

13 Jun 2016

Dear ITM Customers, Volunteers, and Stakeholders:

As you know, the Hoosier Heritage Port Authority (HHPA) suspended operations by Indiana Transportation Museum, Inc. on the railroad tracks managed by HHPA on Mar. 25, 2016, in response to false allegations made by a small group of former volunteers. Operations were suspended pending a series of inspections by the Federal Railroad Administration (FRA) of HHPA tracks and signals and ITM equipment and operating records.

Those inspections are now complete and are consistent with the board-held belief that ITM has at all times and without fail met its obligation to comply with federal and industry standards for guarding public safety, applicable to ITM's rail operations.

We would like to thank the FRA and its inspectors for their time and assistance and for their professionalism. Since we first began operations in 1983, the FRA personnel have been very friendly and willing to share their advice on how to make our operation even better.

In addition, we engaged an independent licensed railroad bridge engineer to inspect all bridges and culverts along the line. His report to us, which we have shared with HHPA, confirmed that the bridges and culverts are safe for our normal operations.

We believe that based on the positive review of our operations conducted by the FRA, the results of the inspection of the bridges, and the submission of the certifications of our operating personnel, the HHPA is well positioned to conclude that, consistent with the public's interest, ITM should be allowed without further ado to resume rail operations.

In terms of revenue and number of visitors, the 2015 operating season was the most successful in ITM's 56-year history. The success of that year promised to launch an even more successful 2016.

Our 2015 revenue, due in large part to our expanded Polar Bear Express operation, was sufficient to pay off all of our outstanding debts, including funds borrowed from our line of credit, and left us with money in the bank to start the 2016 season. The 2015 season also saw the establishment of an endowment fund, made possible by a bequest, exceeding \$450,000, from the estate of ITM member Oliver B. Daugherty. After investigating various alternatives, the ITM board decided that the fund should be managed by Central Indiana Community Foundation (CICF). Establishment of this fund enhances ITM's prospects for receipt of other substantial gifts and grants.

I previously reported to you on the dismissal of seven volunteers from ITM and its related organizations. All the dismissed volunteers held positions of authority within the institution. As directors and/or officers of organizations within the ITM group of organizations, each owed statute-based fiduciary duties to ITM as well as contract-based fiduciary duties from written pledges they signed. Unfortunately, they:

- 1.) Opposed the expansion of the Polar Bear Express operation in 2015, and its planned further expansion in 2016, even after the success of the operation demonstrated that it could be done and the resulting revenue was the best ever achieved.
- 2.) Have claimed that we are utilizing untrained and unqualified personnel in train operations, when in fact, the dismissed volunteers are the very ones who trained and approved our personnel's certifications and qualifications.
- 3.) Have sullied ITM's reputation, and their own by default, by going public with their unfounded complaints, potentially making it ever more difficult to seek out gifts and grants to do the very work that they claim that they want to do.
- 4.) Have caused ITM to lose a substantial amount of income this year.

Moreover, one of the individuals, at all relevant times a member of the ITM board and an ITM officer, served as the executor of the Daugherty estate. For over 6 years he withheld from the ITM board relevant information regarding the Daugherty bequest. ITM's receipt of the bequest was unnecessarily delayed. The delay cost ITM thousands of dollars. At ITM's insistence, in connection with the settlement of all matters between ITM and the estate, ITM was compensated for such delay.

The ITM board continues to believe that the above-described circumstances warranted the removal of these seven individuals from all positions they held with ITM organizations and the termination of their roles as ITM volunteers.

Since 2009, ITM has taken significant steps to evolve, in its structure, operations, and otherwise, with a view to the goal of rightfully joining the ranks of central Indiana's leading nonprofit organizations. Such evolution is vital not only to ITM's growth but to its survival. The type of house-cleaning ITM has undertaken in recent months is not uncommon in either the for-profit or non-profit sector, especially during periods of transition. ITM has overcome adversity on several occasions in its long history and will do so again in the weeks and months to come as it recovers fully from the volunteer-triggered setbacks described above.

In closing, I would like to thank our loyal volunteers for their continued support and our customers for their patience as we complete our task of getting back on line and rolling again!

I will continue to keep you informed of additional developments.

Yours very sincerely,

Jeffrey S. Kehler
Chairman, Board of Directors
Indiana Transportation Museum, Inc.