

216851  
BEFORE THE  
SURFACE TRANSPORTATION BOARD  
WASHINGTON, DC

ORIGINAL



STB Docket No AB-914X

McCLOUD RAILWAY COMPANY  
--ABANDONMENT AND DISCONTINUANCE OF SERVICE EXEMPTION--  
— IN SISKIYOU, SHASTA, AND MODOC COUNTIES, CA

OFFER OF FINANCIAL ASSISTANCE

**FEE RECEIVED**  
JUN 26 2006  
SURFACE  
TRANSPORTATION BOARD

**ENTERED**  
Office of Proceedings  
JUN 26 2006  
Part of  
Public Record

Fritz R. Kahn  
Fritz R. Kahn, P.C.  
1920 N Street, NW (8<sup>th</sup> fl.)  
Washington, DC 20036-1601  
Tel.: (202) 263-4152

Attorney for

SEASIDE HOLDINGS, INC.

Due and dated: June 26, 2006

**FILED**  
JUN 26 2006  
SURFACE  
TRANSPORTATION BOARD

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OFFER OF FINANCIAL ASSISTANCE

Offeror, Seaside Holdings, Inc. of Palm Beach Gardens, Florida 33410 (“Seaside”), pursuant to 49 U.S.C. 10904, 49 C.F.R. 1152.27 and the Decisions of the Board, served October 19, 2005, and June 1, 2006, offers to purchase the approximately 80 miles of railroad lines authorized by the Board, by its Decision, served October 14, 2005, to be abandoned by the McCloud Railway Company

An offer of financial assistance (“OFA”) to acquire a line for continued rail service need not be detailed, but an offeror must show that it is financially responsible and that the offer is reasonable. STB Docket No. AB-1081X, San Pedro Railroad Operating Company, LLC—Abandonment Exemption—In Cochise County, AZ, served February 17, 2006; STB Docket No. AB-490 (Sub-No. 1X), Greenville County Economic Development Corporation—Abandonment and Discontinuance Exemption—In Greenville County, SC, served October 27, 2005; STB Docket No. AB-55 (Sub-No. 659X), CSX Transportation, Inc.—Abandonment Exemption—In Allegany County, MD, served October 26, 2005; STB Docket No. AB-290 (Sub-No. 260X), Tennessee

Railway Company—Abandonment Exemption—In Scott County, TN, served June 30, 2005. Seaside fully satisfies both requirements.

Seaside is a holding company wholly owned by two individuals. The one is Mr. Dan Corcoran, who serves as a Director, President and Treasurer. The other is Mr. John E. Higley, who serves as a Director, Vice President and Secretary.

Mr. Corcoran has a net worth of \$7,340,000. Attached is a notarized letter in which Mr. Corcoran states that is prepared to commit his net worth to the purchase and two-year operation by Seaside Holdings, Inc., of the properties formerly operated by the McCloud Railway Company. Appended to his letter is a copy of Mr. Corcoran's Personal Financial Statement as submitted to his bank, Commerce Bank.

Mr. Higley has a net worth of \$10,385,000. Attached is a notarized letter in which Mr. Higley states that he is prepared to commit his net worth to the purchase and two-year operation by Seaside Holdings, Inc., of the properties formerly operated by the McCloud Railway Company. Appended to his letter is a copy of Mr. Higley's Personal Financial Statement as submitted to his bank, Bank Atlantic of Ft. Lauderdale, FL.

Seaside proposes to pay \$1,580,374 for the McCloud Railway Company properties. Attached is the appraisal of the railroad's properties performed for Seaside by Mr. Jim Okroy, Vice President, Operations of A & K Railroad Materials, Inc., of Salt Lake City, UT, the Nation's foremost buyer and seller of salvaged tracks, ties and other track materials. Mr. Okroy, an appraiser with thirty years' experience, personally took a high-rail trip on the McCloud Railway Company on August 25-27, 2005, and his appraisal reflects his observation of the date, weight and condition of the track, the condition of the ties and on the quantity and condition of the other track materials.

Mr. Okroy accepts the \$291,419 which McCloud Railway Company represented to be the value of those portions of its rights-of-way held in fee.

He, however, takes issue with \$4,363,784 which Railroad Materials Salvage, Inc. of Richmond, MO, estimated to be the net liquidation value of the tracks, ties and other track materials.

Mr. Okroy maintains that Railroad Materials Salvage Inc., highly overvalued the current selling price of the track, ties and other track materials. Mr. Okroy did not merely rely upon the prices at which A & K Railroad Materials, Inc., currently is selling comparable products. He secured firm price quotations from Raw Materials, Inc., of Chicago Heights, IL, and additionally obtained the June 2006 prices of No. 1 railroad heavy metal in Seattle, No 1 railroad heavy metal in Chicago, No. 1 industrial heavy melt in Chicago and rerolling rails in Chicago as published in American Metals Market.

Moreover, the valuations of Railroad Materials Salvage, Inc., were its sales prices for the tracks, ties and track materials. The valuations took into account neither the company's overhead costs nor its profit.

In sharp contrast, to the unsubstantiated skeletal estimate of the value of the track, ties and other track materials submitted by Railroad Materials Salvage, Inc., Mr. Okroy includes a detailed break down of the age, condition and weight of the rail, the number and nature of the turnouts, number and quality of the ties, and separately the number, condition and weight of the anchors, bars, plates and scrap spikes and bolts, as well as their asset values. Mr. Okroy comes up with a total track asset value of \$3,339,836, from which he deducted \$1,143,068 for the removal costs, \$544,688 for the salvager's overhead and \$363,125 for the salvager's profit. Mr. Okroy, therefore, determined that

the tracks, ties and other track materials of the McCloud Railway Company have a net liquidation value of \$1,288,955..

Thus, Mr. Okroy concludes:

In summary, the appraisal performed by Railroad Materials Salvage, Inc., has highly overvalued the selling price of the track materials, underestimated the removal costs, ignored the scrap tie disposal cost and has not included any overhead costs or allowance for profit. The NLV provided herein is an accurate assessment of the McCloud Railway asset value.

WHEREFORE, Seaside Holdings, Inc., asks that it be found to be a financially responsible person within the meaning of 49 U.S.C. 10904(d) and that it has explained the disparity between its proposed purchase price for the properties formerly operated by the McCloud Railway Company and the amount the railroad seeks, as required by 49 U.S.C. 10904(c).

Respectfully submitted,

SEASIDE HOLDINGS, INC.

By its attorney,



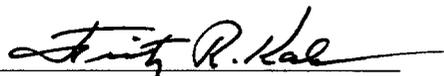
Fritz R. Kahn  
Fritz R. Kahn, P.C.  
1920 N Street, NW (8<sup>th</sup> fl.)  
Washington, DC 20036  
Tel.: (202) 263-4152

Due and dated: June 26, 2006

CERTIFICATE OF SERVICE

I certify that I this day have served copies of the foregoing Offer of Financial Assistance upon McCloud Railway Company, Oregon Pacific & Eastern Railroad Co. and Pacific Unified Railroad Corporation by sending them via UPS Next Day Air to their representatives, Thomas F. McFarland, Esq., Mr. Robert W. Larson and Mr. Michael J. Garcia, respectively.

Dated at Washington DC, this 26<sup>th</sup> day of June 2006.

  
Fritz R. Kahn

June 26, 2006

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

RE: STB Docket No. AB-914X – McCloud Railway Company  
Seaside Holdings Inc. – Personal Guarantee

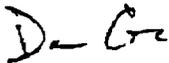
To Whom It May Concern:

My name is Dan Corcoran, and I am one of two stockholders of Seaside Holdings, Inc., of Palm Beach Gardens, FL, one of its two Directors, its President and Treasurer.

Attached is a copy of my personal financial statement as submitted by me to the Commerce Bank, showing that I have a net worth of \$7,340,000, which I am prepared to commit to the purchase and two-year operation by Seaside Holdings, Inc., of the properties formerly operated by the McCloud Railway Company.

Please contact me at your convenience with any questions concerning the financial statements or my personal commitment.

Best regards,



Mr. Dan Corcoran  
14108 Harbor Lane  
Palm Beach Gardens, FL 33410  
Phone: 561-626-7010

ACKNOWLEDGMENT

State of Florida

County of Palm Beach

On this 26 day of June in the year 2006, before me Melanie C. Higley a notary public, personally appeared Daniel Corcoran, proved on the basis of satisfactory evidence to be the person(s) whose name(s) (is/are) subscribed to this instrument, and acknowledged (he/she/they) executed the same. Witness my hand and official seal.

Melanie C. Higley  
Notary Public



Melanie C. Higley  
MY COMMISSION # DD197360 EXPIRES  
March 11, 2007  
ACNBH0128U TROY FARM INSURANCE, INC



PERSONAL FINANCIAL STATEMENT AS OF \_\_\_\_\_ Date

SUBMITTED TO: \_\_\_\_\_

PERSONAL INFORMATION					
APPLICANT (NAME) DAN CORCORAN			CO-APPLICANT (NAME)		
US Citizen <input checked="" type="checkbox"/> Yes <input type="checkbox"/> NO If no, resident Alien No.			US Citizen <input type="checkbox"/> Yes <input type="checkbox"/> NO If no, resident Alien No.		
Employer AMERICAN AIRLINES			Employer		
Address of Employer MIAMI INTL AIRPORT			Address of Employer		
Business Phone No. 305-241-1100	No. Of Years with Employer 21	Title/Position CAPTAIN	Business Phone No.	No. Of Years with Employer	Title/Position
Name of previous employer & position (if with current employer less than 3 yrs.)		No. of Yrs.	Name of previous employer & position (if with current employer less than 3 yrs.)		No. of Yrs.
Home Address 14108 HARBOR LANE			Home Address		
Home Phone No. 646-7010	Social Security No. 5271589-6	Date of Birth 11-5-58	Home Phone No.	Social Security No.	Date of Birth
Name, Phone No. of your Accountant JOHN RABER 707 876 2900			Name, Phone No. of your Accountant		
Name, Phone No. of your Attorney JEC TARONE SU 832-0212			Name, Phone No. of your Attorney		
Name, Phone No. of your Investment Advisor/Broker			Name, Phone No. of your Investment Advisor/Broker		
Name, Phone No. of your Insurance Advisor			Name, Phone No. of your Insurance Advisor		

Cash Income & Expenditures Statement For Year Ending \_\_\_\_\_ (Omit cents)

Salary (applicant)	\$ 180,000	Federal Income and Other Taxes	\$
Salary (Co-applicant)		State Income and Other Taxes	
Bonuses & Commission (applicant)		Rental Payments, Co-op or Condo Maintenance	
Bonuses & Commission (co-applicant)		Mortgage Payments Residential	
Rental Income	36,000	Mortgage Payments Investment	
Interest Income		Property Taxes Residential	
Dividend Income		Property Taxes Investment	
Capital Gains		Interest & Principal Payments on Loans	
Partnership Income		Insurance	
Other Investment Income		Investments (including tax shelters)	
Other Income (List)**		Alimony/Child Support	
		Tuition	
		Other Living Expenses	
		Medical Expenses	
		Other Expense (List)	
<b>TOTAL INCOME</b>	<b>\$ 216,000</b>	<b>TOTAL EXPENSES</b>	

Any significant changes in the next 12 months?  Yes  No (If yes, attach information)  
 \*\*Income from alimony, child support, or separate maintenance income need not be revealed if the applicant or co-applicant does not wish to have it considered as a basis for repaying this obligation.

(These forms are intended for use in conjunction with the appropriate Uniform Gifts and Gifts Tax Return and other tax or financial forms.)



**Schedule B - Insurance**  
**Life Insurance (use additional sheets)**

Insurance Company	Face Amount of Policy	Type of Policy	Beneficiary	Cash Surrender Value	Amount Borrowed	Ownership

Disability Insurance	Applicant	Co-Applicant
Monthly Distribution of Disabled		
Number of Years Covered		

**Schedule C - Personal Residence & Real Estate Investments, Mortgage Debt (majority ownership only)**

Personal Residence Property Address	Legal Owner	Purch		Market Value	Present Loan Balance	Interest Rate	Loan Maturity Date	Monthly Payment	Lender
		Year	Price						
1408 HARBOR LN	DAN CORCORAN	1994	375,000	1,500,000	450,000	5 1/8	2017	4500	CHASE
Investment Property Address	Legal Owner	Purchase		Market Value	Present Loan Balance	Interest Rate	Loan Maturity Date	Monthly Payment	Lender
		Year	Price						
525 LAKESHORE <sup>15th</sup>	DAN CORCORAN	1997	575,000	1,800,000	400,000	5 3/4	2027	3000	CHASE
1100 LAKESHORE <sup>25th</sup>	CHARS YACH	1995	825,000	1,200,000	150,000	6	2035	4000	

**Schedule D - Partnerships (less than majority ownership for real partnerships)\***

Type of Investment	Date of Initial Investment	Cost	Percent Owned	Current Market Value	Balance Due on Partnership: Holds, Cash, Call	Final Contribution Date
Business/Professional (indicate name):						
Investments (including Tax Shelters):						
SR 74 LLC	9/2004	2,300,000	20%	4,200,000		
300 GOLF COURSE LLC	5/2004	4,500,000	23%	6,600,000		

\*Note: For investments which represent a material portion of your total assets, please include the relevant financial statements or tax returns, or in the case of partnership investments of S-corporations, schedule K-1s.

**Schedule E - Notes Payable**

Due to	Type of Facility	Amount of Line	Secured		Collateral	Interest Rate	Maturity	Unpaid Balance
			Yes	No				
Colonial Bank	BANK	1,600,000	<input checked="" type="checkbox"/>	<input type="checkbox"/>	10 1/2 ACRES	8 3/4	SEPT 07	1,600,000
COMMERCIAL		3,400,000	<input checked="" type="checkbox"/>	<input type="checkbox"/>	2601F COMMERCIAL	8 3/4	APR 06	3,400,000
			<input type="checkbox"/>	<input type="checkbox"/>				
			<input type="checkbox"/>	<input type="checkbox"/>				

**Please Answer the Following Questions:**

1. Income tax returns filed through (date): 2004 Are any returns currently being audited or contested?  Yes  No  
If yes, what years (s) \_\_\_\_\_
2. Have (either of) you or any firm in which you were a major owner ever declared bankruptcy?  Yes  No  
If yes, please provide details: \_\_\_\_\_
3. Have you drawn a will?  Yes  No  
If yes, please furnish the name of the executor(s) and year will was drawn: \_\_\_\_\_
4. Number of dependents (excluding self) and relationship to applicant: 0
5. Have you ever had a financial plan prepared for you?  Yes  No
6. Did you include two years federal and state tax returns?  Yes  No
7. Do (either of) you have a line of credit or unused credit facility at any other institution(s)?  Yes  No  
If so, please indicate where, how much, and name of banker: AMERICAN AIRLINE FCU \$30,000
8. Do you anticipate any substantial inheritances?  Yes  No  
If yes, please explain: \_\_\_\_\_

**Representations and Warranties**

The information contained in this statement is provided to induce Commerce Bank to extend or to continue the extension of credit to the undersigned or to others upon the guarantee of the undersigned. The undersigned acknowledge and understand that Commerce Bank is relying on the information provided herein in deciding to grant or continue credit or to accept a guarantee thereof. Each of the undersigned represents, warrants and certifies that the information provided herein is true, correct and complete. Each of the undersigned agrees to notify Commerce Bank immediately and in writing of any change in name, address, or employment of any material adverse change (1) in any of the information contained in this statement or (2) in the financial condition of any of the undersigned or (3) in the ability of any of the undersigned to perform its (or their) obligations to Commerce Bank. In the absence of such notice or a new and full written statement, this should be considered as a continuing statement and substantially correct. If the undersigned fail to notify you as required above, or if any of the information herein should prove to be inaccurate or incomplete in any material respect, you may declare the indebtedness of the undersigned or the indebtedness guaranteed by the undersigned, as the case may be, immediately due and payable. Commerce Bank is authorized to make all inquiries Commerce Bank deems necessary to verify the accuracy of the information contained herein and to determine the credit-worthiness of the undersigned. The undersigned authorize any person or consumer reporting agency to give Commerce Bank a copy of the undersigned's credit report and any other financial information it may have on the undersigned. Each of the undersigned authorizes Commerce Bank to answer questions about Commerce Bank's credit experience with the undersigned. Each of the undersigned authorizes Commerce Bank to answer questions about Commerce Bank's credit experience with the undersigned. As long as any obligation or guarantee of the undersigned to Commerce Bank is outstanding, the undersigned shall supply annually an updated financial statement. This personal financial statement and any other financial or other information that the undersigned gives Commerce Bank shall be your property.

The undersigned authorize any person or consumer reporting agency to give Commerce Bank a copy of the undersigned's credit report, any other financial information it may have on the undersigned, and to prepare at Commerce Bank's request, a consumer investigative report.

Signature: _____	Date: _____	Social Security Number: _____
Signature: _____	Date: _____	Social Security Number: _____

\_\_\_\_\_  
Date

\_\_\_\_\_  
Your Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Co-Applicant's Signature (If you are requesting  
The financial accommodation jointly)

June 26, 2006

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

RE: STB Docket No. AB-914X - McCloud Railway Company  
Seaside Holdings Inc. - Personal Guarantee

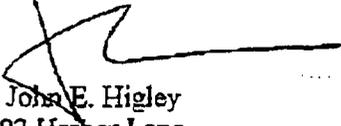
To Whom It May Concern:

My name is John E. Higley, and I am one of two stockholders of Seaside Holdings, Inc., of Palm Beach Gardens, FL, one of its two Directors, its Vice President and Secretary.

Attached is a copy of my personal financial statement as submitted by me to the Bank Atlantic of Ft. Lauderdale, FL, showing that I have a net worth of \$10,385,000.00, which I am prepared to commit to the purchase and two-year operation by Seaside Holdings, Inc., of the properties formerly operated by the McCloud Railway Company.

Please contact me at your convenience with any questions concerning the financial statements or my personal commitment.

Best regards,



Mr. John E. Higley  
14092 Harbor Lane  
Palm Beach Gardens, FL 33410  
Phone: 561-629-0017

ACKNOWLEDGMENT

State of Florida )  
County of Palm Beach }

On this 26 day of June in the year 2006, before me Melanie C Higley, a notary public, personally appeared John Higley, proved on the basis of satisfactory evidence to be the person(s) whose name(s) (is/are) subscribed to this instrument, and acknowledged (he/she/they) executed the same. Witness my hand and official seal.

Melanie C Higley  
Notary Public



Melanie C. Higley  
MY COMMISSION # DD192360 EXPIRES  
March 11, 2007  
BONDED THRU TROY FSN INSURANCE, INC.

1750 East Sunrise Blvd.  
 Ft. Lauderdale, FL 33304

# Personal Financial Statement

Received by Hand  Mail   
 Date Received 5.16.06  
 By TPINDER

Section 1 - Individual Information		Section 2 - Other Party Information	
Name	<u>JOHN E. HIGLEY</u>	Name	
Address	<u>14092 HARBOR LN</u>	Address	
City, State & Zip	<u>PAUM BEACH GARDENS FL</u>	City, State & Zip	
Position or occupation	<u>CAPTAIN</u>	Position or occupation	
Employer's name	<u>AMERICAN AIRLINES</u>	Employer's name	
Employer's address	<u>MIAMI INTL AIRPORT</u>	Employer's address	
City, State & Zip	<u>MIAMI FL</u>	City, State & Zip	
Res. phone	<u>561-629-0017</u>	Res. phone	
Bus. phone	<u>305-526-1118</u>	Bus. phone	
Social Security No.	<u>255 19-6084</u>	Social Security No.	
Date of Birth	<u>6-6-61</u>	Date of Birth	

Financial Condition as of 5.15, 2006

Please Do Not Leave Any Question Unanswered. Use "No" or "None" Where Necessary.

Assets (do not include assets of doubtful value)	In dollars (omit cents)	Liabilities	In dollars (omit cents)
Cash on hand and in this bank (See Schedule A)	\$ <u>280,000</u>	Notes Payable to Banks - Secured (See Schedule H)	\$ <u>6,510,000</u>
Cash in other banks (See Schedule A)	<u>100,000</u>	Notes Payable to Banks - Unsecured (See Schedule H)	
	<u>25,000</u>	Amounts Payable to Others - Secured/Unsecured (See Schedule H)	<u>0</u>
		Due to Brokers (See Schedule H)	<u>0</u>
	<u>16,500,000</u>	Accounts and Bills Due	
	<u>2,800,000</u>	Real Estate Mortgages Payable - (See Schedule D & E)	
Accounts, Loans, Notes, Mortgages Receivable (See Schedule F)		Unpaid Income Tax	
Vehicles	<u>70,000</u>	Other Unpaid Taxes and Interest	
Cash Value - Life Insurance (See Schedule G)	<u>0</u>	Loans on Life Insurance Policies (See Schedule G)	
Other Assets - Itemize: <u>FURS, JEWELRY</u>	<u>300,000</u>	Other Debts - Itemize: (See Schedule H)	
<u>401K</u>	<u>300,000</u>		
<u>B-FUND</u>	<u>200,000</u>		
		<b>Total Liabilities</b>	\$ <u>6,510,000</u>
		<b>Net Worth</b>	\$ <u>10,285,000</u>
<b>Total Assets</b>	\$ <u>16,895,000</u>	<b>Total Liabilities and Net Worth</b>	\$ <u>16,895,000</u>
<b>Annual Income For Year Ended</b> <u>2005</u>		<b>Contingent Liabilities</b>	<b>Amounts</b>
Salary	\$ <u>275,000</u>	Contingent liabilities? (as endorser co-maker or guarantor)	\$
Bonus & Commissions	\$	On leases? on contracts?	\$
Dividends	\$	Involvement in pending legal actions?	\$
Real Estate Income	\$ <u>100,000</u>	Other special debt or circumstances?	\$
Other Income (You need not disclose income derived from alimony, child support, and/or separate maintenance, unless you desire the bank to consider that income in their determination of whether or not they will grant you the credit requested.)	\$	Continued income tax liens?	\$
	\$	If yes to any question(s), describe:	
<b>Total</b>	\$ <u>375,000</u>	<b>Total Contingent Liabilities</b>	\$ <u>0</u>

## Supplementary Schedules

**Schedule A - Banking Deposit Relations** (A list of all my bank accounts including Savings & Loan; Money Market; etc)

Name and Location of Bank or Branch	In the name of	Type of Account		Balance
<u>BANK ATLANTIC</u>	<u>JOHN HIGLEY</u>	<u>CHECKING</u>	<u>0054239195</u>	<u>20,000</u>
<u>COMMERCE BANK</u>	<u>300 GOLF COURSE</u>	<u>CHECKING</u>		<u>65,000</u>
<u>COLONIAL BANK</u>	<u>SR 76 LLC</u>	<u>CHECKING</u>	<u>80 40 21 2526</u>	<u>25,000</u>
<u>AAFCU</u>	<u>JOHN HIGLEY</u>	<u>SAVINGS</u>	<u>251690089</u>	<u>29,000</u>

**Schedule B - Listed Securities** (U.S. Governments and Marketable)

No. of Shares or Face Value (Bonds)	Description	Restricted or Control Stock	In the name of	Where Traded	Market Value	To Whom Pledged
<u>1000</u>	<u>AMR</u>	<u>RESTRICTED</u>	<u>JOHN HIGLEY</u>	<u>NY</u>	<u>25,000</u>	<u>JOHN HIGLEY</u>

(Complete Schedules and Sign on Reverse Side)

**Supplementary Schedules (Continued)**

**Schedule C — Unlisted Securities**

No. of Shares Owned	Description of Securities	Registered Owner	If Paid Up, To Whom	Book Value Per Share (Per Statement Detail)	No. of Shares Outstanding	Total Value

**Schedule D — Partial Interest In Real Estate Equities**

Address and Type of Property	% Owned	Date Acquired	Cost	Market Value	Mortgage Holder	Balance Due	Monthly Payment	Value of Equity
525 WAREHOUSE	25	1978	570,000	2,000,000	CHASE	410,000	4000	1,600,000
52 76 LLC	25	2004	2,200,000	4,900,000	COLONY BK	1,600,000	5000	2,900,000
300 GOLF COURSE	33	2005	3,900,000	6,100,000	COMMERCIAL	3,200,000	29,000	1,900,000

**Schedule E — Real Estate Owned**

Location or Description of Property	Title In Name of	Date Acquired	Cost	Market Value	Mortgage Amount	Monthly Payment	Mortgage To Whom
1402 Harbor Ln	JOHN HIGLEY	1991	200,000	2,500,000	1,400,000	4500	B of A
310 RD	JOHN HIGLEY	2005	319,000	420,000	300,000	1200	HOME BANK

							Pledged? (Yes or No)	Description of Collateral (if any)

**Schedule G — Life Insurance Carried, Incl. N.S.L.I. and Group Insurance**

Face Amount	Name of Company	Owner of Policy	Beneficiary	Cash Surrender Value
1,000,000	A-16	JOHN HIGLEY	MICHAEL HIGLEY	0
500,000	VALLEY FORGE	JOHN HIGLEY	MICHAEL HIGLEY	0

**Schedule H — Notes Payable To Banks/Unsecured or Secured/Notes and/or Accounts Payable To Others**

Balance Due	Date of Origination	Payable To	Security Pledged, If Any	Maturity Date	Terms of Payment	Reason for Debt
	1978	CHASE	525 WAREHOUSE	2028	MONTHLY 4%	MORTGAGE
	2004	COLONY BANK	52 76	2007	MONTHLY 4.1	MORTGAGE
	2005	COMMERCIAL BANK	11914 - 11912 PRIMA	2008	MONTHLY 5.75	MORTGAGE
	2005	B of A	1402 HARBOR LN.	2015	MONTHLY 5.75	MORTGAGE
	2009	HOME BANK	310 RD	2034	MONTHLY 5.5	MORTGAGE

- The following information is applicable to the person(s) signing this Personal Financial Statement:
- 1) Non U.S. Citizen(s)? Yes \_\_\_\_\_ No X
  - 2) Defendant(s) in any suits or legal actions? Yes \_\_\_\_\_ No K
  - 3) Are any of the assets questionable? Yes \_\_\_\_\_ No K
  - 4) Have you ever been a debtor in any bankruptcy or insolvency proceeding in the last fourteen (14) years? Yes \_\_\_\_\_ No K
  - 5) Are you presently a defendant in any suits or legal actions? Yes \_\_\_\_\_ No K
  - 6) Are you an owner of 5% or more of any corporation, partnership or trust, except for those which are publicly traded on recognized markets, which is a defendant in any suit or legal action? Yes \_\_\_\_\_ No K
  - 7) Have any judgments ever been entered against you? Yes \_\_\_\_\_ No X
  - 8) Do you pay alimony, child support, separate maintenance payments? Yes \_\_\_\_\_ No Y  
If yes, monthly payment \$ \_\_\_\_\_
  - 9) Are you a partner or officer in any other venture? Yes \_\_\_\_\_ No K
  - 10) Are any assets pledged other than described in "Supplementary Schedules"? Yes \_\_\_\_\_ No N

If you answered yes to any of the above questions, give details:

\_\_\_\_\_

\_\_\_\_\_

The financial statement and the information contained herein is given to BankAtlantic, A Federal Savings Bank, hereinafter called the "Lender", by the undersigned or the purpose of inducing the Lender, from time to time, to extend credit to or otherwise become or remain the creditor of the undersigned, or persons, firms or corporations in whose behalf the undersigned may either individually or jointly with others, execute a guarantee in the Lender's favor. The undersigned acknowledges that the Lender will rely on the information contained in this Financial Statement in making its credit decision, and under penalty of perjury, represents and warrants that such information is true and complete and that there are no material omissions. The undersigned agrees that the Lender may consider his financial statement as continuing to be true and complete until a written notice of a change is given to the Lender by the undersigned. The Lender is authorized to make all inquiries that it deems necessary to verify the accuracy of the information contained herein and to determine the undersigned's creditworthiness. The Lender is further authorized to respond to any inquiries from others concerning the Lender's credit experience with the undersigned.

Signed: 5-15-2006 \_\_\_\_\_ Signed: \_\_\_\_\_ (Applicant)  
 Signed: \_\_\_\_\_ Signed: \_\_\_\_\_ (Joint Applicant, if any)

**APPRAISAL REPORT OF  
RAILROAD TRACK MATERIALS  
of Various Lines Located  
in the State of California**

**APPRAISED FOR:**  
Seaside Holdings, Inc.  
c/o Fritz Kahn, Esq.  
1920 "N" Street, NW – 8<sup>th</sup> Floor  
Washington, D.C. 20005-3934

**APPRAISAL DATE:**  
June 23, 2006

**APPRAISED BY:**  
A&K RAILROAD MATERIALS, INC.  
1505 South Redwood Road  
Salt Lake City, Utah 84104

SECTION I  
GENERAL DATA

**A. PURPOSE OF APPRAISAL**

The purpose of this appraisal is to estimate net liquidated value of the assets in question as of the date of appraisal.

Net Liquidated Value, as used in this report is defined as: "The most probable price which the assets should bring, less salvage and reclamation costs, 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 unique 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 both acting in what they consider their own best interest;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. 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.

**B. SCOPE OF APPRAISAL**

The scope of the appraisal is to collect, confirm, and report a summary of the necessary details of the assets and applicable comparable sale and cost information necessary to complete the appraisal process in order to produce a meaningful appraisal and report for the subject property. The market area considered in this appraisal is the western United States.

**C. PROPERTY RIGHTS APPRAISED**

For the purposes of this appraisal, it is assumed that the owners own the assets without liens or encumbrances.

**D. DATE OF APPRAISAL**

The date of this appraisal is June 23, 2006. All data relied upon in this report are considered as adjusted to this point in time. This appraisal has been prepared during September 2005 and June 2006.

## SECTION II

# VALUATION OF McCLOUD RAILWAY ASSETS

**A. INTRODUCTION**

Seaside Holdings, Inc. engaged A&K Railroad Materials, Inc. (A&K) to assess the condition and evaluate approximately 81 miles of rail owned by McCloud Railway Company. A&K understands that this valuation is to be utilized in a Surface Transportation Board (STB) proceeding.

The objective of the valuation was to determine the Net Liquidation Value (NLV) of track assets as of June 23, 2006. This report presents findings as to the valuation and discusses the factors which influence the value of railroad rail, other track material (OTM), ties and ballast.

**B. SCOPE OF APPRAISAL**

The railroad line is located in Siskiyou, Shasta and Modoc Counties, California. The line segments are described as follows: (1) a rail line between milepost 3.3 east of McCloud and the end of the track at milepost B-61 at or near Burney; (2) a rail line between milepost B-19 at or near Bartle and milepost B-31.4 at or near Hambone; (3) a rail line between milepost B-58 at or near Berry and milepost S-7 at or near Sierra; and (4) a rail line between milepost B-31.6 at or near Bear Flat and milepost P-3.93 at or near Pondosa. Included in the appraisal of the line segments are 2.95 miles of sidings and 2.7 miles of branch track.

A summary of the rail evaluated appears in Section III. This evaluation covers rail, ties, ballast, switches, and other track material (OTM), including joint bars, anchors, tie plates and spikes/bolts.

**C. NET LIQUIDATION VALUE**

The NLV of the McCloud track assets is \$1,580,374 as of June 23, 2006, as shown in Section III. This value was determined by Jim Okroy, A&K's Vice President of Operations through physical inspection of the property during August 25-27, 2005 via hi-rail trip. Market prices and typical removal costs were applied.

The line is comprised of approximately 13.1 miles of rail ranging from 50-80# rail, 24.45 miles of various sections of 85# rail, 43.05 miles of various sections of 90# rail, and .25 miles of 110# rail.

In order to arrive at the proper NLV, A&K determined that the light-weight rail must be sold as reroll or scrap. Approximately 99.7% of the rail on the McCloud Railway is 90# and lighter. Industry freight car standards are moving to 286,000 lb capacity cars, requiring heavier rail sections. None of the engineering companies, which are designing industry spurs, are specifying rail sections lighter than 100# rail and in almost all cases, rail lighter than 112# is not utilized. Therefore, the demand for 90# rail and lighter rail sections is negligible in relation to availability.

There is a demand for 85 ASCE in the underground coal mines of Kentucky and West Virginia, but the 850 section of rail on the McCloud line is unacceptable due to the fact that the base of the rail is too wide to fit in the steel ties used by these mines.

The 90# rail (Sections 903 and 9020) is a poor #2 quality rail and would never find its way into the relay market with an over saturation of #1 relay rail. As confirmed in the Railroad Material Salvage appraisal for McCloud Railway, the 90GN section has no relay market.

A&K made numerous calls to reroll and scrap rail customers and found that the prices available today are far less than those represented by Railroad Material Salvage Inc.. For example, on June 23, 2006, Chicago Heights Steel / RMI quoted \$322.00 per Gross Ton (2240 lbs). Refer to Exhibit A (attached). This equates to \$287.50 per Net Ton (2000 lbs.) After deducting rail freight from Mt. Shasta, CA to Chicago Heights, IL of \$5982/carload (\$66.47/nt) the net selling price FOB Mt. Shasta, CA (nearest Union Pacific shipping point to McCloud) is \$221.03/nt. This is \$48.97 less than the value reported by Railroad Material Salvage Inc. in its appraisal for McCloud Railway Company.

None of the rolling mills are accepting 85# and lighter rail sections. The best market for these rail sections was Chicago Heights at \$245.00/GT delivered. This is equivalent to \$218.75/nt, less freight of \$66.47/nt, or \$152.28/nt FOB Mt. Shasta, CA. This price is also substantially lower than the range of \$200.00-\$270.00/nt used by Railroad Materials Salvage Inc. in their appraisal.

A&K also found that Chicago is the best market for the other track materials after deducting for freight. Refer to Exhibit B for comparable prices. The American Metal Market ("AMM") pricing for June 21, 2006 shows the highest price paid was \$270/gt (241.07/nt) at Chicago Heights. Refer to Exhibit C for AMM pricing history. After deducting freight of \$66.47/nt, the net price FOB Mt. Shasta, CA is \$174.60/nt.

Grading and valuation of the ties were determined by A&K inspectors who sampled 100 ties every few miles and graded those ties into relayable ties, #1 landscape, #2 landscape and scrap ties. A&K valued the relay softwood ties (primarily 6" x 8" x 8' with some 7" x 8" x 8') at \$13.00 per tie. The #1 landscape quality ties were valued at \$8.50 each and the #2 landscape ties were \$6.00 each. A&K estimated a cost of \$1.85 per scrap ties for disposal costs for the 137,915 scrap ties on the rail line. The disposal cost was not addressed in the Railroad Materials Salvage Inc. appraisal.

In summary, the appraisal performed by Railroad Materials Salvage Inc. has highly overvalued the selling price of the track materials, underestimated the removal costs, ignored the scrap tie disposal cost and has not included any overhead costs or allowance for profit. The NLV provided herein is an accurate assessment of the McCloud Railway asset value.

Exhibit A

Chicago Heights Steel / RMI Quote

**RMI**  
**RAW MATERIALS, INC.**

211 E. MAIN  
CHICAGO HEIGHTS, IL 60411  
708-756-6663  
FAX 708-756-6621

June 23, 2006

Jim Okroy  
A&K Railroad Materials

Per your request, Chicago Heights Steel/RMI offers the following **FIRM** prices.

**903 & 90 GN RAIL**

Approximately 6000 GT of re-roll quality material \$322.00 per Gross Ton delivered our plant Chicago Heights, IL. Price good through September 30, 2006.

**75 & 85# RAIL**

Approximately 2500 GT - these sectors are not rerollable at Chicago Heights Steel and would have to be processed as scrap. Price for this material would be set monthly off of the 1<sup>st</sup> Effective Issue Iron Age Scrap Index #1 Heavy Melting Chicago District (June price is \$245.00/GT delivered).

Please advise.

  
RON OWCZARZAK  
VICE PRESIDENT

Exhibit B

Comparable Prices

## SCRAP RAIL

Date	Description	Net Ton Price
6/23/06	Sims Hugo \$170.00/nt ^ FOB Richmond, CA less freight \$22.40	\$147.60
6/23/06	Rail loaded into containers for export to China \$220.00/ metric ton ^ = \$199.63/nt less container freight from McCloud to Oakland of \$50.90/nt plus \$10.00/nt to load into containers or \$60.90/nt	\$138.73
6/23/06	Chicago Heights Steel \$245.00/gt = \$218.75/nt less freight of \$66.42/nt	\$152.28

## Other Track Materials

Date	Description	Net Ton Price
6/21/06	Seattle #1 Heavy Melt (OTM) \$155.00/gt * = \$138.39/nt less freight \$35.29/nt	\$103.10
6/21/06	Chicago #1 Heavy Melt (OTM) \$270/gt * = \$241.07/nt less freight \$66.47/nt	\$174.60
6/23/06	Union City, CA at Sims Hugo New \$225/gt = \$200.89/nt less freight \$26.67/nt ^	\$174.22
6/23/06	Portland #1 Heavy Melt (OTM) \$127.00/gt * = 113.39/nt less freight \$32.01/nt	\$81.38

^ Pricing from Mike Cunha at Sims Hugo New on 6/23/06

- Pricing from American Metal Market

## Exhibit C

### American Metal Market Historical Pricing

Attached are copies of American Metal Market pricing for June 1-23, 2006. The following pricing is provided:

- No. 1 RR Heavy Melt – Seattle
- No. 1 RR Heavy Melt – Chicago
- No. 1 Industrial Heavy Melt – Chicago
- Rerolling Rails – Chicago



June 26, 2006

The AMM database was last updated on:  
**06/23/2006 at 03:06:39**

For the requested range of date from:  
**06/01/2006 to 06/23/2006**

Prices for this material last updated on 06/07/2006

Date	FERROUS SCRAP - CONSUMER, No. 1 R.R. heavy melt Location: Seattle Unit of Measure: US (dollar) / Gross Ton
06/01/2006	155
06/02/2006	155
06/05/2006	155
06/06/2006	155
06/07/2006	155
06/08/2006	155
06/09/2006	155
06/12/2006	155
06/13/2006	155
06/14/2006	155
06/15/2006	155
06/16/2006	155
06/19/2006	155
06/20/2006	155
06/21/2006	155
06/22/2006	155
06/23/2006	155

If you wish to download this data in CSV format an extra charge may apply.  
 Please Contact:  
 Latha Rangarajan  
 Tel: 646-274-6269  
 Email: lrangarajan@amm.com



June 26, 2006

The AMM database was last updated on:  
**06/23/2006 at 03:06:39**

For the requested range of date from:  
**06/01/2006 to 06/23/2006**

Prices for this material last updated on 06/07/2006

Date	FERROUS SCRAP - CONSUMER, No. 1 R.R. heavy melt Location: Chicago Unit of Measure: US (dollar) / Gross Ton
06/01/2006	270
06/02/2006	270
06/05/2006	270
06/06/2006	270
06/07/2006	270
06/08/2006	270
06/09/2006	270
06/12/2006	270
06/13/2006	270
06/14/2006	270
06/15/2006	270
06/16/2006	270
06/19/2006	270
06/20/2006	270
06/21/2006	270
06/22/2006	270
06/23/2006	270

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 Latha Rangarajan  
 Tel: 646-274-6269  
 Email: lrangarajan@amm.com



June 26, 2006

The AMM database was last updated on:  
**06/23/2006 at 03:06:39**

For the requested range of date from:  
**06/01/2006 to 06/23/2006**

Prices for this material last updated on 05/05/2006

Date	FERROUS SCRAP - CONSUMER, NO. 1 industrial heavy melt Location: Chicago Unit of Measure: US (dollar) / Gross Ton
06/01/2006	270
06/02/2006	270
06/05/2006	270
06/06/2006	270
06/07/2006	270
06/08/2006	270
06/09/2006	270
06/12/2006	270
06/13/2006	270
06/14/2006	270
06/15/2006	270
06/16/2006	270
06/19/2006	270
06/20/2006	270
06/21/2006	270
06/22/2006	270
06/23/2006	270

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 Please Contact:  
 Latha Rangarajan  
 Tel: 646-274-6269  
 Email: lrangarajan@amm.com



June 26, 2006

The AMM database was last updated on:  
**06/23/2006 at 03:06:39**

For the requested range of date from:  
**06/01/2006 to 06/23/2006**

Prices for this material last updated on 04/12/2006

Date	FERROUS SCRAP - CONSUMER, rerolling rails Location: Chicago Unit of Measure: US (dollar) / Gross Ton
06/01/2006	325
06/02/2006	325
06/05/2006	325
06/06/2006	325
06/07/2006	325
06/08/2006	325
06/09/2006	325
06/12/2006	325
06/13/2006	325
06/14/2006	325
06/15/2006	325
06/16/2006	325
06/19/2006	325
06/20/2006	325
06/21/2006	325
06/22/2006	325
06/23/2006	325

If you wish to download this data in CSV format an extra charge may apply.

Please Contact:

Latha Rangarajan

Tel: 646-274-6269

Email: lrangarajan@amm.com

Revised from June 15, 2006

# CONSUMER BUYING PRICES

Estimated domestic consumer buying prices in US\$/gross ton;  
delivered mill price.

Seattle/  
Portland

NO. 1 HEAVY MELT .....	125-127
No. 2 heavy melt .....	122-124
No. 2 bundles .....	103-105
Shredded auto scrap .....	147-149
MACHINE SHOP TURNINGS .....	95-97
Shovelling turnings .....	
Cast iron borings .....	NA
Mixed borings, turnings .....	80-82
CUT STRUCTURAL/PLATE, 2' MAX. ....	NA
Cut structural/plate, 5' max. ....	140-142
CUPOLA CAST .....	NA
Heavy breakable cast .....	
Drop broken machinery cast .....	165
NO. 1 RR HEAVY MELT .....	155
Random mills .....	150
Other scrap material (NO. 1M) .....	105

SECTION III  
RAILROAD MATERIAL INVENTORY  
NET LIQUIDATED VALUE

# RAILROAD MATERIAL INVENTORY - NET LIQUIDATED VALUE

McCloud Railway Company

Total Track Asset Value (USD): \$ 3,339,836 pg 1-4  
 Total Real Estate Value: \$ 291,419 pg 2  
 Total Asset Value: \$ 3,631,255

Less - 15% Overhead: \$ 544,688  
 Less - 10% Profit: \$ 363,125  
 Less - Removal Costs: \$ 1,143,068 pg 5

**NET SALVAGE VALUE (USD): \$ 1,580,374**

<b>Rail</b>	<b>\$ 2,201,493.78</b>
-------------	------------------------

Rail Section	Quality	Total Net Tons	Value Per Ton	Total Asset Value
110 RE Tenn 1923, 36' and 39', 2 3/4 x 5 1/2" drilling	Re-roll	46	\$ 221.53	\$ 10,190
90 GN Col. Sec 908 1931, 33' and 39', 2 1/2 x 6" drilling	Re-roll	3145	\$ 221.53	\$ 696,712
	Scrap	30	\$ 152.28	\$ 4,568
90 RA CF&I 1910-18, Tenn 1911, 33', 2 3/4 x 5 1/2" drilling	Re-roll	587	\$ 221.53	\$ 130,038
	Scrap	7	\$ 152.28	\$ 1,066
903 Colorado 1937, 39', 2 1/2 x 5" drilling	Re-roll	1247	\$ 221.53	\$ 276,248
	Scrap	45	\$ 152.28	\$ 6,853
903 Colorado (1929) 9021 III (1913), 39', 2.5 x 5"	Re-roll	161	\$ 221.53	\$ 35,666
	Scrap	4	\$ 152.28	\$ 609
903 Colorado (1913-17) 9021 III (1913-23), 33', 2.5 x 5"	Re-roll	1204	\$ 221.53	\$ 266,722
	Scrap	45	\$ 152.28	\$ 6,853
850 Colorado 1927, 39', 3"x6" drilling	Scrap	866	\$ 152.28	\$ 131,874
	Scrap	1610	\$ 152.28	\$ 245,171
850 CF&I 1905-1909, 33', 3" x 6" drilling	Scrap	20	\$ 152.28	\$ 3,046
	Scrap	961	\$ 152.28	\$ 146,341
80 AS Colorado 1903, 33', 2 1/4 x 4 1/2" drilling	Re-roll	86	\$ 152.28	\$ 13,096
	Scrap	752	\$ 152.28	\$ 114,515
77 1/2 LI&S Co. Scranton 1901, 30', 2 1/4 x 4 1/2" drilling	Scrap	224	\$ 152.28	\$ 34,111
	Scrap	62	\$ 152.28	\$ 9,441
75 GN, ILL 7509, Carnegie 75B 1896, 1907, 33', 3/4 x 4 1/2" or 2 3/4 x 5 1/2" drilling	Scrap	104	\$ 152.28	\$ 15,837
	Scrap			

65 AS, CF&I 653 1898, 1887, 30 and 33', 2 1/2 x 5" drilling	Scrap	210	\$ 152.28	\$ 31,979
60 AS III 1908, 33' 2 1/2 x 5" drilling	Scrap	80	\$ 152.28	\$ 12,182
56 Joliet 1889, 30' 2 1/4 x 4 1/2" drilling	Scrap	9	\$ 152.28	\$ 1,371
50 AS Colorado Sect. 500, 1914, 30' 3 1/2 x 5" drilling	Scrap	46	\$ 152.28	\$ 7,005

**Real Estate** \$ 291,419.08

County	Ownership	Total Acres	Value Per Acre	Total Asset Value
Shasta County	Use Only - Reversionary	0.0	\$ -	\$ -
Siskiyou County	Fee Title	625.23	\$ 466.10	\$ 291,419.08

**Turnouts - Frogs & Points & Switch Stands** \$ 5,430.00

Rail Section	Size	Type	Quantity	Value	Total Asset Value
90 RA	Frogs - #8 and #11, Scrap	RB	4	\$ 50.00	\$ 200.00
	Frogs - #10, Relay	RBMI	4	\$ 200.00	\$ 800.00
	Switch Points, 16'6", Relay	Single Reinforced	12	\$ 100.00	\$ 1,200.00
	Switch Points, 16'6", Scrap	Single Reinforced	4	\$ 35.00	\$ 140.00
90 GN	Frogs - #1, Relay	RBMI	3	\$ 200.00	\$ 600.00
	Switch Points, 16'6", Relay	Single Reinforced	6	\$ 100.00	\$ 600.00
850	Frog, #10, Scrap	RB	6	\$ 50.00	\$ 300.00
	Switch Points, 15', Scrap	Single Reinforced	12	\$ 35.00	\$ 420.00
75 GN	Frogs - #9, Scrap	RB	2	\$ 50.00	\$ 100.00
	Switch Points, Scrap	Single Reinforced	4	\$ 35.00	\$ 140.00
65 AS	Frogs - #8, Scrap	RB	2	\$ 50.00	\$ 100.00
	Switch Points, 15', Scrap	Single Reinforced	4	\$ 35.00	\$ 140.00
60 AS	Frogs - #8, Relay	RB	2	\$ 100.00	\$ 200.00
	Switch Points, 15', Relay	Single Reinforced	4	\$ 65.00	\$ 260.00
Switch Stands, HT, Scrap			23	\$ 10.00	\$ 230.00

**Ties** \$ 522,854.75

Quality	Quantity	Value per Tie	Total Asset Value
Relay	5585	\$ 13.00	\$ 72,605
RL	0	\$ -	\$ -
#1	52405	\$ 8.50	\$ 445,443
#2	43325	\$ 6.00	\$ 259,950
#3	0	\$ -	\$ -
Hewed #1	0	\$ -	\$ -
Hewed #2	0	\$ -	\$ -
Scrap	137915	\$ -	\$ -
Total:	239230	\$ (1.86)	\$ (255,143)

Ties per mile = 2970  
 Ties per 39' rail = 22  
 Size = 7x8x8' or 6x8x8' = 90%  
 Size = 7x8x8' = 5%  
 Size = 7x9x8' = 5%

**Anchors** \$ 23,396.40

Rail Section	Description	Type	# of Anchors	Net Tons	Value per Ton	Total Anchor Value
90 GN	5" base, 8/39" rail length, Scrap	Modified Fair, Improved Fair, Other	45576	46	\$ 174.60	\$ 8,032
90 RA	5 1/8" base, 6/33" rail length	Improved Fair	7392	7	\$ 174.60	\$ 1,222
850	5 1/2" base, 8/39" rail length	Improved Fair	37800	28	\$ 174.60	\$ 4,889
903	5 3/16" base, 8/39" rail length	Improved Fair	38880	39	\$ 174.60	\$ 6,809
85 GN	5" base, 8/33" rail length	Improved Fair	17408	13	\$ 174.60	\$ 2,270
70 AS	4-5/8 base, 8/33" rail length		2304	1	\$ 174.60	\$ 175
			Total:	134		

**Bars** \$ 149,632.20

Rail Section	Description	Quantity (pair)	Quality	Net Tons	Value per Ton	Total Asset Value
110 RE	24" & 26" Full Toe, 72#/Pair, Drilled 5/16x5/16x5/16"	68	Relay	3.0	\$ 174.60	\$ 524
90 GN	24" Full Toe, 60#/Pair, Drilled 6x6x6"	5500	Relay	165.0	\$ 174.60	\$ 28,809
	24" Full Toe, 60#/Pair, Drilled 6x6x6"	300	Scrap	9.0	\$ 174.60	\$ 1,571
90 RA	24" & 27" Mixed Full Toe and C.J., 70#/Pair, Drilled 5/16x5/16x5/16"	100	Relay	4.0	\$ 174.60	\$ 698
	24" & 27" Mixed Full Toe and C.J., 70#/Pair, Drilled 5/16x5/16x5/16"	1164	Scrap	41.0	\$ 174.60	\$ 7,159
850	26" Full Toe, 50#/Pair, Drilled 6x6x6"	5640	Relay	141.0	\$ 174.60	\$ 24,619
	26" Full Toe, 50#/Pair, Drilled 6x6x6"	277	Scrap	7.0	\$ 174.60	\$ 1,222
903	27" C.J., 70#/pair, 5x5x5	384	Scrap	13.0	\$ 174.60	\$ 2,270
903	24" Full Toe, 67#/pair, 5x5x5	2800	Relay	94.0	\$ 174.60	\$ 16,412
	24" Full Toe, 67#/pair, 5x5x5	282	Scrap	10.0	\$ 174.60	\$ 1,746
903	24" Toeless, 67#/pair, 5x5x5	1810	Relay	61.0	\$ 174.60	\$ 10,651
850	26" Full Toe, 54#/Pair, Drilled 6x6x6	5000	Relay	135.0	\$ 174.60	\$ 23,571
	26" Full Toe, 54#/Pair, Drilled 6x6x6	295	Scrap	8.0	\$ 174.60	\$ 1,397
85 GN	24" Full Toe, 50#/Pair, Drilled 5x5x5"	1800	Relay	60.0	\$ 174.60	\$ 10,476
	24" Full Toe, 50#/Pair, Drilled 5x5x5"	376	Scrap	6.0	\$ 174.60	\$ 1,048
85 RA	24" Full Toe, 49#/Pair, Drilled 4 1/2x4 1/2x4 1/2	48	Scrap	1.0	\$ 174.60	\$ 175
80 AS	24" Full Toe, 46#/Pair, Drilled 4 1/2x4 1/2x4 1/2	208	Scrap	5.0	\$ 174.60	\$ 873
77 1/2 GN	24" & 36" Full Toe, 50#/Pair, Drilled 4 1/2x4 1/2x4 1/2" and 7x4 1/2x4 1/2x4 1/2x7"	1000	Relay	25.0	\$ 174.60	\$ 4,365
	24" & 36" Full Toe, 50#/Pair, Drilled 4 1/2x4 1/2x4 1/2" and 7x4 1/2x4 1/2x4 1/2x7"	1060	Scrap	26.0	\$ 174.60	\$ 4,540
75 AS	24" Full Toe, 43#/Pair, Drilled 6x6x6"	160	Relay	4.0	\$ 174.60	\$ 698
75 GN	27" FT and C.J., 50#/Pair, Drilled 5/16x5/16x5/16" and 4-1/2x4-1/2x4-1/2"	576	Scrap	14.0	\$ 174.60	\$ 2,444
70	24" Full Toe, 40#/pair, Drilled 5x5x5"	288	Relay	6.0	\$ 174.60	\$ 1,048

65AS	38 and 22" Full Toe, 40#/pair, Drilled 5x5x5x5 and 5x5x5	624	Relay	12.0	\$	174.60	\$	2,095
60 AS	22" & 24" Full Toe, 30#/Pair, Drilled 5x5x5"	256	Relay	4.0	\$	174.60	\$	698
56	24" Full Toe, 25#/Pair, Drilled 4-1/2 x 4-1/2 x 4-1/2"	32	Scrap	1.0	\$	174.60	\$	175
50 AS	24" Full Toe, 25#/pair, Drilled 5x7x5	194	Relay	2.0	\$	174.60	\$	349

Total: 857.0

**Scrap Spikes & Bolts**

Net Tons	Value per Ton	Total Asset Value
370	174.60	\$ 64,602.00

**Plates**

	Value per Ton	Total Asset Value
	372.427	\$ 64,602.00

Description	SS / DS	Weight per plate (lbs)	Quality	# of Plates	Net Tons	Value per Ton	Total Asset Value
8 X 11 1/2"	DS	12	Relay	850	5.1	\$ 174.60	\$ 890
	DS	12	Scrap	686	4.1	\$ 174.60	\$ 719
8 1/2 X 12, 5" base	DS	13	Relay	17528	113.9	\$ 174.60	\$ 19,893
8 1/2 X 12, 5-1/8" base	DS	13	Relay	500	3.3	\$ 174.60	\$ 567
8 X 11, 5" & 5 1/2" base	SS	12	Relay	30000	180.0	\$ 174.60	\$ 31,428
7 1/2 X 8 & 10 & 10 1/2, 5 1/2 & 5-3/16" base	SS	10	Relay	12000	60.0	\$ 174.60	\$ 10,476
8 X 10-1/2, 5" base,	SS	12	Relay	124100	744.6	\$ 174.60	\$ 130,007
8 X 11, 5 1/4 and 5-1/2" base	SS	12	Relay	15000	90.0	\$ 174.60	\$ 15,714
8 X 11, 5" & 5 1/2" base	SS	12	Relay	7140	42.8	\$ 174.60	\$ 7,480
7-1/2 x 9", 5-1/8 and 5-3/16 base	SS	6	Relay	40000	120.0	\$ 174.60	\$ 20,952
7 1/2 X 8 & 10, 5 1/4" base	SS	10	Relay	23000	115.0	\$ 174.60	\$ 20,079
7 1/2 X 9 and 8 X 8 1/2 and 8 x 8-3/4; 5-1/8 and 5 3/16" base	SS	6	Scrap	47884	143.7	\$ 174.60	\$ 25,082
7 1/2 X 8-1/2 and 8 x 8-1/2 and 8x9; 5-1/4" base	SS	6	Scrap	65948	197.8	\$ 174.60	\$ 34,544
6-1/2x8-1/2 and 8x8-1/2 and 7x10 and 7-1/2 x 10-1/2, 5" base	SS	7	Scrap	65864	230.5	\$ 174.60	\$ 40,249
6-1/2x8-1/2 and 8x8-1/2 and 8 x 10-1/2, 4-13/16 base	SS	6	Scrap	2880	8.6	\$ 174.60	\$ 1,509
8 X 8 1/2, 4 7/16" base	SS	6	Relay	6000	18.0	\$ 174.60	\$ 3,143
	SS	6	Scrap	5340	16.0	\$ 174.60	\$ 2,797
8 X 8 1/2, 4-5/8" base	SS	6	Scrap	6210	18.6	\$ 174.60	\$ 3,253
6x8 & 8x8-1/2 & 6 x 7-1/2, 4-1/4 base	SS	5	Scrap	4608	11.5	\$ 174.60	\$ 2,011
6 X 8 1/2, 4" base	SS	5	Scrap	576	1.4	\$ 174.60	\$ 251
6 x 8 1/2 and 8 x 8 1/2, 3 7/8" base	SS	5	Scrap	3168	7.9	\$ 174.60	\$ 1,383

Total: 2133.0

**Removal Costs**

\$ 1,143,067.50

Track	Miles	Cost per Mile	Total cost
Mainline	80.85	\$ 13,750.00	\$ 1,111,688

	Quantity	Total Sq. Ft	Cost per Sq. Ft	Total Cost
Asphalt	7	1740	\$ 12.00	\$ 20,880.00
Asphalt - State Crossings	2	700	\$ 15.00	\$ 10,500.00

## SECTION IV

### CONTINGENT AND LIMITING CONDITIONS

**A. CONTINGENT AND LIMITING CONDITIONS**

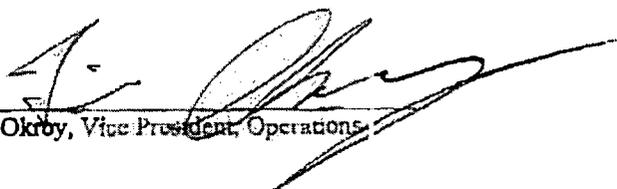
The certification of the Appraiser appearing in this appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set forth by the Appraiser in this report.

1. The Appraiser assumes no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor does the Appraiser render any opinion as to the title, which is assumed to be marketable. The property is appraised as though under responsible ownership.
2. Any sketch, photo, or map in this report may show approximate dimensions and is included to assist the reader in visualizing the property in question.
3. The Appraiser is not required to give testimony or appear in court because of having made this appraisal with reference to the property in question.
4. The Appraiser assumes that there are no hidden or inapparent conditions of the property which would render it more or less valuable. The Appraiser assumes no responsibility for such conditions or for engineering which might be required to discover such factors.
5. Information, estimates, and opinions furnished to the Appraiser and contained in this report were obtained from sources considered reliable and believed to be true and correct.
6. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The Appraiser is not responsible for unauthorized use of this report.
7. The Appraiser has the appropriate knowledge and experience to complete this assignment competently. The Appraiser has been an inspector/appraiser for the past 30 years and has served as a senior appraiser for A&K Railroad Materials, during the past 25 years.

**B. CERTIFICATION**

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

1. The statements of fact contained in this report are true and correct.
2. My engagement in this assignment was not contingent upon developing or reporting predetermined results.

  
Jim Okroy, Vice President, Operations

June 23, 2006