complete this comparison, METRO completed management "score cards", provided interviews with key METRO staff and provided documentation, including the current state of leases with Wheeling & Lake Erie Railway (WLE) and the Akron Barberton Cluster Railway (ABC). After the current situation at METRO was assessed, this was compared to the various leases held by the approximately 100 publically owned railroads in the U.S. From these 100 railroads, 10 were selected for their similarity to METRO's current situation.

It was concluded that METRO's agreements are generally in line with other publically owned and privately operated lines. More importantly, it is clearly showed that there was not one uniform approach to rail operations of this nature. The exception is METRO's responsibility to maintain the line in its agreement with WLE and ABC. In its current state, the terms of maintenance responsibility are ambiguous and confusing as to who is responsible. It was also found that METRO's agreements grant METRO a superior amount of control when compared with other similar agreements. By outlining the requirements for future passenger service, METRO has protected itself from potential operator obstruction should the operation of the lines shift to include passenger service. The 5-year length of the ABC lease allows for flexibility to

adjust to changing goals, however the 99-year lease with WLE negates this flexibility on their operated segments. A more detailed summary of this report is found in Chapter 4: Ownership and Governance, and the report can be found in Appendix D.

Alternative Management Structures

Consideration was given to the best organization to perform the rail asset management that METRO is currently performing. “Best” is defined as what maximizes the benefits to local citizens of public sector rail line ownership. This task was performed with two key considerations: that rail assets be managed under one organization as a whole asset and that the willingness of any organization to take on the responsibility of management of the rail assets is likely to be greatly affected by whether the responsibility to fund the rail assets is transferred with management responsibilities. The potential arrangements were assessed for the rail assets to become a responsibility of NEORide, a tri-county council of governments’ intent on streamlining operations to ease passenger travel through their counties, the Ohio Transit Risk Pool (OTRP), a risk management entity, and other options.

NEORide is focused on passenger travel in Stark, Summit, and Portage counties and it would seem that the rail assets could be beneficially in helping NEORide attain its goal of creating “easier use for passengers travelling in the multi-county area” by providing passenger transit. Transitioning rail assets to NEORide in its formative years may be beneficial as they would be able to provide the specific focus that is necessary for successful rail functions from the start. However, NEORide is very modest in size and it is unlikely that they would be able to provide the financial or human resources necessary to manage the assets. It is also unsure whether the members would be willing to change their structure to focus on passenger rail, especially the member of Portage County who would not benefit from these assets.

The OTRP is also an attractive option as it is meant to manage risk of stable property. Currently, OTRP is not designed, staffed, or equipped to handle management of active or inactive rail lines, especially rail lines that have active freight operations. It is possible that OTRP could establish and oversee a management contract between OTRP and NEORide, where NEORide would handle rail ownership. Again, this is unlikely as it is difficult to transfer ownership to NEORide when they cannot handle the financial responsibility. It is also unknown whether the FTA would allow an arrangement of this nature to occur. In short, it has been determined that transfer of rail assets to another management organization is unlikely. For the full document, refer to Appendix E.

Financial Feasibility of Rail Asset Management

The financial feasibility of rail asset management was assessed with historical, actual financial performance and adjusted for future performance. The main variables considered, aside from costs associated with the employment of the person handling METRO’s rail assets, included: 1) Revenues; 2) Infrastructure Maintenance Expenses; 3) Infrastructure Capital Expenses and 4) Insurance Expenses.

Revenues have varied greatly between 2005 and 2015, reaching a low of $42,295 in 2013 and a high of $65,824 in 2008. The average revenue is $53,390 over this ten-year period. It can be

assumed that license revenues will continue to increase at an average rate of approximately 1.75% per year. It can also be assumed that revenues from ABC will increase each year, the former at approximately 3% per year, while WLE revenues will remain near that of those seen in 2016. Although there is talk of reinstating the use of the Sandyville line to host scenic tours for the Cuyahoga Valley Scenic Railway, these revenue estimates are not considered in this study.

Infrastructure maintenance expenses include track and signal inspections, as well as track and signal repairs. Track inspection costs between 2009 and 2013 varied between $29,733 and $37,380, averaging around $34,025. This number can be used as a basis for costs going forward. Signal inspection costs varied between $37,044 in 2009 and $50,760 in 2016. These costs increased every year but one, and can be assumed to be increasing at a rate of about 4.5%. Track and signal repair costs are much more volatile than the inspection counterparts are. Signal repairs varied between $2,855 in 2015 and $30,165 in 2013, averaging $13,423. Track repairs varied between $14,136 and $98,095, averaging $50,124. The averages of the repair costs can be used to predict costs going forward due to the volatile nature, however, as the Sandyville Line is now connected through the middle portion the length will is extended by 50% and it will most likely mean that repair costs will rise by 50% in 2017.

Infrastructure capital expenses are the most volatile and difficult to predict category. Since 2004, around $5,610,000 has been invested into the construction of the Sandyville Line, along with $700,000 in design and construction management fees. Of that, $1,124,000 has been directly funded by METRO. At the same time, $168,000 were invested into the Akron Secondary, $25,000 directly from METRO. This breaks down to an average yearly investment of $485,000 into the Sandyville Line, $94,000 by METRO and $15,000 into the Akron Secondary, and $2,000 directly from METRO. It is difficult to say whether more or less will be invested into these lines in the future and where that money will come from but it is assumed that these are viable estimates for capital involvements going forward.

The physical property of the railroad infrastructure is self-insured. METRO carries a $5,000,000 liability policy, which cost $30,000 in 2016. According to the Ohio Risk Transit Pool, these costs are predicted to increase by approximately 1.5% per year.

Projected cash flows, depicted in Table 3, of the rail assets are substantial and negative over all forecast years. Financial performance is expected to continue to deteriorate as expenses are growing faster than projected growth of revenues. There is no realistic likelihood that a fundamental change in the financial performance will be realized. For the full report, refer to Appendix F.

Table 3: METRO Rail Line Cash Flow Projections

	Actual		Projected				
	2015	2016	2017	2018	2019	2020	2021
Cash Inflows							
Revenues							
ABC	$3,800	$11,200	$11,500	$11,800	$12,200	$12,600	$13,000
WLE	$8,400	$8,500	$8,500	$8,400	$8,500	$8,500	$8,500
License	$19,700	$20,000	$20,400	$20,800	$21,200	$21,600	$22,000
Stones	$20,800	$20,800	$20,800	$20,800	$20,800	$20,800	$20,800
Total Cash Inflows	**$50,300**	**$60,500**	**$61,200**	**$61,900**	**$62,700**	**$63,500**	**$64,300**
Cash Outflows							
Maintenance							
Track Inspection	($32,100)	($33,200)	($51,000)	($51,000)	($51,000)	($51,000)	($51,000)
Signal Inspection	($47,800)	($50,800)	($53,100)	($55,000)	($58,000)	($60,600)	($63,300)
Track Repairs	($74,900)	($98,100)	($75,200)	($75,200)	($75,200)	($75,200)	($75,200)
Signal Repairs	($3,500)	($2,900)	($13,400)	($13,400)	($13,400)	($13,400)	($13,400)
Capital							
Sandyville	($94,000)	($94,000)	($94,000)	($94,000)	($94,000)	($94,000)	($94,000)
Akron Secondary	($2,000)	($2,000)	($2,000)	($2,000)	($2,000)	($2,000)	($2,000)
Insurance	N/A	($30,000)	($30,500)	($31,000)	($31,500)	($32,000)	($32,500)
Total Cash Outflows	**($254,300)**	**($31,000)**	**($319,200)**	**($322,100)**	**($325,100)**	**($328,200)**	**($331,400)**
Net Cash Outflows	**($204,000)**	**($250,500)**	**($258,000)**	**($260,000)**	**($262,400)**	**($264,700)**	**($267,100)**

Account for Federal Transit Administration, Federal Railroad Administration and Other Legal Requirements

As the majority of METRO owned rail assets were purchased using FTA funding, METRO should not attempt to change any ownership of rail lines without first consulting with the appropriate FTA staff. METRO will need to contact FTA Region 5 office for more information and to discuss the process for disposition of assets. Although the FTA will not discuss matters of this nature with the project team, it is assumed that the FTA would want to be paid back the amount of money it invested in the assets. As this amount is currently higher than the current liquidations value of the lines, this is an unattractive option. This also goes against the original

intent of the purchase of these lines to preserve them until it was practical to host passenger rail service. For the full report, refer to Appendix G.

Chapter 3: Options for METRO Rail Assets

Option 1: Retaining Rail Assets

The 2011 *Rail Freight System Study* explored the area surrounding METRO owned railroads to assess the existing population and state of industries utilizing rail freight as well as the potential for growth of rail-dependent industries. Many of the recommendations of this study were based on the potential for the area, not on fixed costs, so while many of the results were favorable, it is impossible to say with certainty how the area will grow over time. However, it was clear that operation of a railroad for freight transport in this area could not only be profitable for METRO; it could strengthen the potential for growth of the area.

Benefits of Keeping Rail Assets

One of the major takeaways from the 2011 study was that the study area, Summit and Stark counties, has a major potential for growth of industries reliant on rail transportation. There is not only a large workforce in these counties, there is a higher than average educated workforce as compared to the rest of the State of Ohio. The mix between educated and skilled workers present in this area could be very attractive to businesses looking to build. In addition, the study found that the study area has a high potential for growing existing operations, as well as attracting new businesses, based on a competitive location quotient (LQ). The areas of Summit and Stark counties have a large amount of land already zoned for industrial use, which could utilize a railroad to transport freight. The study identified six (6) Freight Activity Centers (FAC) as areas with high potential to utilize the METRO owned rail, if it was operational. Existing businesses interviewed during the study also expressed immediate need for an operational rail. Additionally, Stark and Summit counties are located where there is the opportunity for intermodal transport, whether by air or by the many waterways that are already in use for transport in Ohio.

In addition to the potential for growth, this area is particularly attractive due to its proximity to Class 1 railroads. If operational, METRO owned railroads could provide a key byway to connect two major Class 1 railroads. This connection may also help reduce rail traffic around the cities of Akron and Canton and help clear congestion.

METRO owned rails may also be beneficial in non-industrial sectors. The Cuyahoga Valley Scenic Rail Service (CVSR) once leased and operated scenic rail tours on the Sandyville Line until 2011. The new President and CEO of CVSR has expressed interest in expanding the service provided by the Cuyahoga Valley National Park (CVNP) via the Sandyville Line to Canton.

METRO is also currently receiving fees from the leasing of rail freight operations to ABC and WLE. The profits from rail traffic by volume were assessed between 2004 and 2016 and trends indicate that freight profit is growing. Profits from WLE have been relatively consistent over this period, fluctuating from a minimum of $5,663 in 2009 to a high of $11,000 in 2006. In recent

years, operations have been in the $8,000-$9,000 range. The profits derived from ABC have been slightly more unsteady, seeing peak performance in 2004 with $21,184 and then declining to a low in 2012 with merely $1,728. However, profits have increased since 2012 and even reached $11,200 in 2016. Refer to Table 4 for a complete list:

Table 4: Freight Revenue by Operator

	ABC			*WLE*			
Year	Engines	Loads		Engines	Loads		Total
2004	191	471	$21,184	196	307	$10,563	**$31,747**
2005	178	443	$20,083	N/A	N/A	$10,902	**$30,985**
2006	172	432	$19,811	207	264	$11,000	**$30,811**
2007	119	262	$13,335	108	214	$7,248	**$20,583**
2008	99	202	$10,535	115	195	$7,146	**$17,681**
2009	55	104	$5,883	104	137	$5,664	**$11,547**
2010	67	139	$4,748	N/A	310	$7,657	**$12,405**
2011	59	117	$4,057	N/A	321	$8,600	**$12,656**
2012	27	48	$1,729	166	192	$8,251	**$9,980**
2013	32	64	$2,259	N/A	N/A	$9,323	**$11,582**
2014	51	89	$3,227	128	225	$9,457	**$12,684**
2015	52	103	$3,803	110	203	$8,385	**$12,189**
2016	96	184	$11,200	104	318	$8,519	**$19,719**

Furthermore, keeping the rail assets aligns with METRO and the surrounding area's vision for the future. The NEORail Phase II report highlights how passenger rail connecting Canton, Akron and Cleveland through Hudson would benefit the area. Providing this service could boost support for Cleveland and Akron and help slow urban sprawl by encouraging development along the rail corridor. This is echoed in the VibrantNEO 2040 Study, which looks at using existing infrastructure to expand public transportation and prioritizing growth near already established communities. Both studies call for investment into existing rail assets and the Cleveland-Akron-Canton Major Investment Study (CAC MIS) looks into the feasibility of doing so. Although initial estimates are high, around $454 million to create a passenger rail connecting Cleveland and Canton, the study concedes that it could be possible with outside funding. Unfortunately, at the time of the study AMATS decided to forego investigation into a rail option.

METRO itself is considering passenger rail options as outlined in the METRO Transit Master Plan. These three lines, no matter when installed, could serve as major viable public transportation options. It is hard to ignore the importance that these lines could play in the future of Ohio. From the METRO Transit Master Plan, "it is important for both preservation of the rail system, and for the future of Ohio jobs that are dependent on rail access, for METRO to continue to invest in improvements to the rail system, using both local funds and funds from state and Federal government sources."

Challenges of Keeping Rail Assets

The most daunting challenge of keeping the rail assets would be the necessary upfront costs to make these railways operational. For example, the 2011 study recommended repairs were necessary on the portion of the Akron Secondary between Barlow Road and Seasons Road so that it could become operational for the existing businesses. While investment in these repairs are likely to yield a profit eventually, it they were estimated to cost an initial $1.4 million (refer to *Akron Secondary Reactivation Program)*. Additionally, the *Sandyville Line Rehabilitation Program* estimated the costs to perform repairs on the Sandyville line to keep it operational and found initial investments to be approximately $4.2 million. The estimated costs to implement passenger rail service on the lines are even higher, ranging between $86.2 million to $123.4 million. Funding for this is also uncertain.

If METRO chooses to maintain ownership of the rail but not perform any alterations to the operating functionality, the rail assets will continue to depreciate, become less functional, and cost more to repair in the future. Should METRO choose not to perform investments in the rail, the current financial feasibility study forecasts that the costs to operate the lines is much higher than the profit gained, and it will continue in this manner for years to come. Neither freight operation on the Sandyville Line was found to be a going concern. Furthermore, both ends of the line are operating well under the metric that indicates a successful rail operation. It is uncertain what would enable a profit to be realized but it will most likely involve significant financial investments.

An additional challenge is the current 5-year agreement system that METRO has in place. In order to make agreements with connecting Class 1 railroads, it is likely that operating partners would require longer terms. Not only is the 5-year agreement an issue, but the structure of METRO is not one that is organized to operate a railroad. A new rail management structure would need to be established, safety and operating procedures would need to be developed, and a staff knowledgeable in railway operation would need to be hired. This is discussed further in Chapter 4: Ownership and Governance.

Lastly, there is the possibility that growth estimates may not be realized, however positive they are predicted to be. The *Rail Freight System Study* found parcels originally zoned solely for industrial use altered for different, non-rail dependent building uses. This could limit the potential for growth in the end.

Option 2: Leasing Rail Assets

METRO has expressed interest in leasing the operation of the railroads to an outside party. While this option has many benefits, this option is unlikely due to the current 99-year lease that METRO holds with Wheeling & Lake Erie Railroad (WLE) for freight operations. Breaking this lease before the agreed term would cost a significant amount of money and may not be economically viable.

Benefits of Leasing Rail Assets

The major benefit of leasing the railroads is that it accomplishes METRO's vision of maintaining the railways for rail use now and in the future. In addition, it eliminates the need for METRO to

hire and pay for an experienced rail staff and develop the necessary operation and maintenance procedures. This option could be profitable for METRO, as any operator would be paying for the use of METRO's assets. Lastly, establishing an operator's lease prior to performing any of the necessary repairs on the line may yield favorable conditions for receiving funds from either lenders or grants.

Challenges of Leasing Rail Assets

On top of the challenge of the WLE lease, it may also be difficult to find an operator to lease to with the current condition of much of the railways. In the event that METRO finds an operator to lease to, there is a decent chance that they would require that METRO complete the initial major repairs prior to entering the lease agreement. This would mean that METRO would still shoulder much of the initial investment into the repair of these lines to operational condition and may not see as much of the potential profit as they would if they were the owner and operator. As the rail operation continues, METRO would still be responsible for complying with federal regulations and would need to make the necessary investments and repairs as such. In addition to these costs, METRO would still be liable should an accident such as injury or death occur on the rail and again, the business growth may not come and the asset may not yield a profit.

Option 3: Selling Rail Assets

R.L. Banks Associates (RLBA) performed the Net Liquidation Valuation (NLV) of METRO owned rail corridors. RLBA completed assessment of the corridors as six (6) discreet sections, defined as follows:

1) Sandyville Line - North (Active) Segment (between MP 33.55 and MP 40.34), 6.79 miles;
2) Sandyville Line - Middle (Inactive) Segment (between MP 25.5 and MP 33.55), 8.05 miles;
3) Sandyville Line - South (Active) Segment (between MP 16.20 and MP 25.50), 9.30 miles;
4) Akron Secondary - North (Inactive) Segment (between MP 1.45 and MP 4.58), 3.13 miles;
5) Akron Secondary - South (Inactive) Segment (between MP 4.58 and MP 11.49), 6.91 miles;
6) Freedom Secondary - (between MP 192.51 and MP 201.84), 9.33 miles.

As noted in the Summary of Rail Study Results section, the NLV of all combined corridors is $8,826,000.

Benefits of Selling Rail Assets

The major benefit of selling the rail assets would be the profit gained from the sale. It would also alleviate the burden on METRO for being responsible for these rail assets. The current analysis of the cash flow of METRO owned rail assets is that in their current state, the assets are not profitable and will not be in years to come.

Challenges of Selling Rail Assets

If METRO is to sell the rail assets, it is extremely unlikely that anyone would purchase the railroad intact. Liquidation is the most likely option. This could greatly diminish the potential for growth in the area and may be against METRO's mission to provide the necessary service that best suits the METRO area.

Another challenge is that the FTA may require that funds that they have invested into the assets be returned. At this time, that fee would be higher than the profit from the liquidation and would leave METRO at a loss.

Option 4: Transferring Rail Assets

Transfer of all rail assets from METRO to an alternative entity is a possibility, although an unlikely one. At this point, no other public sector agencies have expressed interest in obtaining responsibility of METRO owned rail assets. The Parks services may want to accept this transfer so that they may reinstate the use of the railroad and potentially turn the ROW into a bike path. Options for transferring rail assets to NEORide and the Ohio Transit Risk Pool (OTRP) were also assessed.

Benefits of Transferring Rail Assets

With transferring of the rail assets to another public agency, the railway will still be available to meet the area's needs in some capacity. Whether operated as a rail, for freight, scenic tours or potential passenger service, or as a bike path, public use of this entity will be available. This option also eliminates the burden of rail ownership from METRO's responsibility.

Challenges of Transferring Rail Assets

The major challenge with the transfer of METRO-owned assets to another public agency is finding an agency to accept the transfer. In addition, any agency that accepts this transfer may have plans for the rail assets that will interfere with current rail operations. METRO currently owns freight rights on the Sandyville line but leases the operation of freight transport to separate entities. The Akron Barberton Cluster Railway (ABC) currently operates on the Sandyville Line from MP 39 to MP 33.55. Their customers include Shulman Plastics, Diamond Polymer, Landmark Plastics and Omnova. Wheeling and Lake Erie (WLE) operates on the Sandyville line from MP 16 to MP 25.3 and their customers include McCann Plastics and a car mat manufacturer. It would be in the best interest of these customers to retain their freight movement abilities.

The likelihood of a transfer to an alternate agency was found to be very unlikely. NEORide, an entity focused on easing passenger travel in the Summit, Stark and Portage County area, is unlikely to accept the burden of financial responsibility that comes with rail ownership. The OTRP is capable of handling the financial burden, but is not organized to manage active freight operations or other active rail assets.

There is also the possibility that METRO would need to repay some/all of the grant money received for the initial purchase/rehabilitation of rail assets by the FTA. METRO would first need to consult with the appropriate FTA representatives to discuss their options. If the FTA requires their funds be paid back, this would fall to METRO and be a further financial burden.

Chapter 4: Ownership and Governance

A comparison of the institutional arrangements currently in place at similar institutions with the active management and operation system in place at METRO was performed. Between management "scorecards", interviews with METRO staff, and an examination of all existing

lease agreements, a comparison between the current operating situation at METRO with 10 similar facilities in the United States was made. A summary of the key points of this report is included below, but the entire report can be found in Appendix D.

Research suggests that public rail ownership largely falls into four classes of entities: 1) State Departments of Transportation, 2) Regional Economic Development Agencies, 3) Regional Public Transportation Agencies, and 4) Local Governments. It was also found that the primary uses for the publically owned rail assets are often similar and can overlap.

Table 5: Owners and Usage of Publically Owned and Privates Operated Rail Lines

Lessor	*Owner Type*					*Primary Uses*	
	State DOT	Development Agency	Public Transit Agency	Local Government	Economic Development	Commuter or Transit Operations	Protecting for Future Use
Georgia DOT	X				X		
Michigan DOT	X				X		
Vermont Agency of Transportation	X				X		
Ohio Rail Development Commission		X			X		
Steuben County Industrial Development Agency		X			X		X
SEDA-COG Joint Rail Authority		X			X		
North Coast Railroad Authority			X			X	
Confidential Example A			X			X	
Confidential Example B				X	X		X
East Wisconsin Counties Railroad Consortium				X	X		X
Metro Regional Transit Authority (WLE)			X		X	X	
Metro Regional Transit Authority (ABC)			X		X	X	

METRO, as a regional public transportation agency, is closest in operation to other transit agencies. These transit agencies operate their publically owned rail primarily for passenger service or with very limited freight capacities. Instances where a public transportation agency purchases a rail without intended use for a passenger corridor are very limited. There are some cases such as with METRO where an agency purchases the rail to save it from abandonment or liquidation in the hope that passenger service may be implemented on it at a later time.

State DOTS are the most common owner of publically owned railroads but are the least similar to METRO. They generally have greater access to funding and can more easily justify having a line that traverses through multiple municipalities. However, their approach to private rail ownership and management is almost formulaic and trends of their lease agreements could provide valuable insight.

The second most common owner of public rail lines are regional economic development agencies. These agencies are general transportation agencies where the rail assets are part of a portfolio of other transportation assets, or may be rail specific. These agencies also have the freedom to manage regional rail lines in multiple municipalities, but often develop a much more "hands-on" approach to management of their assets.

Local governments make up the last, also uncommon, class of public rail owners. They generally purchase shorter secondary or tertiary lines hosting minimal freight rail traffic. They are generally motivated to purchase these lines to preserve a potential economic driver, but tend to lack the experience or capacity to become very involved with their railroads and rely heavily on the operator.

Looking north at MP 20 of the Sandyville Line

The management structure of each owner was analyzed and three major commonalities were identified among all owners: 1) revenue sharing/ compensation; 2) maintenance responsibilities; and 3) plans and reports required of the operator. Although the major goal of most public owners was to retain the rail service to the region as an economic driver, the majority of operator leases featured some sort of revenue sharing or compensation. Further, these models fall into three categories: 1) flat rate; 2) percent of income; and 3) based on number of carloads moved.

Table 6: Revenue Methods of Publically Owned and Privately Operated Rail Lines

Lessor	*Method of Revenue Sharing*						*Easements*	
	No Fee	Flat Rate	Percent of Gross Income	Percent of Net Income	Car Load	Rate Adjusted	Owner Administers and Collects	Operator Administers and Collects
Georgia DOT		X			X	X	X	
Michigan DOT	X						X	
Vermont Agency of Transportation			X				X	
Ohio Rail Development Commission		X			X	X	X	
Steuben County Industrial Development Agency		Note			X		X	
SEDA-COG Joint Rail Authority			X				X	
North Coast Railroad Authority				X			X	
Confidential Example A			X				X	
Confidential Example B					X		X	
East Wisconsin Counties Railroad Consortium		X				X	X	
Metro Regional Transit Authority (WLE)					X	X	X	
Metro Regional Transit Authority (ABC)					X	X	X	

Note: SCIDA charges an annual flat rate of $1, as such, in practical terms there is no charge.

The leases and agreements were examined to determine how maintenance responsibilities were handled between the owners and operators of the rail lines. In all cases, responsibility was

assigned and three common models were identified: 1) the operator is 100% responsible for maintenance; 2) responsibility for maintenance is shared between the operator and the owner; and 3) a fund is paid into by the operator to be used only for maintenance of the line.

Table 7: Maintenance Responsibilities of Publically Owned and Privately Operated Rail Lines

Lessor	*Maintenance Responsibilities*			
	100% Operator Responsibility	100% Owner Responsibility	Shared Responsibility	Operator Pay-In Trust/ Fund
Georgia DOT	X			X
Michigan DOT	X			
Vermont Agency of Transportation			X	
Ohio Rail Development Commission	X			
Steuben County Industrial Development Agency			X	
SEDA-COG Joint Rail Authority	X			
North Coast Railroad Authority			X	X
Confidential Example A	X			X
Confidential Example B	X			X
East Wisconsin Counties Railroad Consortium	X			
Metro Regional Transit Authority (WLE)	X	**Note**		
Metro Regional Transit Authority (ABC)	X	**Note**		

Note: METRO is 100% responsible for line maintenance is METRO has active passenger service on the line. After one (1) year of no passenger service, METRO is relieved of its maintenance responsibilities and the Operator has the right to maintain the line. Our interpretation of the intent of the agreement is that the Operator is to maintain the line if it is freight only.

In the majority of cases, the operator is the 100% responsible party for maintenance of the line. With the exception of METRO or its third party operator, no cases of the owner being the 100% responsible party were found. Even cases with shared responsibility were rare and usually seemed tailored to a line specific situation, usually dealing with the inspection and maintenance of bridges and crossings. As for the operator pay-in fund/trust, the situation was usually observed where the owner placed most, if not all, of the compensation received from the operator into a fund that would in turn be used exclusively for maintenance. This essentially creates a “no fee or compensation” rail as the owner is not realizing the profit from operations,

but it also guarantees that there will always be capital available for maintenance and rehabilitation of the line.

Research also suggests that it is common for leases to ask for the regular submission of plans and/or reports by the line operator. These include: 1) operating plans; 2) maintenance plans; 3) business development plans and 4) performance and maintenance reports. Operating plans were a rare occurrence, only found in 12% of leases. In most cases, owners allow the operators to operator the line as they see fit. Requirements to submit a maintenance plan were more common, although the specifics were usually vague. Generally, these would include a budget, program, and routine maintenance schedule. Often included with the maintenance plans was the requirement that the line be kept up to a certain FRA track class. Occasionally, a business development plan was required. Whereas the operating or maintenance plans were vague updates to the owner, the business development plans were often more collaborative between the owner and operator. These were mostly required by Regional Economic Development agencies. It was most commonly seen the performance and/or management reports were asked to be sent to the owner on a regular basis. All but one of the examined leases required a performance or management report yearly.

Terms and lengths of the leases/ agreements with the operators was also analyzed. Typically, the average initial term length was 10.3 years, but varied between 6 months and 40 years. The most common lengths were between 2-5 years. This lack of uniformity suggests that length of lease terms is highly subjective to each particular circumstance. It is notable that no other lease term came near the 99-year length currently held between METRO and WLE as the next longest term was 40 years. It was also found that most other leases included some option for extension, number of successive extensions and requirements to execute any extension varied greatly from lease to lease.

The legal considerations outlined in the leases indicated that every private operator indemnifies the owner of the line. The exception to this rule is when the owner retains the right to install passenger service on the line, where then the lessor would indemnify the lessee solely as regards passenger operations. Many of the leases did not specify if the owner retained the right to enter the property. The clear exception to this was owners that were transit agencies, who generally included clear provisions that they be able to enter the property. In terms of passenger operations, METRO holds the most detailed lease outlining what shall happen if passenger service was initiated. Most other lease agreements state that additional terms will be decided upon should the option arise. It was also found that every lease outlined some level of minimum insurance requirements, which varied between $1,000,000 and $100,000,000.

Fortunately, these results indicate that the operation of publically owned and privately operated rail lines is anything but uniform. There are many different methods that each rail owner and operator has decided work best for their specific situation. It is also fortunate to see that METRO is currently operating in a similar fashion to many of these successful railroads. Any of these models could be useful should METRO decide to make changes to their management structure.

The most notable change would be to clear up the confusion regarding maintenance responsibilities. It was shown that in nearly 100% of cases that the operator is solely

responsible to maintenance costs to some extent. Due to the current state of METRO's agreements, it is vague who is responsible and many of these costs are falling to METRO when they most likely should not be. While this is more easily arranged with ABC, whose lease term is only 5 years, an attempt should be made to come to an agreement with WLE on who will be responsible for maintenance going forward.

The possibility of transferring the rail assets to an alternative management structure, such as a Regional Economic Development Agency as discussed above, was also investigated. This option did not seem likely with the current state of METRO assets. NEORide was considered, but they are unlikely able to shoulder the burden of financial responsibility at their modest size. The OTRP is not equipped to handle the assets that METRO owns even if they could handle the financial burden.

It is likely that should METRO retain ownership of their rail assets, a new management system should be put in place to focus on rail asset ownership. Further studies may need to be implemented to determine how to best accomplish this and it would be wise to consider the management and operation structures of the other public rail owners referenced above.

Appendix A: Track Asset Valuation

METRO

NET LIQUIDATION VALUATION OF AKRON METRO - OWNED RAIL ASSETS

REPORT PREPARED BY:

R.L. BANKS & ASSOCIATES, INC.

A SUBCONTRACTOR TO:

BERGMANN ASSOCIATES

JANUARY 18, 2017

Introduction

The Akron Metropolitan Regional Transit Authority (Metro) is a public transit agency serving the metropolitan Akron, OH area. Metro owns three railroad corridors in the region, two of which are currently out-of-service, with the third partially active. RLBA was retained by Metro as a subcontractor to Bergmann Associates to perform a Net Liquidation Valuation (NLV) of track assets constituting all Metro-owned rail corridors. The three corridors, totaling a combined 43.51 miles in length, are summarized below and illustrated on Map One:

1) ***The Sandyville Line;*** a 24.14-mile corridor, extending south between Milepost 40.34 (Howard Street) in Akron, OH and Milepost 16.20 (Marion Street) in Canton, OH. RLBA valued this corridor in three, separate segments: 1) North (Active); 2) Middle (Inactive) and 3) South (Active) in deference to their potential alternative dispositions. The North segment is currently leased to and operated by the Akron Barberton Cluster Railway (ABC), a subsidiary of the Wheeling & Lake Eire Railway (WLE), while the South segment is currently leased to and operated by the WLE. The Middle segment is currently inactive, but maintained by Metro. RLBA's inspection determined that track was installed along the entirety of the 24.14-mile corridor;

2) ***The Akron Secondary***; a 10.04-mile corridor, extending south between Milepost 1.45 (Barlow Road) in Hudson, OH and milepost 11.49 (Arlington¬ Street) in Akron, OH. RLBA valued this corridor in two, separate segments, identified by RLBA: 1) North (Inactive) and 2) South (Inactive). This line has been inactive over such an extended period of time that thick vegetation covers much of the existing track structure. While the corridor extends 10.04 miles, the physical track structure ends at approximately Milepost 8.00. As such, while the South (Inactive) segment extends between Milepost 4.58 and 11.49, only 3.49 total miles of track and associated material were observed along the corridor and valued in this report and

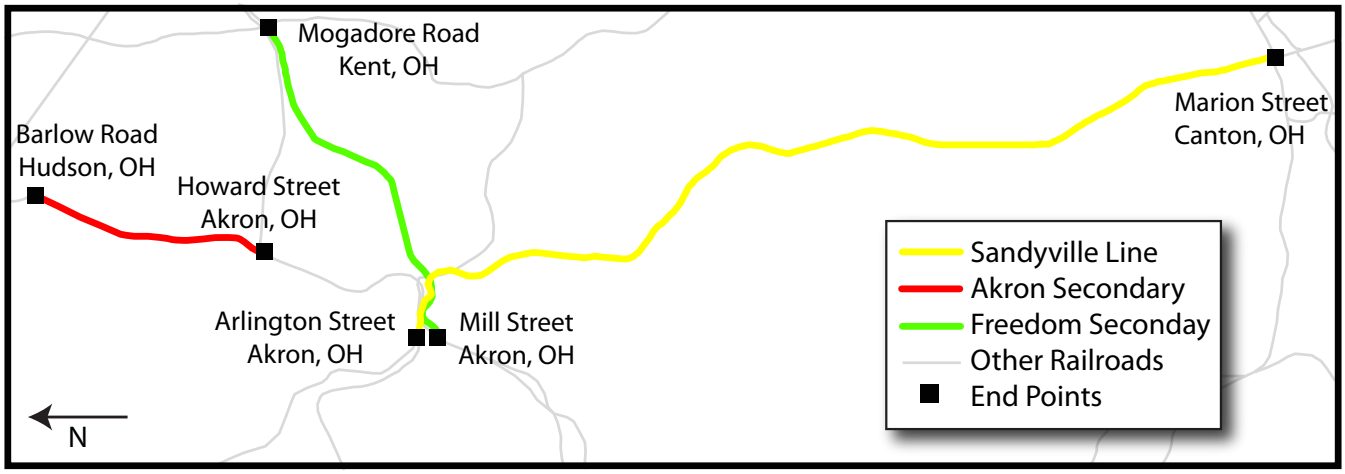
3) ***The Freedom Secondary***; a 9.33-mile corridor, extending south between Milepost 192.51 (Mogadore Road) in Kent, OH and Milepost 201.84 (Mill Street) in Akron, OH. RLBA valued this corridor as a single segment. This line has been inactive over such an extended period of time that thick vegetation covers much of the existing track structure. Additionally, a recreational trail has been constructed adjacent to the rail over a significant portion of the corridor. While the corridor extends 9.33 miles, the physical track structure ends at approximately Milepost 201.30. Additionally, RLBA's inspector observed that approximately 0.25 miles of track and associated material has been removed between approximately Milepost 200.40 and Milepost 200.65. As such, while the Freedom Secondary extends between Milepost 192.51 and 201.84, only 8.54 miles of track and associated material was observed along the corridor.

RLBA organized the valuation of these corridors into six, discrete segments, which are defined as follows;

1) Sandyville Line - North (Active) Segment (between MP 33.55 and MP 40.34), 6.79 miles;
2) Sandyville Line - Middle (Inactive) Segment (between MP 25.5 and MP 33.55), 8.05 miles;
3) Sandyville Line - South (Active) Segment (between MP 16.20 and MP 25.50), 9.30 miles;
4) Akron Secondary - North (Inactive) Segment (between MP 1.45 and MP 4.58), 3.13 miles;
5) Akron Secondary - South (Inactive) Segment (between MP 4.58 and MP 11.49), 6.91 miles and
6) Freedom Secondary - (between MP 192.51 and MP 201.84), 9.33 miles.

This effort determines the Net Liquidation Value (NLV) of track assets in the subject property as of January 3, 2017 based on findings recorded during a physical inspection of the assets which occurred December 4-9, 2016 conducted by Don Bagley, RLBA Transportation Engineer. This report presents findings of the research and discusses the factors which influence the value of railroad rail, turnout, other track material (OTM), including joint bars, anchors, tie plates and spikes as well as ties and ballast.

MAP ONE:
AKRON METRO RAIL CORRIDOR SEGMENTS



Net Liquidation Value

As summarized below in Table 1 and seen in greater detail on Appendix One regarding each respective section, the NLV of three combined corridors is $8,826,000 as of January 3, 2017. That figure was determined via desktop application of current market prices to the physical inventory inspected. A summary of the material evaluated appears in Appendices Two through Seven addressing each respective segment, which identify key rail asset characteristics by Milepost location.

TABLE 1:
NLV SEGMENT SUMMARY

Sandyville Line - North (Active) Segment	$1,953,000
Sandyville Line - Middle (Inactive) Segment	$2,074,000
Sandyville Line - South (Active) Segment	$2,672,000
Sandyville Line	**$6,699,000**
Akron Secondary - North (Inactive) Segment	$561,000
Akron Secondary - South (Inactive) Segment	$472,000
Akron Secondary	**$1,033,000**
Freedom Secondary	**$1,094,000**
Grand Total	**$8,826,000**

Methodology to Compute NLV

NLV was determined utilizing exactly the same process RLBA always has employed in its previous NLV valuations, 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 (STB), 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.

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 Metro 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 Metro-owned rail met three suitable, relay categories: Fit #1, which includes all rail with less than 1/8 of an inch head wear, Fit #2, rail with less than 3/16 of an inch head wear and Fit #3, rail with less than 1/4 inch in head wear. The retail price of Fit #1 is set at a premium relative to Fit #2 and #3, respectively. 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. Turnout values are typically determined through two characteristics: rail weight and frog size. Turnouts are classified as either "heavy" or "light," with heavy turnouts having a rail weight of greater than or equal to 112 pounds per yard and light turnouts having a rail weight of less than 112 pounds per yard. All switches on the rail lines were determined to be size #8, #9 or #10 turnouts with spring, rigid, rail-bound manganese (RBM), or solid manganese, self-guarded (SMSG) frogs.

Other Track Material. The vast majority of double shoulder tie plates 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 single shoulder tie plates were scrapped due to low market demand. If rail reuse as relay were 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.

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 track was fair to good.

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

Other Track Assets. No net salvage value was assigned to signals and communications facilities, highway crossing signals, bridges or culverts on the line in the calculation of the NLV. 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, RLBA determined that not all railroad assets in the existing right-of-way would be recovered. RLBA typically assumes the liquidation of all rail lines to yield the following recovery rates, based on the theoretical weight of new rail:

- 97 percent of fit 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 fit turnout material;
- 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 eighty 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.

Specific to this NLV, certain portions of the railroad assets RLBA observed were in such a degraded state that lower recovery rates were individually applied to specific track components. Recovery reduction rates specifically developed and applied to this NLV included:

- 90 percent of tie plates on fit rail on both Akron Secondary segments;
- 95 percent of joint bars on fit rail on both Akron Secondary segments and
- 50 percent of tie plates on 6.24 miles of fit rail on the Freedom Secondary.

Application of Market Value Unit Prices

The GLV and NLV estimates were based on the application of actual unit market prices as of January 3, 2017, as supplied by active market participants whom confidentially current pricing information to RLBA 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. 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 Akron, OH area and delivered to the Chicago, IL area would command the highest net liquidated 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

TABLE 2:
UNIT PRICES

	Unit Prices per	
Steel (Rail)	Component	Net Ton
Rail 140 pound per yard, CWR, Fit #1		$845.00
Rail 140 pound per yard, CWR, Fit #2		$782.00
Rail 140 pound per yard, Jointed, Fit #1		$650.00
Rail 140 pound per yard, Jointed, Fit #2		$602.00
Rail 132 pound per yard, CWR, Fit #1		$910.00
Rail 132 pound per yard, Jointed, Fit #1		$700.00
Rail 131 pound per yard, CWR, Fit #1		$910.00
Rail 131 pound per yard, CWR, Fit #2		$841.75
Rail 131 pound per yard, CWR, Fit #3		$773.50
Rail 131 pound per yard, Jointed, Fit #1		$700.00
Rail 131 pound per yard, Jointed, Fit #2		$647.50
Rail 130 pound per yard, Jointed, Fit #1		$575.00
Rail 130 pound per yard, Jointed, Fit #2		$532.00
Rail 130 pound per yard, Jointed, Fit #3		$489.00
Rail 127 pound per yard, Jointed, Fit #2		$577.00
Rail 115 pound per yard, CWR, Fit #1		$975.00
Rail 115 pound per yard, Jointed, Fit #1		$750.00
Rail 115 pound per yard, Jointed, Fit #2		$693.75
Rail 112 pound per yard, CWR, Fit #1		$942.50
Rail Reroll (Gross Ton)		$247.00
Rail Scrap (Gross Ton)		$198.75
Steel (OTM)	Component	Gross Ton
Scrap OTM		$198.75
Tie Plates, D/S, 12" long, 8" base, Fit	$8.25	
Tie Plates, D/S, 12.5" long, 7.5" base, Fit	$8.25	
Tie Plates, D/S, 14" long, 6" base, Fit	$9.25	
Tie Plates, D/S, 14" long, 7" base, Fit	$9.25	
Tie Plates, D/S, 13" long, 7.5" base, Fit	$8.25	
Tie Plates, D/S, 13" long, 8" base, Fit	$8.25	
Tie Plates, D/S, 14" long, 7.5" base, Fit	$9.25	
Tie Plates, D/S, 14" long, 8" base, Fit	$9.25	
Tie Plates, D/S, 15" long, 8" base, Fit	$11.00	
Tie Plates, D/S, 18" long, 6" base, Fit	$8.25	
Joint Bars, 140 pound per yard, Fit	$67.00	
Joint Bars, 132 pound per yard, Fit	$67.00	
Joint Bars, 131 pound per yard, Fit	$67.00	
Joint Bars, 130 pound per yard, Fit	$67.00	
Joint Bars, 127 pound per yard, Fit	$67.00	
Joint Bars, 115 pound per yard, Fit	$67.00	
Joint Bars, 100 pound per yard, Fit	$28.80	
Joint Bars, 90 pound per yard, Fit	$28.80	
Joint Bars, 85 pound per yard, Fit	$28.80	
Anchors (welded), Fit	$1.00	
Anchors (jointed), Fit	$1.00	
Timber (Ties)	Component	Gross Ton
Relay	$45.00	
Landscape	$28.00	
Scrap	$0.00	
Turnouts	Component	Gross Ton
Heavy, No. 10 Frog	$24,000.00	
Heavy, No. 8 Frog	$24,000.00	

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 on the Sandyville Line 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.

To reflect the higher cost of the overgrown and deteriorated condition on the Akron Secondary and the Freedom Secondary, RLBA developed an additional removal cost of $18,000 per mile where classified as relay and $14,000 per mile where classified as scrap. This increased cost reflects the additional effort required to remove overgrowth in preparation of asset removal.

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) grade 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 were 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 improved crossing and $300 per unimproved crossing. Removal of crossing protection devices was estimated to equate to salvage value. If track were already removed from a crossing, no removal cost was included.

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 reflects the assumption that liquidation is either performed by the railroad itself, which presumably has limited liquidation experience, or by a hired, third party at a premium. 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. Transportation cost was assumed to be $1,800 per car.

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 lines liquidated in January 2017.

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 lines are entirely comprised of 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 apparent 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 compared with new rail.

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

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

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

Qualifications to Estimate

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

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

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

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

With regards to the valuation, RLBA has not conducted any title search or verification of legal ownership. RLBA has conducted this valuation under the assumption that the entire rail described herein is owned by Metro 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, Don Bagley, do hereby certify that to the best of my knowledge and belief:

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

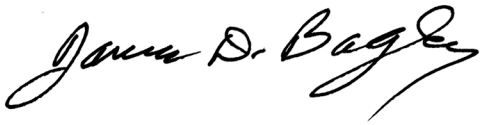
The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and is my personal, unbiased, professional analyses, opinions and conclusions.

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 December 4-9, 2017

Submitted,



Don Bagley

NET LIQUIDATION VALUATION OF AKRON METRO - OWNED RAIL ASSETS

SANDYVILLE LINE NORTH (ACTIVE) SEGMENT APPENDICES

JANUARY 18, 2017

Appendix One

Net Liquidation Value of Track Assets
Sandyville Line - North (Active) Segment
MP 33.55 (Krumroy Road) to MP 40.34 (North Howard Street)
December 7-9, 2016

	Unit		Unit Cost	Total	Grand Total
Track Nominal Value:					
Relay Railroad Materials				$1,818,600	
Steel Scrap and Reroll OTM (net of transportation)				$86,700	
Ties and Non-steel OTM				$515,800	
Gross Value					**$2,421,100**
Preparation Cost Adjustments:					
Fit Rail & OTM Removal (miles)	7		$16,000	-$108,600	
Scrap/Reroll Rail & OTM Removal (miles)	1		$12,000	-$12,500	
Fit Turnout Removal (each)	10		$800	-$8,000	
Scrap Turnout Removal (each)	9		$500	-$4,500	
Total Adjustments					**-$133,600**
Restoration Cost Adjustments:					
Crossing with Improvements (each)	12		$2,000	-$24,000	
Unimproved Crossing (each)	1		$300	-$300	
Total Adjustments					**-$24,300**
Track Salvage Value					**$2,263,200**
Administrative, Marketing and Transportation Expense					
Relay Steel Materials - 15 percent				$272,800	
Scrap, Reroll and Non-steel Materials - 5 percent				$30,100	
Transportation - Carloads to Chicago	4	@	$1,800	$7,200	
Total Estimated Expense					**$310,100**
Net Liquidation Value					**$1,953,000**

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
Sandyville Line - North (Active) Segment
MP 33.55 (Krumroy Road) to MP 40.34 (North Howard Street)
December 7-9, 2016

Rail:

Miles								Re-Useable			Scrap and Reroll			
Fit	Scrap	Description		Condition	Quantity per mile	Unit	Total	Percent	Unit Value	Value (a)	Percent	Unit Value	Value (b)	Grand Total (a+b)
0.04		131	RE CWR	Fit #1	230.6	Ton	9	97 %	$910.00	$8,100				$8,100
0.45		131	RE CWR	Fit #2	230.6	Ton	104	97 %	$841.75	$84,700				$84,700
1.44		131	RE	Fit #2	230.6	Ton	332	97 %	$647.50	$208,600				$208,600
	0.06	131	RE CWR	Scrap	230.6	Ton	14				97 %	$198.75	$2,700	$2,700
	0.26	131	RE	Reroll	230.6	Ton	59				97 %	$247.00	$14,100	$14,100
	0.20	131	RE	Scrap	230.6	Ton	45				97 %	$198.75	$8,700	$8,700
4.86		112	RE CWR	Fit #1	197.1	Ton	958	97 %	$942.50	$875,700				$875,700
	0.13	100	RA	Reroll	176.0	Ton	23				97 %	$247.00	$5,500	$5,500
	0.22	100	RA	Scrap	176.0	Ton	39				97 %	$198.75	$7,500	$7,500
	0.18	85	AS	Scrap	149.6	Ton	27				97 %	$198.75	$5,200	$5,200
6.79	**1.04**		**Rail Total**							**$1,177,100**			**$43,700**	**$1,220,800**

Other Track Material:

Miles								Re-Useable			Scrap			
Fit	Scrap	Description		Condition	Unit	Quantity per mile	Total	Percent	Unit Value	Value (a)	Percent	Unit Value	Value (b)	Grand Total (a+b)
6.30		Tie Plates	8 x 12 DS	Relay	Each	6,336	39,917	97 %	$8.25	$319,400				$319,400
0.45		Tie Plates	8 x 13 DS	Relay	Each	6,336	2,851	97 %	$8.25	$22,800				$22,800
0.04		Tie Plates	8 x 14 DS	Relay	Each	6,336	253	97 %	$9.25	$2,300				$2,300
	0.18	Tie Plates	7 x 9 SS	Scrap	Ton	106.2	19				95 %	$198.75	$3,600	$3,600
	0.35	Tie Plates	8 x 10 SS	Scrap	Ton	106.2	37				95 %	$198.75	$7,000	$7,000
	0.51	Tie Plates	8 x 12 DS	Scrap	Ton	106.2	54				95 %	$198.75	$10,200	$10,200
1.89		Jt. Bars 131#		Relay	Pair	271	512	97 %	$67.00	$33,300				$33,300
	0.35	Jt. Bars 100#		Scrap	Ton	9.5	3				95 %	$28.80	$100	$100
	0.18	Jt. Bars 85#		Scrap	Ton	9.5	2				95 %	$28.80	$0	$0
5.35		Rail Anchors Welded		Relay	Each	6,498	34,767	80 %	$1.00	$27,800				$27,800
1.44		Rail Anchors Jointed		Relay	Each	2,708	3,899	80 %	$1.00	$3,100				$3,100
	1.04	Rail Anchors		Scrap	Ton	3.7	4				80 %	$198.75	$600	$600
	7.83	Spikes		Scrap	Ton	5.1	40				80 %	$198.75	$6,300	$6,300
	7.83	Bolts & Washers		Scrap	Ton	1.4	11				80 %	$198.75	$1,800	$1,800
			Other Track Material Total							**$408,700**			**$29,600**	**$438,300**

Turnouts:

Turnouts								Re-Useable			Scrap			
Fit	Scrap	Weight	Frog Size	Condition	Unit	Quantity per Turnout	Total	Percent	Unit Value	Value (a)	Percent	Unit Value	Value (b)	Grand Total (a+b)
1		Heavy	8	Relay	Each		1	97 %	$24,000.00	$23,300				$23,300
9		Heavy	10	Relay	Each		9	97 %	$24,000.00	$209,500				$209,500
	4	Heavy	8	Scrap	Ton	8	32				97 %	$198.75	$6,200	$6,200
	2	Heavy	9	Scrap	Ton	8	16				97 %	$198.75	$3,100	$3,100
	2	Heavy	10	Scrap	Ton	8	16				97 %	$198.75	$3,100	$3,100
	1	Light	8	Scrap	Ton	5	5				97 %	$198.75	$1,000	$1,000
10	**9**		**Turnouts Total**							**$232,800**			**$13,400**	**$246,200**
			Steel OTM Total							**$641,500**			**$43,000**	**$684,500**

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Appendix Two

Gross Liquidation Value of Track Assets
Sandyville Line - North (Active) Segment
MP 33.55 (Krumroy Road) to MP 40.34 (North Howard Street)
December 7-9, 2016

Non-steel Material:

Miles								Re-Useable			Scrap			
Fit	Scrap		Description	Condition	Unit	Quantity per mile	Total	Percent	Unit Value	Value	Percent	Unit Value	Value	Grand Total
7.83		Ties	Relay	Relay	Each	3,168	24,805	12 %	$45.00	$130,800				$130,800
7.83		Ties	Landscape	Relay	Each	3,168	24,805	55 %	$28.00	$385,000				$385,000
	7.83	Ties	Scrap	Scrap	Each	3,168	24,805				33 %	$0.00	$0	$0
			Non-steel OTM Total							**$515,800.00**			**$0.00**	**$515,800.00**
Grand Total										**$2,334,000**			**$87,000**	**$2,421,000**

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
Sandyville Line - North (Active) Segment
MP 33.55 (Krumroy Road) to MP 40.34 (North Howard Street)
December 7 - 9, 2016

Main Track:

Milepost		Rail				
South	North	Section	Rolled	Type	Control Cooled	Miles
33.55	38.20	112	1937	Welded	No	4.65
38.20	38.24	131		Welded		0.04
38.24	38.45	112	1946	Welded	No	0.21
38.45	38.90	131	1940	Welded	No	0.45
38.90	40.34	131	1935	Jointed	No	1.44
	Main Track Total					**6.79**

Yard Tracks and Sidings:

Milepost		Rail				
South	North	Section	Rolled	Type	Control Cooled	Miles
36.62	36.80	85		Jointed	No	0.18
38.65	38.78	100		Jointed	No	0.13
38.65	38.75	131		Jointed	No	0.10
38.73	38.79	131		Welded	No	0.06
38.85	39.20	131		Jointed	No	0.35
38.90	39.12	100		Jointed	No	0.22
	Yard Track & Siding Total					**1.04**

Track Miles Grand Total **7.83**

Source: RLBA On-site Inspection

Appendix Four

Summary of Turnouts
Sandyville Line - North (Active) Segment
MP 33.55 (Krumroy Road) to MP 40.34 (North Howard Street)
December 7-9, 2016

Location	Rail	Frog			Condition		Switch Points			Switch Stand	
MP	Weight	Type	Size (#)	Weight	Relay	Scrap	LH	RH	Lead	Manual	Power
33.9	112	RBM	10	115	X			X		X	
34.7	115	RBM	10	115	X			X		X	
35.1	115	RBM	10	115	X			X		X	
36.15	112	RBM	10	112	X		X			X	
36.6	112	RBM	10	112	X		X			X	
36.8	112	RBM	10	112	X			X		X	
38.15	115	RBM	8	115	X		X			X	
38.3	132	RBM	10	132	X		X			X	
38.6	131	RBM	10	132	X			X		X	
38.8	131	RBM	9	131		X	X			X	
38.85	131	RBM	10	131		X		X		X	
38.85 Yard	131	SMSG	8	131		X		X		X	
38.86 Yard	131	SMSG	8	131		X	X			X	
38.87 Yard	131	SMSG	8	131		X	X			X	
38.88 Yard	131	SMSG	8	131		X	X			X	
38.9 Yard	131	SMSG	9	131		X	X			X	
38.96 Yard	131	SMSG	10	131		X		X		X	
39.50 Yard	100	SMSG	8	100		X	X			X	
39.90	131	RBM	10	131	X		X			X	

Sub Total				
	Heavy	**8**	**1**	**4**
	Heavy	**9**	**0**	**2**
	Heavy	**10**	**9**	**2**
	Light	**8**	**0**	**1**
Grand Total			**10**	**9**

Note: "Heavy" turnouts are classified as having a rail weight of greater than or equal to 112 pounds per yard, while "Light" turnouts have a rail weight of less than or equal to 110 pounds per yard.
Source: RLBA On-site Inspection

Appendix Five

Summary of Tie Condition
Sandyville Line - North (Active) Segment
MP 33.55 (Krumroy Road) to MP 40.34 (North Howard Street)
December 7-9, 2016
(Sample Blocks of 100)

Location	Condition		
MP	Relay	Landscape #1	Scrap
34.3	15	50	34
35.7	16	60	24
36.5	8	58	35
37.3	11	42	47
38.2	10	43	47
38.45	6	73	21
39.6	16	62	22
Average Total (%)	**12**	**55**	**33**

With tie spacing of	20	inches
Inches on center equates to :	3,168	ties per mile
Estimated average of	371	Relay ties per mile
	1,756	Landscape ties per mile
	1,041	Scrap ties per mile

Notes: Units are rounded to the nearest integer.
Source: RLBA On-site Inspection

Appendix Six

Summary of Rail Class By Mileage
Sandyville Line - North (Active) Segment
MP 33.55 (Krumroy Road) to MP 40.34 (North Howard Street)
December 7-9, 2016

Main Line Miles

Location			Condition/Type of Rail (%)												Check	CWR	CWR	Jointed	CWR	Jointed	Jointed	CWR	Jointed	Jointed	Jointed	
					CWR	CWR	CWR	Jointed	Jointed	Jointed	CWR	CWR	Jointed	Jointed	Col	131	131	131	131	131	131	112	100	100	85	
Note	MP	MP	Miles	Weight	Fit #1	Fit #2	Fit #3	Fit #1	Fit #2	Fit #3	Reroll	Scrap	Reroll	Scrap		Fit #1	Fit #2	Fit #2	Scrap	Reroll	Scrap	Fit #1	Reroll	Scrap	Scrap	Total (Row)
	33.55	38.20	4.65	112	100%										4.65	0.00	0.00	0.00	0.00	0.00	0.00	4.65	0.00	0.00	0.00	4.65
	38.20	38.24	0.04	131	100%										0.04	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04
	38.24	38.45	0.21	112	100%										0.21	0.00	0.00	0.00	0.00	0.00	0.00	0.21	0.00	0.00	0.00	0.21
	38.45	38.90	0.45	131		100%									0.45	0.00	0.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.45
	38.90	40.34	1.44	131					100%						1.44	0.00	0.00	1.44	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.44
Main Line Miles Total			**6.79**													**0.04**	**0.45**	**1.44**	**0.00**	**0.00**	**0.00**	**4.86**	**0.00**	**0.00**	**0.00**	**6.79**

Sidings & Yard Track Miles

Location			Condition/Type of Rail (%)												Check	CWR	CWR	Jointed	CWR	Jointed	Jointed	CWR	Jointed	Jointed	Jointed	
					CWR	CWR	CWR	Jointed	Jointed	Jointed	CWR	CWR	Jointed	Jointed	Col	131	131	131	131	131	131	112	100	100	85	
Note	MP	MP	Miles	Weight	Fit #1	Fit #2	Fit #3	Fit #1	Fit #2	Fit #3	Reroll	Scrap	Reroll	Scrap		Fit #1	Fit #2	Fit #2	Scrap	Reroll	Scrap	Fit #1	Reroll	Scrap	Scrap	Total (Row)
	36.62	36.80	0.18	85										100%	0.18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.18	0.18
	38.65	38.78	0.13	100									100%		0.13	0.00	0.00	0.00	0.00	0.00	0.00	0.13	0.00	0.00	0.13
	38.65	38.75	0.10	131									80%	20%	0.10	0.00	0.00	0.00	0.00	0.08	0.02	0.00	0.00	0.00	0.00	0.10
	38.73	38.79	0.06	131								100%			0.06	0.00	0.00	0.00	0.06	0.00	0.00	0.00	0.00	0.00	0.00	0.06
	38.85	39.20	0.35	131									50%	50%	0.35	0.00	0.00	0.00	0.00	0.18	0.18	0.00	0.00	0.00	0.00	0.35
	38.90	39.12	0.22	100										100%	0.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.22	0.00	0.22
Sidings & Yard Track Miles Total			**1.04**													**0.00**	**0.00**	**0.00**	**0.06**	**0.26**	**0.20**	**0.00**	**0.13**	**0.22**	**0.18**	**1.04**
Total Mileage			**7.83**													**0.04**	**0.45**	**1.44**	**0.06**	**0.26**	**0.20**	**4.86**	**0.13**	**0.22**	**0.18**	**7.83**

Source: RLBA On-site Inspection

Appendix Seven

Track Material Unit Prices
Sandyville Line - North (Active) Segment
MP 33.55 (Krumroy Road) to MP 40.34 (North Howard Street)
December 7-9, 2016

	Unit Prices per		
Steel (Rail)	Component	Net Ton	Comments
Rail 140 pound per yard, CWR, Fit #1		$845.00	
Rail 140 pound per yard, CWR, Fit #2		$782.00	
Rail 140 pound per yard, Jointed, Fit #1		$650.00	
Rail 140 pound per yard, Jointed, Fit #2		$602.00	
Rail 131 pound per yard, CWR, Fit #1		$910.00	
Rail 131 pound per yard, CWR, Fit #2		$841.75	
Rail 131 pound per yard, Jointed, Fit #2		$647.50	
Rail 130 pound per yard, Jointed, Fit #1		$575.00	
Rail 130 pound per yard, Jointed, Fit #2		$532.00	
Rail 112 pound per yard, CWR, Fit #1		$942.50	
Rail Reroll (Gross Ton)		$247.00	
Rail Scrap (Gross Ton)		$198.75	

Steel (OTM)	Component	Gross Ton	Comments
Scrap OTM		$198.75	
Tie Plates, D/S, 18" long, 6" base, Fit	$8.25		
Tie Plates, D/S, 12" long, 8" base, Fit	$8.25		
Tie Plates, D/S, 13" long, 8" base, Fit	$9.25		
Joint Bars, 131 pound per yard, Fit	$67.00		
Joint Bars, 100 pound per yard, Fit	$28.80		
Joint Bars, 85 pound per yard, Fit	$28.80		
Anchors (welded), Fit	$1.00		
Anchors (jointed), Fit	$1.00		

Timber (Ties)	Component	Gross Ton	Comments
Relay	$45.00		
Landscape	$28.00		
Scrap	$0.00		

Turnouts	Component	Gross Ton	Comments
Heavy, No. 10 Frog	$24,000.00		
Heavy, No. 8 Frog	$24,000.00		

Source: Vendors, American Metal Markets & RLBA Estimates

Appendix Eight

Summary of Shipmnet Volumes
Sandyville Line - North (Active) Segment
MP 33.55 (Krumroy Road) to MP 40.34 (North Howard Street)
December 7-9, 2016

		Rail Weight			
	Total	85	100	112	131
Tons per gon (scrap & reroller rail) =		100	100	100	100
Net Tons of Reroller Rail =	82	0	23	0	59
Number of cars (reroller rail) =	**1**	**0**	**1**	**0**	**1**
Net Tons of Scrap Rail =	124	27	39	0	59
Number of cars (scrap rail) =	**2**	**1**	**1**	**0**	**1**
Net Tons of Scrap OTM (tie plates) =	0	0	0	0	0
Number of cars (scrap tie plates) =	**0**	**0**	**0**	**0**	**0**
Net Tons of Scrap OTM (jt. bars) =	0	0	0	0	0
Number of cars (scrap jt. bars) =	**0**	**0**	**0**	**0**	**0**
Net Tons of Scrap OTM (anchors) =	3				
Number of cars (scrap anchors) =	**1**				
Net Tons of Scrap OTM (spikes/bolts) =	41				
Number of cars (spikes/bolts) =	**1**				
Net Tons of Scrap Turnouts) =	9				
Number of cars (scrap Turnouts) =	**1**				
Total cars (reroller rail) =	**1**				
Total cars (scrap rail) =	**2**				
Total cars (scrap OTM) =	**1**				
Railcars Grand Total	**4**				

Shipping Cost

Routing	Railroad Price (per car)
Akron, OH - Chicago, IL	$1,800
Cost to ship rail car from	**$1,800**

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

METRO

NET LIQUIDATION VALUATION OF AKRON METRO - OWNED RAIL ASSETS

SANDYVILLE LINE MIDDLE (INACTIVE) SEGMENT APPENDICES

JANUARY 18, 2017

Appendix One

Net Liquidation Value of Track Assets
Sandyville Line - Middle (Inactive) Segment
MP 25.5 (Mayfair Road) to MP 33.55 (Krumroy Road)
December 7-9, 2016

	Unit		Unit Cost	Total	Grand Total
Track Nominal Value:					
Relay Railroad Materials				$1,906,300	
Steel Scrap and Reroll OTM (net of transportation)				$8,300	
Ties and Non-steel OTM				$635,200	
Gross Value					**$2,549,800**
Preparation Cost Adjustments:					
Fit Rail & OTM Removal (miles)	8		$16,000	-$128,800	
Scrap/Reroll Rail & OTM Removal (miles)	0		$12,000	$0	
Fit Turnout Removal (each)	0		$800	$0	
Scrap Turnout Removal (each)	0		$500	$0	
Total Adjustments					**-$128,800**
Restoration Cost Adjustments:					
Crossing with Improvements (each)	13		$2,000	-$26,000	
Unimproved Crossing (each)	3		$300	-$900	
Total Adjustments					**-$26,900**
Track Salvage Value					**$2,394,100**
Administrative, Marketing and Transportation Expense					
Relay Steel Materials - 15 percent				$285,900	
Scrap, Reroll and Non-steel Materials - 5 percent				$32,200	
Transportation - Carloads to Chicago	1	@	$1,800	$1,800	
Total Estimated Expense					**$319,900**
Net Liquidation Value					**$2,074,000**

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
Sandyville Line - Middle (Inactive) Segment
MP 25.5 (Mayfair Road) to MP 33.55 (Krumroy Road)
December 7-9, 2016

Rail:

Miles								Re-Useable			Scrap and Reroll			
Fit	Scrap	Description	Condition	Quantity per mile	Unit	Total	Percent	Unit Value	Value (a)	Percent	Unit Value	Value (b)	Grand Total (a+b)
0.50		115 RE CWR	Fit #1	202.4	Ton	101	97 %	$975.00	$95,700				$95,700
7.55		112 RE CWR	Fit #1	197.1	Ton	1,488	97 %	$942.50	$1,360,500				$1,360,500
8.05	**0.00**	**Rail Total**							**$1,456,200**			**$0**	**$1,456,200**

Other Track Material:

Miles								Re-Useable			Scrap			
Fit	Scrap	Description	Condition	Unit	Quantity per mile	Total	Percent	Unit Value	Value	Percent	Unit Value	Value	Grand Total
8.05		Tie Plates 8 x 12 DS	Relay	Each	6,336	51,005	97 %	$8.25	$408,200				$408,200
8.05		Rail Anchors Welded	Relay	Each	6,498	52,313	80 %	$1.00	$41,900				$41,900
	8.05	Spikes	Scrap	Ton	5.1	41				80 %	$198.75	$6,500	$6,500
	8.05	Bolts & Washers	Scrap	Ton	1.4	11				80 %	$198.75	$1,800	$1,800
		Other Track Material Total							**$450,100**			**$8,300**	**$458,400**

Turnouts:

Turnouts							Re-Useable			Scrap			
Fit	Scrap	Weight	Frog Size	Condition	Unit	Quantity per Turnout	Total	Percent	Unit Value	Value (a)	Percent	Unit Value	Value (b)	Grand Total (a+b)
0	**0**		**Turnouts Total**							**$0**			**$0**	**$0**
			Steel OTM Total							**$450,100**			**$8,300**	**$458,400**

Non-steel Material:

Miles								Re-Useable			Scrap			
Fit	Scrap	Description	Condition	Unit	Quantity per mile	Total	Percent	Unit Value	Value	Percent	Unit Value	Value	Grand Total
8.05		Ties Relay	Relay	Each	3,168	25,502	30 %	$45.00	$348,900				$348,900
8.05		Ties Landscape	Relay	Each	3,168	25,502	40 %	$28.00	$286,300				$286,300
	8.05	Ties Scrap	Scrap	Each	3,168	25,502				30 %	$0.00	$0	$0
		Non-steel OTM Total							**$635,200**			**$0**	**$635,200**
Grand Total									**$2,542,000**			**$8,000**	**$2,550,000**

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
Sandyville Line - Middle (Inactive) Segment
MP 25.5 Mayfair Road) to MP 33.55 (Krumroy Road)
December 7 - 9, 2016

Main Track:

Milepost		Rail				
South	North	Section	Rolled	Type	Control Cooled	Miles
25.50	26.00	115	1945	Welded	No	0.50
26.00	33.55	112	1937	Welded	No	7.55
	Main Track Total					**8.05**

Yard Tracks and Sidings:

Milepost		Rail				
South	North	Section	Rolled	Type	Control Cooled	Miles
	Yard Track & Siding Total					**0.00**

Track Miles Grand Total **8.05**

Source: RLBA On-site Inspection

Appendix Four

Summary of Turnouts
Sandyville Line - Middle (Inactive) Segment
MP 25.5 (Mayfair Road) to MP 33.55 (Krumroy Road)
December 7-9, 2016

Location	Rail	Frog			Condition		Switch Points			Switch Stand	
MP	Weight	Type	Size (#)	Weight	Relay	Scrap	LH	RH	Lead	Manual	Power
Grand Total					**0**	**0**					

Note: "Heavy" turnouts are classified as having a rail weight of greater than or equal to 112 pounds per yard, while "Light" turnouts have a rail weight of less than or equal to 110 pounds per yard.
Source: RLBA On-site Inspection

Appendix Five

Summary of Tie Condition
Sandyville Line - Middle (Inactive) Segment
MP 25.5 (Mayfair Road) to MP 33.55 (Krumroy Road)
December 7-9, 2016
(Sample Blocks of 100)

Location	Condition		
MP	Relay	Landscape	Scrap
25.55	43	20	37
26.05	23	50	27
26.6	26	41	33
28.1	24	51	25
28.75	35	45	20
29.35	35	42	23
30.45	36	40	24
31.25	28	47	25
32.3	34	27	39
33.35	20	38	42
Average Total (%)	**30**	**40**	**30**

With tie spacing of	20	inches
Inches on center equates to :	3,168	ties per mile
Estimated average of	963	Relay ties per mile
	1,270	Landscape ties per mile
	935	Scrap ties per mile

Notes: Units are rounded to the nearest integer.
Source: RLBA On-site Inspection

Appendix Six

Summary of Rail Class By Mileage
Sandyville Line - Middle (Inactive) Segment
MP 25.5 (Mayfair Road) to MP 33.55 (Krumroy Road)
December 7-9, 2016

Main Line Miles

	Location			Condition/Type of Rail (%)											Check	CWR	CWR	
Note	MP	MP	Miles	Weight	CWR Fit #1	CWR Fit #2	CWR Fit #3	Jointed Fit #1	Jointed Fit #2	Jointed Fit #3	CWR Reroll	CWR Scrap	Jointed Reroll	Jointed Scrap	Col	115 Fit #1	112 Fit #1	Total (Row)
	25.50	26.00	0.50	115	100%										0.50	0.50	0.00	0.50
	26.00	33.55	7.55	112	100%										7.55	0.00	7.55	7.55
Main Line Miles Total			**8.05**													**0.50**	**7.55**	**8.05**

Sidings & Yard Track Miles

	Location			Condition/Type of Rail (%)											Check	CWR	CWR	
Note	MP	MP	Miles	Weight	CWR Fit #1	CWR Fit #2	CWR Fit #3	Jointed Fit #1	Jointed Fit #2	Jointed Fit #3	CWR Reroll	CWR Scrap	Jointed Reroll	Jointed Scrap	Col	115 Fit #1	112 Fit #1	Total (Row)
Sidings & Yard Track Miles Total			**0.00**													**0.00**	**0.00**	**0.00**
Total Mileage			**8.05**													**0.50**	**7.55**	**8.05**

Source: RLBA On-site Inspection

Appendix Seven

Track Material Unit Prices
Sandyville Line - Middle (Inactive) Segment
MP 25.5 (Mayfair Road) to MP 33.55 (Krumroy Road)
December 7-9, 2016

	Unit Prices per		
Steel (Rail)	Component	Net Ton	Comments
Rail 140 pound per yard, CWR, Fit #1		$845.00	
Rail 140 pound per yard, CWR, Fit #2		$782.00	
Rail 140 pound per yard, Jointed, Fit #1		$650.00	
Rail 140 pound per yard, Jointed, Fit #2		$602.00	
Rail 131 pound per yard, CWR, Fit #1		$910.00	
Rail 131 pound per yard, CWR, Fit #2		$841.75	
Rail 130 pound per yard, Jointed, Fit #1		$575.00	
Rail 130 pound per yard, Jointed, Fit #2		$532.00	
Rail 115 pound per yard, CWR, Fit #1		$975.00	
Rail 112 pound per yard, CWR, Fit #1		$942.50	
Rail Reroll (Gross Ton)		$247.00	
Rail Scrap (Gross Ton)		$198.75	
Steel (OTM)	Component	Gross Ton	Comments
Scrap OTM		$198.75	
Tie Plates, D/S, 12" long, 8" base, Fit	$8.25		
Anchors (welded), Fit	$1.00		
Timber (Ties)	Component	Gross Ton	Comments
Relay	$45.00		
Landscape	$28.00		
Scrap	$0.00		
Turnouts	Component	Gross Ton	Comments

Source: Vendors, American Metal Markets & RLBA Estimates

Appendix Eight

Summary of Shipmnet Volumes
Sandyville Line - Middle (Inactive) Segment
MP 25.5 (Mayfair Road) to MP 33.55 (Krumroy Road)
December 7-9, 2016

		Rail Weight	
	Total	112	115
Tons per gon (scrap & reroller rail) =		100	100
Net Tons of Reroller Rail =	0	0	0
Number of cars (reroller rail) =	**0**	**0**	**0**
Net Tons of Scrap Rail =	0	0	0
Number of cars (scrap rail) =	**0**	**0**	**0**
Net Tons of Scrap OTM (tie plates) =	0	0	0
Number of cars (scrap tie plates) =	**0**	**0**	**0**
Net Tons of Scrap OTM (jt. bars) =	0	0	0
Number of cars (scrap jt. bars) =	**0**	**0**	**0**
Net Tons of Scrap OTM (anchors) =	0		
Number of cars (scrap anchors) =	**0**		
Net Tons of Scrap OTM (spikes/bolts) =	42		
Number of cars (spikes/bolts) =	**1**		
Net Tons of Scrap Turnouts) =	0		
Number of cars (scrap Turnouts) =	**0**		
Total cars (reroller rail) =	**0**		
Total cars (scrap rail) =	**0**		
Total cars (scrap OTM) =	**1**		
Railcars Grand Total	**1**		

Shipping Cost

Routing	Railroad Price (per car)
Akron, OH - Chicago, IL	$1,800
Cost to ship rail car from	**$1,800**

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

NET LIQUIDATION VALUATION OF AKRON METRO - OWNED RAIL ASSETS

SANDYVILLE LINE SOUTH (ACTIVE) SEGMENT APPENDICES

JANUARY 18, 2017

Appendix One

Net Liquidation Value of Track Assets
Sandyville Line - South (Active) Segment
MP 16.2 (Marion Street) to MP 25.5 (Mayfair Road)
December 7-9, 2016

	Unit		Unit Cost	Total	Grand Total
Track Nominal Value:					
Relay Railroad Materials				$2,477,300	
Steel Scrap and Reroll OTM (net of transportation)				$244,300	
Ties and Non-steel OTM				$576,400	
Gross Value					**$3,298,000**
Preparation Cost Adjustments:					
Fit Rail & OTM Removal (miles)	10		$16,000	-$152,000	
Scrap/Reroll Rail & OTM Removal (miles)	0		$12,000	-$2,300	
Fit Turnout Removal (each)	9		$800	-$7,200	
Scrap Turnout Removal (each)	0		$500	$0	
Total Adjustments					**-$161,500**
Restoration Cost Adjustments:					
Crossing with Improvements (each)	23		$2,000	-$46,000	
Unimproved Crossing (each)	2		$300	-$600	
Total Adjustments					**-$46,600**
Track Salvage Value					**$3,089,900**
Administrative, Marketing and Transportation Expense					
Relay Steel Materials - 15 percent				$371,600	
Scrap, Reroll and Non-steel Materials - 5 percent				$41,000	
Transportation - Carloads to Chicago	3	@	$1,800	$5,400	
Total Estimated Expense					**$418,000**
Net Liquidation Value					**$2,672,000**

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
Sandyville Line - South (Active) Segment
MP 16.2 (Marion Street) to MP 25.5 (Mayfair Road)
December 7-9, 2016

Rail:

Miles Fit	Miles Scrap		Description	Condition	Quantity per mile	Unit	Total	Re-Useable Percent	Re-Useable Unit Value	Re-Useable Value (a)	Scrap and Reroll Percent	Scrap and Reroll Unit Value	Scrap and Reroll Value (b)	Grand Total (a+b)
0.17		132	RE CWR	Fit #1	232.3	Ton	39	97 %	$910.00	$34,900				$34,900
2.33		115	RE CWR	Fit #1	202.4	Ton	472	97 %	$975.00	$446,000				$446,000
0.35		115	RE	Fit #1	202.4	Ton	71	97 %	$750.00	$51,500				$51,500
6.65		112	RE CWR	Fit #1	197.1	Ton	1,311	97 %	$942.50	$1,198,300				$1,198,300
	0.11	100	RA	Reroll	176.0	Ton	19				97 %	$247.00	$4,600	$4,600
	0.08	85	AS	Scrap	149.6	Ton	12				97 %	$198.75	$2,300	$2,300
9.50	**0.19**		**Rail Total**							**$1,730,700**			**$6,900**	**$1,737,600**

Other Track Material:

Miles Fit	Miles Scrap		Description	Condition	Unit	Quantity per mile	Total	Re-Useable Percent	Re-Useable Unit Value	Re-Useable Value	Scrap Percent	Scrap Unit Value	Scrap Value	Grand Total
9.41		Tie Plates	8 x 12 DS	Relay	Each	6,336	59,622	97 %	$8.25	$477,100				$477,100
0.09		Tie Plates	8 x 14 DS	Relay	Each	6,336	570	97 %	$9.75	$5,400				$5,400
	0.08	Tie Plates	7 x 9 SS	Scrap	Ton	6,336	507				95 %	$198.75	$95,700	$95,700
	0.11	Tie Plates	8 x 10 SS	Scrap	Ton	6,336	697				95 %	$198.75	$131,600	$131,600
0.35		Jt. Bars 115#		Relay	Pair	271	95	97 %	$67.00	$6,200				$6,200
	0.11	Jt. Bars 100#		Scrap	Ton	9.5	1				95 %	$28.80	$0	$0
	0.08	Jt. Bars 85#		Scrap	Ton	9.5	1				95 %	$28.80	$0	$0
9.15		Rail Anchors Welded		Relay	Each	6,498	59,461	80 %	$1.00	$47,600				$47,600
0.35		Rail Anchors Jointed		Relay	Each	2,708	948	80 %	$1.00	$800				$800
	0.19	Rail Anchors		Scrap	Ton	3.7	1				80 %	$198.75	$100	$100
	9.69	Spikes		Scrap	Ton	5.1	49				80 %	$198.75	$7,800	$7,800
	9.69	Bolts & Washers		Scrap	Ton	1.4	14				80 %	$198.75	$2,200	$2,200
			Other Track Material Total							**$537,100**			**$237,400**	**$774,500**

Turnouts:

Turnouts Fit	Turnouts Scrap	Weight	Frog Size	Condition	Unit	Quantity per Turnout	Total	Re-Useable Percent	Re-Useable Unit Value	Re-Useable Value (a)	Scrap Percent	Scrap Unit Value	Scrap Value (b)	Grand Total (a+b)
3		Heavy	8	Relay	Each		3	97 %	$24,000.00	$69,800				$69,800
6		Heavy	10	Relay	Each		6	97 %	$24,000.00	$139,700				$139,700
9	**0**		**Turnouts Total**							**$209,500**			**$0**	**$209,500**
			Steel OTM Total							**$746,600**			**$237,400**	**$984,000**

Non-steel Material:

Miles Fit	Miles Scrap		Description	Condition	Unit	Quantity per mile	Total	Re-Useable Percent	Re-Useable Unit Value	Re-Useable Value	Scrap Percent	Scrap Unit Value	Scrap Value	Grand Total
9.69		Ties	Relay	Relay	Each	3,168	30,698	12 %	$45.00	$160,600				$160,600
9.69		Ties	Landscape #1	Relay	Each	3,168	30,698	48 %	$28.00	$415,800				$415,800
9.69		Ties	Scrap	Scrap	Each	3,168	30,698				40 %	$0.00	$0	$0
			Non-steel OTM Total							**$576,400.00**			**$0.00**	**$576,400.00**
Grand Total										**$3,054,000**			**$244,000**	**$3,298,000**

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

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Appendix Three

Summary of Rail Evaluated
Sandyville Line - South (Active) Segment
M.P. 16.2 (Marion Street) to M.P. 25.5 (Mayfair Road)
December 7 - 9, 2016

Main Track:

Milepost		Rail				
South	North	Section	Rolled	Type	Control Cooled	Miles
16.20	16.35	115	-	Jointed	No	0.15
16.35	17.65	112	1946	Welded	No	1.30
17.65	17.67	132	2004	Welded	Yes	0.02
17.67	22.35	112	1946	Welded	No	4.68
22.35	22.43	132	2004	Welded	Yes	0.08
22.43	23.10	112	1946	Welded	No	0.67
23.10	23.17	132	2004	Welded	Yes	0.07
23.17	25.50	115	1945	Welded	No	2.33
Main Track Total						**9.30**

Yard Tracks and Sidings:

Milepost		Rail				
South	North	Section	Rolled	Type	Control Cooled	Miles
17.05	17.25	115		Jointed	No	0.20
18.63	18.71	85		Jointed	No	0.08
23.12	23.23	100		Jointed	No	0.11
Yard Track & Siding Total						**0.39**

Track Miles Grand Total **9.69**

Source: RLBA On-site Inspection

Appendix Four

Summary of Turnouts
Sandyville Line - South (Active) Segment
MP 16.2 (Marion Street) to MP 25.5 (Mayfair Road)
December 7-9, 2016

Location	Rail	Frog			Condition		Switch Points			Switch Stand	
MP	Weight	Type	Size (#)	Weight	Relay	Scrap	LH	RH	Lead	Manual	Power
16.3	115	RBM	10	115	X		X			X	
16.45	112	RBM	10	112	X			X		X	
16.75	112	RBM	8	112	X			X		X	
17.1	115	RBM	10	115	X			X		X	
17.3	115	RBM	10	115	X		X			X	
18.7	115	RBM	10	115	X		X			X	
23.25	115	RBM	10	115	X			X		X	
24.8	115	RBM	8	115	X			X		X	
25.4	115	RBM	8	115	X		X			X	
Sub Total											
	Heavy		**8**		**3**	**0**					
	Heavy		**10**		**6**	**0**					
Grand Total					**9**	**0**					

Note: "Heavy" turnouts are classified as having a rail weight of greater than or equal to 112 pounds per yard, while "Light" turnouts have a rail weight of less than or equal to 110 pounds per yard.
Source: RLBA On-site Inspection

Appendix Five

Summary of Tie Condition
Sandyville Line - South (Active) Segment
MP 16.2 (Marion Street) to MP 25.5 (Mayfair Road)
December 7-9, 2016
(Sample Blocks of 100)

Location	Condition		
MP	Relay	Landscape #1	Scrap
16.6	0	29	71
18.2	11	29	60
19.4	13	58	28
20.8	14	52	34
22.2	8	64	27
23.1	10	57	33
24.5	18	51	31
25.35	19	47	34
Average Total (%)	**12**	**48**	**40**

With tie spacing of	20	inches
Inches on center equates to :	3,168	ties per mile
Estimated average of	368	Relay ties per mile
	1,533	Landscape ties per mile
	1,259	Scrap ties per mile

Notes: Units are rounded to the nearest integer.
Source: RLBA On-site Inspection

Appendix Six

Summary of Rail Class By Mileage
Sandyville Line - South (Active) Segment
MP 16.2 (Marion Street) to MP 25.5 (Mayfair Road)
December 7-9, 2016

Main Line Miles

Location				Condition/Type of Rail (%)												Check	CWR	CWR	Jointed	CWR	Jointed	Jointed	
					CWR	CWR	CWR	Jointed	Jointed	Jointed	CWR	CWR	Jointed	Jointed		Col	132	115	115	112	100	85	
Note	MP	MP	Miles	Weight	Fit #1	Fit #2	Fit #3	Fit #1	Fit #2	Fit #3	Reroll	Scrap	Reroll	Scrap			Fit #1	Fit #1	Fit #1	Fit #1	Reroll	Scrap	Total (Row)
	16.20	16.35	0.15	115				100%								0.15	0.00	0.00	0.15	0.00	0.00	0.00	0.15
	16.35	17.65	1.30	112	100%											1.30	0.00	0.00	0.00	1.30	0.00	0.00	1.30
	17.65	17.67	0.02	132	100%											0.02	0.02	0.00	0.00	0.00	0.00	0.00	0.02
	17.67	22.35	4.68	112	100%											4.68	0.00	0.00	0.00	4.68	0.00	0.00	4.68
	22.35	22.43	0.08	132	100%											0.08	0.08	0.00	0.00	0.00	0.00	0.00	0.08
	22.43	23.10	0.67	112	100%											0.67	0.00	0.00	0.00	0.67	0.00	0.00	0.67
	23.10	23.17	0.07	132	100%											0.07	0.07	0.00	0.00	0.00	0.00	0.00	0.07
	23.17	25.50	2.33	115	100%											2.33	0.00	2.33	0.00	0.00	0.00	0.00	2.33
Main Line Miles Total			**9.30**														**0.17**	**2.33**	**0.15**	**6.65**	**0.00**	**0.00**	**9.30**

Sidings & Yard Track Miles

Location				Condition/Type of Rail (%)												Check	CWR	CWR	Jointed	CWR	Jointed	Jointed	
					CWR	CWR	CWR	Jointed	Jointed	Jointed	CWR	CWR	Jointed	Jointed		Col	132	115	115	112	100	85	
Note	MP	MP	Miles	Weight	Fit #1	Fit #2	Fit #3	Fit #1	Fit #2	Fit #3	Reroll	Scrap	Reroll	Scrap			Fit #1	Fit #1	Fit #1	Fit #1	Reroll	Scrap	Total (Row)
	17.05	17.25	0.20	115				100%								0.20	0.00	0.00	0.20	0.00	0.00	0.00	0.20
	18.63	18.71	0.08	85										100%		0.08	0.00	0.00	0.00	0.00	0.00	0.08	0.08
	23.12	23.23	0.11	100									100%			0.11	0.00	0.00	0.00	0.00	0.11	0.00	0.11
Sidings & Yard Track Miles Total			**0.39**														**0.00**	**0.00**	**0.20**	**0.00**	**0.11**	**0.08**	**0.39**
Total Mileage			**9.69**														**0.17**	**2.33**	**0.35**	**6.65**	**0.11**	**0.08**	**9.69**

Source: RLBA On-site Inspection

Appendix Seven

Track Material Unit Prices
Sandyville Line - South (Active) Segment
MP 16.2 (Marion Street) to MP 25.5 (Mayfair Road)
December 7-9, 2016

	Unit Prices per		
Steel (Rail)	Component	Net Ton	Comments
Rail 132 pound per yard, CWR, Fit #1		$910.00	
Rail 115 pound per yard, CWR, Fit #1		$975.00	
Rail 115 pound per yard, Jointed, Fit #1		$750.00	
Rail 112 pound per yard, CWR, Fit #1		$942.50	
Rail Reroll (Gross Ton)		$247.00	
Rail Scrap (Gross Ton)		$198.75	

Steel (OTM)	Component	Gross Ton	Comments
Scrap OTM		$198.75	
Tie Plates, D/S, 12" long, 8" base, Fit	$8.25		
Tie Plates, D/S, 14" long, 8" base, Fit	$9.75		
Joint Bars, 115 pound per yard, Fit	$67.00		
Joint Bars, 100 pound per yard, Fit	$28.80		
Joint Bars, 85 pound per yard, Fit	$28.80		
Anchors (welded), Fit	$1.00		
Anchors (jointed), Fit	$1.00		

Timber (Ties)	Component	Comments
Relay	$45.00	
Landscape #1	$28.00	
Scrap	$0.00	

Turnouts	Component	Comments
Heavy, No. 10 Frog	$24,000.00	
Heavy, No 8. Frog	$24,000.00	

Source: Vendors, American Metal Markets & RLBA Estimates

Appendix Eight

Summary of Shipmnet Volumes
Sandyville Line - South (Active) Segment
MP 16.2 (Marion Street) to MP 25.5 (Mayfair Road)
December 7-9, 2016

		Rail Weight				
	Total	85	100	112	115	132
Tons per gon (scrap & reroller rail) =		100	100	100	100	100
Net Tons of Reroller Rail =	19	0	19	0	0	0
Number of cars (reroller rail) =	**1**	**0**	**1**	**0**	**0**	**0**
Net Tons of Scrap Rail =	12	12	0	0	0	0
Number of cars (scrap rail) =	**1**	**1**	**0**	**0**	**0**	**0**
Net Tons of Scrap OTM (tie plates) =	0	0	0	0	0	0
Number of cars (scrap tie plates) =	**0**	**0**	**0**	**0**	**0**	**0**
Net Tons of Scrap OTM (jt. bars) =	0	0	0	0	0	
Number of cars (scrap jt. bars) =	**0**	**0**	**0**	**0**	**0**	
Net Tons of Scrap OTM (anchors) =	1					
Number of cars (scrap anchors) =	**1**					
Net Tons of Scrap OTM (spikes/bolts) =	50					
Number of cars (spikes/bolts) =	**1**					
Net Tons of Scrap Turnouts) =	0					
Number of cars (scrap Turnouts) =	**0**					
Total cars (reroller rail) =	**1**					
Total cars (scrap rail) =	**1**					
Total cars (scrap OTM) =	**1**					
Railcars Grand Total	**3**					

Shipping Cost

Routing	Railroad Price (per car)
Akron, OH - Chicago, IL	$1,800
Cost to ship rail car	**$1,800**

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

METRO

NET LIQUIDATION VALUATION OF AKRON METRO - OWNED RAIL ASSETS

AKRON SECONDARY NORTH (INACTIVE) SEGMENT APPENDICES

JANUARY 18, 2017

Appendix One

Net Liquidation Value of Track Assets
Akron Secondary - North (Inactive) Segment
Mileposts 1.45 (Barlow Road) to MP 4.58
December 4, 2016

	Unit		Unit Cost	Total	Grand Total
Track Nominal Value:					
Relay Railroad Materials				$634,500	
Steel Scrap and Reroll OTM (net of transportation)				$3,200	
Ties and Non-steel OTM				$87,600	
Gross Value					**$725,300**
Preparation Cost Adjustments:					
Fit Rail & OTM Removal (miles)	3		$18,000	-$54,000	
Scrap/Reroll Rail & OTM Removal (miles)	0		$14,000	$0	
Fit Turnout Removal (each)	1		$800	-$800	
Scrap Turnout Removal (each)	0		$500	$0	
Total Adjustments					**-$54,800**
Restoration Cost Adjustments:					
Crossing with Improvements (each)	4		$2,000	-$8,000	
Unimproved Crossing (each)	0		$300	$0	
Total Adjustments					**-$8,000**
Track Salvage Value					**$662,500**
Administrative, Marketing and Transportation Expense					
Relay Steel Materials - 15 percent				$95,200	
Scrap, Reroll and Non-steel Materials - 5 percent				$4,500	
Transportation - Carloads to Chicago	1	@	$1,800	$1,800	
Total Estimated Expense					**$101,500**
Net Liquidation Value					**$561,000**

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
Akron Secondary - North (Inactive) Segment
MP 1.45 (Barlow Road) to MP 4.58
December 4, 2016

Rail:

Miles								Re-Useable			Scrap and Reroll			
Fit	Scrap		Description	Condition	Quantity per mile	Unit	Total	Percent	Unit Value	Value (a)	Percent	Unit Value	Value (b)	Grand Total (a+b)
0.14		140	RE	Fit #1	246.4	Ton	34	97 %	$650.00	$21,700				$21,700
1.48		130	PS	Fit #1	228.8	Ton	337	97 %	$575.00	$188,200				$188,200
1.00		130	PS	Fit #2	228.8	Ton	228	97 %	$532.00	$117,500				$117,500
0.47		130	PS	Fit #3	228.8	Ton	108	97 %	$489.00	$51,000				$51,000
0.05		127	Dudley	Fit #2	223.5	Ton	11	97 %	$577.00	$6,300				$6,300
3.13	**0.00**		**Rail Total**							**$384,700**			**$0**	**$384,700**

Other Track Material:

Miles								Re-Useable			Scrap			
Fit	Scrap		Description	Condition	Unit	Quantity per mile	Total	Percent	Unit Value	Value	Percent	Unit Value	Value	Grand Total
0.25		Tie Plates	7.5 x 13 DS	Relay	Each	6,336	1,584	90 %	$8.25	$11,800				$11,800
0.75		Tie Plates	7 x 14 DS	Relay	Each	6,336	4,752	90 %	$9.25	$39,600				$39,600
0.50		Tie Plates	7.5 x 14 DS	Relay	Each	6,336	3,168	90 %	$9.25	$26,400				$26,400
1.43		Tie Plates	8 x 14 DS	Relay	Each	6,336	9,060	90 %	$9.25	$75,400				$75,400
0.20		Tie Plates	8 x 15 DS	Relay	Each	6,336	1,267	90 %	$11.00	$12,500				$12,500
0.14		Jt. Bars 140#		Relay	Pair	271	38	95 %	$67.00	$2,400				$2,400
2.94		Jt. Bars 130#		Relay	Pair	271	796	95 %	$67.00	$50,700				$50,700
0.05		Jt. Bars 127#		Relay	Pair	271	14	95 %	$67.00	$900				$900
3.13		Rail Anchors Jointed		Relay	Each	2,708	8,475	80 %	$1.00	$6,800				$6,800
	3.13	Spikes		Scrap	Ton	5.1	16				80 %	$198.75	$2,500	$2,500
	3.13	Bolts & Washers		Scrap	Ton	1.4	4				80 %	$198.75	$700	$700
			Other Track Material Total							**$226,500**			**$3,200**	**$229,700**

Turnouts:

Turnouts								Re-Useable			Scrap			
Fit	Scrap	Weight	Frog Size	Condition	Unit	Quantity per Turnout	Total	Percent	Unit Value	Value (a)	Percent	Unit Value	Value (b)	Grand Total (a+b)
1		Heavy	10	Relay	Each		1	97 %	$24,000.00	$23,300				$23,300
1	**0**		**Turnouts Total**							**$23,300**			**$0**	**$23,300**
			Steel OTM Total							**$249,800**			**$3,200**	**$253,000**

Non-steel Material:

Miles								Re-Useable			Scrap			
Fit	Scrap		Description	Condition	Unit	Quantity per mile	Total	Percent	Unit Value	Value	Percent	Unit Value	Value	Grand Total
3.13		Ties	Relay	Relay	Each	3,168	9,916	5 %	$45.00	$23,200				$23,200
3.13		Ties	Landscape	Relay	Each	3,168	9,916	23 %	$28.00	$64,400				$64,400
3.13		Ties	Scrap	Scrap	Each	3,168	9,916				72 %	$0.00	$0	$0
			Non-steel OTM Total							**$87,600.00**			**$0.00**	**$87,600.00**
Grand Total										**$722,000**			**$3,000**	**$725,000**

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
Akron Secondary - North (Inactive) Segment
MP 1.45 (Barlow Road) to MP 4.58
December 4, 2016

Main Track:

Milepost		Rail				
North	South	Section	Rolled	Type	Control Cooled	Miles
1.45	1.50	130	1929	Jointed	No	0.05
1.50	1.60	140	1960	Jointed	Yes	0.10
1.60	2.75	130	1929	Jointed	No	1.15
2.75	2.80	127	1951	Jointed	Yes	0.05
2.80	3.35	130	1925	Jointed	No	0.55
3.35	3.36	140	1957	Jointed	Yes	0.01
3.36	3.61	130	1923	Jointed	No	0.25
3.61	3.64	140	1956	Jointed	Yes	0.03
3.64	4.58	130	1924	Jointed	No	0.94
Main Track Total						**3.13**

Yard Tracks and Sidings:

Milepost		Rail				
North	South	Section	Rolled	Type	Control Cooled	Miles
Yard Track & Siding Total						**0.00**

Track Miles Grand Total **3.13**

Source: RLBA On-site Inspection

Appendix Four

Summary of Turnouts
Akron Secondary - North (Inactive) Segment
MP 1.45 (Barlow Road) to MP 4.58
December 4, 2016

Location	Rail	Frog			Condition		Switch Points			Switch Stand	
MP	Weight	Type	Size (#)	Weight	Relay	Scrap	LH	RH	Lead	Manual	Power
4.25	140RE	RBM	10	140	X			X		X	
Sub Total											
	Heavy		**10**		**1**	**0**					
Grand Total					**1**	**0**					

Note: "Heavy" turnouts are classified as having a rail weight of greater than or equal to 112 pounds per yard, while "Light" turnouts have a rail weight of less than or equal to 110 pounds per yard.
Source: RLBA On-site Inspection

Appendix Five

Summary of Tie Condition
Akron Secondary - North (Inactive) Segment
MP 1.45 (Barlow Road) to MP 4.58
December 4, 2016
(Sample Blocks of 100)

Location	Condition		
MP	Relay	Landscape	Scrap
1.6	4	29	67
2.1	0	7	93
2.5	14	36	50
3.5	8	24	68
4.5	0	20	80
Average Total (%)	**5**	**23**	**72**

With tie spacing of	20	inches
Inches on center equates to :	3,168	ties per mile
Estimated average of	165	Relay ties per mile
	735	Landscape ties per mile
	2,268	Scrap ties per mile

Notes: Units are rounded to the nearest integer.
Source: RLBA On-site Inspection

Appendix Six

Summary of Rail Class By Mileage
Akron Secondary - North (Inactive) Segment
MP 1.45 (Barlow Road) to MP 4.58
December 4, 2016

Main Line Miles

Location			Condition/Type of Rail (%)											Check	JTD	Jointed	Jointed	Jointed	Jointed	
Note	MP	MP	Miles	Weight	CWR Fit #1	CWR Fit #2	CWR Fit #3	Jointed Fit #1	Jointed Fit #2	Jointed Fit #3	CWR Reroll	CWR Scrap	Jointed Reroll	Jointed Scrap	Col	140 Fit #1	130 Fit #1	130 Fit #2	130 Fit #3	127 Fit #2	Total (Row)
	1.45	1.50	0.05	130				100%							0.05	0.00	0.05	0.00	0.00	0.00	0.05
	1.50	1.60	0.10	140				100%							0.10	0.10	0.00	0.00	0.00	0.00	0.10
	1.60	2.75	1.15	130				100%							1.15	0.00	1.15	0.00	0.00	0.00	1.15
	2.75	2.80	0.05	127					100%						0.05	0.00	0.00	0.00	0.00	0.05	0.05
	2.80	3.35	0.55	130				50%	50%						0.55	0.00	0.28	0.28	0.00	0.00	0.55
	3.35	3.36	0.01	140				100%							0.01	0.01	0.00	0.00	0.00	0.00	0.01
	3.36	3.61	0.25	130					100%						0.25	0.00	0.00	0.25	0.00	0.00	0.25
	3.61	3.64	0.03	140				100%							0.03	0.03	0.00	0.00	0.00	0.00	0.03
	3.64	4.58	0.94	130					50%	50%					0.94	0.00	0.00	0.47	0.47	0.00	0.94
Main Line Miles Total			**3.13**													**0.14**	**1.48**	**1.00**	**0.47**	**0.05**	**3.13**

Sidings & Yard Track Miles

Location			Condition/Type of Rail (%)											Check	JTD	Jointed	Jointed	Jointed	Jointed	
Note	MP	MP	Miles	Weight	CWR Fit #1	CWR Fit #2	CWR Fit #3	Jointed Fit #1	Jointed Fit #2	Jointed Fit #3	CWR Reroll	CWR Scrap	Jointed Reroll	Jointed Scrap	Col	140 Fit #1	130 Fit #1	130 Fit #2	130 Fit #3	127 Fit #2	Total (Row)
Sidings & Yard Track Miles Total			**0.00**													**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Total Mileage			**3.13**													**0.14**	**1.48**	**1.00**	**0.47**	**0.05**	**3.13**

Source: RLBA On-site Inspection

Appendix Seven

Track Material Unit Prices
Akron Secondary - North (Inactive) Segment
MP 1.45 (Barlow Road) to MP 4.58
December 4, 2016

	Unit Prices per		
Steel (Rail)	Component	Net Ton	Comments
Rail 140 pound per yard, CWR, Fit #1		$845.00	
Rail 140 pound per yard, CWR, Fit #2		$782.00	
Rail 140 pound per yard, Jointed, Fit #1		$650.00	
Rail 140 pound per yard, Jointed, Fit #2		$602.00	
Rail 131 pound per yard, Jointed, Fit #1		$700.00	
Rail 131 pound per yard, Jointed, Fit #2		$647.50	
Rail 130 pound per yard, Jointed, Fit #1		$575.00	
Rail 130 pound per yard, Jointed, Fit #2		$532.00	
Rail 130 pound per yard, Jointed, Fit #3		$489.00	
Rail 127 pound per yard, Jointed, Fit #2		$577.00	
Rail Reroll (Gross Ton)		$247.00	
Rail Scrap (Gross Ton)		$198.75	

Steel (OTM)	Component	Gross Ton	Comments
Scrap OTM		$198.75	
Tie Plates, D/S, 13" long, 7.5" base, Fit	$8.25		
Tie Plates, D/S, 14" long, 7" base, Fit	$9.25		
Tie Plates, D/S, 14" long, 7.5" base, Fit	$9.25		
Tie Plates, D/S, 14" long, 8" base, Fit	$9.25		
Tie Plates, D/S, 15" long, 8" base, Fit	$11.00		
Joint Bars, 140 pound per yard, Fit	$67.00		
Joint Bars, 131 pound per yard, Fit	$67.00		
Joint Bars, 130 pound per yard, Fit	$67.00		
Joint Bars, 127 pound per yard, Fit	$67.00		
Joint Bars, 90 pound per yard, Fit	$28.80		
Anchors (jointed), Fit	$1.00		

Timber (Ties)	Component	Gross Ton	Comments
Relay	$45.00		
Landscape	$28.00		
Scrap	$0.00		

Turnouts	Component	Gross Ton	Comments
Heavy, No. 10 Frog	$24,000.00		

Source: Vendors, American Metal Markets & RLBA Estimates

Appendix Eight

Summary of Shipmnet Volumes
Akron Secondary - North (Inactive) Segment
MP 1.45 (Barlow Road) to MP 4.58
December 4, 2016

		Rail Weight		
	Total	127	130	140
Tons per gon (scrap & reroller rail) =		100	100	100
Net Tons of Reroller Rail =	0	0	0	0
Number of cars (reroller rail) =	**0**	**0**	**0**	**0**
Net Tons of Scrap Rail =	0	0	0	0
Number of cars (scrap rail) =	**0**	**0**	**0**	**0**
Net Tons of Scrap OTM (tie plates) =	0	0	0	
Number of cars (scrap tie plates) =	**0**	**0**	**0**	
Net Tons of Scrap OTM (jt. bars) =	0	0	0	
Number of cars (scrap jt. bars) =	**0**	**0**	**0**	
Net Tons of Scrap OTM (anchors) =	0			
Number of cars (scrap anchors) =	**0**			
Net Tons of Scrap OTM (spikes/bolts) =	16			
Number of cars (spikes/bolts) =	**1**			
Net Tons of Scrap Turnouts) =	0			
Number of cars (scrap Turnouts) =	**0**			
Total cars (reroller rail) =	**0**			
Total cars (scrap rail) =	**0**			
Total cars (scrap OTM) =	**1**			
Railcars Grand Total	**1**			

Shipping Cost

Routing	Railroad Price (per car)
Akron, OH - Chicago, IL	$1,800
Cost to ship rail car	**$1,800**

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

METRO

NET LIQUIDATION VALUATION OF AKRON METRO - OWNED RAIL ASSETS

AKRON SECONDARY SOUTH (INACTIVE) SEGMENT APPENDICES

JANUARY 18, 2017

Appendix One

Net Liquidation Value of Track Assets
Akron Secondary - South (Inactive) Segment
Mileposts 4.58 to MP 11.49 (Arlington Street)
December 4, 2016

	Unit		Unit Cost	Total	Grand Total
Track Nominal Value:					
Relay Railroad Materials				$581,800	
Steel Scrap and Reroll OTM (net of transportation)				$49,700	
Ties and Non-steel OTM				$0	
Gross Value					**$631,500**
Preparation Cost Adjustments:					
Fit Rail & OTM Removal (miles)	3		$18,000	-$47,000	
Scrap/Reroll Rail & OTM Removal (miles)	1		$14,000	-$12,300	
Fit Turnout Removal (each)	1		$800	-$800	
Scrap Turnout Removal (each)	0		$500	$0	
Total Adjustments					**-$60,100**
Restoration Cost Adjustments:					
Crossing with Improvements (each)	2		$2,000	-$4,000	
Unimproved Crossing (each)	0		$300	$0	
Total Adjustments					**-$4,000**
Track Salvage Value					**$567,400**
Administrative, Marketing and Transportation Expense					
Relay Steel Materials - 15 percent				$87,300	
Scrap, Reroll and Non-steel Materials - 5 percent				$2,500	
Transportation - Carloads to Chicago	3	@	$1,800	$5,400	
Total Estimated Expense					**$95,200**
Net Liquidation Value					**$472,000**

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
Akron Secondary - South (Inactive) Segment
MP 4.58 to MP 11.49 (Arlington Street)
December 4, 2016

Rail:

Miles								Re-Useable			Scrap and Reroll			
					Quantity				Unit			Unit		
Fit	Scrap		Description	Condition	per mile	Unit	Total	Percent	Value	Value (a)	Percent	Value	Value (b)	Grand Total (a+b)
0.10		140	RE CWR	Fit #1	246.4	Ton	25	97 %	$845.00	$20,200				$20,200
0.10		140	RE CWR	Fit #2	246.4	Ton	25	97 %	$782.00	$18,700				$18,700
0.05		140	RE	Fit #1	246.4	Ton	12	97 %	$650.00	$7,800				$7,800
0.15		140	RE	Fit #2	246.4	Ton	37	97 %	$602.00	$21,600				$21,600
	0.09	140	RE	Reroll	246.4	Ton	22				97 %	$247.00	$5,300	$5,300
	0.06	140	RE	Scrap	246.4	Ton	15				97 %	$198.75	$2,900	$2,900
0.12		131	RE	Fit #2	230.6	Ton	28	97 %	$647.50	$17,400				$17,400
	0.12	131	RE	Reroll	230.6	Ton	28				97 %	$247.00	$6,600	$6,600
	0.06	131	RE	Scrap	230.6	Ton	14				97 %	$198.75	$2,700	$2,700
1.11		130	PS	Fit #2	228.8	Ton	255	97 %	$532.00	$131,500				$131,500
0.98		130	PS	Fit #3	228.8	Ton	223	97 %	$489.00	$106,000				$106,000
	0.26	130	PS	Reroll	228.8	Ton	59				97 %	$247.00	$14,300	$14,300
	0.22	130	PS	Scrap	228.8	Ton	50				97 %	$198.75	$9,700	$9,700
	0.07	90	RA	Scrap	158.4	Ton	11				97 %	$198.75	$2,100	$2,100
2.61	**0.88**		**Rail Total**							**$323,200**			**$43,600**	**$366,800**

Other Track Material:

Miles							Re-Useable			Scrap			
					Quantity				Unit			Unit		
Fit	Scrap	Description	Condition	Unit	per mile	Total	Percent	Value	Value	Percent	Value	Value	Grand Total
1.20		Tie Plates	7.5 x 13 DS	Relay	Each	6,336	7,603	90 %	$8.25	$56,500				$56,500
2.22		Tie Plates	8 x 14 DS	Relay	Each	6,336	14,066	90 %	$9.25	$117,100				$117,100
	0.07	Tie Plates	7 x 11 SS	Scrap	Ton	106.2	7				95 %	$198.75	$1,400	$1,400
0.35		Jt. Bars 140#		Relay	Pair	271	95	95 %	$67.00	$6,000				$6,000
0.30		Jt. Bars 131#		Relay	Pair	271	81	95 %	$67.00	$5,200				$5,200
2.57		Jt. Bars 130#		Relay	Pair	271	696	95 %	$67.00	$44,300				$44,300
	0.07	Jt. Bars 90#		Relay	Pair	320.0	22				95 %	$28.80	$600	$600
0.20		Rail Anchors Welded		Relay	Each	6,498	1,300	80 %	$1.00	$1,000				$1,000
2.41		Rail Anchors Jointed		Relay	Each	2,708	6,526	80 %	$1.00	$5,200				$5,200
	0.88	Rail Anchors		Scrap	Ton	3.7	3				80 %	$198.75	$500	$500
	3.49	Spikes		Scrap	Ton	5.1	18				80 %	$198.75	$2,800	$2,800
	3.49	Bolts & Washers		Scrap	Ton	1.4	5				80 %	$198.75	$800	$800
			Other Track Material Total							**$235,300**			**$6,100**	**$241,400**

Turnouts:

Turnouts							Re-Useable			Scrap			
					Quantity				Unit	Value		Unit	Value	Grand Total
Fit	Scrap	Weight	Frog Size	Condition	Unit	per Turnout	Total	Percent	Value	(a)	Percent	Value	(b)	(a+b)
1		Heavy	10	Relay	Each		1	97 %	$24,000.00	$23,300				$23,300
1	**0**		**Turnouts Total**							**$23,300**			**$0**	**$23,300**
			Steel OTM Total							**$258,600**			**$6,100**	**$264,700**

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Appendix Two

Gross Liquidation Value of Track Assets
Akron Secondary - South (Inactive) Segment
MP 4.58 to MP 11.49 (Arlington Street)
December 4, 2016

Miles								Re-Useable			Scrap			
Fit	Scrap		Description	Condition	Unit	Quantity per mile	Total	Percent	Unit Value	Value	Percent	Unit Value	Value	Grand Total
Non-steel Material:														
3.49		Ties	Relay	Relay	Each	3,168	11,056	0 %	$45.00	$0				$0
3.49		Ties	Landscape	Relay	Each	3,168	11,056	0 %	$28.00	$0				$0
3.49		Ties	Scrap	Scrap	Each	3,168	11,056				100 %	$0.00	$0	$0
			Non-steel OTM Total							**$0**			**$0**	**$0**
Grand Total										**$582,000**			**$50,000**	**$632,000**

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
Akron Secondary - South (Inactive) Segment
MP 4.58 to MP 11.49 (Arlington Street)
December 4, 2016

Main Track:

Milepost		Rail				
North	South	Section	Rolled	Type	Control Cooled	Miles
4.58	5.15	130	1924	Jointed	No	0.57
5.15	5.20	140	1953	Jointed	Yes	0.05
5.20	7.00	130	1928	Jointed	No	1.80
7.00	7.30	131	1945	Jointed	Yes	0.30
7.30	7.50	130		Jointed		0.20
7.50	7.70	140	1966	Welded	Yes	0.20
7.70	8.00	140		Jointed		0.30
	Main Track Total					**3.42**

Yard Tracks and Sidings:

Milepost		Rail				
North	South	Section	Rolled	Type	Control Cooled	Miles
6.85	6.92	90		Jointed	No	0.07
	Yard Track & Siding Total					**0.07**

Track Miles Grand Total **3.49**

Source: RLBA On-site Inspection

Appendix Four

Summary of Turnouts
Akron Secondary - South (Inactive) Segment
MP 4.58 to MP 11.49 (Arlington Street)
December 4, 2016

Location	Rail	Frog			Condition		Switch Points			Switch Stand	
MP	Weight	Type	Size (#)	Weight	Relay	Scrap	LH	RH	Lead	Manual	Power
6.85	140RE	RBM	10	140	X			X		X	
Sub Total											
	Heavy		**10**		**1**	**0**					
Grand Total					**1**	**0**					

Note: "Heavy" turnouts are classified as having a rail weight of greater than or equal to 112 pounds per yard, while "Light" turnouts have a rail weight of less than or equal to 110 pounds per yard.
Source: RLBA On-site Inspection

Appendix Five

Summary of Tie Condition
Akron Secondary - South (Inactive) Segment
MP 4.58 to MP 11.49 (Arlington Street)
December 4, 2016
(Sample Blocks of 100)

Location	Condition		
MP	Relay	Landscape	Scrap
5	0	0	100
6.2	0	0	100
7	0	0	100
7.7	0	0	100
Average Total (%)	**0**	**0**	**100**

With tie spacing of	20	inches
Inches on center equates to :	3,168	ties per mile
Estimated average of	0	Relay ties per mile
	0	Landscape ties per mile
	3,168	Scrap ties per mile

Notes: Units are rounded to the nearest integer.
Source: RLBA On-site Inspection

Appendix Six

Summary of Rail Class By Mileage
Akron Secondary - South (Inactive) Segment
MP 4.58 to MP 11.49 (Arlington Street)
December 4, 2016

Main Line Miles

Location			Condition/Type of Rail (%)												Check	CWR	CWR	JTD	JTD	JTD	JTD	Jointed	Jointed	Jointed	Jointed	Jointed	Jointed	Jointed	Jointed	
					CWR	CWR	CWR	Jointed	Jointed	Jointed	CWR	CWR	Jointed	Jointed	Col	140	140	140	140	140	140	131	131	131	130	130	130	130	90	
Note	MP	MP	Miles	Weight	Fit #1	Fit #2	Fit #3	Fit #1	Fit #2	Fit #3	Reroll	Scrap	Reroll	Scrap		Fit #1	Fit #2	Fit #1	Fit #2	Reroll	Scrap	Fit #2	Reroll	Scrap	Fit #2	Fit #3	Reroll	Scrap	Scrap	Total (Row)
	4.58	5.15	0.57	130					55%	45%					0.57	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.31	0.26	0.00	0.00	0.00	0.57
	5.15	5.20	0.05	140				100%							0.05	0.00	0.00	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05
	5.20	7.00	1.80	130					40%	40%			10%	10%	1.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.72	0.72	0.18	0.18	0.00	1.80
	7.00	7.30	0.30	131					40%				40%	20%	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.12	0.12	0.06	0.00	0.00	0.00	0.00	0.00	0.30
	7.30	7.50	0.20	130					40%				40%	20%	0.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.08	0.00	0.08	0.04	0.00	0.20
	7.50	7.70	0.20	140	50%	50%									0.20	0.10	0.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.20
	7.70	8.00	0.30	140					50%				30%	20%	0.30	0.00	0.00	0.00	0.15	0.09	0.06	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.30
Main Line Miles Total			**3.42**													**0.10**	**0.10**	**0.05**	**0.15**	**0.09**	**0.06**	**0.12**	**0.12**	**0.06**	**1.11**	**0.98**	**0.26**	**0.22**	**0.00**	**3.42**

Sidings & Yard Track Miles

Location			Condition/Type of Rail (%)												Check	CWR	CWR	JTD	JTD	JTD	JTD	Jointed	Jointed	Jointed	Jointed	Jointed	Jointed	Jointed	Jointed	
					CWR	CWR	CWR	Jointed	Jointed	Jointed	CWR	CWR	Jointed	Jointed	Col	140	140	140	140	140	140	131	131	131	130	130	130	130	90	
Note	MP	MP	Miles	Weight	Fit #1	Fit #2	Fit #3	Fit #1	Fit #2	Fit #3	Reroll	Scrap	Reroll	Scrap		Fit #1	Fit #2	Fit #1	Fit #2	Reroll	Scrap	Fit #2	Reroll	Scrap	Fit #2	Fit #3	Reroll	Scrap	Scrap	Total (Row)
	6.85	6.92	0.07	90										100%	0.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.07	0.07
Sidings & Yard Track Miles Total			**0.07**													**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.07**	**0.07**
Total Mileage			**3.49**													**0.10**	**0.10**	**0.05**	**0.15**	**0.09**	**0.06**	**0.12**	**0.12**	**0.06**	**1.11**	**0.98**	**0.26**	**0.22**	**0.07**	**3.49**

Source: RLBA On-site Inspection

Appendix Seven

Track Material Unit Prices
Akron Secondary - South (Inactive) Segment
MP 4.58 to MP 11.49 (Arlington Street)
December 4, 2016

	Unit Prices per		
Steel (Rail)	Component	Net Ton	Comments
Rail 140 pound per yard, CWR, Fit #1		$845.00	
Rail 140 pound per yard, CWR, Fit #2		$782.00	
Rail 140 pound per yard, Jointed, Fit #1		$650.00	
Rail 140 pound per yard, Jointed, Fit #2		$602.00	
Rail 131 pound per yard, Jointed, Fit #1		$700.00	
Rail 131 pound per yard, Jointed, Fit #2		$647.50	
Rail 130 pound per yard, Jointed, Fit #1		$575.00	
Rail 130 pound per yard, Jointed, Fit #2		$532.00	
Rail 130 pound per yard, Jointed, Fit #3		$489.00	
Rail 127 pound per yard, Jointed, Fit #2		$577.00	
Rail Reroll (Gross Ton)		$247.00	
Rail Scrap (Gross Ton)		$198.75	

Steel (OTM)	Component	Gross Ton	Comments
Scrap OTM		$198.75	
Tie Plates, D/S, 13" long, 7.5" base, Fit	$8.25		
Tie Plates, D/S, 14" long, 7" base, Fit	$9.25		
Tie Plates, D/S, 14" long, 7.5" base, Fit	$9.25		
Tie Plates, D/S, 14" long, 8" base, Fit	$9.25		
Tie Plates, D/S, 15" long, 8" base, Fit	$11.00		
Joint Bars, 140 pound per yard, Fit	$67.00		
Joint Bars, 131 pound per yard, Fit	$67.00		
Joint Bars, 130 pound per yard, Fit	$67.00		
Joint Bars, 127 pound per yard, Fit	$67.00		
Joint Bars, 90 pound per yard, Fit	$28.80		
Anchors (welded), Fit	$1.00		
Anchors (jointed), Fit	$1.00		

Timber (Ties)	Component	Gross Ton	Comments
Relay	$45.00		
Landscape	$28.00		
Scrap	$0.00		

Appendix Seven

Track Material Unit Prices
Akron Secondary - South (Inactive) Segment
MP 4.58 to MP 11.49 (Arlington Street)
December 4, 2016

Turnouts	Component	Gross Ton	Comments
Heavy, No. 10 Frog	$24,000.00		

Source: Vendors, American Metal Markets & RLBA Estimates

Appendix Eight

Summary of Shipmnet Volumes
Akron Secondary - South (Inactive) Segment
MP 4.58 to MP 11.49 (Arlington Street)
December 4, 2016

		Rail Weight				
	Total	85	90	130	131	140
Tons per gon (scrap & reroller rail) =		100	100	100	100	100
Net Tons of Reroller Rail =	87	0	0	59	28	22
Number of cars (reroller rail) =	**1**	**0**	**0**	**1**	**1**	**1**
Net Tons of Scrap Rail =	90	0	11	50	14	15
Number of cars (scrap rail) =	**1**	**0**	**1**	**1**	**1**	**1**
Net Tons of Scrap OTM (tie plates) =	7	7	0	0	0	
Number of cars (scrap tie plates) =	**1**	**1**	**0**	**0**	**0**	
Net Tons of Scrap OTM (jt. bars) =	0	0	0	0	0	
Number of cars (scrap jt. bars) =	**0**	**0**	**0**	**0**	**0**	
Net Tons of Scrap OTM (anchors) =	3					
Number of cars (scrap anchors) =	**1**					
Net Tons of Scrap OTM (spikes/bolts) =	18					
Number of cars (spikes/bolts) =	**1**					
Net Tons of Scrap Turnouts) =	0					
Number of cars (scrap Turnouts) =	**0**					
Total cars (reroller rail) =	**1**					
Total cars (scrap rail) =	**1**					
Total cars (scrap OTM) =	**1**					
Railcars Grand Total	**3**					

Shipping Cost

Routing	Railroad Price (per car)
Akron, OH - Chicago, IL	$1,800
Cost to ship rail car	**$1,800**

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

METRO

NET LIQUIDATION VALUATION OF AKRON METRO - OWNED RAIL ASSETS

FREEDOM SECONDARY APPENDICES

JANUARY 18, 2017

Appendix One

Net Liquidation Value of Track Assets
Freedom Secondary
MP 192.51 (Mogadore Road) to MP 201.84 (Mill Street)
December 5, 2016

	Unit		Unit Cost	Total	Grand Total
Track Nominal Value:					
Relay Railroad Materials				$1,053,000	
Steel Scrap and Reroll OTM (net of transportation)				$246,400	
Ties and Non-steel OTM				$145,600	
Gross Value					**$1,445,000**
Preparation Cost Adjustments:					
Fit Rail & OTM Removal (miles)	4		$18,000	-$76,900	
Scrap/Reroll Rail & OTM Removal (miles)	4		$14,000	-$59,800	
Fit Turnout Removal (each)	1		$800	-$800	
Scrap Turnout Removal (each)	0		$500	$0	
Total Adjustments					**-$137,500**
Restoration Cost Adjustments:					
Crossing with Improvements (each)	8		$2,000	-$16,000	
Unimproved Crossing (each)	0		$300	$0	
Total Adjustments					**-$16,000**
Track Salvage Value					**$1,291,500**
Administrative, Marketing and Transportation Expense					
Relay Steel Materials - 15 percent				$158,000	
Scrap, Reroll and Non-steel Materials - 5 percent				$19,600	
Transportation - Carloads to Chicago	11	@	$1,800	$19,800	
Total Estimated Expense					**$197,400**
Net Liquidation Value					**$1,094,000**

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
Freedom Secondary
MP 192.51 (Mogadore Road) to MP 201.84 (Mill Street)
December 5, 2016

Rail:

Miles								Re-Useable			Scrap and Reroll			
Fit	Scrap	Description		Condition	Quantity per mile	Unit	Total	Percent	Unit Value	Value (a)	Percent	Unit Value	Value (b)	Grand Total (a+b)
0.15		132	RE	Fit #1	232.3	Ton	35	97 %	$700.00	$23,700				$23,700
	0.64	132	RE	Reroll	232.3	Ton	149				97 %	$247.00	$35,600	$35,600
	0.16	132	RE	Scrap	232.3	Ton	37				97 %	$198.75	$7,200	$7,200
0.38		131	RE CWR	Fit #1	230.6	Ton	88	97 %	$910.00	$77,300				$77,300
0.86		131	RE CWR	Fit #2	230.6	Ton	198	97 %	$841.75	$161,900				$161,900
1.14		131	RE CWR	Fit #3	230.6	Ton	263	97 %	$773.50	$197,200				$197,200
0.55		131	RE	Fit #2	230.6	Ton	127	97 %	$647.50	$79,700				$79,700
	1.44	131	RE CWR	Reroll	230.6	Ton	332				97 %	$247.00	$79,500	$79,500
	0.37	131	RE CWR	Scrap	230.6	Ton	86				97 %	$198.75	$16,500	$16,500
	0.26	131	RE	Reroll	230.6	Ton	61				97 %	$247.00	$14,600	$14,600
	0.29	131	RE	Scrap	230.6	Ton	66				97 %	$198.75	$12,700	$12,700
0.56		115	RE	Fit #1	202.4	Ton	113	97 %	$750.00	$82,500				$82,500
0.63		115	RE	Fit #2	202.4	Ton	128	97 %	$693.75	$85,800				$85,800
	0.58	115	RE	Reroll	202.4	Ton	118				97 %	$247.00	$28,300	$28,300
	0.53	115	RE	Scrap	202.4	Ton	106				97 %	$198.75	$20,500	$20,500
4.27	**4.27**		**Rail Total**							**$708,100**			**$214,900**	**$923,000**

Other Track Material:

Miles								Re-Useable			Scrap			
Fit	Scrap	Description		Condition	Unit	Quantity per mile	Total	Percent	Unit Value	Value (a)	Percent	Unit Value	Value (b)	Grand Total (a+b)
1.29		Tie Plates	7.5 x 12.5 DS	Relay	Each	6336	8,173	97 %	$8.25	$65,400				$65,400
2.95		Tie Plates	7.5 x 12.5 DS	Relay	Each	6336	18,691	50 %	$8.25	$77,100				$77,100
1.60		Tie Plates	8 x 12 DS	Relay	Each	6336	10,138	50 %	$8.25	$41,800				$41,800
1.69		Tie Plates	8 x 13 DS	Relay	Each	6336	10,708	50 %	$8.25	$44,200				$44,200
	0.56	Tie Plates	7 x 9 SS	Scrap	Ton	106.2	59				95 %	198.75	$11,200	$11,200
	0.45	Tie Plates	7.5 x 10 SS	Scrap	Ton	106.2	48				95 %	198.75	$9,000	$9,000
0.95		Jt. Bars 132#		Relay	Pair	271	257	97 %	$67.00	$16,700				$16,700
1.10		Jt. Bars 131#		Relay	Pair	271	298	97 %	$67.00	$19,400				$19,400
2.30		Jt. Bars 115#		Relay	Pair	271	623	97 %	$67.00	$40,500				$40,500
2.38		Rail Anchors Welded		Relay	Each	6,498	15,466	80 %	$1.00	$12,400				$12,400
1.89		Rail Anchors Jointed		Relay	Each	2,708	5,119	80 %	$1.00	$4,100				$4,100
	4.27	Rail Anchors		Scrap	Ton	3.7	16				80 %	$198.75	$2,500	$2,500
	8.54	Spikes		Scrap	Ton	5.1	43				80 %	$198.75	$6,900	$6,900
	8.54	Bolts & Washers		Scrap	Ton	1.4	12				80 %	$198.75	$1,900	$1,900
			Other Track Material Total							**$321,600**			**$31,500**	**$353,100**

Turnouts:

Turnouts								Re-Useable			Scrap			
Fit	Scrap	Weight	Frog Size	Condition	Unit	Quantity per Turnout	Total	Percent	Unit Value	Value (a)	Percent	Unit Value	Value (b)	Grand Total (a+b)
1		Heavy	10	Relay	Each		1	97 %	$24,000.00	$23,300				$23,300
1	**0**		**Turnouts Total**							**$23,300**			**$0**	**$23,300**
			Steel OTM Total							**$344,900**			**$31,500**	**$376,400**

R.L. Banks & Associates, Inc.
ECONOMICS | ENGINEERING | SERVICE PLANNING

Appendix Two

Gross Liquidation Value of Track Assets
Freedom Secondary
MP 192.51 (Mogadore Road) to MP 201.84 (Mill Street)
December 5, 2016

Miles								Re-Useable			Scrap			
Fit	Scrap		Description	Condition	Unit	Quantity per mile	Total	Percent	Unit Value	Value	Percent	Unit Value	Value	Grand Total
8.54		Ties	Relay	Relay	Each	3,168	27,055	8 %	$45.00	$91,900				$91,900
8.54		Ties	Landscape #1	Relay	Each	3,168	27,055	7 %	$28.00	$53,700				$53,700
	8.54	Ties	Scrap	Scrap	Each	3,168	27,055				85 %	$0.00	$0	$0
			Non-steel OTM Total							**$145,600**			**$0**	**$145,600**
Grand Total										**$1,199,000**			**$246,000**	**$1,445,000**

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
Freedom Secondary
MP 192.51 (Mogadore Road) to MP 201.84 (Mill Street)
December 5, 2016

Main Track:

Milepost		Rail				
North	South	Section	Rolled	Type	Control Cooled	Miles
192.51	193.10	115	1949	Jointed	Yes	0.59
193.10	193.80	115	1950	Jointed	Yes	0.70
193.80	194.81	115	1950	Jointed	Yes	1.01
194.81	196.95	131	1936	Welded	No	2.14
196.95	197.48	131	1943	Welded	No	0.53
197.48	197.62	131	1947	Welded	Yes	0.14
197.62	198.05	131	1945	Welded	No	0.43
198.05	199.00	131	1944	Welded	No	0.95
199.00	200.10	131	1935	Jointed	No	1.10
200.10	200.40	132	1967	Jointed	Yes	0.30
200.65	201.30	132	1967	Jointed	Yes	0.65
Main Track Total						**8.54**

Yard Tracks and Sidings:

Milepost		Rail				
North	South	Section	Rolled	Type	Control Cooled	Miles
Yard Track & Siding Total						**0.00**

Track Miles Grand Total **8.54**

Source: RLBA On-site Inspection

Appendix Four

Summary of Turnouts
Freedom Secondary
MP 192.51 (Mogadore Road) to MP 201.84 (Mill Street)
December 5, 2016

Location	Rail	Frog			Condition		Switch Points			Switch Stand	
MP	Weight	Type	Size (#)	Weight	Relay	Scrap	LH	RH	Lead	Manual	Power
193.5	115	SMSG	10	115	X		X			X	
Sub Total											
	Heavy		**10**		**1**	**0**					
Grand Total					**1**	**0**					

Note: "Heavy" turnouts are classified as having a rail weight of greater than or equal to 112 pounds per yard, while "Light" turnouts have a rail weight of less than or equal to 110 pounds per yard.
Source: RLBA On-site Inspection

Appendix Five

Summary of Tie Condition
Freedom Secondary
MP 192.51 (Mogadore Road) to MP 201.84 (Mill Street)
December 5, 2016
(Sample Blocks of 100)

Location	Condition		
MP	Relay	Landscape	Scrap
192.6	34	33	33
193.55	11	42	47
194	38	3	59
194.3	0	0	100
195	0	0	100
196.3	0	0	100
197.7	0	0	100
198.3	0	0	100
199.3	0	0	100
200.1	0	0	100
201.2	0	0	100
Average Total (%)	**8**	**7**	**85**

With tie spacing of	20	inches
Inches on center equates to :	3,168	ties per mile
Estimated average of	239	Relay ties per mile
	225	Landscape ties per mile
	2,704	Scrap ties per mile

Notes: Units are rounded to the nearest integer.
Source: RLBA On-site Inspection

Appendix Six

Summary of Rail Class By Mileage
Freedom Secondary
MP 192.51 (Mogadore Road) to MP 201.84 (Mill Street)
December 5, 2016

Main Line Miles

Location			Condition/Type of Rail (%)												Check	Jointed	Jointed	Jointed	CWR	CWR	CWR	Jointed	CWR	CWR	Jointed	Jointed	Jointed	Jointed	Jointed	Jointed	
				CWR	CWR	CWR	Jointed	Jointed	Jointed	CWR	CWR	Jointed	Jointed			132	132	132	131	131	131	131	131	131	131	131	115	115	115	115	
Note	MP	MP	Miles	Weight	Fit #1	Fit #2	Fit #3	Fit #1	Fit #2	Fit #3	Reroll	Scrap	Reroll	Scrap	Col	Fit #1	Reroll	Scrap	Fit #1	Fit #2	Fit #3	Fit #2	Reroll	Scrap	Reroll	Scrap	Fit #1	Fit #2	Reroll	Scrap	Total (Row)
	192.51	193.10	0.59	115				95%					5%		0.59	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.56	0.00	0.03	0.00	0.59
	193.10	193.80	0.70	115					90%				10%		0.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.63	0.07	0.00	0.70
	193.80	194.81	1.01	115									48%	52%	1.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.48	0.53	1.01
	194.81	196.95	2.14	131			50%				40%	10%			2.14	0.00	0.00	0.00	0.00	0.00	1.07	0.00	0.86	0.21	0.00	0.00	0.00	0.00	0.00	0.00	2.14
	196.95	197.48	0.53	131		50%					40%	10%			0.53	0.00	0.00	0.00	0.00	0.27	0.00	0.00	0.21	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.53
	197.48	197.62	0.14	131			50%				40%	10%			0.14	0.00	0.00	0.00	0.00	0.00	0.07	0.00	0.06	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.14
	197.62	198.05	0.43	131		50%					40%	10%			0.43	0.00	0.00	0.00	0.00	0.22	0.00	0.00	0.17	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.43
	198.05	199.00	0.95	131	40%	40%					15%	5%			0.95	0.00	0.00	0.00	0.38	0.38	0.00	0.00	0.14	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.95
	199.00	200.10	1.10	131					50%				24%	26%	1.10	0.00	0.00	0.00	0.00	0.00	0.00	0.55	0.00	0.00	0.26	0.29	0.00	0.00	0.00	0.00	1.10
	200.10	200.40	0.30	132				50%					40%	10%	0.30	0.15	0.12	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.30
	200.65	201.30	0.65	132									80%	20%	0.65	0.00	0.52	0.13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.65
Main Line Miles Total			**8.54**													**0.15**	**0.64**	**0.16**	**0.38**	**0.86**	**1.14**	**0.55**	**1.44**	**0.37**	**0.26**	**0.29**	**0.56**	**0.63**	**0.58**	**0.53**	**8.54**

Sidings & Yard Track Miles

Location			Condition/Type of Rail (%)												Check	Jointed	Jointed	Jointed	CWR	CWR	CWR	Jointed	CWR	CWR	Jointed	Jointed	Jointed	Jointed	Jointed	Jointed	
				CWR	CWR	CWR	Jointed	Jointed	Jointed	CWR	CWR	Jointed	Jointed			132	132	132	131	131	131	131	131	131	131	131	115	115	115	115	
Note	MP	MP	Miles	Weight	Fit #1	Fit #2	Fit #3	Fit #1	Fit #2	Fit #3	Reroll	Scrap	Reroll	Scrap	Col	Fit #1	Reroll	Scrap	Fit #1	Fit #2	Fit #3	Fit #2	Reroll	Scrap	Reroll	Scrap	Fit #1	Fit #2	Reroll	Scrap	Total (Row)
Sidings & Yard Track Miles Total			**0.00**													**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Total Mileage			**8.54**													**0.15**	**0.64**	**0.16**	**0.38**	**0.86**	**1.14**	**0.55**	**1.44**	**0.37**	**0.26**	**0.29**	**0.56**	**0.63**	**0.58**	**0.53**	**8.54**

Source: RLBA On-site Inspection

Appendix Seven

Track Material Unit Prices
Freedom Secondary
MP 192.51 (Mogadore Road) to MP 201.84 (Mill Street)
December 5, 2016

	Unit Prices per		
Steel (Rail)	Component	Net Ton	Comments
Rail 132 pound per yard, Jointed, Fit #1		$700.00	
Rail 131 pound per yard, CWR, Fit #1		$910.00	
Rail 131 pound per yard, CWR, Fit #2		$841.75	
Rail 131 pound per yard, CWR, Fit #3		$773.50	
Rail 131 pound per yard, Jointed, Fit #2		$647.50	
Rail 130 pound per yard, Jointed, Fit #1		$575.00	
Rail 115 pound per yard, Jointed, Fit #1		$750.00	
Rail 115 pound per yard, Jointed, Fit #2		$693.75	
Rail Reroll (Gross Ton)		$247.00	
Rail Scrap (Gross Ton)		$198.75	

Steel (OTM)	Component	Gross Ton	Comments
Scrap OTM		$198.75	
Tie Plates, D/S, 12.5" long, 7.5" base, Fit	$8.25		
Tie Plates, D/S, 12" long, 8" base, Fit	$8.25		
Tie Plates, D/S, 13" long, 8" base, Fit	$8.25		
Joint Bars, 132 pound per yard, Fit	$67.00		
Joint Bars, 131 pound per yard, Fit	$67.00		
Joint Bars, 115 pound per yard, Fit	$67.00		
Anchors (welded), Fit	$1.00		
Anchors (jointed), Fit	$1.00		

Timber (Ties)	Component	Gross Ton	Comments
Relay	$45.00		
Landscape	$28.00		
Scrap	$0.00		

Turnouts	Component	Gross Ton	Comments
Heavy, No. 10 Frog	$24,000.00		

Source: Vendors, American Metal Markets & RLBA Estimates

Appendix Eight

Summary of Shipmnet Volumes
Freedom Secondary
MP 192.51 (Mogadore Road) to MP 201.84 (Mill Street)
December 5, 2016

		Rail Weight		
	Total	115	131	132
Tons per gon (scrap & reroller rail) =		100	100	100
Net Tons of Reroller Rail =	660	118	393	149
Number of cars (reroller rail) =	**7**	**2**	**4**	**2**
Net Tons of Scrap Rail =	295	106	152	37
Number of cars (scrap rail) =	**3**	**2**	**2**	**1**
Net Tons of Scrap OTM (tie plates) =	0	0	0	0
Number of cars (scrap tie plates) =	**0**	**0**	**0**	**0**
Net Tons of Scrap OTM (jt. bars) =	0	0	0	
Number of cars (scrap jt. bars) =	**0**	**0**	**0**	
Net Tons of Scrap OTM (anchors) =	13			
Number of cars (scrap anchors) =	**1**			
Net Tons of Scrap OTM (spikes/bolts) =	44			
Number of cars (spikes/bolts) =	**1**			
Net Tons of Scrap Turnouts) =	0			
Number of cars (scrap Turnouts) =	**0**			
Total cars (reroller rail) =	**7**			
Total cars (scrap rail) =	**3**			
Total cars (scrap OTM) =	**1**			
Railcars Grand Total	**11**			

Shipping Cost

Routing	Railroad Price (per car)
Akron, OH - Chicago, IL	$1,800
Cost to ship rail car	**$1,800**

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

Appendix B: Real Estate Valuation

Part 1 Introduction

Executive Summary

Location

The property is located in Stark, Summit and Portage Counties, Ohio. It consists of three railroad corridors which will be described in greater detail throughout the report.

Property Being Appraised

Only the real property owned by the Akron Metro Regional Transit Authority (Akron Metro) in these three railroad corridors is the subject of this appraisal. The Akron Metro has two contract operators on portions of the Sandyville line: The Wheeling & Lake Erie Railway Company and the Akron Barberton Cluster Railway. The other two lines are out of service: the Akron Secondary and the Freedom Secondary.

History

METRO RTA owns about 45 miles of rail right of way, 40 miles of which is tracked and about 14.5 miles of which are active with freight service provided by contracted operators. METRO owns its Sandyville line (MP 16.2 - MP 40.34), the Freedom Secondary (MP 192.51 - MP 201.84) and the Akron Secondary (MP 1.45 - 11.49, tracked to MP 8).

METRO RTA does not have operating rules and manages its active lines through service agreements with the Akron Barberton Cluster Railway (freight MP 40 - MP 33.55) and the Wheeling Lake Erie Railway (freight MP 25.3 - MP 16). The Cuyahoga Valley Scenic Railroad provided seasonal excursion rail services from Northside Station in Akron (MP 40) to the Canton Station on Tuscarawas Avenue (MP 16.7) from 2003 to 2012. Service was discontinued due to a lack of maintenance funds.

Sandyville Line

The **Akron METRO Regional Transit Authority** acquired from CSX the former B&O Valley Line between Akron and Canton in May 2000. Although parts of this route still had freight service, Metro's purpose was to preserve the track for possible Akron-Canton commuter train use.

The 24-mile line between Akron and Canton was once a portion of a longer Baltimore and Ohio route (the CT&V subdivision) extending between Cleveland (35 miles south to Akron) and Valley Junction (16 miles south of Canton). The tracks north of Akron are owned by the National Park Service and form a transportation link within the Cuyahoga Valley National Recreation Area. METRO owns the portion of the CSX CT&V (or Sandyville) from the dividing point between the National Park Service and CSX at MP 40.34 (North Howard Street, Akron) to about MP 16.2 (location of the former Conrail crossing diamond in Canton and connections to the Norfolk Southern and the Wheeling & Lake Erie).

Freight service is currently provided on a contractual basis by the Akron Barberton Cluster Railway (a subsidiary of the Wheeling and Lake Erie) between MP 39 (Arlington Street overhead) and MP 33.55 (Krumroy). ABC customers include Shulman Plastics, Diamond

Polymer Landmark Plastics, and Omnova. METRO owns the freight rights to this section of rail. Further freight service is provided by Wheeling and Lake Erie Railway from MP 16 (switch at Marion St.) and MP 25.3 (Mayfair Rd.). Customers include McCann Plastics in Mayfair and a car mat manufacturer at 6 St. SW in Canton. Wheeling owns the freight rights between Krumroy (MP 33.55) and the Marion St. switch (MP 16). METRO owns both legs of the old wye at Marion Street.

Middle: In the middle section of the line, between MP 33.55 and MP 25.5, there is no local or overhead freight traffic and the line is currently out of service.,

South End/North Canton Branch: Akron Metro leases to the W&LE the southern portion of the line between MP 25.5 at McCain Plastics and MP 16.2 where the Akron Metro line connects to the W&LE Brewster - Canton line. The W&LE refers to this segment of track as its North Canton line. The major customer on this segment of the line is McCann Plastics at MP 25.4. There is one other rail user, ION, at MP 16.7. The south end/North Canton Branch serves an active industrial area with 240 acres of industrial parcels located along this segment of the line between MP 25.4and MP 21.7. The W&LE lease runs for 99 years until 2102.

Akron Secondary

METRO owns the Akron Secondary between MP 1.45 (the north side of Barlow Rd. in Hudson. Ohio) and MP 11.49 (Arlington St. in Akron). The Akron Secondary was purchased from Conrail and began in 1852 as the Akron Branch of the Cleveland and Pittsburgh Railway and eventually became part of the Pennsylvania Railroad. The road was abandoned in 1991. Freight rights are owned by Norfolk Southern and discussions with local industries indicate an interest in rehabbing and restarting service on the track between Barlow Rd. and Seasons Rd. **Conrail** continued to operate the former **Pennsylvania** route between Akron and Hudson and the former **Erie** east of Akron. **Conrail** ceased using the Akron Branch in 1994 and the track was sold to the **Summit County Port Authority,** which railbanked it for possible commuter train use.

Freedom Secondary

METRO owns the old Freedom Secondary between Mogador Road (MP 192.51) in Kent, Ohio and Mill St. (MP 201.84) in Akron. The Freedom Secondary is the old Erie Lackawanna and was built in the 1870's as part of Marvin Kent's Great Atlantic & Western Railway. The Freedom Secondary is being converted to a hike and bike trail by Metro Parks of Summit County. The freight rights are complicated, with five different owners of the track between Kent and Warren, Ohio.

Special Assumptions or Conditions

The appraiser was furnished right of way surveys performed by KS Associates, Inc. circa 2001 of the three properties being appraised. The surveys were divided into parcels with an acreage total for each parcel. The nature of the appraisal necessitated that the appraiser subdivide some of the surveyor's parcels for valuation purposes. Although the appraiser's land area sub-division may not be totally accurate, the total of the appraiser's sub-divisions will equal the surveyors indicated area.

General Assumptions and Limiting Conditions
See Appraiser's Certificate

Certification
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 are limited only by the reported assumptions and limiting conditions and is 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 report 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 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.

My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice.*

I have made a personal inspection of the property that is the subject of this report. No one is responsible for the conclusions outlined in this appraisal other than the person signing this certification, except as specifically noted.

Assistance in Preparation of the Appraisal
The appraiser acknowledges the assistance of John T. Hentz, ASA, a Certified General Appraiser in the State of Ohio who provided significant real property appraisal assistance in assisting in the estimation of the land values, preparation of the sales data sheets and the calculation of the land areas and analysis of the real estate sales and in the estimates of land value.

Competency Provision
In accordance with the Uniform Standards of Professional Appraisal Practice (U.S.P.A.P.), adopted by the Appraisal Standards Board of the Appraisal Foundation, it should be known that I, George D. Wehner have prior experience in and I am familiar with the type of property being appraised. I have completed numerous railroad appraisals over the past twenty plus years and I am recognized by the profession as an expert on the subject of the appraisal of railroad land and fixtures and in the field of railroad rehabilitation. Mr. Wehner is further qualified by his Senior

Machinery & Technical Specialties Appraiser designation given by the American Society of Appraisers, after rigorous examination on the subject matter, and by the Certification from the Ohio Department of Commerce, Division of Real Estate as a Certified General Real Estate Appraiser, again by examination. The reader may refer to the addendum of this report wherein the appraiser's appraisal experience is outlined.

Ohio Certification

In compliance with Ohio Revised Code Section 4763.12(C)

George D. Wehner is a State Certified General Real Estate Appraiser, Ohio #437462 Expiration Date: November 20, 2017.

Signature: 

Declaration of Reporting Option

The report is "A written report prepared under Standards Rule 2-2 of an appraisal report performed under Standard 1". This report is a summary of our findings and additional data that is germane to understanding the conclusions outlined and estimated in this report may be found in the appraiser's data bank.

Client and Intended Users

The client is the R.L. Banks & Associates, Inc., (RLBA), Mr. Charles H. Banks, is the President (RLBA is contracting with Bergman Associates and Bergman is contracting with Akron Metro Regional Transit Authority, and R/W Specialists, Inc. is a sub-contractor to RLBA) and the end user will be Akron Metro Regional Transit Authority. The use of this report by anyone other than those listed above is strictly prohibited by the author of this report. A written request to share this report with someone other than those listed above may be entertained by the author.

Intended Use of the Appraisal

The appraisal, if approved by the client, may be used in support of financial decisions about the line by Akron Metro. This appraisal will be in addition to RLBA appraisal of the non-real estate assets.

Summarized Identity of the Real Estate Involved in the Appraisal The appraisal consists of about 45 miles of railroad right of way that is owned by METRO RTA which property is divided into 3 railroad corridors.

Real Property Interest Being Appraised

The real property interest being appraised is the fee simple interest in the land.

Purpose of the Appraisal

The purpose of the appraisal is to estimate a net liquidation value (NLV) of the real property which in this case is NLV of the land and the contributory value of any buildings in the railroad corridor that may be owned by Akron Metro. The client requested a Net Liquidation Value (NLV) appraisal.

Definitions

Across-the-Fence (ATF) Value

"Across the Fence Method: A means of estimating the price or value of land adjacent or "across the fence" from a railroad, pipeline, highway, or other corridor real estate, as distinguished from valuing the right of way as a separate entity."

Dictionary of Real Estate Appraisal, Second Edition, 1989. American Institute of Real Estate Appraisal, Chicago, Illinois

The "across the fence" value considers no penalty for long, narrow shape of the corridor, nor no premium for assemblage or costs of acquisition. The land is appraised as if it were a part of the land "across the fence."

Value in Place

"The amount a prudent purchaser would pay for an item, e.g., equipment, fixtures, in place; determined by the use it contributes to the whole."

Dictionary of Real Estate Appraisal, Second Edition, 1989. American Institute of Real Estate Appraisal, Chicago, Illinois

Market Value

A definition of Market Value found in *"The Appraisal of Real Estate* ", 12th edition, page 23, published by the Appraisal Institute, currently in use in the appraisal industry for federally insured financial institutions is:

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 to be their best interest;*
3. *a reasonable time is allowed for exposure in the open market;*
4. *payment is made in terms of cash in United States 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.*

Liquidation Value

1. *The estimated proceeds, left after provision for applicable liabilities, if any, that would result from the sale of an asset or group of assets, if sold individually and not as part of the business enterprise of which they were originally a party. A sale may involve either forced liquidation or orderly disposal; proceeds likely different for the two situations.*
2. *The price that an owner is compelled to accept when a property must be sold without reasonable market exposure.*

Prom: *"The Dictionary of Real Estate Appraisal, "* 2nd Edition, page 184, The Appraisal Institute

Net Liquidation Value

Net Liquidation Value is defined as follows: This value shall be determined by computing the current appraised market value of such properties for other than rail transportation purposes, less all costs of dismantling and disposing of improvements necessary to make the remaining properties available for their highest and best use and complying with applicable zoning, land use and environmental regulations.

Date of Appraisal and Date of Report:

The property was inspected December 8, 9, 10 and 11, 2016. The date of appraisal is December 11, 2016. The date of the report is February 27, 2017.

Appraisal Problem and Scope

The scope of the appraisal is the extent of the process of collecting, confirming and reporting data in the appraisal of the Subject Property.

The scope of this assignment is completion of a fully documented, narrative appraisal of the subject as described herein, with consideration to all pertinent factors affecting the subject property and the specific values defined herein. The appraiser has conducted a physical inspection of the subject and assembled comparable market data to facilitate the three recognized approaches to value, including the Cost Approach, the Market or Direct Sales Comparison Approach, and the Income Approach. The rationale and logical basis of each approach and the methodology of each approach will be discussed within the body of the appraisal, at the appropriate section of the report. All approaches to value will be developed unless sufficient supporting data is not available, or the nature of this assignment precludes application of any approach. The final conclusions include consideration of market trends observed in the area.

Part 2 Factual Data

Identification of the Total Property Appraised
METRO RTA owns about 45 miles of rail right of way, 40 miles of which is tracked and about 14.5 miles of which are active with freight service provided by contracted rail operators. METRO owns its Sandyville line (MP 16.2 - MP 40.34), the Freedom Secondary (MP 192.51 -MP 201.84) and the Akron Secondary (MP 1.45 - 11.49, tracked to MP 8).

Legal Description
No legal description was provided by Akron Metro but a survey by KS Associates, Inc. circa 2001 will suffice.

Quality of Title
More important to the appraisal problem is the quality of title held by the owner. Over the last century, railroads have acquired rights of way via various legal conveyances: fee simple transfer, via warranty deed, with and without reversionary clauses, via easement with and without reversionary clauses and some rights of way may be occupied by adverse possession. A title report has not been provided. It is assumed by the appraiser, unless evidence is provided to the contrary, that the title is clear and unencumbered.

Sales History
The Akron Metro purchased (Circa 2001):

Sandyville Line	$	6,200,000
Akron Secondary Line	$	794,043
Freedom Secondary Line	$	736,000

Present Use of the Property
The present use of the property is that parts of the Sandyville Line are hosting active freight railroad operations while, the Freedom Secondary and the Akron Secondary are currently out of service. The Freedom Secondary hosts a 6.29 mile recreation trail. The Sandyville Line has an approximately 1.3-mile recreation trail sharing the corridor between 7 Street NW and Fulton Street in Canton. The appraiser has no knowledge of the profitability of the railroad business.

Site Description
Location: The Sandyville Line is a 24 mile corridor between Canton and Akron, hosting an operating railroad except for an 8.05-mile out-of-service corridor in southern Summit County. The Sandyville Corridor is shared with a 1.3 mile recreation trail in Stark County.

The out-of-service Freedom Secondary has 1.3 miles of the corridor in Kent, Portage County with the balance of the corridor in Summit County passing through Tallmadge and ending in Akron for a total line length of 9.33 miles. The Freedom Trail shares 6.29 miles of the Freedom Secondary Corridor.

The Akron Secondary (Hudson - Akron) Line is out of service over its entire 10.04 mile corridor. It passes through Hudson, Stow, Cuyahoga Falls before ending in Akron, all in Summit County.

Easements, Encroachments, Restrictions

We have been provided with a copy of a license agreement between Akron Metro and Fulton Lumber. The license agreement is dated March 17, 2005. The license is "to cover only the building and currently owned by Akron Metro" for a fee of $800 per year.

There is an outdoor advertising lease between CSX and the advertising company but there is no evidence that this lease was ever transferred to Akron Metro.

We have been provided a Memorandum of Understanding between Metro Regional Transit Authority and the City of Canton. This memo is related to the passenger shelters located in Canton. The letter indicates that the shelters were built by the National Park Service on City of Canton Land and the City will maintain the shelters. There is a 99 year and a consideration of $10.00 from Metro to the City and the City back to Metro for the maintenance of the shelters.

The scope of work recites that the property is to be appraised as if free and clear.

Also included in the addendum are the license agreement between Summit County Metro Parks and Akron Metro.

Neighborhood Description

The Sandyville Line

Stark County

The line begins in downtown Canton Ohio, east of 1-77 and south of East 9th Street SW, at the Norfolk Southern Railway Company the (N/S) main line and proceeds north to Akron. At the junction with N/S mainline there is a large triangular piece of ground where the old wye existed, but now only the west leg of the wye remains. On the west side of the wye is Marion Avenue NW. The track curves northwest and crosses over Marion Avenue, Ballard, Seccombe Place SW, to 9 Street SW. In the neighborhood consists of light industrial buildings. The short distance between 9 and Patterson Avenue SW, there are houses on the west side and a small park - like lot. Between Patterson and George Place SW are light manufacturing establishments. Between George and 6 Street SW, on the west side, is an office building for one of the plants and parking lot. On the east side is a warehouse - type building. Between 6th and Tuscarawas we have crossed 5th Street SW and 3rd Street SW and 2nd Street SW and are surrounded by older light manufacturing plants/warehouses. Just north of Tuscarawas, on the east side of the corridor, is a passenger shelter and parking lot. Near Tuscarawas are light manufacturing plants and warehouses on the east side of the corridor after the passenger stop and on the west side. Also, we found a manufacturing plant, warehouse and large parking area, after that is Washington Boulevard NW, paralleling the track on the east side and east of that is Waterworks Park to 7th Avenue NW. North of 7th is the beginning of West Branch Recreational Trail occupying the west side of the corridor and Monument Road NW paralleling on the east side of the corridor. The next grade crossing is 12 Street NW with the trail and Monument Road still paralleling. The next crossing north is Fulton Road NW. On the west side, we still have the trail and west of that is a continuation of the park system but now it's called West Park. On the east side is Monument Road which turns into 23th Street NW. Further east of the corridor is residential properties. On the north side of the intersection of Fulton Road there are several commercial establishments. Proceeding north towards 38th Street NW and after passing beneath the Malone Parkway, at 38th the trail ends. A little further west is 1-77, paralleling the corridor. On the east side of the corridor are residential home sites. North of 38lh is Everhard Avenue NW. Most of the way to Everhard the line parallels 1-77 on the west side. Near Everhard, on the west side is Stratmore Drive which curves west and ascends atop a hill which is occupied by

several motels. Further west of 1-77 is Belden Village Mall. On the east side between 38th and Everhard is a residential community. On the northeast quadrant of Everhard and the subject is private club with a large recreational pond. Going north to Whipple Road NW on the east side of the right of way and north of the private club we have a residential community, until we arrive at the southeast quadrant with Whipple which is occupied by a tractor supply store. On the west side are commercial establishments. North of Whipple is an electrical station, salvage yards and light manufacturing businesses. Whipple at Glenwood Street SW, on the southeast quadrant, is a movie theater. In the southwest quadrant is a fire - damaged factory. Proceeding north to Portage Avenue NW we have warehouses and light industrial properties. Between Portage and Applegrove Street NW we find more of the same. Between Applegrove and Shuffel Road NW, Whipple parallels the corridor on the east side. On both sides of the right of way are light industrial buildings. On the northeast quadrant of the subject and Shuffel is the Faith Family mega Church. The rest of the neighborhood north of Shuffel one encounters a light industrial use.

Summit County

When we enter Summit County we are in the City of Green. Mt. Pleasant Road is on the border between Stark and Summit Counties. There is a high embankment on the east side. From Mt. Pleasant Road up to the Mayfair Road Crossing, the line is in a cut, the subject property is paralleled by Altman Road on the east side and the neighborhood is populated with light industrial businesses. The village of Greensburg is comprised of a variety of homes, commercial business and light industrial business. From the Greensburg Village north one encounters agriculture and wooded land uses. At Wise Road one finds some rural residential properties and then a continuation of the agricultural uses. From Wise to Heckman Road the surrounding land use is agricultural. At this point the line is in a cut. From Meckman to Graybill Road there is a housing development on the west side of the right of way, and mixed rural residential and agricultural uses on the remainder. Between Graybill and Raber Road are more rural residential and agricultural uses. On the northwestern quadrant at Raber Road is an auto salvage business. The surrounding ground is low and wet. From Raber Road to East Turkeyfoot Lake Road there are more rural residential and agricultural properties and the surrounding ground is low and wet. From East Turkeyfoot Lake Road to the Long Road/Pressler Road crossings, most of the land is agricultural; there is a sand/stone quarry on the east side of the right of way. Proceeding north one encounters more rural residential and a site that appears to be some sort of a light manufacturing and approaching Pressler Road there are more light manufacturing and rural residential properties. The next intersection is Killian Avenue where there is light manufacturing. Between Killian and state Route 241 or Massillon Road the land seems to be used for rural residential properties and sub divisions. Between Massillon Road and Pickle Road are agricultural and rural residential uses. Between Pickle Road and Krumroy Road there are rural homes and sub divisions the Akron city limits. Between Krumroy Road and the Waterloo Road (US 224) overpass, are mixed uses of light industrial and sub divisions and the Akron Fulton International Airport on the east side. Proceeding north the corridor crosses Emmett Road and under the Exeter Road overpass, in a cut, to the Triplet Road overpass, then we passes over Archwood Avenue. All of these roads are in a rubber manufacturing district. Then in the corridor a slight cut near Kelly Avenue and at Interstate 76 are Goodyear properties. From I 76 N. to Hazel Street the corridor where a manufacturing district, mostly rubber related or shut down where the corridor crosses Market Street, Williams Street and Bank Street to reach Hazel Street. Basically from Hazel Street north, the line is in a cut out ofservice but it crosses through the Akron yard under the SR 8 overpass, under the Furnace Street overpass, under the Vernon Street underpass and over the Howard Street Bridge where the

ownership ends. The line is in a cut as it passes beneath the Furnace Street overpass and is on a fill as it approaches Howard Street. The corridor is 24 miles long.

Akron Secondary

Hudson to Akron, Summit County

The corridor begins at the Barlow Road grade crossing, just southwest of Hudson Ohio. At Barlow Road, in the northeast quadrant, is a vacant manufacturing site where the building has been removed. The northwest quadrant use is a golf course. In the southwest quadrant is a housing development. In the southeast quadrant is a retirement home. From this point the line travels southwest in the direction of Cuyahoga Falls. From Barlow Road to the Terex Road overpass there is a housing development on the west side of the right of way. In the southwest quadrant is the LexiComp complex. Proceeding southwest, on a fill, between Terex Road and Season's Road is the Hudson/Stow Township line. In this corridor, the land is occupied by a large pond, on the west side, woods and an electrical substation. On the east side is a waste water treatment plant and a Fastenal plant, the Clarke Collision Services and the Pine Environmental Services Inc. Between Seasons Road and McCauley Road, on the east side, are Consolidated Plastics Corp. and Mickey Thompson Performance Tire Company. On the west side of the corridor is a large vacant field. Entering the City of Stow, between McCauley Road and Hudson Drive, are industrial endeavors on either side of the right of way. Between Hudson and the Springdale Road overpass, are mixed uses, consisting of industrial, residential developments and residential properties. From Springdale Road to Graham Road, the right of way passes through a golf course, some park - like lands and residential properties. Entering Cuyahoga Falls, from Graham Road to Hudson Drive the line passes from Stow into Cuyahoga Falls City limits. On the west side of the corridor is parallel Route 8 and on the east side are residential properties, south, until a point near Hudson Drive where there are numerous light industrial properties and warehouses. Continuing toward Akron the line crosses over the Cuyahoga River, south of that SR 8 is on the west side of the corridor and the B&O Railroad on the east side. The line then passes beneath the Portage Trail overpass to Broad Boulevard, continuing south to Howe Avenue (which is near the border of Cuyahoga Falls and Akron). The corridor remains between the B&O and SR 8. The surrounding neighborhood is light industrial. Continuing south, the line then passes beneath the junction of Home Avenue and SR 261. Closer to Howe, as the line enters Akron, it traverses mixed uses consisting of light industrial and residential properties near Home Avenue. After Home Avenue, it crosses over Evans Avenue, crossing Arlington Avenue until Akron Metro ownership ends at the Ohio Canal, just short of Eastwood Avenue. This section of the corridor is in a light industrial neighborhood. This corridor is approximately 10.04 miles long.

Building Descriptions

There are no buildings on the property other than the Fulton Lumber office which may belong to Fulton Lumber. The passenger sheds were built by the United States Parks service (partially or wholly on Canton City Land) and are maintained by the city. None of these buildings are included in this appraisal.

Highest & Best Use

The Highest & Best Use, as instructed by the client for the land is net liquidation and will be valued as such. The appraiser is not privy to the revenues generated on the north and south ends of the Sandy ville line. The appraiser has heard rumors that the W&LE (Wheeling & Lake Erie Railway)

wants to cease operating on the south portion of the track. The ABC (Akron Barberton Cluster Railway) operates the northern section of this line and the appraiser has no idea of any income generated by the ABC but it is doubtful that it would be enough to rehabilitate the 8 '/» miles of track out of service and to support the routine maintenance on 24 miles of railroad. Therefore the highest and best use of the Sandy ville Line is net liquidation.

The Freedom Secondary and the Hudson line are out of service and, to recoup their investment cost, the highest and best use of the land is liquidation.

The Highest and Best Use of the subject properties is that they are liquidated as a part of an unprofitable operating and non-operating railroad system. The land is no longer productive as a corridor. The net liquidation is legal. Liquidation would produce the highest return.

If the track and land were abandoned, the scrap value of track has significant value but this is a one-time benefit and not as valuable as an ongoing income stream.

Railroad use is considered to be a **special use.** Special uses are defined as properties that are not generally found for sale on the open market. Examples of special use properties are: public parks, colleges or universities, electric generating plants and gas transmission terminals. Since such special use, real properties are not traded as such on the market, a direct comparison approach to value is not applicable. An alternate approach must be employed. Since there is no indication that there is a market for the land as an assembled corridor the only recourse is to liquidate it to adjoining property owners or to a real estate speculator.

In the case of operating railroad right of way, an accepted approach has been to consider the **alternate** Highest and Best Use of the land. In other words, how would this land be used if the railroad did not exist? If the railroad did not exist, the land would be used in conjunction with or be a part of abutting land. So, the alternate Highest and Best Use of the corridor would be the Highest and Best Use of adjoining land.

The neighborhoods surrounding the subject vary from undulating to level agricultural, to urban residential, commercial and industrial. For this reason, the corridor is divided into hypothetical segments for appraisal purposes and valued according to the predominant Highest and Best Use within any particular segment.

Portions of the Sandyville Line and the Freedom Secondary corridors are improved with a trail/bikeway that creates an imperfection on the property that makes it nearly impossible to liquidate. Therefore, the portions of the corridor encumbered by the trail/bikeway will severely reduce value because of the encumbrance. Therefore, these parcels will have little or no value.

Freedom Secondary

Portage County

The line begins at the crossing with the W&LE Railway in 1.3 miles east of the Summit County Line at Middlebury Road. On the south side of the corridor is a sand and gravel laydown yard. On the north side is a stream and a wooded area.

Summit County

Middlebury Road is the line of demarcation for the Summit/Portage County line. The corridor then treks in a southwesterly direction just before the City limits of Tallmadge. The land is improved with the Freedom Trail, a 6.2 mile recreational corridor with track buried in the weeds. The surrounding land uses are mostly rural residential. The line crosses over Munroe Road on a bridge. As it goes southwest in the City of Munroe Falls and more specifically the Munroe Falls Municipal Park, the corridor approaching Howe Road Overpass on the west flank of the corridor is Carter Lake and beyond that the Summit County Fair Grounds. Proceeding south into Tallmadges there are housing developments abutting the corridor. Just before Northeast Avenue is Lions Park Avenue on the west side. Proceeding south towards the City Circle the corridor parallel is Community Road on the east side. Near the junction of East Avenue and the Freedom Secondary corridor is the Tallmadge Center Shopping Plaza, a Speedway, Gastown and Bonded Filling Stations, Nuevo Acapulco Restaurant, Arby's and McDonald's restaurants, Bill and Gordon's Investment Firm. Between East and Southeast Avenues runs Erie Road. On the north side of East Avenue are two railcars on display and a passenger station. Between Southeast and South (SR 91) Avenues are located heavy building material establishments. between South and Southwest Avenue is a cemetery and manufacturing plants. West of Southwest Avenue is **a** mixture of residents and manufacturing plants and Britain Road.

At Britain Road the rail line entering into the City of Akron. Between Britain Road and North Arlington Road are residential developments and light manufacturing facilities. East of Arlington Road the CSXT runs parallel to the Freedom Secondary, crossing under the Route 8 high bridge. From there, the Freedom Secondary still parallels to the CSXT right of way up to a passenger shelter and continuing to Mill Street, the south end of the corridor. The corridor is 9.33 miles long.

Part 3 Land Value

Track and Turnouts
The track is being appraised by an associate of R.L. Banks & Associates.

Land Value Analysis:
When applicable, the best approach to an estimate of land value is the Sales Comparison Approach. The land is directly compared to similarly used properties that have been recently sold. In the case of special use properties, there are not sales of similarly used properties. Therefore, one must consider the alternate approach, the alternate use of the special use property. This alternate use concept was explained under the heading of Highest and Best Use. The special use railroad corridor assumes the characteristics of the adjoining property, with no penalty for its lon». narrow shape and no premium for assemblage or costs of acquisition. reflecting thus the concept and terminology of "over-the-fence" or "across-the-fence" value. The land is appraised as if it were a part of the land "across-the-fence" (ATF). So, the value of the corridor within a segment is the same as typical ATF parcels.

Time
Analysis of sales reveals that were numerous current vacant land sales available. Therefore no time trend needed to be established. All of the sales occurred in the last five years. Therefore, no time adjustment needed to be made. Some of the commercial and industrial sales are older but there isn't enough consistency among them to warrant a time adjustment.

Size, Shape, Topography
Under the concept of "over the fence" comparison, the appraiser compares the sales to the typical parcels within neighborhood, rather than to the long narrow railroad corridor, which is a part of a larger railroad complex. Examination of the tax maps and transfer data reveals a variety of sizes of across-the-fence properties. The appraiser has selected sales that, in his opinion, reflect the variety of sizes within the segment. Therefore, no adjustment needed to be made to reflect differences in parcel size, unless noted. Topo features will be discussed at each sale, as necessary.

Definition of Across-the-Fence (ATF) Value
"Across-the-Fence Method: A means of estimating the price or value of land adjacent to or "across the fence" from a railroad, pipeline, highway, or other corridor real estate, as distinguished from valuing the right of way as a separate entity."

Dictionary of Real Estate Appraisal, Second Edition, 1989. American Institute of Real Estate Appraisal, Chicago, Illinois

The "across-the-fence" value considers no penalty for long, narrow shape of the corridor, or no premium for assemblage or costs of acquisition. The land is appraised as if it were a part of the land "across the fence."

Market Value
Market Value of land is usually estimated by comparison of the appraised property to similar properties that have sold, with adjustments and consideration being given to location and physical differences. In appraising special purpose properties an "across-the-fence" approach is employed. This method considers the value of properties adjacent or "across-the-fence" from the

appraised property, under the theory that the property would be used or classified the same as the neighboring properties, if not devoted to the special use. Typically, the question is asked: "How would this property be used if it were not a railroad corridor?" This is established by neighborhood makeup. Residential? Commercial? Agricultural? Once "across-the-fence" values are established, the subject corridor can be compared to the *"typical"* neighboring parcel and adjustments made for dissimilarities, and unit values estimated.

Portions of the Sandyville Line (West Branch Recreational Trail) and Freedom Secondary (Freedom Trail) are encumbered by a trail/bikeway.

Abandoned Corridor Value - Liquidation Value
In estimating value of abandoned or to-be-abandoned rail corridors, additional physical and economic forces come into play. Since the property is available for sale, the physical and economic forces affecting value must be recognized.

Economic Forces
The appraiser must consider and evaluate potential buyers of the abandoned corridor. The most logical purchaser is either the abutter, or a speculator, a person expecting to turn a profit. Under these circumstances, the seller is at a disadvantage. His market is limited; he is somewhat at the mercy of a very limited market. A beginning point to estimate the difference between *"typical"* values and value of the corridor is the **profit** and **risk factor** likely to be calculated by a speculator. Current short-term bank investments, certificates of deposit, are bearing 1 to 3%. A very nominal risk and holding factor (profit) for an investor is at least 15% to 20%. Therefore, a **minimum** discount that an investor would consider is 18%. Another factor to consider is potential utility (or lack thereof) of the abandoned corridor to the potential end user. How can it **be** used? Must it be prepared or repaired before it can be used? Must it be filled, or leveled, or cleared? How highly motivated is the buyer? Will the purchase enhance current holdings? Is there more than one potential user? An additional 10% discount is added to cover this additional uncertainty. The total discount to be applied to the three separate corridors is 30%. So, that discount required to reduce ATF value to Liquidation Value will be applied to all the corridors.

Sales Comparison Approach to Across-The-Fence and Liquidation Values Sandyville Line
The corridor was segmented for appraisal purposes, according to County and City limits, based on surveys provided by the client, and the client's request that the corridor be divided based on three sections, the southern section, the middle section and the northern section. These segments are described, analyzed and valued in a narrative discussion. A "Spreadsheet" summary then follows.

Valuation Segment No. 1
Sandyville Line - Northern Segment
County of Summit

From:	Krumroy Road
To:	North Howard Street
From:	MP 35.55
To:	MP 40.34
Length	6.79 miles
Area:	69.2717 acres

Physical and neighborhood features: This rather short valuation segment in southern Summit County, encompasses the City of Akron with mostly industrial businesses including the rubber companies, the Akron Fulton International Airport and other light industrial businesses near cross roads and along roads parallel to the corridor. The corridor crosses at least a dozen cross roads between the Krumroy Road and North Howard Street.

Highest and Best Use, across-the-fence: Light industrial involving the rubber industry the overshadowing highest and best use within the neighborhood is industrial.

Sales Analysis, Northern Segment of the Sandyville Line
Vacant land sales within Stark County were researched. The sales most applicable to typical across-the-fence land in this segment are:

Sale	Location	Size	HBU	S per acre
1301	20th Street, NE Canton	3.63 ac.	Ind.	$13,744
1307	155 Beaver Street, Akron	3.23 ac.	Ind.	$44,892
1308	1190 Home Street, Akron	3.91 ac.	Ind.	$28,133

There was not a lot of activity within the industrial land sales market within the past few years. Therefore sales from both the Akron and Canton markets were considered, including outliers indicating as much as $369,955 per acre and as little as $358 per acre. The grouping presented between $13,744 and $44,892 per acre is most representative of sales researched. With some primary weight given to the Industrial sales, a final conclusion of $30,000 per acre for Across-the-Fence Value within this segment is indicated.

Northern Sandyville Line	69.2717 Acres x	$30,000	=		$2,078,151
				Call	$2,100,000

Liquidation Value Adjustment
At the introduction to this section, the difference between Across-lhe-Fence Value and Liquidation Value was discussed. The factors bearing on the differences were pointed out. The first discount of 30% for risk and entrepreneurial profit must be applied. Physically, the corridor is slightly above grade at various points, limiting the merging of the land to adjoining land. The abutting neighbors are mostly rural residential, pine woods and nominal agricultural such as cotton and grains, limiting potential buyers. None of these abutters are rail users. The few residences along the corridor are modest.

All things considered, an added discount, to recognize the diminished utility and limited sales potential and sales costs to a speculator of say 50% appears minimal and justified.

Conclusion of Liquidation Value: 20% of Across the Fence Value.
$2,100,000 x 50% = $420,000 Net Liquidation Value.

Valuation Segment No. 2
Sandyville Line - Middle Section
County of Summit

From:	Mayfair Road
To:	Krumroy Road
From:	MP 25.5
To:	MP 33.55
Length	8.08 miles
Area:	60.3893 acres

Physical and neighborhood features: This valuation segment in southern Summit County, encompasses the City of Green and Springfield Township with some open agricultural land and scattered, modest quality, dwellings near cross roads and along roads parallel to the corridor. The corridor crosses at least a dozen cross roads between Mayfair and Krumroy Roads.

Highest and Best Use, across the fence: Agriculture; forestry. Based upon agricultural and rural residential uses, and a little light industrial use near Mayfair Road, the overshadowing highest and best use is agricultural and rural residential.

Sales Analysis, Middle Segment of the Sandyville Line
Vacant land sales within Stark County were researched. The sales most applicable to typical across-the-fence land in this segment are:

Sale	Location	Size	HBU	S per acre
R536	1117 Proctor Rd. Springfield Twp.	0.95 ac.	Resid.	$7,368
R540	1799 Wilson Rd. Springfield Twp.	0.90 ac.	Resid.	$5,806
R542	659 Neal Rd., Springfield Twp.	3.95 ac.	Resid.	$8,348
A109	2465 Hennetta Ave., Akron	37.89 ac.	Agri.	$4,223
A110	859 E. Nimisila Rd., Akron	13.96 ac.	Agri.	$4,226
A112	2726 Riverview Rd. Akron & Cuy. Falls	14.21 ac.	Agri.	$6,685

There was not a lot of activity within the agricultural and residential land sales market within the past few years. Therefore sales from both the agricultural and residential market were considered, including outliers indicating as much as $409,871 per acre and as little as $4,223 per acre. The grouping presented, between $8,348 and $4,223 per acre is most representative of sales researched. With consideration given to all 6 sales, a final near mid-range is indicated and supported. A final conclusion of $6,100 per acre for Across The Fence Value with in this segment is indicated.

Middle Sandyville Line	60.3893 Acres x	$6,100	=		$368,375
				Call	$368,000

Liquidation Value Adjustment
At the introduction to this section, the difference between Across-the-Fence Value and Net Liquidation Value (NLV) was discussed. The factors bearing on the differences were pointed out. The first discount of 30% for risk and entrepreneurial profit must be applied. Physically, the corridor is slightly above grade at various points, limiting the merging of the land to adjoining land. The abutting neighbors are mostly rural residential, pine woods and nominal agricultural such as cotton and grains, limiting potential buyers. None of these abutters are rail users. The few residences along the corridor are modest. All things considered, an added discount, to recognize the diminished utility and limited sales potential and sales costs to a speculator of say 50% appears minimal and justified.

Conclusion of Liquidation Value: 20% of Across-the-Fence Value.
$368,000 x 20% = $72,000 Net Liquidation Value.

Valuation Segment No. 3
Sandyville Line - Southern Section
County of Stark

From:	Point Of Beginning, junction with Norfolk Southern main line at Marion Street.
To:	Mayfair Road in Summit County
From:	MP 16.39
To:	MP 25.55
Length:	9.16 miles
Area:	71.2918 acres

Physical and neighborhood features: This valuation segment within the City of Canton consists primarily of light industrial buildings. The short distance between 9th St. and Patterson includes some houses. Further north are lighter industrial and warehouse uses.

Highest and Best Use, Across the Fence: The predominant Highest and Best Use (HBU) is Industrial.Based on predominant current neighborhood uses, the HBU is continued industrial use. The availability of rail service is an indicator of an industrial use.
Sales Analysis, Southern Segment of the Sandyville Line
Vacant land sales within Stark County were researched. The sales most applicable to typical across-the-fence land in this segment are:

Sale	Location	Size	HBU	$ per acre
1301	20th Street, NE	3.63 ac	Ind.	$13,774
1302	Spangler Road, NE	1.89 ac	Ind.	$11,111
C400	Middle Branch Ave.	1.76 ac	Comm.	$27,045

There was not a lot of activity within the industrial land sales market within the past few years. Other sales than those listed were also considered, including outliers indicating as much as $100,000 per acre and as little as $400 per acre. The grouping presented, between $10,000 and

$30,000 per acre is most representative of sales researched. With some consideration given to Commercial Sale No. 400 but primary weight to the Industrial sales, a final conclusion migrating to the midrange of $15,000 per acre for Across-the-Fence Value within this segment is indicated. Part of this segment is shared with 1.3 miles of the West Branch Recreational Trail and paralleled by Memorial Drive and a variety of Metro Parks of Stark County parks reduce the desirability of the property to a potential investor. Metro Parks of Stark County has a 50-year license agreement with Metro RTA. From the license agreement is the following statement on width, "The parties agree that the width of the Trail within the License Area shall be twenty (20) feet in either direction from the centerline of the Trail."

The most logical potential buyer is Metro Parks. At this time, the appraiser knows of no motivation that would cause the Department of Parks to desire to purchase the property, since it controls the Trail for many decades.

The only other logical potential buyer is a speculator. At this time, the appraiser knows of no motivation that would cause any party to desire to purchase the property. Therefore I believe the encumbered land is worth 90% less than the unencumbered property.

Corridor Unencumbered 7.7324 Acres unencumbered x $15,000 =			$115,986
		Call	$116,000
Corridor Encumbered by the Trail			
58.3965 Acres x $1,500 ($15,000 less 90%)	=		$87,595
		Call	$88,000
Total Across-The-Fence Value Southern Sandyville Line			$204,000

Liquidation Value Adjustment

At the introduction to this section, the difference between Across-the-Fence Value and Liquidation Value was discussed. The factors bearing on the differences were pointed out. The first discount of 30% for risk and entrepreneurial profit must be applied. Physically, the corridor is slightly above grade at various points, limiting the merging of the land to adjoining land. The abutting neighbors are mostly rural residential, pine woods and nominal agricultural such as cotton and grains, limiting potential buyers. None of these abutters are rail users. The few residences along the corridor are modest. All things considered, an added discount, to recognize the diminished utility and limited sales potential and sales costs to a speculator of say 50% appears minimal and justified. Therefore I believe the encumbered land is worth 80% less than the unencumbered property.

Total Across-The-Fence value of $204,000 x 20% = $48,000 Net Liquidation Value

Akron Secondary

The corridor was segmented for appraisal purposes, according to County and City limits, according to surveys provided by client. The client requested that we divide the corridor into two sections, a northern section and a southern section. These segments are described, analyzed and valued in a narrative discussion. A "Spreadsheet" summary then follows.

Valuation Segment No. 4
Akron Secondary (Hudson - Akron) - Northern Segment
County of Summit

From:	Point Of Beginning, Barlow Road
To:	Hudson Drive
From:	MP 1.45
To:	MP 4.58
Length	3.13 miles
Area:	25.04 acres

Physical and neighborhood features: This short valuation segment within the Cities of Hudson and Stow consists primarily of light industrial buildings with a mixture of rural residential properties. Further south are lighter industrial and warehouse uses.

Highest and Best Use, Across-the-Fence: Industrial. Based on predominant current neighborhood uses, the Highest and Best Use is continued use as industrial use is highest and best use within the neighborhood. The availability of rail service is an indicator of an industrial use.

Sales Analysis, Northern Segment of the Akron Secondary

Vacant land sales within Summit County were researched. The sales most applicable to typical across the fence land in this segment are:

Sale	Location	Size	HBU	$ per acre
1301	20th Street, NE	3.63 ac	Ind.	$13,774
1307	155 Beaver Street, Akron	3.23 ac	Ind.	$44,892
1308	1190 Home Street, Akron	3.91 ac	Ind.	$28,133

There was not a lot of activity within the industrial land sales market within the past few years. Therefore sales from both the Akron and Canton markets were considered, including outliers indicating as much as $369,955 per acre and as little as $358 per acre. The grouping presented, between $13,744 and $44,892 per acre is most representative of sales researched. With some consideration given to industrial Sale 1308 but primary weight given to the mid-range of the presented Industrial sales, a final conclusion of $30,000 per acre for Across-the-Fence Value within this segment is indicated.

Northern Akron Secondary	62.7239 Acres X $30,000 =		$1,881,717
		Call	$1,882,000

Liquidation Value Adjustment

At the introduction to this section, the difference between Across-the-Fence Value and Liquidation Value (NLV) was discussed. The factors bearing on the differences were pointed out. The first discount of 30% for risk and entrepreneurial profit must be applied. Physically, the corridor is slightly above grade at various points, limiting the merging of the land to adjoining land. The abutting neighbors are mostly rural residential, nominal agricultural such as grains, limiting potential buyers. None of these abutters are rail users. The few residences along the corridor are modest. All things considered, an added discount, to recognize the diminished utility and limited sales potential and sales costs to the speculator of say 50% appears minimal and justified.

Conclusion of NLV: 20% of Across-the-Fence Value.
Total NLV for the Northern Segment of the Akron Secondary: $751,000 x 20% = $150,200
NLV Northern Segment of the Akron Secondary Call $150,000

Valuation Segment No. 5
Akron Secondary (Hudson - Akron) - Southern Section
County of Summit

From:	Hudson Drive
To:	Arlington Street
From:	MP 4.58
To:	MP 11.492
Length	6.91 miles
Area:	62.7239 acres

Physical and neighborhood features: This short valuation segment within the Cities of Stow, Cuyahoga Falls and Akron consists primarily of light industrial buildings with a mixture of residential and commercial properties. Further south are lighter industrial and warehouse uses.

Highest and Best Use Across the Fence: Industrial. Based on predominant current uses, the Highest and Best Use is continued industrial use. The possible availability of rail service is an indicator of an industrial use.

Sales Analysis, Southern Segment of the Akron Secondary Line
Vacant land sales within Summit County were researched for this segment. The sales most applicable to typical across the fence land in this segment are:

Sale	Location	Size	HBU	$ per acre
1301	20th Street, NE, Canton	3.63 ac.	Ind.	$13,774
1307	155 Beaver Street, Akron	3.23 ac.	Ind.	$44,892
1308	1190 Home Street, Akron	3.91 ac.	Ind.	$28,133

There was not a lot of activity within the industrial land sales market within the past few years. Therefore sales from both the Akron and Canton markets were considered, including outliers indicating as much as $369,955 per acre and as little as $358 per acre. The grouping presented, between $13,744 and $44,892 per acre is most representative of sales researched. With some consideration given to industrial Sale 1308 but primary weight given to the mid-range of the representative Industrial sales, a final conclusion of $30,000 per acre for Across-the-Fence Value within this segment is indicated.

Southern Akron Secondary 62.7239 Acres X $30,000 = $1,881,717
Call $1,882,000

Liquidation Value Adjustment
At the introduction to this section, the difference between Across-the-Fence Value and Liquidation Value was discussed. The factors bearing on the differences were pointed out. The first discount of 30% for risk and entrepreneurial profit must be applied. Physically, the corridor is slightly above grade at various points, limiting the merging of the land to adjoining land. The abutting neighbors

are mostly rural residential, pine woods and nominal agricultural such as cotton and grains, limiting potential buyers. None of these abutters are rail users. The few residences along the corridor are modest. All things considered, an added discount, to recognize the diminished utility and limited sales potential and sales costs to a speculator of say 50% appears minimal and justified.

Conclusion of NLV: 20% of Across the Fence Value.

NLV Southern Segment of the Akron Secondary		$376,400
NLV Southern Segment of the Akron Secondary	Call	$376,000

Valuation Segment No. 6
Freedom Secondary Line
Counties of Summit and Portage

From:	POB, junction with Wheeling & Lake Erie overhead bridge in Portage County
To:	Mayfair Road in Akron, Summit County
From:	MP 192.51
To:	MP 201.84
Length	9.33 miles
Area:	113.7873 acres

Physical and neighborhood features: In this valuation segments the 1.3-mile railroad corridor goes through a laydown area of a sand and gravel business and is located within the city limits of Kent in Portage County. At the Portage County Line with Summit County begins the 6.29-mile Freedom Recreational Trail which shares the right of way to Eastwood Avenue near the end of the corridor. Metro Parks of Summit County has a 50-year license agreement with Metro RTA which states that "The parties agree that the width of the Trail within the License Area shall be twenty (20) feet in either direction from the centerline of the Trail."

From the county line to downtown Tallmadge is mostly residential uses; in the 0.34 mile segment in Tallmadge the use is commercial. Between Tallmadge and Park Street are light industrial and manufacturing uses. The final 1.4 miles of the corridor does not have a highest and best use that is easily definable because of the topography and proximity of the CSX corridor and public roads. On the south side is downtown but city streets buffer the subject from downtown development. There are mixed uses along the corridor, beginning with industrial to rural residential to a short strip of commercial back to industrial to undefinable.

Highest and Best Use, Across the Fence: Industrial for the purpose of this appraisal. Based on predominant current neighborhood uses, the Highest and Best Use is continued industrial use.

Sales Analysis of the Freedom Secondary Line

Vacant land sales within Summit County were researched for this segment. The sales most applicable to typical across the fence land in this segment are:

Sale	Location	Size	HBU	$ per acre
1301	20th Street, NE, Canton	3.63 ac.	Ind.	$13,774
1307	155 Beaver Street, Akron	3.23 ac.	Ind.	$44,892
1308	1190 Home Street, Akron	3.91 ac.	Ind.	$28,133

There was not a lot of activity within the industrial land sales market within the past few years. Therefore sales from both the Akron and Canton markets were considered, including outliers indicating as much as $369,955 per acre and as little as $358 per acre. The grouping presented, between $13,744 and $44,892 per acre is most representative of sales researched. With some consideration given to industrial Sale 1308, but primary weight to all the Industrial sales, a final conclusion of $30,000 per acre for Across the Fence Value within this segment is indicated.
Part of this segment is shared by the Freedom Recreational Trail and has reduced the desirability of the property to a potential investor. The only logical potential buyer is a speculator. At this time, the appraiser knows of no motivation that would cause any party to desire to purchase the property. Therefore I believe the encumbered land is worth 90% less than the unencumbered property. ($30,000 x 10% = $3,000)

Unencumbered by Trail 32.9368 Acres X	$30,000 =	$988,105
	Call	$990,000
Encumbered by Trail 80.8505 Acres X	$3,000 =	$242,552
	Call	$245,000

Total across the fence value Freedom Secondary Line ($990,000 + $245,000) = $1,235,000

Liquidation Value Adjustment
At the introduction to this section, the difference between Across-the-Fence Value and Liquidation Value (NLV) was discussed. The factors bearing on the differences were pointed out. The first discount of 30% for risk and entrepreneurial profit must be applied. Physically, the corridor is slightly above grade at various points, limiting the merging of the land to adjoining land. The abutting neighbors are mostly rural residential, pine woods and nominal agricultural such as cotton and grains, limiting potential buyers. None of these abutters are rail users. The few residences along the corridor are modest.
All things considered, an added discount, to recognize the diminished utility and limited sales potential and sales costs to a speculator of say 50% appears minimal and justified. Conclusion of NLV: 20% of Across the Fence Value.

Total NLV of the Freedom Secondary: $1,235,000 x 20% -		$247,000
	Call	$250,000

Final Correlation and Conclusions

The appraiser has researched the value of the land constituting Akron Metro-owned rail corridors and concluded that the highest and best use of the lines yielding the highest returns on investment would be to liquidate the land.

		NLV
Sandyville Line		
Northern Segment		$420.000
Middle Segment		$72,000
Southern Segment		$48,000
Total NLV: Sandyville Line		$540,000
Akron Secondary		
Northern Segment		$150,000
Southern Segment		$376.000
Total NLV: Akron Secondary		$526,000
Total NLV: Freedom Secondary		$250.000
Total NLV as of February 28, 2016	Call	$1,316,000

Appendix C: Going Concern Valuation

Subtask E.3 Going Concern Valuation

Based on its review of various data provided to it by Metro staff as well as other considerations, RLBA concluded that it was a waste of resources to develop going concern valuations of the rail lines owned by Metro.

With respect to the data provided, it is quite clear that rail operations are provided only on one of the rail lines owned by Metro, albeit in two, unconnected segments, the north end and the south end of the Akron Secondary, that are in the process of being connected together. It is also clear that neither of those two operations constitute a going concern. The lowest, commonly employed rule of thumb applied to rail line viability is that the total number of carloads originating or terminating on a rail line must equate to at least 30 per year for a line to be viable although many an analysts use thresholds as high as 100 loads per year.

Over the last five years ending 2016, the north end of the Akron Secondary averaged 98 loads originating or terminating over the 6.79 miles operated, equating to 14.4 originating or terminating loads per year, less than half of the lowest threshold used by rail line viability experts. Over that same period, the south end of the Akron Secondary averaged 234 loads originating or terminating over the 9.3 miles operated, equating to 25.2 originating or terminating loads per year, much better than the north end but still significantly below the lowest threshold used by rail line viability experts. In combination, over the last five years ending 2016, the north and south ends of the Akron Secondary averaged 332 loads originating or terminating over 16.09 miles operated, equating to 20.63 originating or terminating loads per year, about two-thirds of the lowest threshold used by rail line viability experts.

By contrast, RLBA's proprietary short line database indicates that the Akron Barberton Railway as a whole originated or terminated about 8,500 loads over its 68 miles of operations in a recent year, averaging about 125 per mile.

Metro is in the process of rehabilitating the middle segment of the Akron Secondary, thereby connecting the "active" north and south ends of the Akron Secondary, which should facilitate operations, improve reliability and perhaps lower the cost of serving the customers. However, establishing that connection will add additional mileage that will have to be operated over and maintained, increasing the total mileage in all three segments to 24.14 miles. Dividing the 332 loads originating or terminating over both currently active ends of the Akron Secondary by the 24.14 miles that is planned to become operational will lower the annual loads per mile metric from its current 20.63 (see above) to 13.76 originating or terminating loads per mile per year, again less than half of the lowest threshold used by rail line viability experts. To be sure, part of the reason to rehabilitate the middle segment of the Akron Secondary is to attract more railroad freight traffic to the line. The attraction of such additional traffic would have the effect of increasing total originating or terminating loads per year, thereby improving that metric. However, RLBA's understanding is that no prospective shipper along that middle segment has signed a "take or pay" contract or made a similar commitment to moving traffic via the Akron Secondary.

The Akron Secondary may be even less viable than it appears when applying the 30 loads per mile per year metric. The economics of railroading are such that a freight railroad is most profitable when hauling long trains over great distances. That is why the largest railroads ("Class Ones") are generally so much more profitable than their short line brethren. The mileages referenced above already indicate the short distance hauls available on the Akron Secondary. By contrast, the average length of haul in 2015 by the seven largest railroads

operating in the United States was 1,007.7 miles. That metric would be much shorter if applied only to short lines but such information is not available.

The very limited number of rail shippers on the Akron Secondary and the relatively few shipments by rail that they generate exacerbates the line's viability problem. Because of the limited friction that a steel wheel generates when rolling over a steel rail, a single railroad locomotive can pull many loads by itself, which makes freight railroading both environmentally friendly and, more importantly, economically efficient and competitive. It is not uncommon for a single locomotive to haul as many as 40 freight cars in a single train over flat terrain, providing great efficiency. The average number of loaded and empty freight cars in all trains operated in 2015 by the seven largest railroads operating in the United States was 72.5, a somewhat shorter 64.5 in trains on carriers primarily operating east of the Mississippi River. That metric also would be much shorter if applied only to short lines but such information is not available.

By contrast, information provided by Metro indicated that an average of 2.0 or fewer loads per train were handled on the north end of the Akron Secondary over the last five years and peaked at 3.05 at the sound end in 2016 during that same period. Such "locomotive intensive" or light density freight trains are very expensive to operate because the a large percentage of the locomotive ownership (or lease) and base train crew costs are essentially fixed and cannot be spread efficiently over a large number of freight cars if such loads are not available to be served.

Finally, perhaps the best indication that neither end of the Akron Secondary constitutes a going concern, nor will it should it be connected up, is that Metro has been forced to absorb most of costs associated with the rail line's infrastructure notwithstanding the fact that such activities are the responsibility of the rail carrier lessee per the lease. (Please see Subtask F discussion on this topic.)

Appendix D: Organization and Policy Structure Comparison

Task F: ***Identify necessary elements of the organizational and policy structure for continued public ownership and effective management of METRO's rail assets***

This task seeks to compare the institutional arrangements currently in place in situations similar to that of Metro, to give the Authority a better understanding of accepted alternative management structures and models being employed by other public agencies nationwide. Through the completion of said 'score cards by Metro, interviews with key Akron Metro staff, combined with a review of applicable documentation provided by Metro, RLBA determined the existing institutional arrangements governing the relationship between the Metro's rail assets and the private, third party, railroad carriers operating said assets under lease (the Wheeling & Lake Eire Railway (WLE) and its subsidiary, the Akron Barberton Cluster Railway (ABC)). With this understanding, RLBA acquired a variety of comparable leases, with the ultimate goal of comparing the institutional arrangements in said comparable leases against those utilized by Metro. While public ownership of railroad right-of-way is not that common, particularly with respect to public ownership of rail lines over which freight rail services are performed exclusively, there are a significant number of precedents from which to draw; approximately 100 of the roughly 700 freight railroads in the United States operate on at least a portion of publically owned rail right-of-way.

History of Publically Owned Rights-Of-Way

By and large, railroad right-of-way ownership in the United States is limited to the private sector. The vast majority of the railroad mileage in the United States was built before the early 1900s by private companies and has remained privately held ever since. These early railroads were extremely profitable and, as such, there was little need for government entities to invest in railroad construction or operation. Instead, government entities regularly provided tax and/or land incentives to entice private railroads to connect to their jurisdictions, as private companies already were constructing a national network.

As the railroad industry matured, consolation among major railroads and increased competition from other forms of transportation (namely the national highway system and the proliferation of air travel) resulted in a steady decline from a peak national rail network of approximately 254,000 route miles in 1916 to approximately 160,000 miles today. This network consolidation, or 'rationalization,' was almost always achieved through the granting of service abandonment by the Interstate Commerce Commission (ICC) or its successor the Surface Transportation Board (STB) and in most cases, accompanied by removal of the physical track, on no longer economical rail lines. As more rail lines were abandoned, various communities, governments and agencies across the county came to view the impending loss of rail service to their respective jurisdictions as having potentially serious and negative impacts on their local economies. Some took action to prevent abandonment by purchasing the affected line, thus shifting the subject asset into public ownership. Oftentimes, such purchases were made to preserve and protect local jobs that depended upon freight rail service to be price competitive. With few exceptions[1], most publically owned rights-of-ways in the United States were acquired in this manor, to retain a rail connection to the national network on a line which a private operator had deemed not profitable or not sufficiently profitable.

[1] Some of the more notable exceptions include the Alaska Railroad, which was largely built by the Federal Government and is currently owned and operated by the State of Alaska; the Cincinnati, New Orleans & Texas Pacific Railway, which was built and is currently owned by the City of Cincinnati, OH and leased to Norfolk Southern and the North Carolina Railroad which was built and currently owned by the State of North Carolina and leased to Norfolk Southern.

While many rail lines were saved from abandoned by such public sector purchases, the new owners of these old rail lines then faced the challenge of successfully operating their newly acquired rail lines. Often, this was a difficult task, as local governments had no experience operating a railroad, let alone a rail line which was determined to not be economically viable by an experienced railroad operator. Fortunately, the increase in abandonments among major railroads in the mid-20th century oincided with a renaissance in short line railroad creation. Short Line railroads are significantly smaller, less burdened by overhead costs, enjoy more flexible labor arrangements and can focus better on local business opportunities than their much larger, national railroad counterparts. This smaller scale coupled with the deregulation of the rail industry under the Staggers Rail Act of 1980 allowed short line carriers to operate branch lines profitably which the larger, national railroads could not. As short line railroads continued to become more prominent in the rail industry, many governments which had purchased rail lines outright to prevent their abandonment turned to these smaller railroads to operate said rail lines.

Comparison of Metro's Railroad Lease to Similar Leases

While the rationales underlying the acquisition of most publically-owned rights-of-ways are largely uniform, the specific conditions and terms governing their operations are not. Local governments and agencies directly negotiated the original purchase of most rail lines with representatives of experienced, private railroads proposing to abandon the subject lines. Likewise, local governments and agencies entered into unique, situation-specific agreements with experienced short line operators, tailored to meet the needs and requirements of the involved parties. As such, while many modern day arrangements between publically sector rights-of-way owners and private sector operators share general themes and goals (i.e., the continued economic development of a region), there are no national standards per se regarding specific terms and institutional arrangements governing these relationships.

Because of the nonstandard nature of most arrangements similar to that of Metro's and because the underlying circumstances differ so greatly, it is impractical to point to one example of institutional arrangements between a publically owned right-of-way and private sector operator as being the 'correct' way. However, there is significant value to be gained by reviewing and understanding features common to multiple, successful publically owned right-of-way and private sector operator relationships.

Comparable Lease Selection Methodology

It would not be practical to compare the approximately 100 unique instances nationwide in which a public entity owns a right-of-way and leases operations of said right-of-way to a private operator. What's more, many of said leases are difficult obtain due to the confidential nature of terms in the lease. As such, RLBA determined the best method to present and inform Metro of the realistic alternatives to the management and development of the Authority's rail assets would be to;

1) Provide a summary of the major institutional arrangements observed in the aggregate across all reviewed leases and
2) Specifically compare Metro's existing leases against those of ten comparable railroad operations with a proven track record of success.

This two prong approach will provide Metro with a general understanding of trends in the 'industry,' as well as an idea of the specific combination of institutional arrangements currently being successfully employed by other public owners. To that end, RLBA was able to obtain and reviewed 42 leases, eventually selecting 10 specific leases, which represent a cross section of

various institutional arrangements and precedents regarding rail lines similar to Metro's Sandyville Line. To select these specific leases, RLBA developed a criterion to select the most applicable public owner / private operator leases, based on a review of the existing leases between Metro and WLE and ABC, as well as on information provided by Metro in response to the *Functions and Organizations* survey mechanism. Specifically, each lease example was reviewed to determine:

1) That the lease or agreement governed an active railroad right-of-way which was owned by a public entity and operated by a private, short line railroad entity. (Instances in which a publically-owned rail line was subleased to a short line by a major, Class I railroad were not considered. Additionally, instances in which a publically-owned rail line was primarily a passenger route with freight operations granted "trackage rights" ,likewise, were not considered);
2) That the publically-owned right-of-way was similar to the Sandyville Line, in terms of length, traffic volume and number of customers;
3) That the private, third-party, railroad entity was similar to the WLE and ABC, in terms of size, traffic volume and revenues, as best could be determined from publically available information;
4) That RLBA could obtain a copy of the lease or agreement, or at the very least, engage in a dialogue with a representative of the public entity owner to understand the terms and institutional arrangements of the lease or agreements and
5) That the lease or agreement is considered successful, in that either the arrangement has been repeatedly extended or a representative of the public entity owner reported their satisfaction with the arrangement.

Employing the above-detailed criteria, RLBA successfully identified ten applicable examples which offer a fair representation of the most common institutional arrangements employed across the county today on lines comparable to the Sandyville Line. These examples were identified utilizing RLBA's internally developed short line database, supplemented by research into publically available documentation. Two of the examples produced by RLBA's short line database contain proprietary information acquired by RLBA through the course of other engagements. To protect said proprietary information, said examples have been masked in this report as Confidential Examples A and B.

Summary of Selected Comparable Leases

Georgia Department of Transportation – Heart of Georgia Railroad The Heart of Georgia Railroad (HOG) leases approximately 220 miles of right of way between Midville, GA and Mahrt, AL owned by the Georgia Department of Transportation (GDOT). The lease term began on July 27, 2016 and runs for a maximum of 25 years, subject to renewal at 5, 10, 15 and 20 years from the date of commencement. Rent is paid by the HOG through an initial charge of $11.50 per car moved over the line, with a minimum rent of $75,000. Each year, the charge is adjusted in accordance with changes in the Consumer Price Index. The HOG is responsible for maintaining the leased property to a condition no less than Federal Railroad Administration (FRA) Class II track standards. Both the HOG and GDOT are responsible for mutually agreeing to a rehabilitation or cycle maintenance program. GDOT enjoys full indemnity from any liability incurred by the HOG through railroad operations. .

Michigan Department of Transportation – Great Lakes Central Railroad Great Lakes Central Railroad (GLC) operates over approximately 364 miles of track owned by the Michigan Department of Transportation (MDOT). The operating agreement term extends from March 17,

2016 through December 31, 2055, with two options to renew another 20 years. GLC pays no direct access fee to MDOT to operate over the state-owned lines but is responsible for all maintenance costs associated with rail operations and maintaining an appropriate track condition. In addition, MDOT reserves the right to require specific capital improvements be made within a certain time frame. Capital improvements are also made at GLC's expense, with MDOT's approval. MDOT is indemnified from any liability incurred by GLC's freight rail operations.

Vermont Agency of Transportation – Vermont Railway The Vermont Railway (VTR) leases approximately 130 miles of track from the Vermont Department of Transportation (VDOT). The lease began in 1994 with a 10-year term, with six 10-year renewal options extending the maximum term of the lease until 2054. Rent paid to VDOT is based on an escalating rate structure of three revenue brackets: the VTR pays 7% of its revenues to VDOT on revenues between $0 - $1.8 million; 9% on revenues between $1.84 and $2.86 million and 11% on any revenues above $2.86 million. The VTR is responsible for maintaining the leased track in good operating condition to a minimum of FRA Class I track standards. An additional clause in the contract states that if maintenance and infrastructure expenses exceed $500,000 within a given year, then the revenue sharing rate is capped at 7% the following year. The VTR assumes all liability associated with any claims or damages flowing from freight rail operations.

Ohio Rail Development Commission – Columbus & Ohio River Railroad Ohio Rail Development Commission (ORDC) agreement with the Columbus & Ohio River Railroad (CUOH) gives CUOH non-exclusive operating rights over the Panhandle Rail Line between Mingo Junction, OH and Columbus, OH. The term of the agreement extends from July 1, 2012 through June 30, 2037. The CUOH pays a fixed rent of $83,333.34 per month, or $1 million per year to the ORDC to access the line. In addition to fixed rent payments, the CUOH must pay ORDC the following per car payments if traffic exceeds 25,000 cars in a quarter: 1) $3 per loaded car originating or terminating on an affiliated railroad or CUOH track not covered in the agreement and 2) $1.50 per loaded car originating or terminating on a rail line not affiliated with the CUOH. Maintenance responsibilities lie fully with the CUOH except for structures carrying highways, roads or streets over the Panhandle Rail Line. The ORDC is fully indemnified from any liability caused by freight rail operations.

Steuben County Industrial Development Agency – Livonia, Avon & Lakeville Railroad The Livonia, Avon & Lakeville Railroad (LAL) leases 35 miles of track owned by the Steuben County Industrial Development Agency (SCIDA). The lease term extends from August 17, 2011 through November 30, 2021 and gives LAL the right to renew the lease an additional ten years. LAL pays SCIDA a sum of $1 per year to use SCIDA rail facilities. If over 1,000 carloads originating or terminating on SCIDA-owned track are shipped in a calendar year, the following rates apply: 1) 1,001 through 3,000 carloads - $10/car, 2) 2,001 through 3,000 carloads - $15/car and 3) 3,001 carloads and up - $20/car. LAL is responsible for maintaining all track and rail facilities to the originally-inherited FRA track standards. SCIDA is responsible for performing annual bridge inspections and major repairs, if necessary. The LAL assumes full liability resulting from freight railroad operations.

Susquehanna Economic Development Association – Council of Governments Joint Rail Authority – North Shore Railroad System The North Shore Railroad System (NSRR), a group consisting of five, short line railroads operating throughout the Commonwealth of Pennsylvania, operates over a combined 315 miles of track owned by the Susquehanna Economic Development Association – Council of Governments Joint Rail Authority (JRA). The term of the operating agreement extends from January 1, 2007 through June 30, 2017. Fees

paid by NSRR to JRA include 10% of gross freight revenues, 15% of Norfolk Southern track rights revenue and 25% of car storage revenues. NSRR is solely responsible for maintaining the track in accordance with FRA standards and submits track condition reports to the JRA upon request. The NSRR also fully indemnifies JRA from any liability, including damages, harm or claims arising from the conduct of freight rail operations.

North Coast Railroad Authority – Northwestern Pacific Railroad The Northwestern Pacific Railroad (NWP) leases 271 miles of track between Schellville, CA and Eureka, CA from the North Coast Railroad Authority (NCRA). The initial term of the lease was five years, commencing September 13, 2006. Following the initial term, NWP elected to invoke a 99-year option with the same terms. Rent paid to the NCRA includes 20% of the NWP's net income on an annual basis, beginning the first year of the lease that NWP's net income exceeded $5 million. These payments are allocated into a jointly-managed fund reserved to offset NCRA administrative costs as well as capital improvement projects on the rail line. All routine maintenance on the line is NWPs responsibility, while NCRA is responsible for more significant capital upgrades, including potential passenger rail upgrades. NCRA is fully indemnified from any liability regarding injuries, death, property loss or damage resulting from freight rail operations on the line.

Confidential Example A A public transit agency operating a rail network in a major American metropolitan area leases approximately 25 miles of track to a private, third party operator. The original lease term began in 1980s and ran ten years, with four options to renew an addition ten years each. The private operator pays the agency a fee of 1% of all freight operating revenues, with rate renegotiations every five years. The private operator has full responsibility for maintenance of the right of way, including portions designated for possible joint passenger use. In addition, the operator pays a maintenance fee of several thousand dollars per mile of joint use track shared with passenger rail. Per the lease, the agency is fully indemnified from any liability incurred from freight rail operations on the line.

East Wisconsin Counties Railroad Consortium – Wisconsin & Southern Railroad The Wisconsin & Southern Railroad (WSOR) leases approximately 198 miles of track from several counties known as the East Wisconsin Counties Railroad Consortium (WRC). The lease term extends from March 28, 2008 through December 31, 2047. The WSOR pays a quarterly rent to the WRC on a Rate-Per-Mile (RPM) schedule, with the RPM applying to each WRC-owned track mile over which WSOR operates. The rate was $100 from 2009 until 2013, with the rate adjusting every five years thereafter using a formula derived from the US Department of Labor Consumer Price Index. WSOR is responsible for all maintenance of the track and related structures. WRC is indemnified against any damage, loss or claims resulting from freight railroad operations.

Confidential Example B A private operator operates over approximately 25 miles of track in a rural, Midwestern location, owned by a local municipality. The agreement, signed in the early 2000s, has a five year term, with automatic five-year extensions in effect unless action is taken by either party. Fees are paid to the municipality in the form of the following revenue sharing agreement based on carloads originating or terminating on North Judson track : 1) 1 to 700 carloads - $0/carload; 2) 701 to 900 carloads - $10/carload; 3) 901 to 1,100 carloads - $20/carload; 4) 1,101 to 1,400 carloads - $30/carload and 5) 1,401 carloads and above - $35/carload. The operator is responsible for routine maintenance and repairs of the line to a minimum FRA Class I track standards. A maintenance fund, funded through all operator revenues paid to the municipality, funds capital improvements and emergency repairs. The

municipality assumes no liability for damage, injury or death resulting from freight rail operations.

Comparison of Key Trends and Characteristics of Similar Leases

The remainder of this section identifies and reviews the various types of institutional arrangements observed by RLBA across four primary groupings; 1) Ownership and Uses, 2) Governing/Management Structures, 3) Administrative Details and 4) Legal Requirements. RLBA's findings are presented through two methods. The first is a table comparing the combination of institutional arrangement of the ten selected example leases against Metro's two leases. The second is a summary discussion of the key characteristics of each prominent institutional arrangement, including the general disruption of each arrangement across the entirety of leases review.

Ownership and Uses

RLBA's research suggests that public rail ownership largely falls into four classes of entities, each with specific but often overlapping uses and goals of their assets: 1) State Departments of Transportation;
2) Regional Economic Development Agencies; 3) Regional Public Transportation Agencies (such as Metro) and 4) Local Governments.

Table 1
Ownership And Uses Among Example Leases

Lessor	Owner Type				Primary Uses		
	State DOT	Development Agency	Public Transit Agency	Local Government	Economic Development	Commuter or Transit Operations	Protecting For Future Use
Georgia Department of Transportation	X				X		
Michigan Department of Transportation	X				X		
Vermont Agency of Transportation	X				X		
Ohio Rail Development Commission		X			X		
Stueben County Industrial Development Agency		X			X		X
SEDA-COG Joint Rail Authority		X			X		
North Coast Railroad Authority			X			X	
Confidential Example A			X			X	
Confidential Example B				X	X		X
East Wisconsin Counties Railroad Consortium				X	X		X
Metro Regional Transit Authority (WLE)			X		X	X	
Metro Regional Transit Authority (ABC)			X		X	X	

State Departments of Transportation

Public ownership of rail rights-of-way is most commonly found at the State level, generally organized through said State's Department of Transportation (DOT). State ownership is fairly common, with over a dozen states currently owning at least one active railroad and, in some cases, multiple rail lines. Of all the classes of public sector rail right-of-way owners, State DOTs are likely the least comparable to Metro. State DOTs generally have access to substantially more cash flow than smaller, local governments and agencies. Additionally, State DOTs do not

have to contend with attempting to justify a rail line which traverses through multiple municipalities like a city or county government would, simply citing economic benefits across an entire state, or a large portion of a state. That said, because of their larger involvement in right-of-way ownership, State DOTs are closer to developing a formulaic approach to public/private rail lease and operating agreements than any other owner classes and, as such, a review of the trends in such lease agreements could provide valuable insight into lessons learned.

Regional Economic Development Agencies

After State DOTs, the most common class of public entities owning rail lines is regional economic development agencies. Such agencies can be traditional development agencies, in which a rail asset is a part of a larger asset portfolio (including other assets such as industrial parks, port facilities or brownfields ready for redevelopment), or railroad-specific agencies which specialize in rail asset management or regional rail improvement projects. One such example of the latter which Metro is likely particularly familiar with is be the Ohio Rail Development Commission (ORDC). In addition to promoting and assisting in the funding of various rail improvement projects across the state, ORDC also owns and leases four rail lines in Ohio. Like State DOTs, development agencies are logical choices to purchase and manage regional rail lines which often stretch across multiple municipalities. However, given their specific focus on regional development, such agencies tend to be much more 'hands on' in their management of their rail assets, often developing strong personal relationships with the private carriers contracted to operate their railroads.

Regional Public Transportation Agencies

Public transportation agencies, such as Metro, make up a smaller class of public right-of-way ownership, employing a private operator. In most cases in which a public transportation agency owns a right-of-way, it is either exclusively used to support passenger service or features very limited freight services granted via a trackage rights agreement in which the freight operator enjoys very limited rights and operational flexibility on the line. The most applicable examples would be the large commuter agencies serving the major East Coast and Californian metropolitan areas. Instances in which a public transportation agency acquires a rail line without the specific intent to operate it as a primarily passenger corridor are relatively limited. Generally in those instances, the agency acquired the line to implement passenger service on a specific portion of the railroad and retains ownership of the unneeded section. Furthermore, an agency might purchase a line to save it from abandonment or liquidation in the hope that passenger service might be implemented on it at a later, undetermined date (such as the case with Metro).

Local Governments

The final class of public right-of-way ownership and a private operator is local government. Like regional public transportation agencies, this is a relatively uncommon occurrence. Major cities with the resources to acquire rail lines normally band together with neighboring municipalities to form transportation agencies or authorities. As such, local town or county governments generally are only in the position to purchase shorter secondary or tertiary lines hosting minimal freight rail traffic. While the motivations of these local governments are generally similar to those of State DOTs and development agencies (i.e., the preservation of a potential regional economic driver), local governments tend to lack the expertise or capacity to become very involved with their railroads, often only addressing issues with the railroad or operator as they arise.

Governing/Management Structures

RLBA identified three major commonalities across leases from all four user classes pertaining to governing/management structures: 1) revenue sharing/compensation:; 2) maintenance responsibilities and 3) plans and reports required of the operator.

Revenue Sharing/Compensation

While the primary goal of most classes of public owners is to retain rail service to a region as an economic driver, the vast majority of public owner / private operator leases feature some sort of revenue sharing and/or compensation model. In general, these models fall into three categories: 1) flat rate; 2) percent of income (either gross or net) and 3) based on the number of carloads moved. It is not uncommon for multiple models to be employed on a single rail line.

Table 2
Revenue Sharing/Compensation Models Among Example Leases

Lessor	Method of Revenue Sharing						Easements	
	No Fee	Flat Rate	Percent of Gross Income	Percent of Net Income	Carload	Rate Adjusted	Owner Administers & Collects	Operator Administers & Collects
Georgia Department of Transportation		X			X	X	X	
Michigan Department of Transportation	X						X	
Vermont Agency of Transportation			X				X	
Ohio Rail Development Commission		X			X	X	X	
Stueben County Industrial Development Agency		Note			X		X	
SEDA-COG Joint Rail Authority			X				X	
North Coast Railroad Authority				X			X	
Confidential Example A			X				X	
Confidential Example B					X		X	
East Wisconsin Counties Railroad Consortium		X				X	X	
Metro Regional Transit Authority (WLE)					X	X	X	
Metro Regional Transit Authority (ABC)					X	X	X	

Note: SCIDA charges an annual flat rate of $1 dollar, as such, in practical terms there is no charge

No Fee or Compensation

While relativity uncommon, there exist some instances in which an owner leases, or grants an operational concession (which act as a de facto lease) at no cost to the private operator. These are typically found in situations in which a rail line is either in a significant state of disrepair or limited economic viability, so much so that both lessor and lessee mutually recognize that even minimal compensation might make operation infeasible. That said, there are several instances in which it simply appears to be the preference of the owner to require no compensation even if the rail line is in good condition and viable. RLBA's research suggests that State DOTs are most likely to enter into leases with no fee or compensation (or compensations so low that in practical terms there is not any charge).

Flat Rate

Compensation models using a flat, or fixed, rate are generally either calculated on a per-mile basis or the railroad as a whole. RLBA's research produced a wide range of flat rate amounts,

ranging from as low as $10,000 annually to as a high as $1,000,000 annually. While the exact amount of the flat rate appears to be highly specific to the individual railroad and preferences of involved parties, in general, the highest amounts observed were on rail lines with a proven track record of success or new operations offering significant promise. Additionally, flat rates were observed to be combined usually with another compensation model; only 33% of leases with a fate rate model did not include a second model. Furthermore, State DOTs were much more likely to employ fixed rates than any other user class; the model was observed on 50% of all State DOT leases versus only 20% across the other three user classes.

Percent of Income (Gross or Net)
Compensation based on percentage of income is an attractive model for all classes of public owners, particularly those whom are actively engaged in using their rail line as a driver of economic development. This is because such models reward the owner with more revenue if business increases, some of which may have been a direct result of public efforts to develop customers along the rail line. There are generally two methods as to how this model is calculated, either a fixed percentage of income, or a sliding scale based on the amount income generated by the private operator. It is also not uncommon to have the percentage increase gradually over the course of the lease. RLBA's research proved this to be a popular model; 45% of all leases observed featured some sort of percent of income compensation, spread equally across all owner classes. The specific percentage charged was generally between 5% and 15%.

Carload Moves
This model compensates owners an amount in connection with each car that moves across their railroads. Compensation based on the number of carloads moved is another attractive model to all classes of public owners, for reasons similar to that of the percent of income model. The carload method is generally calculated in a similar fashion to the percent of income model, by charging either a fixed flat rate per car or via a sliding scale. This model was used on approximately 30% of leases RLBA reviewed and was more prevalent among non-State DOT owners (observed on 45% of non-State DOT publically-owned lines, vice 15% of State DOT-owned lines). Rates per car generally ranged from between $10 to $50 per car.

Rate Adjustment
Occasionally, leases include language governing the periodic adjustment of the agreed-to rates to reflect changing economic conditions. Typically, these leases employ the Bureau of Labor Statistics Consumer Price Index (CPI) to determine the appropriate adjustment. However, some leases employ internally developed indexes to reflect situation specific circumstances.

Easements
It was nearly universal across the entirety of reviewed leases that rail line owners reserved the right to grant and collect on any easements, either currently in existence or in the future. Such was the case across all ten example leases.

Maintenance Responsibilities
The assignment of responsibility for maintaining the subject rail line was essentially universal across all the leases reviewed by RLBA, not surprising given the heavy capital investment needed to keep a railroad functioning correctly. RLBA observed three common models repeatedly employed in leases across all owner classes pertaining to maintenance of railroad lines: 1) operator 100% responsible for maintenance; 2) responsibility for maintenance shared between the operator and owner and 3) a fund paid in to by the operator to be used exclusively for the maintenance of the rail line.

Table 3
Maintenance Responsibilities Models Among Example Leases

Lessor	Maintenance Responsibilities			
	100% Operator Responsibility	100% Owner Responsibility	Shared Responsibility	Operator Pay-In Trust/Fund
Georgia Department of Transportation	X			X
Michigan Department of Transportation	X			
Vermont Agency of Transportation			X	
Ohio Rail Development Commission	X			
Stueben County Industrial Development Agency			X	
SEDA-COG Joint Rail Authority	X			
North Coast Railroad Authority			X	X
Confidential Example A	X			X
Confidential Example B	X			X
East Wisconsin Counties Railroad Consortium	X			
Metro Regional Transit Authority (WLE)	X	Note		
Metro Regional Transit Authority (ABC)	X	Note		

Note: Akron Metro to be 100% responsible for line maintenance if Metro has active passenger service on line. After 1 year of no passenger service, Metro relieved of its maintenance responsibility and Operator has right to maintain. RLBA's interpretation of the intent of the agreement is that Operator is to maintain line if line is freight only.

Operator 100% Responsible for Maintenance

In the vast majority of leases reviewed by RLBA (75%), the responsibility of maintaining the railroad was solely that of the private operator. What's more, it was common that not only was operator responsible for maintenance but failure to do so to a particular FRA track class status would constitute a breach of the lease. RLBA observed several instances in which the owner would offer some level of assistance to bring a rail line up to a base line condition but in nearly every such instance, once a steady state was reached, all maintenance responsibilities shifted to the operator.

Owner 100% Responsible for Maintenance

Outside of the specific circumstance of passenger operations operated by Metro (or a third party on behalf of Metro) on the Sandyville Line, RLBA did not observe any instances in which the public entity owner was 100% responsible for all maintenance.

Shared Responsibility for Maintenance

While RLBA observed some instances of shared maintenance responsibly, it was relatively uncommon (20%). In those instances, the division of responsibilities varied widely from case to

case, suggesting that such arrangements are tailored to the specific situation and circumstances of the rail line at issue. In almost all such cases, the bulk of the responsibility for maintaining the rail line still remains with the operator, with the owner taking on very specific, limited roles. In the most extreme cases in which the subject rail line was in poor physical condition, the public owner committed to making a best efforts attempt to bear the entire cost of rehab, at which point most maintenance responsibilities would revert to the operator. On the other extreme, a public owner's contribution could be as small as reimbursing their private operator to make periodic inspections of key infrastructure. That said, inspection and maintenance of bridges and grade crossings were the most common portions of maintenance to be taken on by the public entity owner.

Operator Contributes to Maintenance Fund or Trust

An interesting mechanism for maintenance funding is the operator pay-in fund or trust which is jointly administered by both owner and operator. In this model, most, if not all, of the compensation received by the public owner from the private operator is placed into a fund or trust with the express purpose of being used towards current or future maintenance or rehabilitation efforts on the subject rail line. In instances in which the lease defined situations in which this fund retained excess capital above and beyond the needs of the railroad, the capital was generally returned to the carrier, or the carrier was allowed to count the excess funds against impending rent payments. In some sense, this mechanism makes the rail line it is in effect on de facto 'no fee or compensation,' as said compensation is just reinvested into the railroad. However, the existence of the jointly administered fund guarantees that capital will be specifically allocated to maintenance, rather than just blinding relying on the operator to uphold its maintenance responsibilities. This model was observed in 30% of all leases, equally distributed across all owner classes.

Plans and Reports Required from Operator

RLBA's research suggest that it is common for leases to call for the regularl submission of plans and/or reports by a rail line operator to a rail line owner, including: 1) Operating Plans; 2) Maintenance Plans: 3) Business Development Plans and 4) Performance and Maintenance Reports.

Table 4
Plans and Reports Required in Example Leases

Lessor	Operator Provided Plans & Reports				
	Operating Plan	Maintenance Plan	Business Development Plan	Performance Report	Maintenance Report
Georgia Department of Transportation	X		X	X	X
Michigan Department of Transportation		X		X	X
Vermont Agency of Transportation					
Ohio Rail Development Commission			X	X	X
Stueben County Industrial Development Agency					X
SEDA-COG Joint Rail Authority		X	X	X	
North Coast Railroad Authority	X	X			X
Confidential Example A				X	X
Confidential Example B		X		X	
East Wisconsin Counties Railroad Consortium		X		X	
Metro Regional Tranist Authority (WLE)				X	
Metro Regional Tranist Authority (ABC)				X	

Operating Plan
Occasionally, leases dictate that the operator provides a line's owner with an operating plan. In most instances, what actually constitutes said operating plan is vaguely defined and presumably left to the discretion of the operator. Some operating plans are tied to minimal services levels (i.e., providing service a certain number of days in a week) as defined in the lease, however this is a relatively uncommon, only occurring in 12% of the leases reviewed by RLBA.

Maintenance Plan
More commonly, leases call for operators to submit an annual or quarterly maintenance plan to a line's owner. Like operating plan, the exact specifics and requirements of these plans typically is vaguely defined but generally include budget, program and routine maintenance schedules. Maintenance plan requirements are frequently found in leases which also require an operator to maintain the rail line to a certain FRA track class.

Business Development Plan
Occasionally, leases call for the communication of a business development plan. While leases requiring operating and maintenance plans generally place the responsibility to produce said plans solely on the operator, the development of a business plan was generally expressed as a more collaborative effort between owner and operator, sometimes even going so far as to include direct input from customers. Understanding this, and perhaps not unexpectedly, the requirement of a business development plan was most commonly seen among the Regional Economic Development Agency class of owner.

Performance and Maintenance Reports
Common across nearly all leases reviewed by RLBA, operators were required to submit regular performance and/or maintenance reports to line owners. Obviously, performance reports, in particular financial statements, were typically used to ensure that the operator was properly compensating the owner. Likewise, maintenance reports ensured operators were meeting required levels of maintenance. Typically, these reports were required either quarterly or

annually. Among the selected comparable leases, all but the Vermont DOT required some sort of formal report be submitted by the operator on a regular basis.

Administrative Considerations

While most administrative considerations observed across the various leases reviewed by RLBA contained relatively benign, standard language one would expect to find in any contract, there was a significant variance in the terms of lease, particularly regarding the initial term and the procedure and terms of any lease extension.

Table 5
Administrative Considerations Among Example Leases

Lessor	Administrative Consideratons			
	Initial Term (Years)	Extension Length (Years)	Number of Extensions	Action Required for Extension
Georgia Department of Transportation	25	5	4	Automatic
Michigan Department of Transportation	39.6	20	2	Lessor Discretion
Vermont Agency of Transportation	3.5	8	6	Lessee Discretion
Ohio Rail Development Commission	24.75	5	Unlimited	Automatic
Stueben County Industrial Development Agency	9.8	10	1	Lessee Discretion
SEDA-COG Joint Rail Authority	10.5	Note 1	Note 1	Renegotiation
North Coast Railroad Authority	5	Note 2	Note 2	Lessee Discretion
Confidential Example A	10	10	4	Renegotiation
Confidential Example B	5	5	Unlimited	Automatic
East Wisconsin Counties Railroad Consortium	40	10	Unlimited	Lessee Discretion
Metro Regional Transit Authority (WLE)	99	None	None	Renegotiation
Metro Regional Transit Authority (ABC)	5	None	None	Renegotiation

Note 1: SEDA-COG lease does not include specific language for extension, but references lessors intention to extend. Lessor and lessee have strong relationship since the 1980s, lease has been mutually extended several times
Note: Northwestern Pacific Railroad has the right to exercise an extension of 20,25,45 years, or 99 if the lessee invested 10.5 million into the railroad during the initial term

Initial Term Of Lease

The initial term of the lease varied greatly across the various leases investigated by RLBA. Across all leases reviewed by RLBA, the average initial term was 10.3 years, however, individual terms ranged from as short as six month to as long as 40 years. The most common length was between two and five years, equating to 32% of all leases reviewed by RLBA. There was no notable trend regarding the initial term of the lease regarding owner type; RLBA's study produced examples in each of the four classes of both under two years and in excess of ten. Additionally, there was no discernable correlation between a specific term length and the historical performance or expected performance of a particular rail line Lease. This lack of uniformity among the distribution of initial lease terms would suggest that said terms are highly subjective to the particular circumstances and preferences of the parties involved in the rail line

at issue. That said, the 99-year term granted to the WLE under Metro's Shared Use Agreement was by far the longest observed by RLBA; the next longest term was 40 years.

Method and Length of Extension

Again, RLBA found that while virtually all leases included some sort of mechanism to extend the length of the lease upon the completion of the initial term, the length of the extension, number of successive extensions and requirements to execute any extension varied greatly with each individual lease. Across all leases reviewed by RLBA, the length of a first extension averaged 5.4 years, with a short length of two years and a long length of 30 years. Five years was the most common length of extension, amounting to 36% of all such extensions observed in the leases reviewed by RLBA. Likewise, while many leases reviewed by RLBA included provisions for at least a single lease extension, there was no standard regarding provisions addressing the number of extensions which could be granted under an original lease. Extensions ranged from a single, one-time extension, to automatic extensions in perpetuity. Finally, RLBA found no uniform approach regarding the mechanisms required to enact any extension. Instead, a number of standards were commonly used, ranging from solely at the discretion of the lessor, to an automatic renewal if neither party actively sought to terminate the lease, to 'starting from scratch' with a new round of negotiations.

Legal Requirements

Table 6
Legal Considerations Among Example Leases

Lessor	Lessor Rights			Insurance		
	Lessor Indemnified	Lessor Retains Right to Enter	Lessor Provisions for Passenger Ops	General Liability Per Occurrence ($)	General Liability Aggregate ($)	Provision for Passenger Insurance
Georgia Department of Transportation	X	X		5,000,000	5,000,000	
Michigan Department of Transportation	X		X	10,000,000		X
Vermont Agency of Transportation	X			1,000,000		
Ohio Rail Development Commission	X		X	100,000,000		
Stueben County Industrial Development Agency	X				3,000,000	
SEDA-COG Joint Rail Authority	X			5,000,000		
North Coast Railroad Authority	X	X	X	25,000,000	25,000,000	X
Confidential Example A	X	X	X	10,000,000		
Confidential Example B	X		X	5,000,000		
East Wisconsin Counties Railroad Consortium	X		X	20,000,000		X
Metro Regional Transit Authority (WLE)	X	X	X	10,000,000	20,000,000	X
Metro Regional Transit Authority (ABC)	X	X	X	10,000,000	20,000,000	X

Indemnification

With regards to freight operations, RLBA's research suggests that the private operator universally indemnifies the owner of the line. This arrangement was found in every lease reviewed by RLBA. The only caveat to this arrangement is in situations in which the owner

retains the right to install passenger rail operations (either commuter or tourist/excursion) over the line. In such instances, the lessor would indemnify the lessee solely as regards passenger operations.

Right to Enter Property

Surprisingly, the majority of leases reviewed did not specify if the line owner retained the right to enter the property. In most cases, the issue was simply not addressed at all in the lease. However, there was one exception to this trend; transit agencies universally included clear provisions reserving the right to enter the property, as one might expect given the primary interest agencies generally have in owning rail lines (the operation of commuter or transit services).

Lessor Right to Passenger Operations

Across all leases reviewed by RLBA, some provision for passenger service was fairly common (being observed in 42% of leases). The right to install passenger service was divided fairly evenly between owner/lessor (normally reserving the right to begin tourist or commuter service) and operator/lessee (exclusively retaining the right to begin tourist operations). That said, in almost all cases (expect for Metro) the specific terms of passenger service were very limited, if included at all. Often, leases simply stated that the lessor and lessee would have to work out additional terms or a new agreement in the event that either party decided to execute their right to passenger service.

Operator Insurance Requirements

Every lease reviewed by RLBA determined and set specific levels of minimum insurance coverage which operators had to obtain to prior to and during operations of the rail line. While the requirement for some level of insurance was universal across all the leases reviewed by RLBA, the specific dollar amounts and terms varied significantly from lease to lease. Requirements for minimum coverage per incident ranged from a low of $1,000,000 to a high of $100,000,000. Requirements for minimum coverage in the aggregate ranged from $1,000,000 to $25,000,000. Additionally, some leases which contained language for the eventual implementation of passenger service on the line (operated either by the owner or operator) contained additional, unique minimal insurance requirements. Additionally, RLBA observed no uniform requirement for a certain type of insurance; many leases did not make a distinction between per occurrence and aggregate coverage.

Conclusions

Major Similarities between Metro's Leases and Comparable Leases

Metro's Institutional Arrangements are Generally In-Line with Other Publically Owned, Privately Operated Leases

As RLBA's review clearly demonstrates, across virtually all considerations, there is not one standard approach to the institutional arrangements governing the relationship between a public owner and a private operator. Instead, there tends to be several different models to address each major pillar of the terms of any leases or agreement between owners and operators. With the exception of the responsibility to maintain the line, the terms of Metro's agreements with the WLE and ABC generally conformed to the more popular institutional arrangements observed across the 'industry.'

Major Differences between Metro's Leases and Comparable Leases

Metro Enjoys Superior Control of Its Rail Assets

Generally speaking, RLBA observed that the terms and conditions in Metro's leases were both very specifically defined and granted Metro the maximum amount of control over its line as compared to similar leases. Specifically, Metro's leases include a very clearly defined and explained path to installing agency-operated commuter and tourist services along the line. This contrasted with most other leases, in which the specifics of any such service were to be determined at a later date, a decision which RLBA believes potentially puts those other owners at risk in the future. In general, operators gain nothing by the addition of passenger service to subject line and, as such, have little incentive to cooperate with line owners, especially if their right to continued freight operations is protected by the existing lease. By addressing these arrangements in its initial lease, Metro has protected itself against such potential operator obstruction. Likewise, Metro's decision to limit the agreement with the ABC to five years, after which any extension would have to be renegotiation guarantees Metro's ability to adjust the terms of any lease to address any changing goals of the agency (obviously, the 99 year term of the agreement with WLE negates any similar flexibility on the middle and southern portions of the Sandyville Line).

Metro's Leases are Ambiguous as to Maintenance Responsibilities

RLBA notes one major difference between Metro's leases and essentially all other leases regarding the responsibility of maintenance on the line. Every other lease clearly defined which party was responsible for maintaining the subject line. In the majority of cases, said responsibility was firmly placed solely on the operator. In cases in which the owner retained some maintenance responsibility, said requirements were clearly defined. In contrast, Metro's leases both leave a certain amount of ambiguity as to whether the lessor or lessee is ultimately responsible for maintenance. This ambiguity stems from the assumption that passenger service would last far longer on the Sandyville Line than it actually did. Specifically, when Metro (or a third party on behalf of Metro) operated passenger service on the line, maintenance responsibility clearly was delegated to the agency. However, once passenger service ceased for a period of one year (as it has), both agreements state (in Article 8, Subparagraph E of the WLE Freight Operations Lease Agreement of June 24th, 2003 and in Article 7, Subparagraph F of the ABC Shared Use Agreement of July 1st 2003):

> "[upon cessation of passenger service for a period of 1 year] all of Owner's maintenance and dispatching obligations set forth in this Agreement with regard to the Subject Line shall terminate. Upon such cessation [of passenger service], User shall have the right, but not the obligation, to perform any maintenance on the Subject Line for the performance of freight rail service, at User's sole cost and expense, and the Current Charge shall be modified to provide only for a reasonable rental charge to Owner for User's use of the Subject Line."

It is RLBA interpretation of this language that neither Metro nor either of its operators is definitively responsible for maintenance of the rail line now that passenger service has been removed from the line. While it is also RLBA's interpretation that the intent of this language is that the operator is to pay for maintenance under the current circumstances, this level of ambiguity is unprecedented among similar leases and instances.

Appendix E: Alternative Management Structures

Subtask G: Identify alternative structures including METRO's current structure; an alternative utilizing a 3 county Council of Governments (e.g. NEORide, consisting of public transit authorities in Portage, Stark and Summit Counties), Ohio Transit Risk Pool (OTRP) or other arrangements

The charge in this subtask is to determine the best organization in which to house the rail asset management functions performed today by Metro on the three rail lines it owns where the term "best" is defined by that organization which maximizes the benefits to local citizens of public sector rail line ownership.

In contemplating the best structure in which to "house" Metro's rail assets, it is RLBA's strong opinion that consideration of two, overarching, key issues/variables trumps consideration of all others.

The first such consideration is that the management of the subject rail assets be "housed" in one organization regardless of whether the subject assets do or do not host railroad freight (or passenger operations). That perspective derives from RLBA's belief that railroad operations and the regulatory regimes that govern rail line ownership and operations are so different from bus, paratransit or other more conventional transportation services that the risks involved in attempting to meld together dissimilar operations outweigh the political, financial and other benefits that otherwise might well be realized from rail asset management consolidation or relocation.

The second such consideration is that the willingness of any organization outside of Metro to house the railroad assets is likely to be greatly affected by the extent to which the responsibility to fund any costs associated with rail line ownership transfers to the organization that would house the rail line assets and the extent of any such funding necessary. In other words, Metro should be recognize that there is very likely to be a difference between the willingness of other organizations to take ownership of the assets (likely) and the willingness of those organizations to take ownership of those same assets if attached to that ownership is the responsibility of funding losses in perpetuity, a challenge directly related to the size of the annual funding need.

That said, various alternative structures are explored below and analyzed in the context both of rail lines that host railroad operations as well as those that don't.

Housing METRO's rail lines within a 3 county Council of Governments entity (e.g. NEORide, whose members are the public transit authorities in Portage, Stark and Summit Counties) would appear to make at least as much sense as housing them within METRO since according to NEORide's website:

> "The main purpose of this COG was to identify the ways that these three transportation authorities (and potentially other area's transit authorities) could look to partner in a way that would streamline operations between the counties to create easier use for passengers traveling in the multi-county area."

Given that the subject rail lines traverse both Summit and Stark Counties, it would seem that the cross county border nature of the subject rail lines would not only be a good fit within NEORide but also a good catalyst for helping that organization reach its objectives, which would benefit transit riders in the three member counties and result in economies realized by the transit providers. The benefit of housing the rail asset management functions within NEORide will

become much more compelling should rail passenger service be initiated on the subject lines or as NEORide grows in size as a larger managing entity should be able to provide greater financial as well as human resources upon which to draw in managing the assets.

At the moment, NEORide is very modest in size so a good argument could be made for continuing to house the rail asset management function within Metro as that organization is much larger currently. On the other hand, METRO is not focused as an agency on its rail assets and the very creation of NEORide is an indication that Metro may well reduce its staff size over time and that NEORail staff will grow. It is RLBA's strong opinion that any unconventional or non-traditional aspect of any organization tends to be neglected or fails to be as focused upon as much as those functions that are more conventional/traditional aspects of an organization. That lack of focus is exacerbated almost exponentially as organizations grow in size and complexity. Said a different way, rail asset management requires a very different focus from bus operations management. Maintaining adequate focus on rail asset stewardship is challenging enough at Metro given the myriad of regulations which govern rail asset management. So housing that function early within NEORide might be advantageous, especially in its formative years, where it can establish its place and mark in that organization.

The greatest challenge to housing the rail asset management function within NEORide is whether the member counties can be persuaded to support such a change. One might expect that Summit and Stark Counties would be more supportive of such a change since the rail lines lie with their borders. On the other hand, Portage County might not be as ready and willing to accept such a transfer wondering " What's in it for me ? "

Similarly, there is a certain attraction to housing the inactive rail lines in the Ohio Transit Risk Pool (OTRP). As the homepage of its website says:

> "Since 1994 we have provided stable property and casualty coverage for Ohio Political Subdivision transits. Our Pool is perfectly positioned to meet our members' risk management and coverage needs."

Insofar as it provides loss control, claims management and various insurance coverages already to Metro and other transit agencies, there is some logic in having the rail asset management functions also being provided by OTRP.

To the extent that METRO simply wanted to preserve the rail lines it had acquired and assuming that none of them hosted rail freight operations, managing those risks through OTRP seems tailor made. However, even were all three METRO-owned rail lines inactive, their ownership would create responsibilities (for example, maintenance) that OTRP is not designed, staffed nor equipped to handle. Therefore, folding all of METRO's rail asset management responsibilities into OTRP either would require OTRP to amend its charter to perform additional responsibilities or require that those other responsibilities be housed elsewhere. The former of those possibilities seems very unlikely. Presumably, the inclusion of risks associated particularly with active rail freight operations would fundamentally alter the risks covered by OTRP and it is difficult to envision a scenario in which OTRP members would accept voluntarily the greater risks and costs associated with same even though it might well greatly benefit Metro. However, in addition to meeting the insurance needs of its member agencies, OTRP acts a "Fiscal Agent" and "Administrator" on behalf of NEORide.

So OTRP is well positioned to establish and oversee a management contract between OTRP and NEORide under which a NEORide employee would handle rai line ownership invoicing, grant management, oversight and, perhaps, leasing directly as well as oversee third party contractors responsible for any new construction, repair, maintenance and inspection of infrastructure and, perhaps, leasing and other functions.

There are, however, challenges to that potential arrangement.

The primary challenge, as mentioned above, is that ownership (and management) of rail assets is one thing. Responsibility for the funding associated with that ownership is quite another. While the whole purpose of creating NEORide and the administrative role the OTRP plays in enabling NEORide to function administratively was for the member agencies to help each other by collaborating on objectives that would benefit the members, it is hard to imagine how the transfer of rail line ownership to NEORide would work unless Metro kept the financial responsibility associated with same. Because it is hard to imagine how transferring to the other members of NEORide the current burden of freight rail line operating subsidy absorbed by Metro could be perceived by the other members as benefitting them.

A second and far smaller challenge is that while OTRP is well equipped to handle and open to the idea of handling all of the administrative issues associated with rail line ownership through NEORide, that organization would expect to receive some sort of contribution to it above and beyond the cash cost to it of managing that function to offset overhead, etc. So, the cost of managing the rail assets would be greater than it is today.

A third challenge is that any decisions made with respect to the ownership or management of the rail assets owned by Metro need to be approved by the Federal Transit Administration (FTA) since Federal funds were used in the acquisition of the lines and it is impossible to predict in advance what position FTA staff might take or demands it might make with respect to the subject lines. This topic is addressed in more detail in Task I.

Synthesizing all of the above, so long as Metro owns at least one rail line which hosts freight rail service and that operation requires continued and significant subsidy, one cannot make a strong argument in favor of the likelihood that rail asset management and the freight rail operational subsidy responsibilities that accompany it will be welcomed by any other entity. However, in the event that freight rail operations ceased on all three METRO-owned rail lines or no subsidy was required, one could make good economic development, organizational, political and other arguments in favor of moving rail asset management responsibilities to NEORide, provided that its leadership recognized that even inactive rail lines require railroad maintenance activities from time to time. That last observation makes it less likely that OTRP would be willing or able to house all of the rail asset management functions within it and, therefore, is a less logical and likely fit. But because of its existing arrangement with NEORide, it is not hard to envision that OTRP, working through NEORide, could effectively manage the subject rail assets, provided that such ownership didn't not require significant net outlays.

In short, resolution of the organizational structure and housing issue probably is inextricably tied to the financial performance associated with the ownership of the subject rail lines and so long as that performance represents a current and continuous, future subsidy by its owners, transferring rail line ownership (and accompanying funding requirements) to any other entity is very unlikely.

Appendix F: Financial Feasibility Analysis

Subtask H: ***Analyze the financial feasibility of rail asset management over a 5-10 year forecast horizon including capital, operating and maintenance costs (including insurance liability coverage) and capital project capacity***

Analyzing the financial feasibility of Akron Metro-owned rail assets rail in the foreseeable future is best accomplished by relying on historical, actual financial performance and making adjustments to it based on one's understanding of the extent to which past performance included amounts not likely to continue into the future. Financial feasibility is an art, not a science and the art is in understanding how changes in the future might affect past financial performance.

In addition to the fully burdened costs associated with the employment of the individual who handles all of the rail issues at Akron Metro, the main variables that should be considered in the context of assessing the feasibility of Akron Metro's rail asset management over the long term are:

1) Revenues;
2) Infrastructure maintenance expenses;
3) Infrastructure capital expenses and
4) Insurance expenses.

Each of those variables is addressed serially in that order below.

Revenues

As shown in the table below, total Akron Metro revenues have ranged between $42,295 in 2013 and $65,825 in 2008, averaging $53,390 over that period.

Revenues paid by the railroads that traverse Akron Metro-owned rail lines, ABC and W&LE, fluctuate as do their business levels. Except for the W&LE in 2006, operations on both railroads to meet traffic demands declined every year between 2005 and 2009, as did revenues to Metro, not surprisingly, since revenues to Akron Metro are a function of the freight rail activity experienced by its contract carriers. On the ABC, that declining trend continued through 2012, from which level it more than doubled by 2015 and recovered back above 2008 levels in 2016. In contrast, revenues paid to Metro by W&LE reversed in 2010 and have stayed above 2009 levels ever since but the recovery in that traffic has been far more modest. In fact, payments received by Metro from W&LE in 2015 and 2016 are less than they were in 2011. Assimilating those disparate trends, prudence suggests an ABC payment to Akron Metro increasing 3 % per year but only a continuation of 2016 revenues from W&LE to Akron Metro on the portion of the line that it currently serves.

Revenues associated with CVSR excursions ceased in 2009. Joe Masur is the new President and CEO of the Cuyahoga Valley Scenic Railway. Mr. Masur brings to his new position a strong background in marketing and has ties with the Canton Football Hall of Fame (HOF) and Canton's Mayor, Thomas Bernabei. Mayor Bernabei, Ohio District 16's Congressional representative, Jim Renacci, and the director of the HOF all have expressed interest in extending Cuyahoga Valley Scenic Railroad passenger rail excursion trips beyond the geographic confines of the Cuyahoga Valley National Park to include the Sandyville rail line into Canton. Consideration is being given to resuscitating such operations as soon as 2019. That said, prudence dictates the continued exclusion of CVSR excursion revenues from the projected revenue stream though this upside is a realistic possibility.

Revenues shown in connection with Licenses and Stones have been the two, largest contributors to total revenue since 2007 and have been constant to growing over that period. Royalties from the Shelly Stone Yard in Kent on the Freedom Secondary are reflected in the column titled "Stones." Both large contributors to revenue grew at a nice pace from 2013 to 2014 and, again, from 2014 to 2015. Between 2015 and 2016, License revenue grew modestly while Stones revenue continued its strong ascent. License revenue climbed to a recent high in 2016, continuing a steady stream of constant revenues or modest growth throughout most years as documented below. It is prudent to assume that License revenue will continue to increase at its average rate of increase since 2007, approximately 1.75 percent per annum. In contrast, Stones revenue is essentially unchanged since 2007, having recovered modestly from a recent low in 2013. Given the great volatility in the Stones revenue produced, prudence would suggest that the average revenue since 2005 be used in any forecast. Such volatility is not surprising, since stone volumes and, therefore, royalties to Akron Metro are a function of local, general economic activity as manifest in the construction of parking lot and road construction.

Table 1
METRO Revenues by Source

Year	ABC	W&LE	CVSR	License	Stones	Oil	Total
2005	$20,083.20	$10,901.52	$4,500.00	$12,710.00	N/A	N/A	**$48,194.72**
2006	$19,811.20	$11,000.10	$4,500.00	$13,117.00	N/A	N/A	**$48,428.30**
2007	$13,335.00	$7,248.22	$4,500.00	$17,192.00	$18,244.63	N/A	**$60,519.85**
2008	$10,535.00	$7,145.50	$4,500.00	$17,387.00	$26,257.30	N/A	**$65,824.80**
2009	$5,883.00	$5,663.95	$4,500.00	$17,673.00	$25,810.76	N/A	**$59,530.71**
2010	$4,748.30	$7,657.00	N/A	$17,673.00	$14,839.43	N/A	**$44,917.73**
2011	$4,056.80	$8,599.59	N/A	$17,673.00	$20,434.89	N/A	**$50,764.28**
2012	$1,728.75	$8,251.32	N/A	$18,032.00	$34,320.96	N/A	**$62,333.03**
2013	$2,258.90	$9,322.92	N/A	$17,591.00	$13,122.65	N/A	**$42,295.47**
2014	$3,227.00	$9,456.87	N/A	$18,185.00	$16,141.19	N/A	**$47,010.06**
2015	$3,803.25	$8,385.27	N/A	$19,734.00	$18,424.96	N/A	**$50,347.48**
2016	$11,200.00	$8,519.22	N/A	$20,000.00	$20,800.00	N/A	**$60,519.22**
Average	**$8,389.20**	**$8,512.62**	**$4,500.00**	**$17,247.25**	**$20,839.68**	**N/A**	**$53,390.47**

Infrastructure Maintenance Expenses

As depicted in the following table, infrastructure maintenance inspections are captured in four major categories: Track and Signal Inspections and Track and Signal Repairs. Track and Signal Inspections, as might be expected, are significant and reasonably constant from year to year. Specifically, Track Inspection costs since 2009 varied between $29,733 in 2013 and $37,380, in 2011, averaging about $34,025, which appears to be a prudent figure to use going forward, all else equal. However, service was resumed on the middle segment of the Sandyville Line in December 2016 and, therefore, it would be prudent to assume that such costs would increase in 2017 and beyond because more miles would require maintenance. Please note in Table 2 that Track Inspection dropped nearly $7,000 between 2012 and 2013, when the middle segment no longer was maintained as CVSR service ceased over it. But given that the number of miles of track to be inspected will increase by about 50 % in 2017 as compared with 2016, the forecast reflects a similar increase of 50 % beginning in 2017 to about $51,000 annually.

In contrast, while Signal Inspection costs since 2009 were reasonably consistent, varying only between $37,044 in 2009 and $50,760 in 2016. They increased every year but one during that period. Therefore,

prudence would dictate that signal inspection costs might increase about 4.5 % per year. The adjustment made above with respect to Track Inspection of the Middle Segment should not affect this cost element because signals along the Middle Segment were inspected even when that segment was inactive due to the desire to keep the signals in a state of good repair in the event the line needed to be reactivated quickly since such repairs can require a long lead time.

In contrast to the Track and Signal Inspection costs noted above, Signal and Track Repair costs were far more volatile. Signal Repair costs since 2009 varied between $2,855 and $30,165, averaging about $13,423 while Track Repair costs during that period varied between $14,136 and $98,095, averaging about $50,124. Signal Repair costs demonstrate no discernable trend though they were much lower in each of the last two years provided, perhaps reflecting the work accomplished through higher expenditures made in previous years. Therefore, prudence would dictate that the average of the last several years be continued every year into the future until some discernable trend emerged to warrant an adjustment thereto. Assuming the number of miles maintained and maintenance practices remain the same, Track Repair costs demonstrate no particular trend and have been very volatile from year to year so prudence again suggests that the recent average of such expenses be continued indefinitely into the future.

However, more miles of Metro-owned infrastructure will require maintenance and inspection in the future than in 2015 or 2016 as the two ends of the Sandyville Line were linked up in December 2016 via re-activating the Middle Segment of that line. Specifically, the Northern and Southern segments of the Sandyville Line constituted 16.29 miles of maintained line. After they were connected up in December 2016, 24.14 miles of line need to be maintained and inspected. That 24.14 miles is about 50 % longer than the currently active 16.29 miles so, assuming the newly activated track is in no worse shape and requires no more Track Repair cost per mile than the previously active segments, one would expect that Metro's total Track Repair costs to rise about 50 % beginning in 2017. Consistent with the reasoning provided above with respect to Signal Inspection costs, no similar adjustment has been made in this forecast regarding Signal Repairs in 2017 and later years associated with the reactivation of the Middle Segment since the signals were repaired as such repairs were identified through Signal Inspection on the Middle Segment of the Sandyville Line.

Table 2
METRO Rail Maintenance Costs

Year	Track Inspection	Signal Inspection	Signal Repairs	Track Repairs	Total	Comments
2009	$35,121.00	$37,044.00	N/A	N/A	$72,165.00	
2010	$36,989.00	$38,430.00	$5,689.38	$79,543.00	$160,651.38	
2011	$37,380.00	$38,892.00	$19,996.52	$32,313.00	$128,581.52	
2012	$36,435.00	$40,848.48	$25,144.54	$14,136.00	$116,564.02	Last year of CVSR service
2013	$29,733.00	$42,550.20	$30,164.70	$23,025.00	$125,472.90	
2014	$31,270.00	$41,341.00	$6,647.89	$28,832.00	$108,090.89	
2015	$32,124.00	$47,800.00	$3,464.82	$74,925.74	$158,314.56	
2016	$33,150.00	$50,760.00	$2,854.62	$98,095.31	$184,859.93	
Average	**$34,025.25**	**$42,208.21**	**$13,423.21**	**$50,124.29**	**$131,837.53**	

Infrastructure Capital Expenses

Infrastructure Capital Expenses or investments are probably the most volatile and difficult variable to forecast of all the categories addressed in this analysis for a variety of reasons. That difficulty is further exacerbated by the fact that multiple funding resources exist that could but may not be available to potentially fund certain investments. Add to that mix of variables the looming national infrastructure program that is expected to be released by the Trump Administration shortly which could make more money available to fund railroad infrastructure projects and both expected corporate and personal income tax reductions which could result in the Federal Government having less discretionary money to spend on infrastructure projects. And finally, throw into the mix the consistent reports that the Trump Administration intends to make the states responsible for most health care costs now borne by the Federal Government in exchange for block grants and it is extremely difficult to forecast with any confidence whether the Federal Government and Ohio entities will be better or worse positioned to fund infrastructure projects on Metro-owned lines. Given all those variables and the uncertainties that surround them, the most prudent course of action to employ in the forecast is to ignore all of that noise and pivot off of as many germane facts as can be gathered.

The fact is that since 2004, a little more than $5,610,000 has been invested into the construction of Sandyville Line projects plus an additional $700,000 in design and construction management fees associated with those investments. Of that slightly more than $6,310,000 grand total invested in the Sandyville Line, at least $1,124,000 was funded directly by Metro. Those numbers equate to approximately $485,000 per year on the Sandyville Line, of which Metro has funded an average of about $94,000 annually.

During that same period, investments totaling more than $168,000 were made in the Akron Secondary Line, of which Metro directly funded about $25,000. Those amounts equate to an average of about $135,000 per year on the Akron Secondary, of which Metro invested an average of only about $2,000. It is possible that no or less investment will be made in the next five or ten years than has been made in the last thirteen years; it is very difficult to forecast, but prudence would suggest that those historical average amounts be employed in this viability forecast and that Akron Metro plan for the possibility that the amount of its outlays could be greater if other funding sources faced their own funding challenges.

I**nsurance Expenses**

The physical property constituting the railroad infrastructure owned by Akron Metro is self-insured. Additionally, Metro carries a $5,000,000 liability policy which cost it about $30,000 in 2016. Based on a discussion with the management of the Ohio Risk Transit Pool, the forecast reflects annual increases averaging approximately 1.5 % per year from that 2016 level.

Combined Cash Flows

Table 3 reflects each of the elements and assumptions described above. Even setting aside the cost of staffing the railroad asset management position that will be necessary regardless of whether it is staffed by an Akron Metro employee or a contractor to another organization, projected cash flows are substantial and negative over all forecast years. Financial performance is expected to deteriorate over the forecast as the forecasted growth in expenses is greater than the projected growth in revenues. Furthermore, there is no realistic likelihood that a fundamental change in the direction of said financial performance can be realized in the future absent a significant change in the institutional arrangements. Eliminating or substantially reducing the costs of infrastructure maintenance and inspection that Akron Metro bears today by transferring at least some of those costs to its railroad contractors could vastly

reduce the negative cash flow amounts projected. Were that avenue to prove to be impossible, the only other way to significantly improve the financial performance of Akron Metro's rail assets would be to obtain an abandonment of the common carrier freight obligation from the United States Surface Transportation Board regarding the operation of rail freight services over the Sandyville Line, yet still preserve the rail lines for future use.

Table 3
METRO Rail Line Cash Flow Projections

	Actual		*Projected*				
	2015	**2016**	***2017***	***2018***	***2019***	***2020***	***2021***
Cash Inflows							
Revenues							
ABC	$3,800	$11,200	*$11,500*	*$11,800*	*$12,200*	*$12,600*	*$13,000*
W&LE	$8,400	$8,500	*$8,500*	*$8,500*	*$8,500*	*$8,500*	*$8,500*
License	$19,700	$20,000	*$20,400*	*$20,800*	*$21,200*	*$21,600*	*$22,000*
Stones	$18,400	$20,800	*$20,800*	*$20,800*	*$20,800*	*$20,800*	*$20,800*
Total Cash Inflows	**$50,300**	**$60,500**	***$61,200***	***$61,900***	***$62,700***	***$63,500***	***$64,300***
Cash Outflows							
Maintenance							
Track Inspection	($32,100)	($33,200)	*($51,000)*	*($51,000)*	*($51,000)*	*($51,000)*	*($51,000)*
Signal Inspection	($47,800)	($50,800)	*($53,100)*	*($55,500)*	*($58,000)*	*($60,600)*	*($63,300)*
Track Repairs	($74,900)	($98,100)	*($75,200)*	*($75,200)*	*($75,200)*	*($75,200)*	*($75,200)*
Signal Repairs	($3,500)	($2,900)	*($13,400)*	*($13,400)*	*($13,400)*	*($13,400)*	*($13,400)*
Capital							
Sandyville Line	($94,000)	($94,000)	*($94,000)*	*($94,000)*	*($94,000)*	*($94,000)*	*($94,000)*
Akron Secondary Line	($2,000)	($2,000)	*($2,000)*	*($2,000)*	*($2,000)*	*($2,000)*	*($2,000)*
Insurance	N/A	($30,000)	*($30,500)*	*($31,000)*	*($31,500)*	*($32,000)*	*($32,500)*
Total Cash Outflows	**($254,300)**	**($311,000)**	***($319,200)***	***($322,100)***	***($325,100)***	***($328,200)***	***($331,400)***
Net Cash Flows	**($204,000)**	**($250,500)**	***($258,000)***	***($260,200)***	***($262,400)***	***($264,700)***	***($267,100)***

Appendix G: FTA, FRA, and Legal Requirements

Task I: Account for Federal Transit Administration / Federal Railroad Administration and Other Legal Requirements

There are literally dozens of regulations issued by the Federal Transit Administration (FTA) and Federal Railroad Administration (FRA) with which the owner of a rail line must comply or ensure that its owned line is in compliance. Those regulations are codified in the Code of Federal Regulations in Title 49. The vast majority of regulations relevant to METRO's rail asset ownership are under the jurisdiction of the FRA because the majority of the regulations at issue concern safety matters and FRA's safety regulations supplant or pre-empt those of the FTA with respect to the lines owned by Metro.

FTA requirements relating to the subject lines primarily revolve around funding of and any change to the ownership, use or disposition of the lines. Prudence suggests that Metro should not attempt to change any ownership or use of the rail lines purchased with Federal funds without first talking with appropriate FTA regional staff. As of the date this report is written, all of Ohio is under the jurisdiction of FTA Region 5. The best contact regarding ownership issues of a general nature is Jason Ciavarella, Director of Planning and Program Development at Region 5, who can be reached at 312.353.1653. RLBA phoned Mr. Ciavarella. He said that Metro should obtain Circular 5010, available on the FTA website. RLBA staff read that Circular, particularly with respect to the part on Real Estate Disposition.

The section on Real Estate Disposition begins at Section j on page IV-17. Subparagraph (1) refers to property reporting requirements for Grants awarded after December 26, 2014. Subparagraph (2) on page IV-18 describes the requirements for disposition of real property no longer needed. Subparagraph (b) on the same page indicates that where real property is no longer needed for any transit purpose, "the recipient will request disposition instructions from FTA." That section goes on to describe disposition methods.

What the Circular and part boil down to is that Metro should read the Circular, particularly the Real Estate Disposition part, contact the Region 5 office and discuss the process.

Mr. Ciavarella also volunteered that Metro also should get in touch with the Post Award Manager, Athena Medero, who can be reached at 312.353.4038 regarding asset disposition.

Although FTA staff will not discuss with consultants in the absence of their clients any details of the likely course of events if line disposition is the desired outcome, RLBA believes that it is prudent to assume that FTA would want to be paid back the amount of money it invested in the acquisitions and since those amounts might be greater than the current net liquidated value of the three lines, that would appear to be an unattractive option. Furthermore, disposition of one or more of the rail lines owned by Metro likely would contravene the original intent of the line purchases which was to preserve the lines until they were practical to host passenger rail services, especially if the lines were sold to multiple buyers. That scenario likely would lead to sporadic development on the former line which likely would prove to be a very difficult hurdle to overcome both economically and politically were there a future desire to reassemble the line to host passenger rail services.

Therefore, a more intriguing option as compared with sale of the lines, payback of FTA funds and destruction of connected rights-of-way that could have hosted passenger rail service in the

future, is the possibility of ceasing freight rail operations should they prove too costly to continue subsidizing and “rail banking” the rights-of-way.

Railbanking, established by the National Trails System Act (16 USC 1247 (d)), is an agreement between a rail line owner and a trail agency to use an out-of-service rail corridor as a trail until the line owner needs to restore the corridor to support rail service. Thus a railbanked corridor is not considered abandoned and does not have to revert to adjacent landowners if the underlying real estate is held in less than fee simple. The process includes involvement by the U.S. Surface Transportation Board, to which the owner must submit an abandonment notifications. Under the 1983 Act thousands of miles of rail corridors that otherwise would have been abandoned have been preserved.

One cannot say with high confidence that the FTA would allow Metro to rail bank its rights-of way and not insist upon being paid back immediately. On the other hand, a key issue of interest to the FTA is the integrity of the asset and so if the Metro-owned assets were not removed and their integrity preserved, it is not unreasonable to conclude that FTA could be convinced that the long term interest of Metro to preserve the subject rights-of-way and FTA’s interest in asset integrity closely aligned and, therefore, FTA ought to support Metro’s rail banking without penalty, although a significant education process of and thoughtful presentation to the FTA should be expected.

As tempting as it might be to Metro to liquidate the rail assets, realize significant amounts of cash and just preserve the right-of-way, RLBA would recommend strongly against that course of action even if FTA were to allow it. Almost three-quarters of the rail is heavy enough and in good enough shape to support passenger rail service in the future. The labor costs of removing the rail now and re-installing it in the future are too substantial to justify removing them now. Furthermore, the cost of installing new ties and surfacing the track would be much less expensive if that rehabilitation work could be done using equipment operating on in-place track than from the side of the rights-of-way using road-based equipment.

Finally, should the economic or political pressures to liquidate the rails be so great as to trump the advice provided above, Metro might be able to forge a compromise to keep the rail in place at least at all road crossings, if not until just beyond sight distance. This is more useful than it might seem because if a generation of drivers grows up and it’s not used to slowing down at rail crossings, many more accidents are likely to occur if passenger rail service is ever installed than if the rail-road crossings remained in place.

The costs to Akron Metro of complying with the subject Federal regulations are best understood as falling into two categories: 1) cash or out-of-pocket costs and 2) administrative, fixed and/or overhead costs.

As to the cash costs, in theory, the cash cost could be a nominal amount, possibly as little as $ 0.00. On the other hand, even though it is not obligated under its contract to do so, Metro has assumed or absorbed a number of infrastructure-related costs which, it could be argued, are necessary for the railroad to be in compliance with Federal regulations. For example, as seen in the table below, Track Inspection costs since 2009 varied between $ 29,733 and $ 37,380, averaging about $ 34,150. Similarly, Signal Inspection costs since 2009 varied between $ 37,044 and $ 47,800, averaging about $ 40,987. It would be hard not to accept the premise that those costs were driven by anything other than the need to comply with regulatory requirements.

Figure 1
METRO Rail Maintenance Costs

Year	Track Inspection	Signal Inspection	Signal Repairs	Track Repairs	Total	Comments
2009	$35,121.00	$37,044.00	N/A	$79,543.46	$151,708.46	
2010	$36,989.00	$38,430.00	$5,689.38	$79,543.00	$160,651.38	
2011	$37,380.00	$38,892.00	$19,996.52	$32,313.00	$128,581.52	
2012	$36,435.00	$40,848.48	$25,144.54	$14,136.00	$116,564.02	Last year of CVSR service
2013	$29,733.00	$42,550.20	$30,164.70	$23,025.00	$125,472.90	
2014	$31,270.00	$41,341.00	$6,647.89	$28,832.00	$108,090.89	
2015	$32,124.00	$47,800.00	$3,464.82	$290,745.00	$374,133.82	
Average	**$34,150.29**	**$40,986.53**	**$15,184.64**	**$78,305.35**	**$166,457.57**	

In addition, Signal Repair costs since 2009 varied between $ 3,465 and $ 30,165, averaging about
$ 15,185 while Track Repair costs during that period varied between $ 14,136 and $ 290,745, averaging about $ 78,305. While some of those repair costs most likely were necessary to comply with regulations, the wide variances suggest that some of them were discretionary, at least in the short term.

Further complicating the issue is the matter of non-cash, administrative, fixed and/or overhead costs. Regardless of how Metro resolves the infrastructure maintenance responsibility issue with its operators and how many of the above-cited costs really are driven by the need to comply with Federal regulations, Akron Metro or any other responsible owner of the subject rail lines will need to compensate an employee or contractor to handle the myriad responsibilities integral to rail line ownership stewardship. Especially as responsibilities are split between Metro and its serving railroads today, that individual must utilize a wide range of skillsets spanning rail operations, engineering, accounting, project management, grant application writing and perhaps others. In the final analysis, while that individual probably does not spend 100 % of his time on railroad regulatory matters, he spends enough time on such matters and the nature of those responsibilities is so demanding that it isn't reasonable for that individual to act in the manner of an "absentee landlord." Therefore, for all practical purposes, all of the costs of that employee or contractor, including all overhead costs should be considered related directly to regulatory compliance.