Exhibit 6-5 is the result of subtracting the areas of net loss identified in the surface sales analysis (Section 4.4) from the coal value. The procedure is used to show any areas where surface value loss that may be related to mining exceeds coal value. These would be areas where coal mining resulted in a net loss in tax revenue. As discussed earlier, assuming that losses at the surface are related to unrepaired damages, the losses should be transitory. Therefore net gains by assessing the active coal at high values should offset any loss in surface tax revenue. As shown on the map, there are no areas in either county where there is a net loss in taxable value.

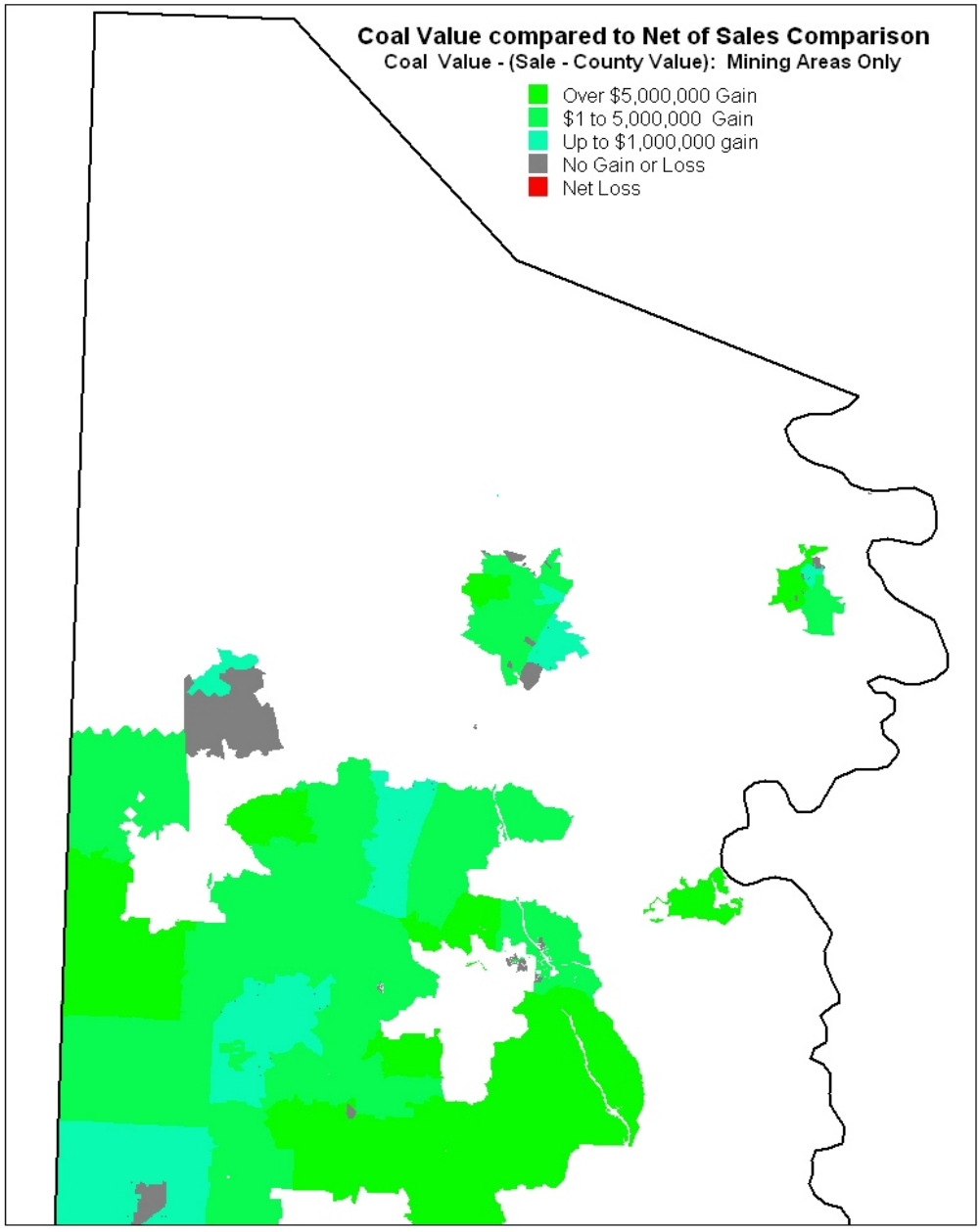

Exhibit 6-5

6.3 Conclusions

In active longwall mining areas it was shown that the coal has more taxable value than the surface properties. Therefore, the money contributed to the tax base from mining more than offsets any tax revenue loss due to surface property assessment reductions. The affect of longwall mining on surface property value is a site-specific phenomenon, changing some individual property value and not others. While the taxes generated by mining are temporary, so to are surface property assessment reductions if coal company compensation money is used to repair the surface.

Longwall mining operations are taxed higher per acre than most other properties in Greene and Washington Counties. Coal taxes are based on the market value of coal and the quantity of minable coal in place. Not only does longwall make up for loss in property value, it does this at a greater rate than older methods of mining.

Northwestern Greene and southwestern Washington Counties are highly dependent on coal as a tax base. Nearly 60% of the taxes are from coal property. Loss of longwall revenue to these counties would be devastating to county, school district, and municipality income. In areas with longwall mining, coal taxes make up the majority of the tax base.

7.0 LONGWALL ANECDOTAL INFORMATION (MEDIA REPORTS)

As longwall mining reaches more populated areas, the undermining of existing surface structures becomes inevitable. Damage to these structures will occur with severity depending on the width-to-depth ratio of the underlying mine panel and the position of the surface structure in relation to the panel. Historically, emergency subsidence claims to the U.S. Office of Surface Mining, Reclamation, and Enforcement (OSMRE) have all been over abandoned room-and-pillar mining. **Exhibit 7-1** shows the distribution of these claims in Washington and Greene Counties. Many of these claims are related to the deterioration and collapse of pillars in old room-and-pillar deep mines that have been abandoned for 50 years or more.

A review of longwall mining in Washington and Greene Counties indicates most of these mines have avoided urban areas, particularly in Greene County. In Washington County, denser population and shallower overburden combine to produce more subsidence events. These events are reported in the media with the effect of dramatizing the severity of individual impacts. While individual events may be severe and have real and significant impact on individual homeowners and landowners, they become much less significant on a countywide scale. The subsidence events are generally reported in the media with headline status, but the same media fail to report mitigating factors along with repairs and restorations made by coal companies. Therefore, care should be exercised in reading such reports as more than often they only tell one side of the story. Coal company compensation data analyzed in relation to property values and reported in this study suggest that coal companies are paying fairly, if not more so, for longwall-induced damages, as required by law.

Longwall mines currently experiencing conflicts with surface structures are the 84 Mine and the Maple Creek Mine, both in Washington County. Maple Creek has announced closure in 2002 and will open new operations at its adjacent New Century Mine. The 84 Mine has experienced major subsidence problems as it moved southward in Washington County in South Strabane Township. Here it had to contend with undermining three major highways: State Route 136, Interstate I-70, and U.S. 40. In 1996, the 84 Mine was blamed for damage to Route 136 forcing closure of the eastbound lane and damage to a 30-inch water line. By late 2000, the mining had progressed south of I-70.

Alignment of the surface roads with the panel orientation has a significant bearing on the potential for subsidence damage. In the Route 136 instance, the major surface damage occurred where the road ran parallel to and over the underlying panel. In the I-70 passage, the parallel road segment was situated over the gate entries and crossed the panel at a sharp angle, limiting exposure to maximum subsidence conditions (GeoTDR, Inc, 2001). Continuing maintenance and adjustments to the highway surface and one overpass during the longwall passage also mitigated the overall subsidence effects. This illustrates that with planning and follow-up action surface subsidence effects can be minimized. Such efforts receive little if any media attention.

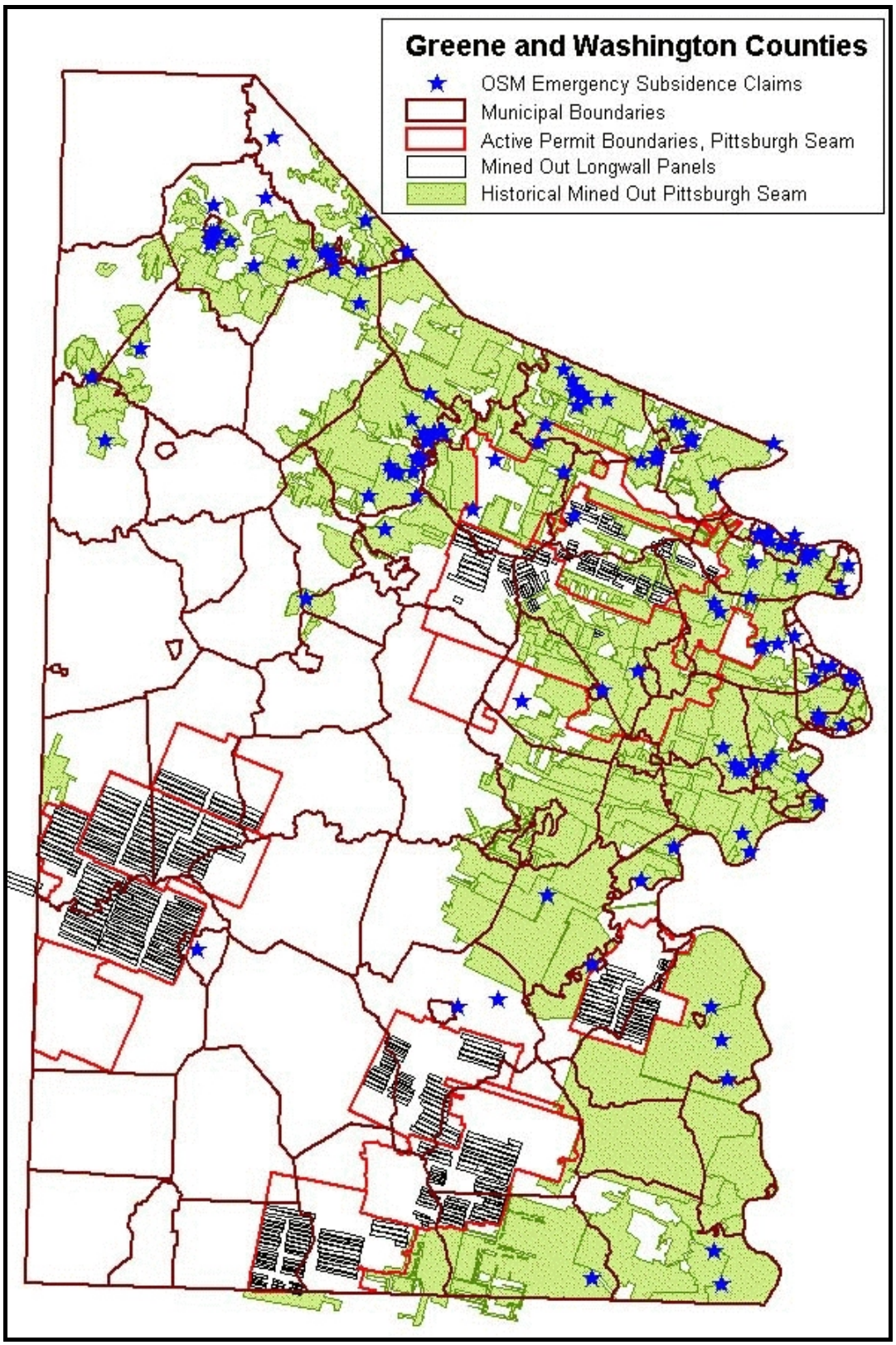

Exhibit 7.1: OSMRE Emergency Subsidence Claims

8.0 CONCLUSIONS

The following project objective addresses the findings of this report:

Integrate the findings from specific objectives and any other relevant factors into a comprehensive evaluation of the effects of longwall mining on the value of overlying surface property and on the tax base in both counties.[2]

8.1 It was found that residential properties located in longwall mining areas tend to be assessed at lower values than properties located in similar regions without longwall mining. While the relationship was apparent it is not consistent. Four factors appear to be the basis for this finding:

8.1.1 Properties above longwall mining operations are granted more appeals for reductions in assessment than properties in control areas. Property owners in longwall areas tend to file more appeals, and the counties grant more appeals in longwall areas. Granted appeals reduce the assessment more in longwall areas than in non-longwall areas. As a general rule, even after repair, the original value is not reassigned to the properties – thus the "temporary" reduction becomes a permanent loss in the tax base.

8.1.2 Longwall operations are, for the most part, located in the "virgin" coal areas of the counties where there remains large tracts of available coal. The urbanization of the region historically spread from the old coal towns located near the mouths of the depleted room and pillar mines. As a result, the surface properties overlying longwall operations tend to be in the remote and rural areas of the counties. These areas tend not to be improved with public sewer and water. Access to public sewer and water tends to have stronger correlation to value than most other real estate value factors.

8.1.3 Longwall operations do cause damage to properties. While the law requires repair to structures, repair can require some period of time and some damage may not be readily quantifiable (land subsidence, water table changes, etc.). Thus, a longwall operation may have a lagging negative affect on the desirability of the land areas.

8.1.4 Some properties that may have received adequate compensation for damage are not repaired. The land owner may choose to use compensation settlement for other purposes. Thus, a damaged property may remain on the tax rolls at a diminished in value.

[2] In the original Project Work Statement, the term *fair market value* was used. As discussed in Section 4.2 of this report, sufficient data on fair market value were not available for these analyses. A related estimate of market value, which RTC calls *county value*, was calculated from available tax assessment records and used in this study's analyses.

8.2 A permanent reduction in value granted to properties by the tax departments because of location near longwall mining operations is not supported by the sales analysis. An analysis of residential property sales shows that there is no consistent relationship between property sales selling for less than county value and property location with respect to mining. Overall, the differences between sales prices and county values does not correlate with the location of longwall mines. The ratio of sales-prices to county-values tends to be higher in urban areas and lower and even negative in the more remote areas of both counties.

8.3 Temporary reductions in value because of damage and lag time until repairs are completed may be justified.

8.4 While it was demonstrated that properties above longwall mining operations are granted more appeals for reductions in assessment than properties in control areas, the total value of the annual appeals is not very significant when compared to the total tax base of the county. Obviously, the affect on individual properties may vary widely.

8.5 In general, it would appear that coal companies compensate property owners in excess of the reduction in value shown by the tax appeal. Obviously, the damage and compensation at individual properties may vary widely.

8.6 In the active longwall mining areas the coal tends to offer more taxable value than the surface properties. The coal value is high because it is minable. Therefore, in general, the money contributed to the tax base from mining more than offsets any tax revenue loss due to surface property assessment reductions. The affect of longwall mining on surface property value is a site-specific phenomenon, changing some individual property values and not others. While the taxes generated by mining are temporary, so to should be most of the surface property assessment reductions (if coal company compensation money is used to repair the surface as the sales analysis indicates). The transitory nature of coal property value must be considered by the counties and other taxing authorities. Coal property may be:

- moderately valuable as reserves before mining
- highly valuable during mining
- virtually worthless if unminable
- worthless if depleted

8.7 Northwestern Greene and southwestern Washington Counties are highly dependent on coal as a tax base. Loss of longwall revenue to these counties would be devastating to county, school district, and municipality income. In areas with longwall mining, coal taxes make up the majority of the tax base.

8.8 One of the issues identified for study was whether property values decrease in anticipation of mining – does the announcement of future mining cause a reduction of property values? Most mining area boundaries were established before the

beginning of the study period (1993) making analysis of potential value changes related to the anticipation of mining difficult. Ideally, the analysis would involve paired sales – sales of the same property before and after the announcement of the mine plan. There were too few sales to complete this analysis. Instead, county records for the three year period prior to initiation of individual mine panels were searched to find assessment reductions that might be related to the anticipation of mining activity. These reduction could be indicators of a general relationship between future mining and the opinion of value. There were not enough of these changes to reach any conclusions. Most assessment reductions were assigned after mining commenced.

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RESUMES OF KEY PERSONNEL

Jeffrey R. Kern
David Falkenstern
Ronald W. Stingelin

JEFFREY R. KERN, MRP, ASA
STATE CERTIFIED, GENERAL APPRAISER

EDUCATION

Degrees

M.R.P., Masters of Regional Planning: The Pennsylvania State University. Emphasis land use and resource management, resource economics - 1980

B.A.: Dickinson College. Political Science, minor in Geology, emphasis on land use planning and resource management - 1973

Graduate Work in Public Administration: The Pennsylvania State University. Focus on public finance and land use management - 1977 - 1981

(Ph.D. Candidate, West Virginia University)

APPRAISAL AND REAL ESTATE COURSES/STUDIES

- Managing Your Mineral and Real Estate Assets, Pittsburgh Section **-** Society for Mining, Metallurgy, and Exploration, 2000
- Uniform Standards of Professional Appraisal Practice, ASA, 2000
- Market Approach to Valuing Businesses, ASA, 1999
- Geostatistical Simulation for Mineral Deposit Modeling & Mining Application, Colorado School of Mines, 1999
- APCOM '99 Computer Applications in the Minerals Industries, Colorado School of Mines, 1999
- Marshall & Swift Residential Costing, Assessors' Association of PA, 1999
- Valuation of Pennsylvania Minerals, Assessors' Association of PA, 1999
- Mining In a Volatile World, Mineral Economics & Management Society, 1999
- Due Diligence Review and Valuation of Industrial Mineral Acquisitions, Society for Mining, Metallurgy, and Exploration, 1999
- Uniform Standards of Professional Appraisal Practice, McKissock Data Systems, 1998
- Economic Globalization of the Mining Industry, Mineral Economics and Management Society, 1998
- Economic Evaluation and Investment Decision Methods, Colorado School of Mines, 1997
- Uniform Standards of Professional Appraisal Practice, McKissock Data Systems, 1997
- Income Capitalization, McKissock Data Systems, 1997
- Coal Taxation, Virginia Polytechnic Institute State University, 1997
- Evaluating, Buying, & Selling Coal Properties, Coal Outlook, 1997
- Coal Taxation, Virginia Technical Institute, 1996
- Uniform Standards of Professional Appraisal Practice, ASA, 1996
- Regression Analysis as an Appraisal Tool, McKissock Data Systems, 1995
- Uniform Standards of Professional Appraisal Practice, ASA, 1994

- Real Property Appraisal, Income Producing Properties III, ASA, 1992Fundamentals of Real Estate, Polley School, 1991(State Certification Requirement)
- Real Estate Practice, Polley School, 1991 (State Certification Requirement)
- Appraisal Ethics and Practice, Polley School, 1991
- Real Property Appraisal II, ASA, 1990
- Real Property Appraisal, Income Producing Properties I, ASA, 1990
- ASA Value-Tape Series (self-study materials for preparation for certification examinations) Including:
  - *Cost Manuals and Cost Data*
  - *Depreciation Recapture*
  - *Mobile Home Park Appraisals*
  - *Cost Is Not Always Value*
  - *Market Approach to Basic Rural Appraisal*
  - *Partial Acquisition of a Farm Property*
  - *Appraisal Practices in the Army Corps of Engineers*
  - *Appraisal of Machinery and Equipment*
  - ***Ad Valorem Taxes and Real Property***
  - ***Appraising Income Properties for Mortgage Loans***
  - ***Eminent Domain: Principals of Fixtures Appraisal***
  - ***How to Determine the Feasibility of an Apartment Project***
  - ***Valuation of Public Utilities for Ad Valorem Taxation***

CERTIFICATIONS, HONORS, AND ACTIVITIES

Certifications

- Certified General Appraiser: Pennsylvania GA 000447-L
- Certified General Appraiser: New York
- Certified General Appraiser: New Jersey RG 00830
- Certified General Appraiser: West Virginia 226
- Senior Member: American Society of Appraisers, Tested in Real Property - Natural Resources - Technical Valuations Discipline
- Member National Association of Realtors
- Member National Association of Independent Fee Appraisers
- Member International Assessing Officers
- Board of Directors, Mineral Economics Management Society

GUEST LECTURER, SPEAKER, EDUCATOR

- Valuation of Pennsylvania Minerals: Annual Assessors Association of Pennsylvania, 2000
- Uniform Standards of Professional Appraisal Practice: ASA, 2000
- Mineral Valuation: Society for Mining, Metallurgy, and Exploration, 2000
- GIS, Tax Assessment, and Local Government: APP, 2000
- GIS and Real Estate Tax Assessment: Continuing Education for West Virginia Appraisers, 2000
- GIS and Real Estate Tax Assessment: Assessors Association of Pennsylvania, 2000
- Reserve Coal Appraisal Methodology: Virginia Tech, 1999
- Valuation of Pennsylvania Minerals: Annual Assessors Association of Pennsylvania, 1999
- GIS and Property Tax Appraisals: Annual Assessors Association of Pennsylvania, 1999
- Business Management, Rehabilitation Services: Industrial Services, College of Education (Rehabilitation Counseling), The Pennsylvania State University, 1993

- Business Management, Rehabilitation Services: Industrial Services, College of Education (Rehabilitation Counseling), The Pennsylvania State University, 1992
- Business Management, Rehabilitation Services: Industrial Services, College of Education (Rehabilitation Counseling), The Pennsylvania State University, 1991
- Business Management, Employee Assistance Plan Opportunities, College of Education (Rehabilitation Counseling), The Pennsylvania State University, 1990
- Business Management, Rehabilitation Hospital Locations, College of Education (Rehabilitation Counseling), The Pennsylvania State University, 1990
- Hospital Location, Development, and Administration in the For-Profit Sector, College of Education (Rehabilitation Counseling), The Pennsylvania State University, 1989
- Rehabilitation Environment, Council on Disabilities, 1988
- Remote Sensing Workshop, Pennsylvania State University, 1982
- Careers in Geography Workshop, Geography Department, The Pennsylvania State University, 1982
- Remote Sensing Workshop, Pennsylvania State University, 1981

EXPERIENCE

1980 - Present: Resource Technologies Corporation
President: Responsible for finance, business development, and corporate management

Appraisal Projects - Commercial and industrial appraisals including:
- *Natural resources such as coal, oil, gas, sand, gravel, clay, limestone, and other minerals*
- *Environmentally sensitive properties*
- *Hospital and medical facilities*
- *Condominium and vacation properties*
- *Technical and business properties including associated equipment*
- *Rural agricultural lands and farms*
- *Recreational lands*
- *Mass appraisals*

Many of these efforts have involved condemnation and/or taxation and most have required court presentation with values ranging from $1,000 to $500,000,000. Appraisal clients have included the following federal clients:
- *U.S. Department of Defense, Army Corps of Engineers*
- *U.S. Department of Interior, Office of Surface Mining*
- *U.S. Department of Treasury, Internal Revenue Service*
- *U.S. Department of Justice, various divisions*

Other current state, local, and private clients include:
- *Tri-County Habitat for Humanity*
- *FDIC-NE Service Center*
- *Glenn O. Hawbaker, Inc.*
- *Greene County, Pennsylvania*
- *State of West Virginia*
- *United Miners' Workers*
- *U.S. Park Service*
- *Mid-State Bank and Trust Company*
- *Rhoads and Sinon, LLP*
- *Schuylkill County, Pennsylvania*
- *LaFarge Canada, Inc.*
- *Essroc Materials, Inc.*
- *Blue Coal Corporation*

- *Ernst & Young, LLP*
- *Fayette County, Pennsylvania*
- *Arthur Andersen, LLP*
- *J.E. Baker, Inc.*
- *ProData Services, Inc.*
- *Hook and Hook, PC*
- *West Virginia Education Association*
- *The Foundation of Monongalia General Hospital, Inc.*
- *National Bank of the Commonwealth*
- *Centre County, Pennsylvania*
- *Clinton County, Pennsylvania*
- *Beltrami Enterprises, Inc.*
- *Fleet Bank*
- *Common Cause of West Virginia*

Current efforts involve the complete reassessment for tax purposes of all minerals in the Pennsylvania Counties of Centre, Clinton, Greene, Fayette, and Schuylkill. Additionally, current efforts include development of a reserve coal assessment system for the state of West Virginia.

Expert testimony has been accepted in numerous courts, specifically:

- *United States District Court, Northern District of West Virginia*
- *United States District Court, Middle District Court of Pennsylvania*
- *United States District Court, Western District of Pennsylvania*
- *United States District Court, Eastern District of Kentucky*
- *United States Bankruptcy Court, Wilkes-Barre, Pennsylvania*
- *Various State and Local Courts*

RECENT APPRAISAL PROJECTS

- **Allegheny Energy Power Plant** in Pennsylvania, Client: Greene County, Pennsylvania
- **Coal Fines Recovery Facilities**, lands, and operations in West Virginia, Client: Ernst and Young, LLP
- **Hard Rock Quarry Operation** in Colorado, Client: Fleet Bank
- **Aggregate Operation** in British Columbia, Client: Arthur Anderson
- All coal reserves in State of West Virginia, Client: Department of Tax and Revenue, State of West Virginia
- Federal Acquisitions including coal, oil, gas, other minerals and rural lands in various states for Federal prison construction, Client: U. S Bureau of Prisons
- **Clay Mine and Manufacturing Facility**, Midwest United States, Client: Coast Business Credit
- **Sodium Sulfate Deposit and Processing Operation,** Cedar Creek Texas - Client: Fleet Bank
- **Limestone and Aggregate Mine in British Columbia, Canada** - Client: Arthur Andersen, LLP
- **Slate Mine and Processing Operation, Eastern Pennsylvania** - Client: Confidential

- **Bus Station and Garage, Pennsylvania** - Client: Confidential
- **Paper Production Plant** - Client: West Virginia Department of Tax and Revenue
- **Limestone and Aggregate Mine and Cement Production Facility in Western Pennsylvania** - Client: Essroc Materials, Inc.
- **Limestone and Aggregate Mine and Cement Production Facility in Eastern Missouri** - Client: RESCO
- **Limestone and Aggregate Mine and Cement Production Facility in Western British Columbia** - Client: LaFarge Canada, Inc.
- **Coal Reserves in Western Pennsylvania** - Client: Greene County, Pennsylvania
- **Gas Storage Field in Western and Central Pennsylvania** - Client: Confidential
- **KMG Minerals, Inc. Specialty Mineral Products** - Client: Confidential
- **All Reserve Mineral Properties in West Virginia** - Client: West Virginia Department of Tax and Revenue
- **All Reserve Mineral Properties in Fayette County, Pennsylvania** - Client: West Virginia Department of Tax and Revenue
- **Dimension Stone Reserves in South Dakota, Minnesota, and Texas** - Client: Confidential
- **Sand, Gravel, and Dolomite Operation, Tampa Florida** - Client: Barclays Business Credit
- **Oil and Gas and Other Minerals in Centre, Greene, and Clinton Counties, Pennsylvania** - Client: Various County Real Estate Tax Departments
- **Damages Caused by Undermining Of Cemetery, Braddock Cemetery Association, Inc.** - Client: Hook and Hook, PC
- **Review of Coal Reserve Assessment System, West Virginia** - Client: Common Cause, Federation of Teachers, et. al.
- **Wood Product Reprocessing Business** - Client: Keystone Financial Services
- **Scenic Easement and Rights-of-Way, Youghogeny River** - Client: Curry Lumber Company
- **Selection of Potential Mineral Sites** - Client: Glenn O. Hawbaker, Inc.
- **Nursing Home, Greene County, Pennsylvania** - Client: Greene County Commissioners
- **Coal, Oil, and Gas Reserves and Rural Lands in four Pennsylvania Counties** - Client: United Properties Group
- **Condominium and Vacation Complex, Monroe County, Pennsylvania** - Client: GE Capital Credit
- **Coal Refuse Processing Operation, Western Pennsylvania** - Client: Comerica Bank
- **Four Operating Deep Mines in Western Pennsylvania** - Client: Fleet Financial Services
- **Coal Refuse Resources, Eastern Pennsylvania** - Client: Rhoads & Sinon, LLP
- **Nursing Home, Jefferson County, Pennsylvania** - Client: Nursing Home Corporation
- **Large Bankrupt Coal and Land Estate** - Client: Beltrami Enterprises, Inc.
- **Lands and Resources Associated with a 20-Mine Holding Company** - Client: Schuylkill County, Pennsylvania
- **Coal Reserve Values** - Client: Wheeling Creek Water Shed
- **Granite Mining Operations, Wisconsin and Texas** - Client: Barclays Business Credit