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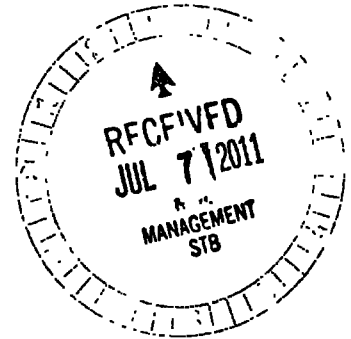
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July 7, 2011

BY HAND DELIVERY

Cynthia T. Brown

Chief of the Section of Administration, Office of Proceedings

Surface Transportation Board

395 E Street, SW

Washington, DC 20423-0001

230583

RE: *Stewartstown Railroad Company – Adverse Abandonment – In York County, PA,*
STB Docket No. AB-1071

Dear Ms. Brown:

Enclosed please find the Application of the Estate of George M. Hart for Abandonment of the Stewartstown Railroad Company ("SRC"). In accordance with the Board's regulations, an original and eleven copies each of a public and a confidential version of the Application are enclosed. Please date stamp and return to our courier the extra copies of the public and confidential versions of the Application that have been provided for that purpose. The confidential version of the Application is filed under seal pursuant to a Protective Order that SRC obtained from the Board by way of a decision served on June 30, 2011.

Also enclosed in accordance with the Board's regulations at 49 C.F.R. § 1104.3(b)(1) are three compact discs each of which contains full and complete public and confidential versions of the Application in a searchable PDF format. In addition to the three aforementioned discs, enclosed is another compact disc containing the public and confidential Application narrative in MS Word format, as well a draft Federal Register notice (also in MS Word format).

Finally, pursuant to 49 C.F.R § 1002.2(f)(21)(i), enclosed is a check in the amount of \$22,100.00, covering the applicable filing fee. If there are any questions about this filing, please contact me directly, either by telephone: 202-663-7852 or by e-mail: kobrien@bakerandmiller.com.

Respectfully submitted,


Keith G. O'Brien

Enclosures

cc: Alex E. Snyder, Esq. .
James J. Gillotti
John Willever

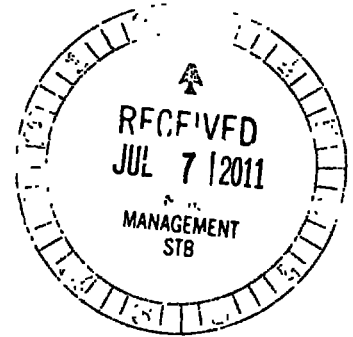
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JUL 08 2011

Part of
Public Record

-- PUBLIC VERSION --

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C.**



STB Docket No. AB-1071

**STEWARTSTOWN RAILROAD COMPANY
- ADVERSE ABANDONMENT -
IN YORK COUNTY, PA**

232583

**APPLICATION OF THE ESTATE OF GEORGE M. HART FOR
ABANDONMENT OF THE STEWARTSTOWN RAILROAD COMPANY**

**ENTERED
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**Part of
Public Record**

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July 7, 2011

**Attorneys for the Estate of
George M. Hart**

*** This Public Version of the Application contains redactions intended to preserve the confidentiality of information designated by Stewartstown Railroad Company as Confidential and to be protected from public disclosure pursuant to a Protective Order issued by the Director of the Office of Proceedings on June 30, 2011. Redacted passages are indicated by bracketed blank spaces.**

BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C.

STB Docket No. AB-1071

STEWARTSTOWN RAILROAD COMPANY
– ADVERSE ABANDONMENT –
IN YORK COUNTY, PA

APPLICATION OF THE ESTATE OF GEORGE M. HART FOR
ABANDONMENT OF THE STEWARTSTOWN RAILROAD COMPANY

The Estate of George M. Hart (the “Estate”) hereby submits this Application, pursuant to 49 U.S.C § 10903 and 49 C.F.R. Part 1152, Subpart C, to authorize the abandonment of the entire line of the Stewartstown Railroad Company (“SRC”) located in York County, PA.¹ The rail line (the “SRC Line”) that is the subject of this Application is approximately 7.4-miles in length and extends between milepost 0.0 (New Freedom, PA), and milepost 7.4 (roughly 0.2 miles east of Stewartstown, PA).

The Estate understands that in addition to the track and track material that comprise the personal property on the SRC Line, SRC also owns certain parcels of land adjacent to the right-of-way, and that it owns two train stations of historic interest adjacent to the SRC Line.² If the Board finds that removing its jurisdiction over the SRC Line is warranted, such a decision may precipitate the conveyance of the SRC Property either through the Board’s Offer of Financial

¹ A proceeding such as this one, pursuant to which a third party files an application to permit the abandonment of all or a portion of a carrier’s rail line, is commonly referred to as an “adverse” abandonment proceeding, inasmuch as the proceeding is presumed to be contrary to the interests of the rail carrier.

² The SRC Line and the adjacent land and improvements that the Estate understands that SRC owns will be referred to herein collectively as the “SRC Property.”

Assistance (“OFA”) process, or, barring that, through a property foreclosure sale under Pennsylvania state law. Should the successful conclusion of this abandonment process *not* precipitate the sale of the SRC Property to an interested third party intending to obtain the assets for rail operations, then the Estate will arrange for the full or partial salvage of SRC Property and/or its sale for non-rail uses in accordance with environmental and historic conditions the Board may impose.

The Estate has chosen to initiate and to pursue the subject abandonment at considerable cost to itself in an effort to recover over \$350,000 that SRC owes to the Estate pursuant to an indenture of mortgage and a judgment note. Although the amounts owed to the Estate have been fully due and owing for well over two-and-half years, SRC, largely because it is and long has been an inactive railroad, lacks the funds or the revenues to repay the debt in the foreseeable future. The Estate has determined, as has a prominent SRC shareholder and director who has supplied a verified statement in support of this Application, that SRC can promptly satisfy its legal obligations to the Estate only if it were to sell or dispose of the SRC Property for cash. The Estate has therefore determined that it can realistically expect to recover the amounts owed to it only if – (1) the SRC Property were to be sold at fair market value (and for cash) to an interested person seeking to acquire the SRC Property for future rail use (the Estate’s preferred outcome); (2) SRC’s assets were sold for non-rail uses; or (3) the SRC Property was as a last resort to be sold off in pieces and/or salvaged.

Although SRC could have pursued or be pursuing any of these options, the railroad, having repeatedly acknowledged its obligations to the Estate, has refused to take any steps to liquidate assets, and it has dragged its feet on the possible sale of the SRC Property to an interested third party. SRC has proven itself to be financially irresponsible and not credit-

worthy. And because it is evidently unable to obtain alternative financing to permit it to repay the debt owed to the Estate, it is using the Board's jurisdiction over its rail line and related facilities to block the Estate from exercising the remedies otherwise available to it under state law to foreclose upon all or a portion of the SRC Property, and to force the Estate to serve as SRC's lender of last resort. Granting the Estate's Application will prevent SRC from hiding from its legal obligations any longer.

The present and future public convenience and necessity ("PC&N") as set forth at 49 U.S.C. § 10903(d) militates in favor of abandonment of the SRC Line. There has been no freight service over the SRC Line since approximately April of 1992, and passenger excursion train operations ended in 2004.³ Since 2004, the SRC has fallen into a state of disrepair due to deferred maintenance. Assuming that SRC were able to rehabilitate the SRC Line, SRC has identified no shippers (and the Estate knows of none) that are interested in and are willing to use rail service, and thus the SRC line has no genuine future freight traffic prospects. Moreover, the SRC Line does not connect with an active outlet for freight traffic, and it is therefore effectively isolated from the balance of the interstate rail network. Finally, SRC's main focus for the future is the resumption of excursion train operations, but such activities do not further any federal interest in interstate commerce warranting denial of the Estate's abandonment Application.

I. BACKGROUND

Mr. George M. Hart, as an officer and director of SRC, provided substantial sums of money to the railroad, which funds were provided to sustain SRC and to continue its operations

³ The Estate understands that, since the complete cessation of operations some seven years ago, SRC sporadically has hosted "track speeder" outings for a group of enthusiasts who operate lightweight, self-propelled vehicles over the SRC Line for recreational purposes. For more on track speeders and the hobby, see the website of the North American Railcar Operators Association ("NARCOA") at www.narcoa.org.

in the last few years before the railroad suspended operations altogether. The sums Mr. Hart supplied to SRC totaled \$352,415, and that amount has been acknowledged by both Mr. Hart and SRC as a loan secured by SRC's assets. This arrangement is documented by a duly recorded indenture of mortgage and a judgment note. The mortgage, dated January 5, 1996, and recorded with the York County Recorder of Deeds at book 1274, pages 4846-4855, secures the payment of \$289,702.31 (the amount owed by SRC to Mr. Hart at that time). In 2006, SRC executed and delivered to Mr. Hart a judgment note in the amount of \$352,415.00, which was entered as a judgment with the Prothonotary of York County at File 96-No. 914-30. Accordingly to Pennsylvania law, a judgment is a lien on all real estate owned by the judgment debtor. The subject mortgage provides that SRC must pay the entire debt amount *immediately upon the demand of the mortgagee* (Hart, and now his estate). SRC has not contested the enforceability of the subject loans in state court, and, the Estate's counsel believes that these debt instruments and the obligations established thereby could not be contested successfully.⁴

Mr. Hart passed away on April 17, 2008, and his will instructs the executor of his estate to seek prompt repayment of the amounts Mr. Hart had supplied to SRC.⁵ The Estate has demanded repayment of the debt in full as directed in Mr. Hart's will, but SRC has not complied, presumably because the railroad has no operating revenues from which to make repayment, and no cash reserves anywhere near sufficient to repay the loan. The Estate understands that the only

⁴ In an earlier phase of this proceeding, SRC indicated that it had not "yet" challenged the validity of the Estate's claim, suggesting that SRC might contest the enforceability of the mortgage and judgment note in favor of the Estate in Pennsylvania state court. To date, SRC has not done so, and, in fact, its conduct to date generally reflects acknowledgement of the indebtedness. In any event, this agency is not the forum to resolve a contract dispute were one to arise at this late date.

⁵ Mr. Hart's will was admitted to probate by the Register of Wills of Carbon County, PA, and Mr. John W. Willever was appointed as administrator of the estate.

resources at SRC's disposal to repay its debts in the near future are SRC's idle rail assets, motive power, rolling stock, real estate holdings (if any), and improvements thereon.

To the best of the Estate's knowledge, SRC owns the following assets: (1) the approximately 7.4-mile SRC Line and ancillary yard and side tracks; (2) two out-of-service locomotives and certain additional railroad rolling stock, all of which are in poor condition;⁶ and (3) land parcels adjacent to the SRC Line right-of-way; and (4) three railroad-related structures – the train station buildings at Stewartstown and Shrewsbury, and the engine house at Stewartstown. The Estate has in its possession an August 2009 report prepared by TranSystems, Inc. ("TranSystems"), which includes an estimate of the value of certain of the above-enumerated SRC assets. Specifically, TranSystems reported that – (1) the SRC Line's track and track material (including all appurtenant tracks) had a 2009 salvage value of \$487,117; and (2) SRC's locomotives had an aggregate value of \$34,428.⁷

In addition, the Estate has a 2007 valuation of specific SRC properties, including, among others, the following: (1) Stewartstown Station House (\$215,000); (2) the SRC Engine House property (\$80,000); and (3) the Shrewsbury Station House (\$25,000).⁸ The Estate also has an estimate of the value of SRC's right-of-way corridor at between \$319,000 and \$500,000 (as of 2008).⁹ This estimate presumes that SRC holds a fee simple interest in the corridor. SRC has since examined the conveyance records under which SRC originally secured its right-of-way, and has concluded that these documents reflect that SRC most likely possesses a mere easement

⁶ SRC owns two locomotives, a flat car, and miscellaneous track maintenance equipment. Additionally, SRC has one flatcar on loan and miscellaneous track maintenance equipment.

⁷ A copy of the TranSystems report is attached hereto as Exhibit A.

⁸ See Exhibit B, valuation estimates of William H. Everhart. See also Exhibit C, SRC Response to Estate Discovery Request ("EDR") No. 2. As of this 2007, the estimated value of these real estate holdings totaled \$356,000.

⁹ This land valuation estimate is attached hereto as Exhibit D.

interest in the right-of-way, and that, accordingly, SRC's real estate holdings possess a lower value than originally thought. Although SRC is aware that it could pursue the liquidation of portions of its property voluntarily to satisfy its debt obligations, SRC has to date refused to take any such remedial action.¹⁰

In an exceedingly tardy response to the Estate's demand for immediate payment of the loan amount, SRC proposed – and makes issue much of – a five-year repayment plan that it offered to the Estate some time later. The sole residuary beneficiary of the Estate – Bucks County Historical Society – rejected SRC's proposal, which the Estate regarded as highly speculative in any event, and contrary to the executor's mandate to wrap up the Estate as soon as possible. Earlier in this proceeding, SRC characterized the Estate and its beneficiary as impatient and unreasonable in rejecting SRC's proposal,¹¹ but the facts show otherwise. First of

¹⁰ The Estate has contemplated foreclosing upon SRC's ancillary property and railroad equipment, rather than foreclosing upon the SRC Line itself – a step that *might not* require a formal abandonment. But a state court, which would oversee such foreclosure, might hesitate to permit the Estate to seize SRC's ancillary property or equipment, due to concerns that the targeted property might be deemed to be "facilities" under 49 U.S.C. § 10501, and that foreclosure upon the targeted assets could be deemed to be federally preempted. In any event, the liquidation of ancillary property and SRC rail equipment alone would probably not produce sufficient funds to make the Estate whole.

¹¹ SRC claims that the Estate "rebuffed" SRC's "efforts to contact the Estate and negotiate a payment of the debt." SRC Reply in Partial Opposition to Petition for Waiver and Exemption ("SRC Reply") at 3. SRC has not substantiated this allegation, does not explain why SRC has made no payments whatsoever to the Estate, and, in any event, the allegation is irrelevant. SRC, it seems, intends to depict the Estate and its beneficiary as hard-hearted, unresponsive, and inflexible, while it plans to depict itself as a hard-working short line railroad light on funds and lacking in current traffic but heavy with promise. But SRC's bluster appears to be only so much posturing intended to try to cow the Estate into accepting a restructuring SRC's due and owing debt obligations, presumably because the railroad cannot find anyone willing to refinance the debt. But the Board's obligation here is to apply the facts of this case to its PC&N standard and applicable precedent. As it is, the Estate, in a last-ditch effort to avoid the expense and delay of an abandonment proceeding, appealed to the Board's Office of Public Assistance, Governmental Affairs and Compliance ("OPAGAC") last year (before this proceeding was initiated) to facilitate three-way discussions that could lead to an amicable resolution of the matter. After

all, SRC received the Estate's original demand for repayment on December 12, 2008, but SRC did not offer its repayment proposal until March 10, 2010. Second, under SRC's own proposal, *debt-reduction payments were to have begun last year*, but to date (and despite representations in the repayment proposal that SRC would be in a position to commence a payment schedule beginning last year), *the Estate has not received a dime from SRC*.

As will be shown below, it is highly unlikely that the SRC will ever reactivate the SRC Line. The track comprising the SRC Line, in whatever shape it may be, has no future as a common carrier operation, because it has no real prospects of handling freight traffic ever again. The SRC Line's continued existence furthers no important federal interest, except for perhaps the *theoretical* possibility that the SRC Line could one day, despite the current lack of any prospects, host freight traffic again. But any such flimsy federal interest in the Line is outweighed by the Board's interest in ensuring the creditworthiness and honest management of railroads. SRC is shirking its financial responsibilities to an acknowledged creditor by declining to do the financially responsible thing by selling its assets or, if necessary, liquidating them, but the Board should not enable SRC to avoid its obligations.

The Estate must fulfill its obligations to its beneficiary as expeditiously as possible, and the executor of the Estate has neither the aim nor the incentive to prolong his oversight of the Estate any longer than is necessary. SRC's willful inaction and its unacceptable proposal to extend the Estate's existence through a multi-year settlement, however, have already prolonged the Estate and have subjected it to substantial and otherwise unnecessary costs.¹² Having found

taking the matter under advisement –and knowing that the Estate otherwise planned to initiate the subject proceeding – OPGAC declined to involve itself.

¹² For example, SRC could have come to terms with its current situation, and could have invoked the Board's two-year-out-of-service exemption procedures to abandon all or portions of

no other alternative to secure repayment of its loan, and because SRC has refused to take appropriate action voluntarily to satisfy its obligations swiftly, the Estate has no choice but to file an application for adverse abandonment of SRC's Line in order that the Estate can facilitate the sale of the SRC Line via the Board's OFA process, or in the event no financially responsible party comes forward, to invoke its remedies as a secured creditor under Pennsylvania law.

II. INFORMATION REQUIRED OF ABANDONMENT APPLICANTS
49 C.F.R. § 1152.22¹³

Name of Applicant and Applicant's Status § 1152.22(a)(1)-(2):

The applicant is the Estate of George M. Hart, a non-carrier.

Relief Sought § 1152.22(a)(3):

The Estate seeks to have the Board remove its jurisdiction from the entire 7.4-mile SRC Line, extending from approximately milepost 0.0 at New Freedom, PA, and milepost 7.4 near Stewartstown, PA. The subject rail line is located entirely in the County of York, PA.

Map of the Subject Line § 1152.22(a)(4):

A map showing the location of the SRC Line is attached as Exhibit E.

Reasons for Filing the Application § 1152.22(a)(6):

The Estate has filed this abandonment application so that the Board may remove the SRC Line from its jurisdiction, and thereby facilitate the transfer of the rail property to a financially responsible party under the Board's OFA procedures, or, barring that, to permit the Estate to foreclose on the assets of SRC under otherwise applicable state law processes as necessary to enable the Estate to recover indebtedness of \$352,415.00. SRC's debt derives from loans

the SRC line voluntarily. Such a responsible step would have subjected all concerned, including the Board, to far less time and expense.

¹³ The Estate is complying with the informational requirements of section 1152.22, subject to the waivers of certain portions of this section as were granted in the Board's decision in this proceeding served on March 10, 2011.

extended to SRC by George M. Hart, which are secured by an indenture of mortgage and a judgment note encompassing SRC's real estate and its fixtures and appliances including all tracks, switches, bridges, trestles, culverts, and other assets.

The amount SRC owes to the Estate was due and payable upon demand, and the Estate issued such demand on December 12, 2008. The Estate has determined that SRC does not have adequate cash on hand to pay even a modest portion of the outstanding debt, and that the inactive railroad has scant revenues from which it could pay the amounts due. Because the SRC Line has long been inactive, has negligible (if any) prospect of regaining freight traffic (for reasons discussed in greater detail below), and can only repay its debt obligations to the Estate promptly by either selling the railroad or liquidating some or all of the railroad's assets, the subject abandonment is necessary to overcome SRC's refusal or inability to honor its legal obligations.

Representatives of the Estate § 1152.22(a)(7):

Any correspondence, comments, or protests relating to this Application should be sent to the following representatives of the Applicant:

Keith G. O'Brien
Robert A. Wimbish
Baker & Miller PLLC
2401 Pennsylvania Ave., NW, Ste. 300
Washington, DC 20037
Phone: (202) 663-7820
Fax: (202) 663-7849

Zip Codes § 1152.22(a)(8):

The line traverses through United States Postal Service Zip Codes 17349, 17361, and 17363.

Condition of the Properties § 1152.22(b):

The Estate admits that, even after seeking information from SRC through discovery, it has limited and incomplete information concerning the precise condition of the SRC Line. On

the basis of discovery and its own investigation of the SRC Line's condition, the Estate has determined the following:

- By the railroad's admission, the SRC Line is not in operating condition.¹⁴ Conventional rail operations over the SRC Line ceased in 2004, and track maintenance was suspended from 2004 until 2008. In addition, SRC had no cash expenditures for track and related materials in 2008 and 2009.¹⁵
- With the ending of freight operations over the SRC Line in 1992, SRC focused entirely upon tourist train operations until those, too, ended in 2004. SRC's primary objective over the past few years has been to rehabilitate the SRC Line so that it may host interstate excursion passenger trains again. But the SRC Line – or at least those portions of it that would host passenger trains – would need to meet or exceed Federal Railroad Administration ("FRA") Class I track safety standards, which it currently does not.¹⁶
- The Estate, hoping to avoid the considerable expense of hiring a consultant to inspect the SRC Line and offer expert testimony as to its condition and the cost to return it to FRA Class I condition, asked SRC about the SRC Line's condition via discovery.¹⁷ In so doing the Estate expected that it might accept for purposes of this Application SRC's assessment and information. In response to discovery, however, SRC has acknowledged, to the Estate's amazement, that – (1) ***SRC does not know*** what portions of the SRC Line (if any) are in Class I condition or better, or what portions of the line require repair or rehabilitation to meet minimum Class I track safety standards; and (2) ***SRC does not know*** how much it would cost to restore the entire line to Class I condition.¹⁸
- SRC reports that it expended a total of \$6,482.36 on maintenance of the SRC Line in 2010.¹⁹ This equates to roughly \$876 worth of track maintenance per mile last year. The Estate seriously doubts that such per-mile expenditures, if they are representative of the

¹⁴ See Exhibit F, SRC Response to EDR No. 3(b).

¹⁵ See Exhibit G, SRC Response to EDR No. 5.

¹⁶ Although a rail carrier may designate track, including track that does not meet or exceed FRA Class I track safety standards, as "excepted track" in order to permit limited operations over it, FRA does not permit the operation of occupied passenger trains over excepted track. See 49 C.F.R. § 213.4(e)(2). SRC will need to rehabilitate its railroad to Class I operating condition if it is to resume passenger operations as it would hope to do.

¹⁷ This is precisely what SRC had invited the Estate to do. See SRC Reply at 13 (the Estate "should be required to furnish information on the condition of [the SRC Line] . . . It is notable that [the Estate] has made no attempt to obtain this information from [SRC] despite [SRC]'s repeated attempts to open a meaningful dialogue").

¹⁸ See Exhibit F, SRC Response to EDR No. 3(b), and Exhibit H, SRC Response to EDR No. 6.

¹⁹ See Exhibit G, SRC Response to EDR No. 5.

expenditures that SRC would be making in the next several years, would sustain the SRC Line *status quo*, much less permit its rehabilitation.²⁰

- SRC has produced in discovery a five-year track rehabilitation plan, pursuant to which SRC proposes to restore the entire SRC Line to FRA Class I condition by the Spring of 2015. SRC claims that “year one” work under that rehabilitation plan was “substantially completed during 2010.”²¹ It is not clear what SRC means when it says that its “year one” work has been substantially completed, but the Estate suspects that SRC is overstating matters. SRC’s “year one” objective was to return the first mile of the SRC Line (from the end of the line at Stewartstown westward to Ziegler’s Station, PA) to FRA Class I condition, have an FRA or Pennsylvania Public Utilities Commission (“PaPUC”) inspector inspect that line segment to verify that it is in such condition, and then commence limited Stewartstown-Ziegler’s Station excursion operations. The Estate has confirmed that neither FRA nor PaPUC has inspected this line segment, that neither agency has approved the reopening of the line segment (or has found this line segment to meet minimum FRA Class I track safety standards), and no operations have commenced.
- Although the SRC Line’s track defects may not be pervasive, they are readily apparent and substantial. Attached as Attachment 1 to Exhibit I (Verified Statement of Captain Herman J. Bushman, Jr. – “V.S. Bushman”) is a letter dated May 16, 2011, from Brad Haines, SRC’s former chief mechanical officer and track inspector, to Captain Bushman (an SRC director and shareholder), in which Mr. Haines, at Captain Bushman’s behest offers a recent assessment of the condition of the SRC Line, based on a visual inspection

²⁰ It is impossible to believe that a self-sustaining railroad of any size could survive and maintain its track structure on \$876 of track maintenance expenditures per mile. Although perhaps not dispositive on the issue, it is certainly worth considering that railroads, including smaller carriers, in voluntary abandonment and discontinuance of service proceedings invariably posit as part of their avoidable cost presentations routine or “normalized” track maintenance costs ranging in the several thousands of dollars per track mile, and that the Board generally accepts such track maintenance estimates. See, e.g., Dakota Northern Railroad, Inc. – Discontinuance of Service Exemption – In Walsh and Pembina Counties, ND, STB Docket No. AB-1041X, slip op. at 2, n. 4 (STB served Dec. 3, 2008) (short line carrier “uses an average normalized maintenance cost of \$6,000 per mile which, according to [the short line], the Board has recognized as a reasonable estimate of such cost in other abandonment cases . . . , citing Conrail – Aban. – Bet. Warsaw & Valp. Counties, IN, 9 I.C.C.2d 1299, 1303-04 (1993)”); Camas Prairie RailNet, Inc. – Abandonment – In Lewis, Nez Perce, and Idaho Counties, ID (Between Spalding and Grangeville, ID), STB Docket No. AB-564, slip op. at 8 (STB served Sept. 13, 2000) (short line estimates its normalized maintenance at \$3,000 per track mile “to maintain a typical rail line at FRA Class 1 standards”).

²¹ See Exhibit F, SRC Response to EDR No. 3(b). SRC’s claim is doubtful. If “year one” work truly were completed, then SRC surely would have been able to indicate in response to the Estate’s discovery requests that the portion of the SRC Line between Stewartstown and Ziegler’s Station meets FRA Class I standards, but it did not. Instead, SRC says it doesn’t know what portions of its line (if any) meet FRA Class I standards, and which portions don’t.

of certain portions of the same. Admittedly, Mr. Haines's written assessment is neither exhaustive nor complete, but it is offered as an illustration of the sorts of track condition issues that SRC faces.

- The SRC Line needs extensive grade crossing repairs, which must be completed and inspected prior to the line's reactivation. SRC has attempted to apply for federal and state funds for improving crossing conditions, but SRC did not qualify for any such funding.²² In March of 2011, SRC obtained an estimate for crossing improvements, including the following: removing/disposing of existing wooden timbers and asphalt, re-spiking existing rails to gauge, installing guard rails (to be provided by SRC), installing a 5 ½" compacted layer of new asphalt in place of old timbers, and sealing all crossing edges with tar. The total anticipated cost of such improvements was \$6,500.00.²³ Apparently, this work still remains to be performed, since the 2011 Budget SRC supplied in response to discovery does not include a payment for the above-described work, nor does it indicate that necessary services were donated.²⁴

It would be an exhausting, costly, and ultimately fruitless task to debate the precise condition of the SRC Line, and whether or not SRC is delivering as advertised on its five-year track rehabilitation plan, because such a debate is ultimately beside the point. To be sure, the Estate seriously doubts that SRC – surviving at is it is by ducking its legal obligations to the Estate and by relying almost entirely on the charity of others (its labor hours are evidently entirely donated, for example) – has delivered and will be able to deliver on its track rehabilitation plan. But even if SRC could deliver on the advertised and return the SRC Line to operation by 2015, there are two much more important considerations at play. First, SRC has no freight traffic prospects, as will be discussed in greater detail below.²⁵ Second, SRC's five-year

²² See Exhibit J, SRC Response to EDR No. 20.

²³ See Exhibit K, SRC Response to EDR No. 4.

²⁴ See Exhibit L, SRC Response to EDR No. 19.

²⁵ SRC's five-year track rehabilitation plan is itself very telling in this regard. SRC's plan calls for incremental year-by-year rehabilitation, beginning at the *eastern* terminus of the line at Stewartstown. As the map attached as Exhibit E shows, however, SRC's only potential interline connection is at the SRC Line's *western* end at New Freedom. The portion of the SRC Line at New Freedom is not slated to be reopened until 2015 at the earliest. This means that potential SRC shippers (and, as the Estate will show, there are none) would have no possible access to an interline connection until 2015. SRC's plans tacitly acknowledge that SRC has no freight

plan obviously does not provide for the immediate repayment of the debt owed to the Estate, and it does not offer any assurances to the Estate if SRC happens to miss its mark (as it already has).

Service Provided § 1152.22(c):

The Board granted the Estate's request for waiver of the requirement to provide this information.

Revenue and Cost Data § 1152.22(d):

The Board granted the Estate's request for waiver of the requirement to provide this information.

Rural and Community Impact § 1152.22(e):

The abandonment of the SRC Line will not have an adverse impact on the community, and, in fact, a grant of the subject application could be of modest benefit to the surrounding community.

There have been no significant users of the SRC Line as the term "significant users" is defined at 49 C.F.R. § 1152.2(l). In fact, the SRC Line has not been used for freight traffic purposes since 1992. If there are shippers in the vicinity that theoretically could make use of the SRC Line, such shippers are using, and will continue to use, other sources of transportation, including the many highways in the vicinity of the Line, including Interstate 83 and Pennsylvania highways 24, 616, and 851. In sum, abandonment of the SRC Line will not affect the transportation options currently available in the area, because the line has not hosted freight or passenger service for many years.

service potential, and reveals where SRC's focus lies – on excursion trains. SRC's past and future base of excursion operations would be Stewartstown, and that is why SRC has devoted its initial rehabilitation efforts at end of the line farthest removed from New Freedom.

For these reasons, the proposed abandonment will not have any adverse effect on local industry or industrial development. Moreover, because it appears that SRC does not have any employees, and that it relies extensively on volunteer assistance, the abandonment should not result in the loss of any railroad jobs. In fact, the proposed abandonment could be of modest benefit to the local economy, because it could result in the sale of the SRC Line to an interested third party that has resources that SRC lacks to resume operations. If such a sale were to occur, then the local economy should benefit from the tourist dollars and jobs that could result.

Environmental Impact § 1152.22(f):

The Estate's consolidated Environmental and Historic Report ("E&HR" – a copy of which is attached hereto as Exhibit M) was circulated to all "consulting agencies" on May 5, 2011, and consulting agency feedback on the E&HR, to the extent such feedback has been offered, has been forwarded to the Board's Office of Environmental Analysis to assist that office in the preparation of an Environmental Assessment. As explained in the E&HR, the Estate does not believe that granting its Application will have any adverse effect on land use, air or water quality, or biological resources, and that, for this reason, there will be no need for conditions designed to mitigate environmental impacts.

Granting the Application also will not affect historical resources. Many of the structures along the SRC Line have already been declared historic properties, and the Estate has committed that, in the event that it must proceed with salvage of the SRC Line rather than foreclosing upon it and selling it to an interested party intending to own and operate the assets, it will not take any action to salvage any structures along the SRC Line that are 50 years old or older.

Passenger Service § 1152.22(g):

To the best of the Estate's knowledge, the SRC Line has not hosted interstate common carrier passenger service in several decades. The only passenger service that SRC had provided in recent years had been intrastate excursion service, but that service ended in 2004.

Draft Federal Register Notice § 1152.22(i):

The Estate requested and obtained a partial waiver of this provision to allow it to employ a modified version of the notice as appropriate to the circumstances present here. A draft notice in the form approved by the Board is attached hereto as Exhibit N. A compact disk containing the notice is also being supplied to the Board with this Application.

III. ABANDONMENT IS IN KEEPING WITH THE PRESENT AND FUTURE PUBLIC CONVENIENCE AND NECESSITY

A. Overview

It is far more common for an abandonment proceeding to be initiated by the railroad that owns and operates the line, but an interested third party may file for and obtain abandonment authority, in which case the application is considered "adverse" to the targeted railroad.²⁶ Adverse abandonments and discontinuances of service, although perhaps not terribly common, are still well-recognized Board processes. Nevertheless, the Estate believes that its Application presents a case of first impression, given the unique circumstances that have led to its filing. The Estate submits that this proceeding poses the following question: May a long-inactive debtor railroad invoke the Board's jurisdiction over lines of railroad and related facilities to evade its

²⁶ See, e.g., Denver & Rio Grande Railway Historical Foundation – Adverse Abandonment – In Mineral County, CO, STB Docket No. AB-1014 (STB served May 23, 2008) ("City of Creede"); Chelsea Property Owners – Abandonment – Portion of the Consolidated Rail Corp.'s West 30th Street Secondary Track in New York, NY, 8 I.C.C.2d 773 (1992) ("Chelsea"), aff'd sub nom., Consolidated Rail Corp. v. ICC, 29 F.3d 706 (D.C. Cir. 1994); Modern Handcraft, Inc. – Abandonment, 363 I.C.C 969 (1981) ("Modern Handcraft").

legal obligations to creditors, and to avoid the application of state law remedies otherwise available to the railroad's creditors either to foreclose upon the railroad's assets, or to facilitate their sale to a third party? The Estate submits that the Rail Transportation Policy ("RTP"), specifically 49 U.S.C. § 10101(9) (encouraging the honest and efficient management of railroads), requires and answer in the negative, particularly where, as here – (1) the SRC Line has no realistic freight traffic prospects; and (2) the only way that the Estate can effect a timely collection of the amounts owed to it is via either the cash sale of the SRC Property to an interested third party, sale of assets sufficient to meet SRC's obligations, or liquidation of the SRC Line's track assets as necessary.

B. The Applicable Standard

The standard governing formal abandonment proceedings, including adverse abandonment proceedings, "is whether the present or future public and convenience and necessity ['PC&N'] require or permit the proposed abandonment."²⁷ In applying this standard, the Board engages in a balancing of interests, considering, specifically, "whether there is a present or future public need for rail service over the line and whether that need is outweighed by other interests."²⁸ The Board has articulated in several cases how, as a matter of policy, the section 10903(e) PC&N standard is applied in the context of an adverse abandonment.

²⁷ See, e.g., 49 U.S.C. § 10903(e); City of Creede, slip op. at 5; The Western Stock Show Ass'n – Abandonment Exemption – In Denver, CO, 1 S.T.B. 113; 1996 WL 366394 (S.T.B.) at *12 (July 3, 1996).

²⁸ City of Creede at 5, citing New York Cross Harbor R.R. v. STB, 374 F.3d 1177, 1180 (D.C. Cir. 2004) ("New York Cross Harbor"); City of Cherokee v. ICC, 727 F.2d 748, 751 (8th Cir. 1984); Seminole Gulf Railway, L.P. – Adverse Abandonment – in Lee County, FL, STB Docket No. AB-400 (Sub-No. 4) (STB served Nov. 18, 2004) ("Seminole Gulf"); and Norfolk Southern Railway Company—Adverse Abandonment—St. Joseph County, IN, STB Docket No. AB-290 (Sub-No. 286) (STB served Feb. 14, 2008) ("St. Joseph County").

Both the Board and its predecessor, the Interstate Commerce Commission (“ICC”), have explained that the agency has exclusive and plenary jurisdiction over abandonments to protect the public from an unnecessary discontinuance, cessation, interruption, or obstruction of available rail service. While the Board may protect a rail line for continued rail service where the incumbent carrier wishes continue operations and has taken reasonable steps to acquire traffic, the Board will not allow its jurisdiction to be used to shield a line from the legitimate processes of state law where no overriding federal interest exists.²⁹ In an adverse abandonment case, if the Board concludes that the PC&N does not require or permit continued operation over the line, a grant of the abandonment application removes the “shield” of the agency’s jurisdiction, thereby enabling the applicant to pursue its legal remedies.

The Board employs the section 10903(e) PC&N standard by weighing the interests of the carrier, the public, shippers, and others with a stake in the outcome of the proposed abandonment.³⁰ In an adverse abandonment application proceeding, the non-carrier applicant bears the initial burden of proving that the PC&N support the proposed abandonment.³¹ But where the applicant has shown that the carrier has no likelihood of success in preserving the line for rail service, then the burden then shifts to the carrier to show that there is in fact a realistic potential for rail service.³² And if the carrier cannot satisfactorily rebut the applicant’s evidence,

²⁹ City of Creede at 6, n. 15 (citing Kansas City Pub. Ser. Frgt. Operation – Exempt. – Aban., 7 I.C.C.2d 216 (1990); and CSX Corporation and CSX Transportation, Inc. – Adverse Abandonment Application – Canadian National Railway Company and Grand Trunk Western Railroad, Inc., STB Docket No. AB-31 (Sub-No. 38) (STB served Feb. 1, 2002).

³⁰ See, e.g., Western Stock Show, 1996 WL 366394, *12.

³¹ See, e.g., City of Creede at 13; Salt Lake City Corporation – Adverse Abandonment – In Salt Lake City, UT, STB Docket No. AB-33 (Sub-No. 183), slip op. at 5 (STB served Mar. 8, 2002) (“Salt Lake City”).

³² City of Creede at 13.

the Board will not allow its jurisdiction over a line to shield the railroad from the legitimate processes of state law where there is no overriding federal interest in the targeted line.

**C. The Present and Future Public Convenience and Necessity
Permit Abandonment of the SRC Line**

There is no overriding federal interest in preserving the SRC Line, and the Board's continuing jurisdiction over SRC's rail assets merely shields SRC from the Estate's efforts at state law to collect amounts due to it. As is demonstrated throughout this Application and in the materials that SRC has supplied in response to discovery, the SRC Line has seen no freight service of any kind for nearly two decades (since 1992), and there is absolutely no realistic prospect that freight service will ever again return. SRC is hiding behind the Board's jurisdiction because, in the absence of such jurisdiction, the Estate would have long ago invoked its legal remedies under Pennsylvania law to foreclose upon the SRC Line, and to arrange for its sale at fair market value (if an interested buyer can be found) to recoup the debt owed to it. A balancing of the interests shows that the PC&N requires and permits abandonment of the SRC Line.

1. There Are No Shippers on the SRC Line

Abandonment will not adversely affect any shippers, because SRC has no shippers. No shipper has used the SRC Line in nearly two decades. Although not in and of itself determinative, the agency has in prior adverse abandonment cases factored into its decision on the merits the length of time that a rail line has been without freight traffic leading up to the abandonment application.³³ In this case, the SRC Line has not been needed for rail freight service of any kind for nearly twenty years. The absence of freight traffic for such a long period of time is due to any one of the following: (1) lack of SRC effort (and interest in) freight traffic;

³³ See, e.g., City of Creede at 12 (line inactive for at least seven years before the City sought its abandonment); Chelsea, 8 I.C.C.2d at 775 (out of service for over ten years); Modern Handcraft, 363 I.C.C. at 969 (subject rail line embargoed for over eleven years).

(2) lack of shipper interest in service over the SRC Line; (3) the SRC Line's structural deficiencies; (4) the SRC Line's tenuous (at best) outlet to the balance of the interstate rail network; or (5) some combination of these factors. Whatever the case, SRC has had no freight traffic for nearly twenty years, and it appears that SRC management has been content to allow SRC to be a non-freight railroad.

2. The SRC Line Has No Rail Freight Service Prospects

The Board has stated that, "the lack of current freight operations alone is not grounds for granting an adverse abandonment application. Under the PC&N test, the Board also considers the potential for future freight rail traffic,"³⁴ and also whether or not the railroad is taking "reasonable steps" to attract such traffic.³⁵ The latter analysis presupposes that the targeted line possesses adequate traffic potential to warrant the railroad's effort. SRC may or may not be taking "reasonable" steps to attract freight traffic, but it is fair to say that SRC has made little effort to secure traffic because it recognizes that *the SRC Line has no freight prospects*.

The past two decades of SRC freight inactivity is surely prologue. The evidence, much of it supplied by SRC in response to discovery, demonstrates that the SRC Line has no realistic prospects in the near term – or ever – to become an outlet for rail-borne interstate commerce. The SRC Line is simply not needed, and will not be needed in the foreseeable future, to handle freight traffic.

Today, the SRC Property is an historic relic, one that the SRC's principals value not as a source of freight revenue, but rather for its history, and because they hope someday to see the SRC Line restored to FRA Class I condition to permit long-suspended passenger excursion

³⁴ City of Creede at 6, and 6, n. 17 (citing Seminole Gulf; and St. Joseph County). Note that the PC&N analysis focuses on freight rail service, and says nothing of tourist train operations.

³⁵ Id. at 6, and 6, n. 14 (citing Chelsea, 8 I.C.C.2d at 779).

operations to return. SRC has made little credible effort over the past few years to secure freight traffic – having produced in response to discovery *one* aborted attempt to secure freight business in the past three years. SRC’s freight traffic prospects most likely have been doomed by the SRC Line’s circumstances. In fact, in its discussions with a prospective buyer of the SRC Line, SRC candidly *admits that its rail line has no freight traffic future*. Consider the following:

- In response to the Estate’s request for information regarding potential SRC freight shippers and traffic levels, and SRC efforts to secure freight traffic from prospective shippers, SRC responded by providing documents (it did not provide a written, narrative response, although the request was in the form of an interrogatory) concerning [

See Confidential Exhibit AA, SRC Response to EDR No. 8.³⁶

SRC has offered a candid and [

³⁶ Again, to be clear, the documents attached hereto as Confidential Exhibit AA constitute the entirety of SRC’s response to the following discovery request:

Request No. 8. In connection with Request No. 7 [dealing with the five business entities that SRC previously had identified as past SRC freight shippers], describe SRC’s contact with each of the shippers, and discuss the extent to which each of these shippers or any prospective shipper has committed to using rail service in the event that SRC’s line were to be reactivated. In so doing:

- (a) identify any prospective freight shipper that has been in contact with SRC that has not previously made use of SRC service;
- (b) identify the commodity(ies) that each shipper or contacted prospective shipper would ship;
- (c) the volumes (in annual carloads) that each shipper or contacted prospective shipper would ship; and
- (d) the circumstances under which that shipper or contacted prospective shipper would agree and would commit to shipping via SRC’s rail line.

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- In response to the Estate's requests for waivers and exemptions from certain of the formal requirements for an abandonment application, SRC insisted that the Estate should provide five past SRC Line shippers with notice of the proposed abandonment via posting.⁴⁰ Because the SRC Line had seen no freight service since 1992, this utterly self-serving demand, which the Board effectively endorsed (much to the Estate's amazement) by

³⁷ [

] See map of SRC and area rail lines attached as Exhibit E.

³⁸ The Northern Central Railroad Line is discussed below.

³⁹ Mr. Bickleman's comments on behalf of SRC are attached hereto as Confidential Exhibit BB, SRC Response to EDR No. 8 (emphasis added).

⁴⁰ See SRC Reply at 9-10 (SRC objects to the Estate's request for exemption from the posting requirements at 49 U.S.C. § 10903(a)(3)(B), because this, rather than the direct service requirements of 49 U.S.C. § 10903(a)(3)(D), would be the best way for the five "local businesses that had previously used the railroad for freight service" to learn of the abandonment proceeding.

requiring service of notice on the five shippers pursuant to section 10903(a)(3)(D), was a curious tactic at best.⁴¹ Nevertheless, the Estate took the initiative to find out what it could about these five shippers and their current circumstances. Following are the results of the Estate's own investigation:

- Columbia Forest Products: No longer in business. The Estate located a mailing address in Greensboro, NC, and sent notice of the proposed abandonment there.
- Metropolitan Edison: The Estate found no local contact for this former shipper. The Estate sent notice of the proposed abandonment on the company's legal department in Akron, OH.
- Bull Supply Co.: The Estate has determined that this company's New Freedom, PA facility is not adjacent to the SRC Line and is not physically able to receive service from SRC.
- Mann & Parker Lumber Company: The Estate has ascertained that this former shipper continues to operate from a facility located along the SRC Line at New Freedom, PA. It relies exclusively on trucks for its transportation needs, but the Estate has learned that this former SRC shipper could possibly ship as much as one to two inbound loads of lumber per month via SRC. SRC's responses to the Estate's discovery requests indicate that SRC has made no effort over the past three years to secure this shipper's business.
- The Lumberyard (aka Wolf's Supply): The former Stewartstown address is now occupied by Gordon's Auto Repair. The Estate served notice of the proposed abandonment on Wolf's Supply, which is now operating in York, PA.

It is abundantly clear from the above information that the SRC Line is not needed for freight service, and that it has, by SRC's own admission, no legitimate and sustainable business prospects. As the Board has observed, it is not enough that a carrier trying to thwart an adverse abandonment claims to have freight traffic prospects. Such prospects must be evaluated in light

⁴¹ [

] See Confidential Exhibit BB, SRC Response to EDR No. 8. In light of SRC's recent remarks, the Estate believes that SRC duped the Board into requiring the Estate to undertake a fool's errand by seeking out the *five* past users of the SRC Line. The evidence now shows that SRC knew better.

of the circumstances and all evidence.⁴² Here, while SRC may preserve its *theoretical* freight traffic prospects by remaining open, it has no actual or immediate prospects, and the railroad's own management has expressed no hope for any sustainable freight traffic volumes.

But even if there were a plausible future for the SRC Line as a freight-carrying operation (and there is not), then SRC would first need to restore its rail line to operating condition, and it would also have to address and overcome its current isolation from the balance of the interstate rail network. As is discussed on pages 10 through 13, above, the SRC Line is, by SRC's own admission, not in operating condition. While SRC has a multi-year plan to restore SRC Line to operating condition by about 2015 (see Exhibit O, SRC Response to EDR No. 15), its plan depends almost entirely on donations of time, money, and materials, and not on cash expenditures as would be typical of a conventional short line operation. In fact, SRC has no budget or cost estimates for its track restoration plans. Accordingly, even if SRC's line restoration efforts proceed as the railroad hopes, which the Estate believes is highly unlikely, SRC would not be in business to handle any freight traffic for another four years.

The SRC Line's condition is not the only obstacle to restoring freight operations. Rather, the SRC Line also is isolated from the interstate rail network. As is shown on the map attached hereto as Exhibit E, the stub-ended SRC Line connects on its western end at milepost 0.0 (New Freedom) with the former Northern Central Railway line (the "NCR Line"), extending from New Freedom northward to Hyde Siding, PA (roughly 3 miles south of York, PA). The NCR Line is

⁴² See City of Creede at 7 (Board examined carefully the prospect of each of the prospective shippers that the railroad identified as part of its case against abandonment, and found that the traffic prospects of each were far too speculative to block the proposed abandonment); Chelsea, 8 I.C.C.2d at 779-789 (Discussion Sections A and B – "Is Conrail's Plan Practicable?" and "Is Conrail's Plan Economically Rational?").

owned by York County,⁴³ and it, too, has been out of service for several years.⁴⁴ The Estate understands that various interested parties have come forward in recent years to acquire or to secure operating rights over the NCR Line,⁴⁵ but no new operator has come forward with York County's consent to obtain an STB license to resume common carrier operations. Moreover, the Estate has serious questions concerning the condition of the NCR Line in light of its utter inactivity for several years.

Even assuming that York County permitted a freight rail operator onto the NCR Line to restore all of it to service so that SRC would no longer be isolated, [

⁴³ The Estate understands that the NCR Line was a part of the former Penn Central system that was not included in the Conrail Final System Plan. As such, the NCR Line was effectively abandoned, and York County acquired and owns the NCR Line outside of scope of ICC or Board regulatory authority pursuant to Common Carrier Status of States, State Agencies & Instrumentalities, & Political Subdivisions, 363 I.C.C. 132 (1980), aff'd sub nom. Simmons v. ICC, 697 F.2d 326 (D.C. Cir. 1982).

⁴⁴ Evidently, the NCR line was last operated in the late 1990s by an entity known as the Northern Central Railway, Inc. See Northern Central Railway, Incorporated – Lease and Operation Exemption – County of York, PA, STB Finance Docket No. 32966 (STB served July 10, 1996). On information and belief, the Estate understands that, despite the lack of any subsequent discontinuance of service proceeding, this most recent operator of the NCR Line suspended operations and ceased to exist over a decade ago.

⁴⁵ For example, James Riffin d/b/a The Northern Central Railroad attempted, unsuccessfully, to acquire and operate the York County-owned NCR Line in 2004. See James Riffin d/b/a The Northern Central Railroad – Acquisition and Operation Exemption – In York County, PA, and Baltimore County, MD, STB Finance Docket No. 34484 (STB served April 20, 2004).

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Finally, while SRC has offered a long-term business plan under which a four-mile portion of the SRC Line would be returned to operating condition by 2015, this plan does not specifically provide for the resumption of freight service, and there is no corresponding discussion in these business plans of any anticipated freight traffic or revenues from it.⁴⁷ Indeed, SRC's business plan – which is driven by the return of passenger excursion operations – does not appear to depend at all on SRC having an outlet to the balance of the interstate rail network via the NCR Line.

3. Granting the Estate's Application Could Give the SRC Line a Brighter Future

Through discovery, the Estate has learned that SRC, evidently motivated by its financial situation, has for at least the past few years, considered the possible sale of the SRC Property for continued operation as a railroad. This is an encouraging revelation, because a cash sale of the SRC Line at fair market value would give SRC adequate resources promptly to pay its debts to creditors such as the Estate. At the same time, the revelation is also frustrating, because nothing has yet come of SRC's apparent on-again-off-again approach to a voluntary sale of its assets. As

⁴⁶ Confidential Exhibit CC.

⁴⁷ SRC's Business Plan (attached hereto as Exhibit O), and its Track Rehabilitation Plan (attached hereto as Exhibit P) conflict with one another. SRC's Business Plan calls for the restoration of excursion operations between Stewartstown and a location known as Tolna (roughly four miles west of Stewartstown) by 2015, but SRC's Track Rehabilitation Plan calls for the restoration of the entire SRC Line (and the restoration of train operations over it) by 2015.

it so happens, this abandonment proceeding could facilitate the possible sale of the SRC Property to a person (if any) with the resources and the desire to own and operate the SRC Line.

While SRC has resolved to explore, and evidently has explored, the possibility of selling the SRC Property, it does not appear that such a course of action is being pursued with any particular haste, if it is being pursued at all at the moment.⁴⁸ In view of the Estate's abandonment Application, however, SRC may recognize that, under Board-granted abandonment authority, SRC could lose control of its property through foreclosure under Pennsylvania state law, and so it may pursue an asset sale with much more purpose now than before. And if no one comes forward to purchase the SRC Line for fair market value (and for cash) during the pendency of this proceeding, then this speaks volumes about whether or not anyone sees an investment in the SRC Property as financially justifiable.

It is also important to remember that the Estate did not request or obtain a complete exemption from the Board's OFA provisions, so that an interested party could come forward in the event of a grant of abandonment authority to purchase the SRC Line at minimum constitutional value (in this case, net liquidation value – "NLV") to preserve it. The Estate has no vested interest in the liquidation of the SRC Property, and, in fact, it would prefer to see the SRC Line preserved because of its historical significance. But the Estate's primary goal and its mandate under Mr. Hart's will, is to collect amounts due to the beneficiary of the Estate and to wrap up the Estate as swiftly as possible. Accordingly, the OFA timeframes would facilitate a reasonably swift cash sale of the SRC Property for NLV,⁴⁹ would, in turn, enable SRC to pay off

⁴⁸ See Exhibit I, V.S. Bushman, including Attachment 3 to that Exhibit.

⁴⁹ The Estate has reason to believe that there are entities that are interested in acquiring the SRC Property, but the Estate is concerned that these same entities lack sufficient resources to pay the full NLV value of the SRC Property within the customary 90-day closing period generally prescribed in OFA processes. Thus, while the Estate welcomes an OFA to purchase the line, it

its debts, and would result in the preservation of the SRC Line. In short, granting the Estate's Application followed by the successful conclusion of an OFA process would end the SRC regime, but it would not be the end of the SRC Line. Such an outcome, in which the interests of rail line preservation and the interests of honest railroad management practices could both be accommodated, would be wholly consistent with the PC&N.

Finally, if neither the abandonment nor an OFA process can secure a brighter future for the SRC Property under different ownership, then it should be clear to all concerned that this rail property fulfills no business purpose, is not viewed as a viable business asset, and liquidation of the SRC Property is clearly warranted under the Board's PC&N analysis. If no buyer comes forward to acquire and own the SRC Line as a line of railroad either through a voluntary transaction during the pendency of this proceeding or through an OFA process, then the unfolding of events will demonstrate that abandonment and liquidation of the SRC Property to the extent necessary to satisfy SRC's debt obligations is both necessary and appropriate.

4. The Public Convenience and Necessity Does Not Mandate Preservation of the SRC Line for Track Speeder Excursions

Of late, the SRC Line has been used for private equipment storage and to host occasional motorcar (also known as "track speeders" or "putt-putts") excursions. Track speeders are able to operate on the SRC Line, because they usually weigh between 600 to 4500 pounds, and thus do not subject the track material to the stresses that conventional equipment would. In short, SRC has not restored its line to a level that can accommodate conventional motive power or rolling stock, and the occasional track speeder operation over the SRC Line should not suggest

would object to any proposal under which either SRC or the Estate would become a creditor of the would-be offeror. Accordingly, an offeror seeking to acquire the SRC Property must be prepared to pay in full and in cash for SRC's assets, or its OFA should be rejected.

otherwise. The operation of speeders is not the kind of transportation required by the present or future public convenience and necessity which would preclude abandonment of the line.⁵⁰

5. Intrastate Tourist Passenger Operations Do No Advance any Federal Interest in the SRC Line

SRC's primary, if not exclusive, focus on the restoration of the SRC Line for tourist train operations. But such intrastate tourist train operations in and of themselves have no bearing on the Board's PC&N analysis, particularly since such operations are not subject to the Board's jurisdiction. In short, the Board's PC&N analysis focuses on interstate commerce, particularly freight commerce, not on tourist railroad operations in Pennsylvania. Regardless, SRC has acknowledged to others that [

] Confidential Exhibit BB.

6. There Are Compelling Interests Advanced by Abandonment

As indicated above, the Board engages in a case-by-case balancing of interests in an adverse abandonment proceeding. In this case, the Board must balance the federal interest (if any) in preserving a rail line that has no credible freight traffic prospects against the agency's RTP mandate under 49 U.S.C. § 10101(9) to encourage the honest and efficient management of railroads. In addition, the Board surely must be mindful that its decision here could have far-reaching ramifications with respect to the creditworthiness of not only SRC, but also of any railroad subject to its jurisdiction that has pledged, or that proposes to pledge, its rail assets as a

⁵⁰ See City of Creede at 14, n. 41 (the Board "will not consider speeder users as part of our weighing of the relevant factors under the PC&N test. Any revenue from this activity would not be used to support freight rail service—because there will almost certainly be no freight service—and is therefore immaterial to the PC&N analysis").

security to a lender. As set forth above, granting this Application would advance no federal interest. As is explained immediately below, however, granting this Application would advance other important, countervailing interests.

Under the peculiar facts of this case, SRC has encumbered its rail assets as a security for supplied to SRC to keep it afloat many years ago.⁵¹ Now, the loan is due, but SRC hasn't the wherewithal to satisfy its debt obligations. Normally, a debtor railroad would have operating income that the creditor might attach in the event of default, but the Estate has found that SRC, which is not an operating railroad, has average annual profits of approximately [\$]⁵² and so it could take hundreds of years for the Estate to be made whole by relying on SRC's net income. Also, if faced with the need to satisfy a debt obligation, a financially responsible (and viable) freight operator could either repay the obligation through cash reserves, or it would obtain alternative financing (presumably secured by the same assets) to repay the original loan. But SRC has no such cash reserves, and it most likely cannot (or perhaps has not attempted to) obtain a loan. All SRC has are its long unused and out-of-service rail assets.

Under such circumstances, SRC has three choices – (1) attempt to negotiate an extension of the loan; (2) sell its rail assets at fair market value to someone else; or (3) liquidate sufficient rail assets to satisfy its contractual obligation. SRC has attempted to negotiate an extension of its debt repayment obligation by proposing a back-loaded, five-year repayment plan, but the Estate and its beneficiary have rejected that proposal. The Estate is not obligated to forgo its legal right to repayment at this time, and postponing repayment is contrary to the Estate's mandate. The Estate has a fiduciary duty to its beneficiary not to be a railroad creditor any longer than is

⁵¹ See Exhibit I, V.S. Bushman at 2-3.

⁵² See Confidential Exhibit DD.

absolutely necessary, and it does not wish to be a creditor to SRC.⁵³ Rather, the Estate must promptly collect upon the debt SRC owes.

In fact, the Estate would not be fulfilling its duties to its beneficiary nor would it be acting wisely if it were to accept an extended repayment arrangement. SRC proposed a five-year repayment plan over a year ago, and although that proposal was rejected, SRC could have and should have by now made payments at least commensurate with what it said it would have been able to pay in year one of its repayment plan. But SRC has not supplied the Estate with a single dime, demonstrating that SRC is not acting in good faith as a debtor, is not credit-worthy, and that the Estate was right to reject SRC's extended repayment proposal.

SRC might be able to sell its assets to a third party to preserve them as rail property, but SRC has either been dilatory in such efforts, or it has been unable to locate a financially bona fide buyer. If the former is the case, then SRC has been shirking its responsibilities to the Estate, and if the latter, then this merely reflects the hopeless situation in which SRC now finds itself.

SRC could liquidate some or all of its rail assets. Because the SRC Line has been out of service for so many years, SRC's invocation of the two-year-out-of-service abandonment notice of exemption process under 49 C.F.R. Part 1152, Subpart F would have enabled the railroad to commence liquidating track assets in as little as three months – a virtual slam dunk. But this SRC refuses to do, even though it clearly means defaulting on its contractual obligations to the

⁵³ SRC complains that the Estate unreasonably rejected SRC's already discredited five-year repayment plan. But neither the Estate nor its beneficiary is in the business of being a creditor to a railroad, and certainly not to a railroad that is unlikely to be able in five years to repay the debt obligations that have been fully due and owing since late 2008. If SRC has as compelling a business plan as it asserts, then surely, in light of the value of its assets, it could find an investor or lending institution to effectively refinance SRC's existing debt, and, if it could, then surely SRC would benefit from a repayment term longer than five years. But the Estate believes that there is no such willing investor or lender (because SRC's business plan is dubious at best), and so SRC is attempting to force the Estate to serve as SRC's "creditor of last resort."

Estate. SRC's evasion of its debt obligations is hardly honorable and compares poorly with the actions taken by other railroads in similar circumstances.⁵⁴

In the Estate's view, while this case presents a unique set of facts, the Board's decision here could have far-reaching ramifications for both railroads and creditors. As the preceding sections of this Application doubtlessly convey, SRC is hardly a conventional short line railroad, and the Estate is hardly a typical creditor. But if the Board were to deny this Application, then what would that mean for the Estate, what would it mean to other railroads and to the more typical lender doing business with railroads, and what would that mean for SRC?

In light of the enormous cost to bring an adverse abandonment – the filing fee alone in more than \$22,000 (one of the highest filing fees on the Board's fee schedule), to say nothing of the legal fees – the Estate does not seek a Board remedy lightly, and it has done so only because SRC's evasion (a five-year repayment plan is both unrealistic and a non-starter for the Estate) has given it no other choice. If the Board were to deny its Application, the Estate sees little chance of persuading a state court to allow foreclosure on SRC assets in light of the federal preemption issues that are in the way.

The Estate understands that railroads commonly pledge their rail lines as security for loans or lines of credit. See, e.g., Escanaba & Lake Superior (abandonment prompted in part by a creditor's threat to foreclose upon railroad assets). Denial of the Application would send a

⁵⁴ The Estate is especially mindful of a recent STB proceeding in which a short line carrier in default on its debt obligations to a creditor (in large part because of the sudden closure of a key shipper's paper mill), seeing no other feasible alternative, did the financially responsible thing and sought and obtained authority to abandon an underused and uneconomical rail line in order to liquidate the line's assets and cure its default. Escanaba & Lake Superior Railroad Company – Abandonment Exemption – In Ontonagon and Houghton Counties, Mich., STB Docket no. AB 415 (Sub-No. 2X) (STB Served Sept. 27, 2010). Where Escanaba & Lake Superior acted in good faith, and took unpalatable but necessary steps to address its financial situation, SRC has not acted in good faith, evading its obligations to creditors by using its rail line's legal status (and, hence, the Board's jurisdiction) as a shield against state law processes.

message that a railroad's pledge of its rail line as collateral for a loan is ephemeral and ultimately unenforceable, because the lender lacks recourse to foreclose upon the assets in the event of default, even when those assets are no longer being used for freight service, and almost certainly never again will be. Moreover, denial of the Estate's application could make it more difficult for railroads to obtain credit, because the upshot of the Board's decision would be that rail line assets are a hollow, utterly worthless security.

Granting the subject abandonment in view of the peculiar facts here, on the other hand, is unlikely to have any adverse impact on the rail industry or on railroad-creditor relations. What is more, the unique circumstances behind this case make it extremely unlikely that anyone would view the Board as liberalizing its adverse abandonment policies if the Application is granted. But denying the Application could imperil railroad-creditor relations, and in particular short line railroad access to credit.

Finally, denying the Application would make the Board SRC's enabler, permitting SRC to hide behind the Board and its jurisdiction, rather than face the music. SRC has made no payments whatsoever to the Estate in response to the Estate's two-and-a-half-year-old demand, even though SRC has repeatedly acknowledged its financial obligation. To be blunt, SRC has not addressed its obligation to the Estate in a responsible manner, and it appears that only the Board itself can put an end to such irresponsibility.⁵⁵ If the Board were to deny the Estate's Application, it is likely that SRC will continue to pay lip service to the debt, and that it will continue to do nothing about it. And SRC will know that it has no reason to do otherwise. If the

⁵⁵ Captain Bushman, SRC's single largest shareholder and a director (and also an individual whom has been involved in the ownership and oversight of SRC since 1972), states that he was motivated to offer a verified statement in support of the proposed abandonment primarily because he is deeply disappointed at SRC's failure and/or unwillingness to take a more responsible, immediate, and realistic approach to its financial circumstances and obligations. See Exhibit I, V.S. Bushman at 5-7.

Board were to deny the Application, the Board would uphold the *status quo*, and allow SRC to “play with trains” (in the words of SRC’s largest single shareholder) while it ignores its debts.⁵⁶ In granting the Application, however, the Board would be upholding the integrity of its processes, and it would be adhering to the RTP, which mandates that the Board ensure that railroads such as SRC are managed honestly and efficiently.⁵⁷

7. Abandonment Will Not Harm the Public Interest

In granting an adverse abandonment in Modern Handcraft, the ICC explained that it is generally in the public interest to avoid the unnecessary cessation of rail service.⁵⁸ There will be no unnecessary cessation of rail service here, because there is no freight service to be protected. The SRC Line has been without rail freight traffic for nearly twenty years, and it has no realistic prospects for future freight traffic. The SRC Line may as well be abandoned today, and, practically-speaking (if not legally), it is. SRC could have sought and obtained authority to “abandon” its rail line in 1992 (or shortly thereafter) when freight service ended, could have consummated its abandonment thereafter by striking its common carrier tariffs/rates, and then could have continued operation as a private, non-common carrier excursion operation, which is essentially what it is and has been since before the advent of the ICC Termination Act of 1995. What is more, the SRC Line’s only possible outlet is a line that was effectively abandoned itself some thirty years ago, when the NCR Line was not included in the USRA Final System Plan.

⁵⁶ Id. at 6.

⁵⁷ See Railroad Ventures, Inc. – Abandonment Exemption – Between Youngstown, OH, and Darlington, PA, in Mahoning and Columbiana Counties, OH, and Beaver County, PA, STB Docket No. AB-556 (Sub-No 2X), slip op. at 12, (STB served Dec. 15, 2005) (allowing a rail carrier to benefit from its inappropriate conduct is contrary to the principles of section 10101(9), which mandates that the board foster the honest and efficient management of railroads). Here, SRC is benefiting from its own irresponsible, inappropriate conduct, and the Board, in accordance with the policy objectives of section 10101(9), should not allow that to continue

⁵⁸ Modern Handcraft, 363 I.C.C. at 972.

For these reasons, denying the Application in the name of preserving rail service and preventing the unnecessary abandonment of a rail line rings exceedingly hollow. In response to the Estate's discovery requests, SRC indicated that it had identified only one shipper that had an interest in SRC rail service, but it determined that providing service to that shipper would not be feasible in light of logistical issues. In this case, there is simply no rail service to protect, and the outlook for future freight traffic is very dim at best. And finally, even assuming that preserving the SRC Line for interstate commerce would be preferred, it would be possible in this proceeding for a financially responsible party to acquire the SRC Line at its constitutional minimum value via the Board's OFA process.

IV. A BALANCING OF INTERESTS REQUIRES GRANTING THE ESTATE'S APPLICATION

Under a balancing of interests at play in this proceeding, the Board should find it appropriate to remove its jurisdiction over the SRC Line, thus facilitating a possible OFA proceeding, and, absent that, permitting the Estate to pursue its remedies against SRC at state law, including foreclosure on the SRC Line assets. Actually, in this case, there is hardly any case at all for the preservation of the SRC Line – it is completely unused and clearly unnecessary for freight service. There are no shipper interests to be protected, because there are no shippers, and there haven't been any for nearly 20 years. Moreover, SRC has itself admitted that the SRC Line has [

] The only "operations" on the SRC Line over the past several years have been the occasional track speeder excursion. SRC's interest in establishing an intrastate tourist train and in providing a track for speeders" cannot be given any

weight because they are not “transportation” within the Board’s jurisdiction, and they are not required by the PC&N.

By contrast, the Estate has demonstrated that there is a substantial interest in removing the SRC Line from the Board’s jurisdiction. The circumstances presented by the Estate’s Application are similar to those in Modern Handcraft, Chelsea, and City of Creede, where adverse abandonments were granted.

In Modern Handcraft, an adjacent landowner sought adverse abandonment of a segment of a line that had been out of service for nearly 12 years. A regional transportation authority filed for adverse abandonment of the entire eight-mile line so it could condemn the land for use as part of a mass transit system. The carrier opposed abandonment only to leverage the price for acquiring the right of way, not because it hoped to restore freight service. In these circumstances the ICC found that adverse abandonment as permitted by the public convenience and necessity. The ICC explained as follows:

The function of our exclusive and plenary jurisdiction over abandonments is to provide the public with a degree of protection against the unnecessary discontinuance, cessation, interruption, or obstruction of available rail service. We will not allow our jurisdiction to be used to shield a carrier from the legitimate processes of State law where there is no overriding Federal interest in interstate commerce. Where, as here, there have been no rail operations for over 12 years and no attempt to provide rail service we can find no public benefit in preventing a State condemnation proceeding.

We find that the rail service which Freight Operations is authorized to perform is not required and that the elimination of this line will not burden interstate commerce and will benefit the public.

Modern Handcraft at 972.

In Chelsea, developers sought the abandonment of about 1.45 miles of Conrail track that had been out of service for about 15 years. The developers and local government wanted to invoke eminent domain to facilitate local land use and community development plans, but they

were prevented from doing so by the ICC's jurisdiction. Conrail (the incumbent carrier) opposed the adverse abandonment, claiming that it planned to use the line in the future for transporting waste. The ICC stated that it "need not blindly accept Conrail's assertions" regarding future business prospects (8 I.C.C 2d at 781), and found that Conrail's traffic prospects were speculative and its business plan impractical. The ICC approved the adverse abandonment, concluding that "[t]he line's abandonment and the viaduct's demolition would eliminate an obstacle to local development and appears to be consistent with the public interest" (id. at 783).

In City of Creede, the Board granted the abandonment of a rail line segment that had been out of service for several years. The applicant, the City of Creede, Colorado, argued that the abandonment would pave the way for the city to continue to use a portion of the targeted line's right-of-way for public parking. In granting the city's application, the Board assessed the prospects that the subject line might once again handle freight traffic, and found unpersuasive the railroad's evidence that there were four prospective shippers that might use the line in the future. In the process, the Board examined in careful detail the prospects that each of the four purportedly interested shippers might offer traffic to the incumbent railroad, and found the railroad's claims to be unsubstantiated. In addition, in the approving the city's abandonment application, the Board noted that – (1) the railroad had done little to solicit freight traffic; (2) the line was not in operating condition, and would not be returned to service until some point in the future; (3) the freight traffic volumes that shippers might generate would not necessarily be enough to support rail operations; (4) none of the potential shippers had opposed the abandonment; and (5) the potential shippers had access to and were using other modes of transportation, which was evidently adequate for those shippers' needs.⁵⁹

⁵⁹ See City of Creede at 11-15.

In this case, the Estate has more than met its burden of proof in showing that that SRC has no likelihood of success in preserving the line for rail service. Accordingly, the burden now shifts to SRC “to show that there is a realistic potential for rail service.”⁶⁰ But, in evidence produced in discovery, SRC has not pointed to a single prospective shipper that would and could make use of the SRC Line, and, in fact, SRC has acknowledged that [

] In any event, in keeping with City of Creede and Chelsea, the Board “will not unquestioningly accept speculative claims of potential freight traffic.”⁶¹

The Estate should not be held hostage to the SRC’s plan to restore a tourist train operation. SRC would have the Board and the Estate believe that its tourist train operation will be profitable and self-sustaining. But SRC has itself admitted that, [

] ⁶² And the Estate is well aware that in the past SRC sustained its excursion-only operations only on the basis of funds supplied by Mr. Hart, so there is no reason to think that SRC’s current plans would do anything but prompt a replay of the last few years of SRC operations up until 2004. Simply put, there is no federal interest at stake here weighing against the grant of the Estate’s Application and the economic interests that would be advanced by granting the Application.

Finally, the Board has often quoted language in Modern Handcraft that its jurisdiction not be used as a shield from the legitimate processes of state law where no overriding federal interest exists. This passage indicates that the Board examines the facts of each adverse abandonment

⁶⁰ Id. at 13.

⁶¹ Id. at 12.

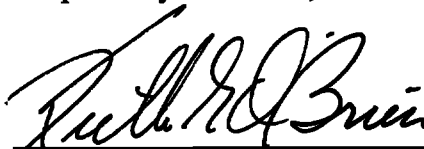
⁶² See Confidential Exhibit BB.

case to ascertain the extent to which the incumbent carrier is merely using the Board's exclusive and plenary jurisdiction over rail lines to evade the legitimate process of state law or other laws. The Board must factor into its PC&N balancing of interests the extent to which the incumbent carrier is using its common carrier status as such a shield, and, for that matter, the extent to which a Board decision effectively discourages the honest management of railroads counter to the RTP. Under the specific facts of this case, it is very clear, and the Board should find, that SRC is not acting responsibly, and that it is hiding from its legal obligations in the face of overwhelming evidence that the Board's "shield" is protecting no one and no interest aside from SRC itself.

V. CONCLUSION

For the reasons stated above, the Board should grant the Estate's Application for adverse abandonment of the SRC Line.

Respectfully submitted,



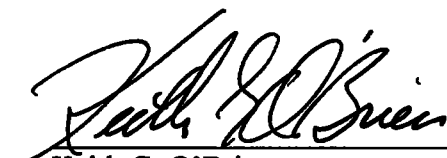
Keith G. O'Brien
Robert A. Wimbish
BAKER & MILLER PLLC
2401 Pennsylvania Ave., NW
Suite 300
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Tel: (202) 663-7852 and (202) 663-7824
kobrien@bakerandmiller.com
rwimbish@bakerandmiller.com

Dated: July 7, 2011

Attorneys for the Estate of George M. Hart

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused a Public Version of this Application to be served upon all parties of record, and upon the five shippers who have in the past made use of the rail line that is the subject of this proceeding (to the extent that the shipper contact information is available). I also certify that I have complied with the requirements set forth at 49 C.F.R. § 1152.24(c) as those requirements were effectively modified pursuant to the Board's decision in this proceeding served on March 10, 2011.

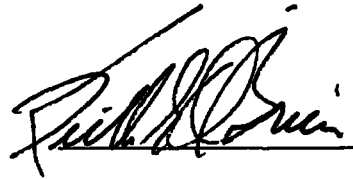

Keith G. O'Brien

Dated: July 7, 2011

Verification

City of Washington ss.
District of Columbia

Keith G. O'Brien makes oath and says that he is the Counsel for the Estate of George M. Hart applicant herein; that he has been authorized by the applicant to verify and file with Surface Transportation Board the foregoing application in STB AB-1071 that he has carefully examined all of the statements in the application as well as the exhibits attached thereto and made a part thereof; that he has knowledge of the facts and matters relied upon in the application; and that all representations set forth therein are true and correct to the best of his knowledge, information, and belief.



Subscribed and sworn to before me Crystal M. Zorbaugh in and for the City of Washington in the District of Columbia, this 7th day of July, 2011.
My commission expires November 30, 2013.

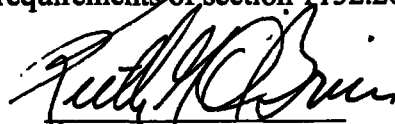

Crystal M. Zorbaugh

CRYSTAL M. ZORBAUGH
NOTARY PUBLIC DISTRICT OF COLUMBIA
My Commission Expires November 30, 2013

Verification

City of Washington ss.
District of Columbia

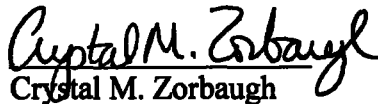
I, Keith G. O'Brien, hereby certify that, in accordance with the requirements for filing and serving an application as specified in 49 C.F.R. § 1152.24, a copy of the Estate of George M. Hart's Notice of Intent to Abandon was served on all parties as required by 49 C.F.R. § 1152.20(a)(2) on May 20, 2011. I further attest that, in accordance with 49 C.F.R. § 1152.20(a)(4), the same Notice of Intent was published in the Central Penn Business Journal weekly for three consecutive weeks (specifically, on May 20, 2011, May 27, 2011, and June 3, 2011). The notice was also served concurrently on the Board as required by 49 C.F.R. § 1152.20(b)(3). Attached hereto as Attachment 1 is a copy of our previous certification of compliance at the time the Notice of Intent was served, filed with the Board, and first published (May 20, 2011). Attached as Attachment 2 is a notarized "Proof of Publication" from the Central Penn Business Journal, as supporting evidence of compliance with the advance notice requirements of section 1152.20(a)(4).



Keith G. O'Brien

Subscribed and sworn to before me Crystal M. Zorbaugh in and for the City of Washington in the District of Columbia, this 7th day of July, 2011.
My commission expires November 30, 2013.

CRYSTAL M. ZORBAUGH
NOTARY PUBLIC DISTRICT OF COLUMBIA
My Commission Expires November 30, 2013



Crystal M. Zorbaugh

ATTACHMENT 1

BAKER & MILLER PLLC

ATTORNEYS and COUNSELLORS

2401 PENNSYLVANIA AVENUE, NW
SUITE 300
WASHINGTON, DC 20037

TELEPHONE (202) 663-7820
FACSIMILE (202) 663-7849

KEITH G. O'BRIEN

(202) 663-7852 (Direct Dial)
E-Mail: kobrien@bakerandmiller.com

May 20, 2011

BY HAND DELIVERY

Cynthia T. Brown
Chief of the Section of Administration, Office of Proceedings
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

RE: *Stewartstown Railroad Company – Adverse Abandonment – In York County, PA,*
STB Docket No. AB-1071

Dear Ms. Brown:

On or about June 15, 2011, the Estate of George M. Hart ("Estate") expects to file a formal application for a third-party (or "adverse") abandonment of the entire 7.4-mile rail line of the Stewartstown Railroad Company ("SRC"), located in York County, PA.

Enclosed you will find a notice of intent to abandon the SRC rail line, which is filed in accordance with the Board's regulations at 49 C.F.R. Part 1152, Subpart C, and which adheres to the form of notice generally approved by the Board earlier in this proceeding.

In addition to accomplishing a timely filing of the notice of intent to abandon with the Board, the Estate hereby certifies that it has also today served copies of the attached notice of intent upon the following parties as required at 49 C.F.R. §1152.20(a)(2): Tom Corbett, Governor of Pennsylvania; Pennsylvania Public Utility Commission; Pennsylvania Department of Transportation Bureau of Rail Freight, Ports and Waterways; the State Cooperative Extension Service; United States Department of Transportation (Federal Railroad Administration); SDDC TEA, Railroads for National Defense; the National Park Service Rivers & Trails Conservation Program; U.S. Railroad Retirement Board; the Chief of the Forest Service; and past users of the

Cynthia T. Brown
May 20, 2011
Page 2 of 2

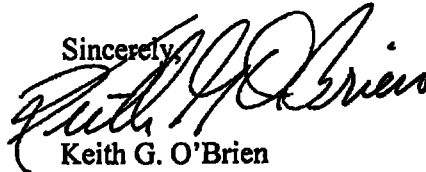
subject rail line.¹

There are no known duly certified labor organizations representing employees on the affected line (if, indeed, SRC has any employees at this time). Additionally, because the National Railroad Passenger Corporation ("Amtrak") does not operate over the line, it was not served a copy of the notice of intent.

This letter also certifies that, in accordance with 49 C.F.R. §§ 1152.20(a)(4) and (b)(3), the attached notice of intent will run in the Central Pennsylvania Business Journal weekly beginning today, May 20, 2011, for three consecutive weeks.

If there are any questions concerning this notice of intent to abandon, please contact either Keith G. O'Brien or Robert A. Wimbish at the law firm of Baker & Miller, PLLC, 2401 Pennsylvania Avenue, NW, Suite 300, Washington, DC 20037; by facsimile at (202) 663-7849; by e-mail at kobrien@bakerandmiller.com or rwimbish@bakerandmiller.com, or by telephone at (202) 663-7820.

Sincerely,



Keith G. O'Brien

Counsel for Estate of George M. Hart

Attachment

cc: Parties of Record
Alex E. Snyder

¹ The applicable regulation requires service of the notice of intent upon "significant users [present tense] of the line," 49 CFR 1152.50 (a)(2)(i), and there are no such active users (i.e., freight shippers or consignees) of the line, let alone "significant" users. However, the Board has directed the Estate to serve this notice of intent upon the past users of the line as those users have been identified by SRC in a prior phase of this proceeding. SRC has not supplied the Board or the Estate with addresses or other contact information for the asserted past users of the line, but it did supply names. Accordingly, after researching the entities through various sources including the Pennsylvania Secretary of State, to the best of our knowledge, we have located appropriate parties to be served. Therefore, a copy of this notice is being served on Mann And Parker Lumber Company, Columbia Forest Products, Inc. (we believe the Columbia Forest Property previously served by the railroad may have been acquired by Silbaugh Investors so we are serving them as well), Bull Supply Company, Inc. (this company was listed as Bull's Supply in the SRC's reply in partial opposition; however, according to Secretary of State Records the correct name for the company is Bull Supply Company, Inc.), the Lumberyard (Wolf's Supply) Stewartstown (we have determined this entity is no longer in business but have contacted the previous owner, Thomas Wolf, who conducts business in York, PA and we are serving a copy of the filing on him, and Metropolitan Edison (which has been purchased by First Energy Corporation and who instructed us to serve their legal counsel in Akron, Ohio).

STB Docket No. AB-1071

Notice of Intent to Abandon or to Discontinue Service

The Estate of George M. Hart ("Applicant") gives notice that on or about June 15, 2011, it intends to file with the Surface Transportation, Washington, DC 20423, an application for adverse abandonment of all of the track of the Stewartstown Railroad Company ("Stewartstown"), extending from milepost 0.0 at New Freedom, PA, to milepost 7.4 at Stewartstown, PA, which traverses through United States Postal Service Zip Codes 17349, 17361, and 17363. There are no active stations on this track, which has been out of service for conventional freight and passenger operations for over six years.

The reason for the proposed abandonment is to settle a debt, owed to the Applicant, by forcing the sale or salvage of a line that, in Applicant's view, has no realistic prospect in the near term of becoming an outlet for rail-borne interstate commerce. Over a period of years, Mr. George M. Hart ("Mr. Hart") provided \$352,415 to Stewartstown intended to sustain Stewartstown's railroad functions in the form of loans (secured by the assets of the railroad as documented by a duly recorded indenture of mortgage and a separately recorded judgment note.) Mr. Hart passed away on April 17, 2008, and his will instructs the executor of his estate to seek repayment of the amounts loaned to Stewartstown in accordance with the mortgage and judgment note. Applicant has demanded immediate repayment of the debt as directed in Mr. Hart's will. Stewartstown has responded that it is unable to fulfill its debt obligation to make such immediate payment, because the railroad has been essentially inactive since the spring of 2004, has *de minimis* operating revenues from which to make repayment, and has no cash reserves sufficient to repay the loan. Applicant believes that the only resources at Stewartstown's disposal to repay its debts are Stewartstown's idle rail line assets, and any motive power and rolling stock owned by Stewartstown.

The line has virtually no realistic prospect in the near term of becoming an outlet for rail-borne interstate commerce. The stub-ended line connects at milepost 0.0 with the Northern Central Railway ("NCR") at New Freedom. The NCR property is owned by York County, PA, and it, too, has been out of service for several years. For this reason, even assuming that Stewartstown's line was in a condition to handle revenue freight traffic or any traffic – and it is certainly in no such condition – the railroad lacks a viable connection to the balance of the interstate rail network. There is no practical possibility that the line could be reactivated for through common carrier service. Applicant has encouraged Stewartstown voluntarily to pursue liquidation of assets sufficient to satisfy its debt obligations to Applicant, but Stewartstown has to date refused to take any such remedial action, and it evidently has been unable to secure the assistance of an investor or lender that would provide funds with which to immediately satisfy the debt owed to Applicant. Having found no other alternative to secure repayment of its loan, and because Stewartstown has refused to take appropriate action voluntarily, Applicant has no choice but to file an application for adverse abandonment of the Stewartstown's line in order that Applicant can, subject to any appropriate processes under Pennsylvania law,

foreclose upon Stewartstown's rail assets and sell them or liquidate them as necessary to satisfy Stewartstown's debt obligations. To the best of Applicant's knowledge and belief, the line does not contain federally granted rights-of-way. Any documentation in the Applicant's possession will be made available promptly to those requesting it.

The Surface Transportation Board does not normally impose labor protective conditions when a rail carrier abandons its entire line. *See County of Coahoma Mississippi – Abandonment Exemption – In Tallahatchie and Coahoma Counties, MS*, STB Docket No. AB-579X (served June 15, 2001).

The application will include the Applicant's entire case for abandonment (case in chief). Any interested person, after the application is filed on or about June 15, 2011, may file with the Surface Transportation Board written comments concerning the proposed abandonment or protests to it. These filings are due 45 days from the date of filing of the application. All interested parties should be aware that following any abandonment of rail service, and salvage of track, the line may be suitable for other public use, including interim trail use. Any request for a public use condition under 49 U.S.C. § 10905 (49 C.F.R. § 1152.28 of the Board's rules) and any request for a trail use condition under 16 U.S.C. § 1247(d) (49 C.F.R. § 1152.29 of the Board's rules) must also be filed within 45 days from the date of the filing of the application. Persons who may oppose the abandonment but who do not wish to participate fully in the process by appearing at any oral hearings or by submitting verified statements of witnesses, containing detailed evidence, should file comments. Persons interested only in seeking public use or trail use conditions should also file comments. Persons opposing the proposed abandonment that do wish to participate actively and fully in the process should file a protest.

Protests must contain that party's entire case in opposition (case in chief) including the following:

- (1) Protestant's name, address and business.
- (2) A statement describing protestant's interest in the proceeding including:
 - (i) A description of protestant's use of the line;
 - (ii) If protestant does not use the line, information concerning the group or public interest it represents; and
 - (iii) If protestant's interest is limited to the retention of service over a portion of the line, a description of the portion of the line subject to protestant's interest (with milepost designations if available) and evidence showing that the applicant can operate the portion of the line profitably, including an appropriate return on its investment for those operations.
- (3) Specific reasons why protestant opposes the application including information regarding protestant's reliance on the involved service [this information must be supported by affidavits of persons with personal knowledge of the fact(s)].

(4) Any rebuttal of material submitted by applicant.

In addition, a commenting party or protestant may provide a statement of position and evidence regarding:

- (i) Intent to offer financial assistance pursuant to 49 U.S.C. § 10904;**
- (ii) Environmental impact;**
- (iii) Impact on rural and community development;**
- (iv) Recommended provisions for protections of the interests of employees;**
- (v) Suitability of the properties for other public purposes pursuant to 49 U.S.C. § 10905; and**
- (vi) Prospective use of the right-of-way for interim trail use and rail banking under 16 U.S.C. § 1247(d) and 49 C.F.R. § 1152.29.**

Written comments and protests will be considered by the Board in determining what disposition to make of the application. The commenting party or protestant may participate in the proceeding as its interests may appear.

If an oral hearing is desired, the requester must make a request for an oral hearing and provide reasons why an oral hearing is necessary. Oral hearing requests must be filed with the Board no later than 10 days after the application is filed.

Those parties filing protests to the proposed abandonment should be prepared to participate actively either in an oral hearing or through the submission of their entire opposition case in the form of verified statements and arguments at the time they file a protest. Parties seeking information concerning the filing of protests should refer to 49 C.F.R. § 1152.25.

Written comments and protest should indicate the proceeding designation STB Docket No. AB-1071, and must be filed with the Chief, Section of Administration, Office of Proceedings, Surface Transportation Board, Washington, DC 20423, no later than August 1, 2011. Interested persons may file a written comment or protest with the Board to become a party to this abandonment proceeding. A copy of each written comment or protest shall be served upon the representative of the applicant: Keith G. O'Brien, Baker & Miller PLLC, 2401 Pennsylvania Ave., NW, Ste. 300, Washington, DC 20037, (202) 663-7852. The original and 10 copies of all comments or protests shall be filed with the Board with a certificate of service. Except as otherwise set forth in part 1152, each document filed with the Board must be served on all parties to the abandonment proceeding. 49 C.F.R. § 1104.12(a).

The line sought to be abandoned will be available for sale for continued rail use, if the Board decides to permit the abandonment, in accordance with applicable laws and regulations (49 U.S.C. § 10904 and 49 C.F.R. § 1152.27).

Persons seeking further information concerning abandonment procedures may contact the Surface Transportation Board or refer to the full abandonment regulations at

49 CFR Part 1152. Questions concerning environmental issues may be directed to the Board's Office of Environmental Analysis.

An environmental assessment ("EA") (or environmental impact statement ("EIS"), if necessary) prepared by the Office of Environmental Analysis will be served upon all parties of record and upon any agencies or other person who commented during its preparation. Any other persons who would like to obtain a copy of the EA (or EIS) may contact the Office of Environmental Analysis. EAs in abandonment proceedings normally will be made available within 33 days of the filing of the application. The deadline for submission of comments on the EA will generally be within 30 days of its service. The comments received will be addressed in the Board's decision. A supplemental EA or EIS may be issued where appropriate.

ATTACHMENT 2

THE CENTRAL PENN BUSINESS JOURNAL

Proof of Publication

Under the Pennsylvania Newspaper Advertising Act
45 Pa.C.S. §101, *et seq.*

Commonwealth of Pennsylvania }
 ss}
County of Dauphin }

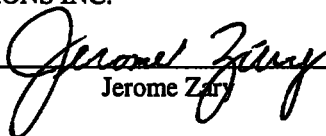
Jerome Zary, being duly sworn according to law, deposes and says:

That he is the controller of and duly authorized agent for JOURNAL PUBLICATIONS INC., a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, with its principal office and place of business at 1500 Paxton Street, in the city of Harrisburg, County of Dauphin, State of Pennsylvania; that the THE CENTRAL PENN BUSINESS JOURNAL, a newspaper of general circulation distributed and circulated in Dauphin, Cumberland, Lancaster, Lebanon and York counties, is published by the said JOURNAL PUBLICATIONS INC. at 1500 Paxton Street, in the City, County and State aforesaid; and that THE CENTRAL PENN BUSINESS JOURNAL was established September 9th, 1984 and has been continually published ever since;

That the printed notice or publication which is securely attached hereto is exactly as printed and published in the weekly editions/issues of the CENTRAL PENN BUSINESS JOURNAL which appeared on the 20th and 27th day(s) of May and the 3rd day(s) of June 2011. That neither he nor said Corporation is interested in the subject matter of said printed notice or advertising, and that all of the allegations of this statement as to the time, place and character of publication are true; and

This is a statement published by JOURNAL PUBLICATIONS INC.

PUBLICATION
COPY



Jerome Zary

Sworn to and subscribed before me this 10 day of June 2011 A.D.



NOTARY PUBLIC

Publisher's Receipt for Advertising Cost

JOURNAL PUBLICATIONS INC., publisher of the CENTRAL PENN BUSINESS JOURNAL, newspaper of general circulation, distributed and circulated in Dauphin, Cumberland, Lancaster, Lebanon and York counties, hereby acknowledges receipt of the aforesaid notice and publication costs and certifies that the same have been duly paid.

Re: Estate of George Hart
Baker & Miller PLLC
2401 Pennsylvania Avenue, NW, Suite 300
Washington, DC 20037
Attention: Crystal Zorbaugh

THE CENTRAL PENN BUSINESS JOURNAL

By  _____



Legal Listings

STB Docket No. AB-1071

Notice of Intent to Abandon or to Discontinue Service

The Estate of George M. Hart ("Applicant") gives notice that on or about June 15, 2011, it intends to file with the Surface Transportation Board ("STB"), Washington, DC 20423, an application for adverse abandonment of all of the track of the Stewartstown Railroad Company ("Stewartstown"), extending from milepost 0.0 at New Freedom, PA, to milepost 7.4 at Stewartstown, PA, which traverses through United States Postal Service Zip Codes 17349, 17361, and 17363. There are no active stations on this track, which has been out of service for conventional freight and passenger operations for over six years.

The reason for the proposed abandonment is to settle a debt owed to the Applicant, by forcing the sale or salvage of a line that, in Applicant's view, has no realistic prospect in the near term of becoming an outlet for rail-borne interstate commerce. Over a period of years, Mr. George M. Hart ("Mr. Hart") provided \$352,415 to Stewartstown intended to sustain Stewartstown's railroad functions in the form of loans secured by the assets of the railroad as documented by a duly recorded Indenture of mortgage and a separately recorded judgment note. Mr. Hart passed away on April 17, 2008, and his will instructs the executor of his estate to seek repayment of the amounts loaned to Stewartstown in accordance with the mortgage and judgment note. Applicant has demanded immediate repayment of the debt as directed in Mr. Hart's will. Stewartstown has responded that it is unable to fulfill its debt obligation to make such immediate payment, because the railroad has been essentially inactive since the spring of 2004, has de minimis operating revenues from which to make repayment, and has no cash reserves sufficient to repay the loan. Applicant believes that the only resources at Stewartstown's disposal to repay its debts are Stewartstown's rail line assets, and any motive power and rolling stock owned by Stewartstown.

The line has virtually no realistic prospect in the near term of becoming an outlet for rail-borne interstate commerce. The stub-ended line connects at milepost 0.0 with the Northern Central Railway ("NCR") at New Freedom. The NCR property is owned by York County, PA, and it, too, has been out of service for several years. For this reason, even assuming that Stewartstown's line was in a condition to handle revenue freight traffic or any traffic – and it certainly is in no such condition – the railroad lacks a viable connection to the balance of the interstate rail network. There is no practical possibility that the line could be reactivated for through common carrier service. Applicant has encouraged Stewartstown voluntarily to pursue liquidation of assets sufficient to satisfy its debt obligations to Applicant, but Stewartstown has to date refused to take any such remedial action, and it evidently has been unable to secure the assistance of an investor or lender that would provide funds with which to immediately satisfy the debt owed to Applicant. Having found no other alternative to secure repayment of its loan, and because Stewartstown has refused to take appropriate action voluntarily, Applicant has no choice but to file an application for adverse abandonment of the Stewartstown's line in order that Applicant can, subject to any appropriate processes

under Pennsylvania law, foreclose upon Stewartstown's rail assets and sell them of liquidate them as necessary, to satisfy Stewartstown's debt obligations. To the best of Applicant's knowledge and belief, the line does not contain federally granted rights-of-way. Any documentation in the Applicant's possession will be made available promptly to those requesting it.

The Surface Transportation Board does not normally impose labor protective conditions when a rail carrier abandons its entire line. See County of Coahoma Mississippi – Abandonment Exemption – In Tallahatchie and Coahoma Counties, MS, STB Docket No. AB-579X (served June 15, 2001).

The application will include the Applicant's entire case for abandonment (case in chief). Any interested person, after the application is filed on or about June 15, 2011, may file with the Surface Transportation Board written comments concerning the proposed abandonment or protests to it. These filings are due 45 days from the date of filing of the application. All interested parties should be aware that following any abandonment of rail service, and salvage of track, the line may be suitable for other public use, including interim trail use. Any request for a public use condition under 49 U.S.C. § 10905 (49 C.F.R. § 1152.28 of the Board's rules) and any request for a trail use condition under 16 U.S.C. § 1247(d) (49 C.F.R. § 1152.29 of the Board's rules) must also be filed within 45 days from the date of the filing of the application. Persons who may oppose the abandonment but who do not wish to participate fully in the process by appearing at any oral hearings or by submitting verified statements of witnesses, containing detailed evidence, should file comments. Persons interested only in seeking public use or trail use conditions should also file comments. Persons opposing the proposed abandonment that do wish to participate actively and fully in the process should file a protest.

Protests must contain that party's entire case in opposition (case in chief) including the following:

- (1) Protester's name, address and business;
- (2) A statement describing protester's interest in the proceeding including:
 - (i) A description of protester's use of the line;
 - (ii) If protester does not use the line, information concerning the group or public interest it represents; and
 - (iii) If protester's interest is limited to the retention of service over a portion of the line, a description of the portion of the line subject to protester's interest (with milepost designations if available) and evidence showing that the applicant can operate the portion of the line profitably, including an appropriate return on its investment for those operations.
- (3) Specific reasons why protester opposes the application including information regarding protester's reliance on the involved service (this information must be supported by affidavits of persons with personal knowledge of the facts);
- (4) Any rebuttal of material submitted by applicant.

In addition, a commenting party or protester may provide a statement of position and evidence regarding:

- (i) Intent to offer financial assistance pur-

- suant to 49 U.S.C. § 10904;
- (ii) Environmental impact;
- (iii) Impact on rural and community development;
- (iv) Recommended provisions for protections of the interests of employees;
- (v) Suitability for the properties for other public purposes pursuant to 49 U.S.C. § 10905; and
- (vi) Prospective use of the right-of-way for interim trail use and rail banking under 16 U.S.C. § 1247(d) and 49 C.F.R. § 1152.29.

Written comments and protests will be considered by the Board in determining what disposition to make of the application. The commenting party or protester may participate in the proceeding as its interests may appear.

If an oral hearing is desired, the requester must make a request for an oral hearing and provide reasons why an oral hearing is necessary. Oral hearing requests must be filed with the Board no later than 10 days after the application is filed.

Those parties filing protests to the proposed abandonment should be prepared to participate actively either in an oral hearing or, through the submission of their entire opposition case in the form of verified statements and arguments at the time they file a protest. Parties seeking information concerning the filing of protests should refer to 49 C.F.R. § 1152.25.

Written comments and protest should indicate the proceeding designation STB Docket No. AB-1071, and must be filed with the Chief, Section of Administration, Office of Proceedings, Surface Transportation Board, Washington, DC 20423, no later than August 1, 2011. Interested persons may file a written comment or protest with the Board to become a party to this abandonment proceeding. A copy of each written comment or protest shall be served upon the representative of the applicant: Keith G. O'Brien, Baker & Miller PLLC, 2401 Pennsylvania Ave., NW, Ste 300, Washington, DC 20037, (202) 663-7852. The original and 10 copies of all comments or protests shall be filed with the Board with a certificate of service. Except as otherwise set forth in Part 1152, each document filed with the Board must be served on all parties to the abandonment proceeding. 49 C.F.R. § 1104.12(a).

The line sought to be abandoned will be available for sale for continued rail use, if the Board decides to permit the abandonment, in accordance with applicable laws and regulations (49 U.S.C. § 10904 and 49 C.F.R. § 1152.27).

Persons seeking further information concerning abandonment procedures may contact the Surface Transportation Board or refer to the full abandonment regulations at 49 CFR Part 1152. Questions concerning environmental issues may be directed to the Board's Office of Environmental Analysis.

An environmental assessment ("EA") (or environmental impact statement ("EIS"), if necessary) prepared by the Office of Environmental Analysis will be served upon all parties of record and upon any agencies or other person who commented during its preparation. Any other persons who would like to obtain a copy of the EA (or EIS) may contact the Office of Environmental Analysis.

sis. EAs in abandonment proceedings normally will be made available within 33 days of the filing of the application. The deadline for submission of comments on the EA will generally be within 30 days of its service. The comments received will be addressed in the Board's decision. A supplemental EA or EIS may be issued where appropriate.

IN THE COURT OF COMMON PLEAS DAUPHIN COUNTY, PENNSYLVANIA No. 2011-CV-3498-QT CIVIL ACTION – LAW COMPLAINT TO QUIET TITLE

Rebekah Kessler
Plaintiff
vs.
Nation'scredit Home Equity
Services Corporation
Defendant

NOTICE OF QUIET TITLE ACTION

TO: Nation'scredit Home Equity Services Corporation, their heirs and assigns.

YOU ARE HEREBY NOTIFIED that an action to Quiet Title was brought against you in the Court of Common Pleas of Dauphin County, Filed No. 2011-CV-3498-QT requesting that you be forever barred from asserting any right, title or interest in and to the real property described herein: Nation'scredit Home Equity Services Corporation, their heirs and assigns have extinguished any right, title or interest claimed by you or any other person or persons in and to the real property described herein as follows:

ALL the following described real estate situated in the 2nd Ward, City of Harrisburg, County of Dauphin and Commonwealth of Pennsylvania, bounded and described in accordance with a survey and plan thereof made by Garrit J. Betz, Registered Surveyor, dated October 23, 1970, as follows:

BEGINNING at a point on the southerly line of Derry Streets and at dividing line between premises 1717 and 1719 Derry Street; thence along the southerly line of Derry Street, south 70 degrees 30 minutes east, 1707 feet to a point; thence south 19 degrees 30 minutes west 100 feet to a point on the northerly line of Compass Alley; thence along the same north 70 degrees 30 minutes west 1707 feet to a point at dividing line of Compass Alley; thence along the same north 70 degrees 30 minutes west 17.7 feet to a point at dividing line between premises 1717 and 1719 Derry Street aforesaid; thence along same and through the center of a party wall, north 19 degrees 30 minutes east 100 feet to a point, the place of BEGINNING.

Being premises known as No. 1719 Derry Street.

Parcel # 02-033-005

YOU HAVE BEEN SUED IN COURT. If you wish to defend against the claims set forth in the following pages, you must take action within twenty (20) days after this Complaint and Notice are served, by entering a written appearance personally or by attorney and filing in writing with the Court your defenses or objections to the claims set forth against you. You are warned that if you fail to do so the case may proceed without you and judgment may be entered against

you by the Court without further notice if any money claimed in the Complaint or if any other claim or relief Requested by Plaintiff. You may lose money or property other rights important to you.

YOU SHOULD TAKE THIS PAPER TO YOUR LAWYER AT ONCE. IF YOU DO NOT HAVE LAWYER OR CANNOT AFFORD ONE, GO TO TELEPHONE OFFICE SET FORTH BELOW TO FIND OUT WHERE YOU CAN GET LEGAL HELP.

DAUPHIN COUNTY LAWYER REFERRAL SERVICE
213 North Front Street
Harrisburg, PA 17101
(717) 232-7536

Darrin C. Dinello, Esq.
5405 Jonestown Road
Suite 101
Harrisburg, PA 17112
(717) 909-6730

Letters Testamentary on the Estate of Marguerite R. Shering, deceased (date of death – March 13, 2011), last of Darryl Tomlin, Dauphin County, Pennsylvania, have been granted to William A. Shering. All persons indebted to Marguerite R. Shering are requested to make immediate payment to the estate. Additionally, all those having claim against Marguerite R. Shering must present them for settlement to:

Richard W. Stevenson, Esq.
McNees Wallace & Nirk LLC
100 Pine Street, P.O. Box 1166
Harrisburg, PA 17108-1166
(717) 232-8000

EXECUTOR'S NOTICE

Letters Testamentary on the Estate of Rance R. Fisher, late of Cumberland County, Pennsylvania, deceased, have been granted to the undersigned:

All persons knowing themselves to be indebted to said Estate will make payment immediately, and those having claims present them for settlement to:

Dorina R. March, Esquire
c/o Mark W. Allshouse, Esquire
4833 Spring Road
Shermans Dale, PA 17090
(717) 582-4006

Mark W. Allshouse, Esquire
CHRISTIAN LAWYER SOLUTIONS, LLC
4833 Spring Road
Shermans Dale, PA 17090
(717) 582-4006

Letters Testamentary for the Estate of Rodney D. Landford, Jr. who died April 3, 2011, late of South Middleton Township, Cumberland County, Pennsylvania, were granted to Fred L. Lauer, Executor, on April 3, 2011. All those having a claim or indebted to the estate should make their position known by contacting:

Neely E. Meeks, Esquire
Reager & Adler, PC
2331 Market Street
Camp Hill, PA 17011
(717) 763-1383

Send, fax or email your Legal Listings

to Mark Sunday at 1500 Parkers Street, Harrisburg, PA 17104 • 717-658-6891 (fax) • msunday@journal.sub.com

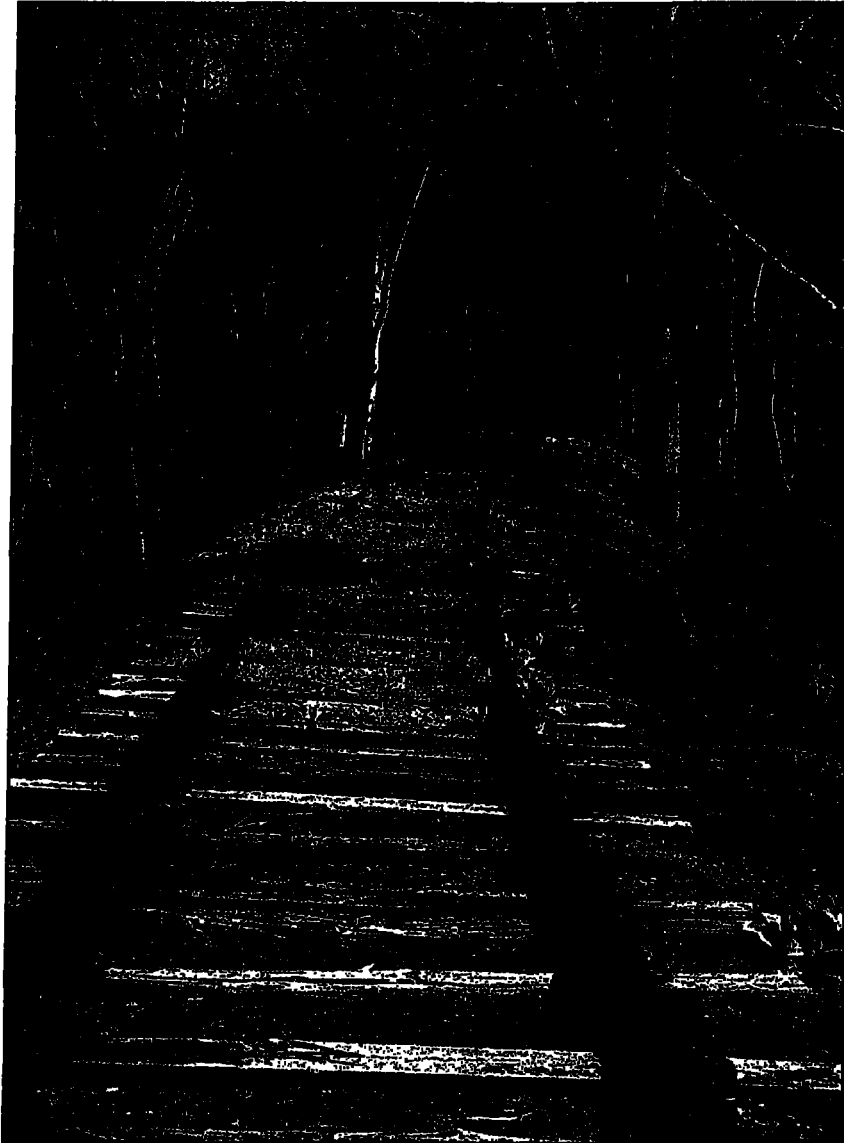
Exhibit

A

ESTATE OF GEORGE M. HART

**NET LIQUIDATION VALUE OF THE STEWARTSTOWN RAILROAD
STEWARTSTOWN PA – NEW FREEDOM PA**

AUGUST 2009



Prepared by:



324 Pennsylvania Avenue West
P.O. Box 306
Warren PA 16365
814.726.9870 telephone 814.726.9855 fax

ESTATE OF GEORGE M. HART

**NET LIQUIDATION VALUE OF THE STEWARTSTOWN RAILROAD
STEWARTSTOWN PA - NEW FREEDOM PA**

August 2009

I. APPRAISAL SUMMARY

The Estate of George M. Hart has retained the services of TranSystems to provide a "Net Liquidation Value" (NLV) of the physical assets of the Stewartstown Railroad between Stewartstown PA and New Freedom PA, and the rolling stock equipment on the railroad, which consists of assets personally owned by Mr. Hart and those assets considered to be assets of the railroad. Identification of the assets as to ownership was clarified prior to engagement by discussions with the attorney to the estate, James Gillotti, Esq.

As Mr. Hart was a significant shareholder of the railroad, the valuation of the Stewartstown Railroad assets was done in conjunction with the personally owned assets for estate purposes. Totals are separated, and identified by this ownership distinction throughout the report.

Valuation date of all assets is as of April 17, 2008. This is significant as it reflects the market values of both scrap steel and railroad equipment in place during 2008 that were historically higher than the current market value at the time of this report preparation in 2009.

Track

Trackage is owned by the Stewartstown Railroad Corporation but has not been operated on since the spring of 2004. The line was voluntarily embargoed by the corporation following derailments and track condition assessments by management at that time.

The line extends a distance of approximately 7.85 miles.

The physical rail related assets of this portion of the line include:

- Approximately 7.85 miles of track including the main and sidings
- 9 turnouts

Equipment

Equipment on-site at the Stewartstown Railroad consisted of two small switching locomotives (one gasoline and one diesel), four passenger cars and four freight cars. The four passenger cars were reported to be the personal property of Mr. Hart. The two locomotives and the four freight cars were considered to be property of the Stewartstown Railroad Corporation.

Valuation Totals

The estimated Net Liquidation Value (NLV) on April 17, 2008 of the physical rail and OTM is \$487,117.56, as part of the Stewartstown Railroad Corporation assets.

The estimated Net Liquidation Value (NLV) on April 17, 2008, of the railroad equipment owned by George M. Hart is \$28,900.

The estimated Net Liquidation Value (NLV) on April 17, 2008 of the railroad equipment owned by the Stewartstown Railroad Corporation is \$ 40,120

Combined Valuations

Total George M. Hart assets (equipment) is \$28,900.

Total Stewartstown Railroad assets (equipment and track) is \$527,237.56

II. SCOPE OF SERVICES

The Scope of Services provided under this contract is to develop a Net Liquidation Value of the physical rail assets and equipment, exclusive of real estate of the above defined railroad line. Information was obtained from a site inspection and Google Earth Maps. The value of the physical assets is to be estimated using the Net Liquidation Value methodology. This is stated as value of rail in place minus depreciation for wear and cost of removal.

III. TRACK AND OTM APPRAISAL

Net Liquidation Value as used in this report has the generally accepted definition of "scrap value of the physical assets less cost of removal" reflecting April 17, 2008 market value of the assets.

Randall Gustafson of TranSystems obtained data for the track valuation during an inspection on May 8, 2009.

A field inspection was made to provide an assessment of the condition of the assets. Because the rail is only 85 pound, all material is being classified at scrap value. Unit values were assigned to the quantities to develop gross liquidation value.

Track Valuation

The following is a description of the methodology used for estimating the value of the track assets. It is desirable to first define the physical assets of the track that are considered to have the greatest potential value in liquidation. Track is considered as a structure that is composed of the ferrous metal components such as rail and other track material (OTM). In addition to ferrous material, crossties and switch timbers may have value but in this case, the ties have very little value because of their condition.

The initial step in estimating track value is to assemble an inventory of track materials by geographical location, which in large part can be generated from the railroad's existing engineering records such as track charts and other

property records. However, typical track charts were not available for this line, making the assessment a little more difficult.

In developing the track inventory, it is separated into groupings by pattern weight of the rail and the documented and verified lineal feet associated with each weight. The next step is to calculate the estimated total weight of ferrous metal for rail and OTM for each weight of rail. This may be accomplished by applying the existing standards of the railroad for the construction of track to provide a specific service.

A key determination in estimating the value of track is the quantity of rail and OTM that would likely be classified as *fit for reuse*, as opposed to material that could be sold as *scrap*. Considering the increasingly heavier wheel loadings that are being imposed on the track structure today, there is a limited market for light rail sections. It is normally assumed that only 112 pound or heavier rail sections should be classified as salable and fit for main or branch track relay, and then only rail that has been control cooled as opposed to open hearth cooled. All of the rail on this railroad line was 85 pound/yd, of four-bolt joint variety and with lightweight single shoulder tie plates. This material is not considered as fit and all prices are for scrap material. After the track has been quantified on a tonnage basis as defined above, a price is estimated for scrap material. This price was taken from American Metal Market's daily newsletter dated April 17, 2008.

Inventory and Condition

The track inventory was developed using the following data and assumptions:

- Inspection was made by intermittent walking along the entire line to assess rail, tie and turnout conditions. No employee timetables or track charts were available.
- Tie spacing data obtained from individual random tie samples taken during the field inspection were used to determine number of spikes and plates.
- OTM type and quantity was obtained from field inspection.
- Sidetrack data was obtained from field inspection.
- Turnout sizes and quantity were obtained from the field inspection and where they were not obtained, it was assumed they were also 85-pound #8's scrap.

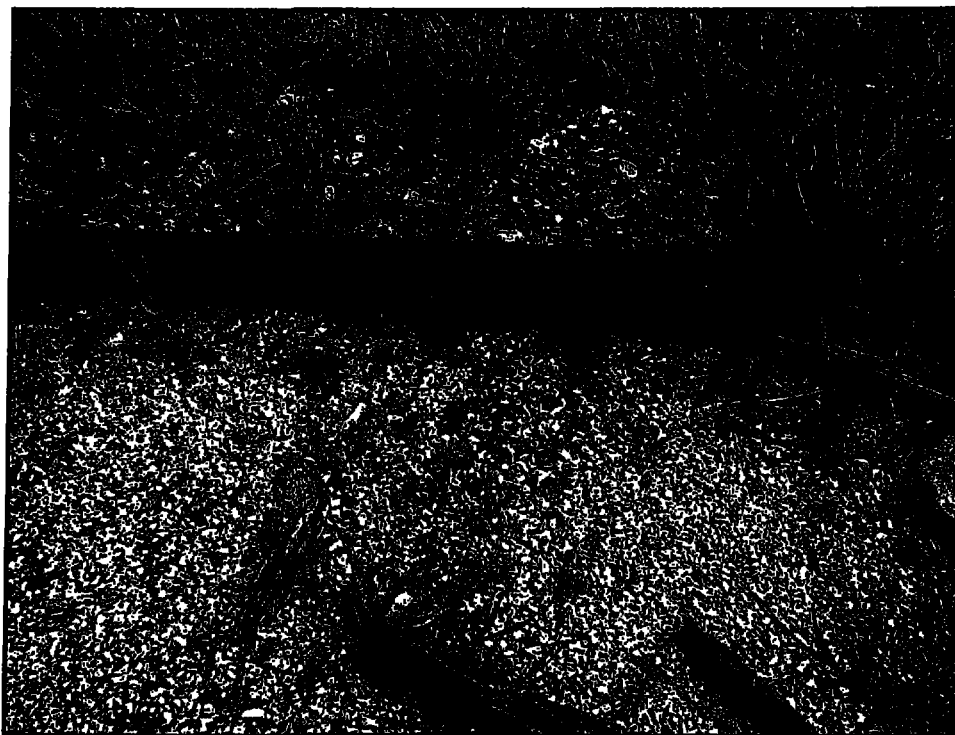
The condition of the track components has been developed using the following guidelines:

- Rail condition was based on field inspection to determine degree of fitness.
- Tie condition is based on sample field inspection at various locations along the route.

Rail Valuation

Scrap pricing was based on the average for No. 1 RR heavy melting steel at Philadelphia. The April 17, 2008 Philadelphia price was \$490/gross ton for rail and \$570/gross ton for OTM as documented in the AMM Scrap Iron & Steel Price Averages published by the American Metal Market on April 17, 2008. Bulk steel such as scrap is usually priced in Gross Tons (2240 lbs.) and in this case manufactured steel product such as rail, tie plates, anchors etc. are priced as Gross Tons also.

The majority of rail measured during the site inspection is obsolete 85 pound per yard sections of 4 bolt joint rail and single shoulder tie plates.



Track Ties

In addition to the value of the ferrous metal, consideration should be given to the possible value of reusable cross ties and switch timbers. At this site, all but 10% of the ties have no reuse value. Ties that have been installed within the last 10 to 15 years may be salvaged and sold either as fit for railroad use or for landscape purposes. The NLV selling price may be 15% to 30% of new tie prices. Again, the inspection supported the fact only 10% of the ties are suitable for landscaping purposes. It is assumed that salable ties will be found only in main track or rehabilitated sidetracks or in locations where track has been extensively retied or repaired in recent years and this has not happened at this site.



Ballast Section Valuation

The Consultant has considered the value of the ballast as a separate track component. Where track has received proper drainage attention and cyclical raising and surfacing with high-quality stone or trap rock, there may be a potential for reclaiming ballast. The single most important item in track maintenance is drainage. The roadbed inspected showed considerable vegetation growth and was fouled and infiltrated with dirt or debris (fines) within the track structure. This condition contributes to poor drainage.

The ballast section in all areas is of poor quality. Reclamation efforts and resale values are subject to local markets. There is availability of the same specified materials in this region, and the cost of reclamation precludes any economical recovery and negates this value. Therefore, no recovery or re-market value of the asset has been assigned.

Switch and Turnout Valuation

The switches inspected on the subject trackage consisted of 9 turnouts as documented in the attached spreadsheets.

The following value was established for turnouts:

➤ 85lb Scrap Turnouts - \$1,148.44 / ea

All of these turnouts have defective timbers, and because of their weights are not in a high demand other than for scrap value.



Net Liquidation Value

In arriving at the Net Liquidation Value of the track, we have prepared summary sheets showing the inventory quantities. Unit salvage values have been applied to the inventory to arrive at a gross salvage value. The estimated Net Liquidation Value for the portions of the line is identified in Spreadsheet Attachment – Valuation Worksheets.

Bridge Valuation

The segment of line being valued has a number of diverse bridges of various ages and construction. However, it was not deemed practical in a NLV process to estimate a realistic salvage value for these structures, both due to the cost of removal and the very soft market for the used structures. Therefore, no value has been assigned to these assets. It is also quite customary that when a rail line is salvaged that the bridges are many times left behind. Indeed, in more recent times of environmental concerns, large steel structures that were once "dropped into their valleys" are now more of a liability to remove and salvage than the price of the steel will bring at market as the structures can in many cases not be dropped into the watershed, waterway or valley without potential environmental consequences.

Steel bridges are often removed for scrap or for replacement stringers (members) on other bridges if the sizes match or are close enough in design to make fit. Accurate estimations of weight are subjective at best even with the aid of span and engineering diagrams. Bridges are typically sold more as a prevention of liability than as a marketable asset and, where that liability is not considered to be pressing, may result in simply abandonment in place, or a wait for an increase in scrap values. While the Consultant recognizes that these bridges may be recoverable, the value must be determined as negligible and may result in the structures simply being abandoned in place. Bridge timbers were also not valued, with the assumption being that on account of liability and access issues, timbers would be left in place.

Stewartstown Railroad Appraisal		4/19/2010	Total Cost Up
Total clearance			
41,400	Track bed including sidings		
9	Turnouts		
65# rail			
4 ball hole bars			
4 spikes per tie			
based on 22' centers for ties			
Price single shoulder - less 10%			
65 lb Rail 33' Scrap	41,400	7,8591	\$400.00
OTM	41,400	7,8591	\$570.00
		133,6028	
		47.09	
		1048,5131	
		308,9494	
			\$725,130.87
			\$161,282.72
			\$543,848.16
			Removal & Freight Cost 25%
Pounds			
Scrap Turnouts	9	5200	\$400.00
		2,94375	
		21,08375	
			Removal & Freight Cost 25%
			\$10,535.94
			\$2,593.96
			\$1,761.95
Pounds			
Scrap 90%	2880	7,8591	\$4.00
Landscape 10%	2880	7,8591	\$10.00
		20,363	
		2283	
			Removal & Freight Cost 25% on Landscape ties only
			\$81,451.84
			\$2,635.45
			\$5,098.36
			\$59,482.55
			TOTAL NLY
			\$487,117.66

Equipment

All of the equipment is currently stored in two locations – the Stewartstown yard, and additional equipment on a storage track in New Freedom. The last noted date of public passenger operations of the railroad appears to be Easter 2004, when a Good Friday passenger excursion was operated out of Stewartstown and derailed on the way to New Freedom. The railroad voluntarily ceased public operations at that point¹. While some ongoing volunteer efforts have been directed at keeping the property cleared and the equipment maintained to operational condition, no public operations have been conducted.

IV. EQUIPMENT APPRAISAL

Locomotive Valuation

Assets to be included with the valuation on this appraisal include two small switcher locomotives stored inside a locked locomotive shed at Stewartstown. Both locomotives are reportedly in 'operable' condition although neither locomotive has been inspected for legal FRA operations ("blue carded") since 2005. For the purposes of the appraisal, the locomotives are generally considered "serviceable", lacking specific notable items that may require additional costs for actual operations.

The locomotives are considered property of the Stewartstown Railroad, and included as railroad assets rather than the personal assets of Mr. Hart.

Locomotive values can be estimated by a combination of sources. As most diesel locomotives are a relatively standardized railroad item, particularly the low-horsepower "switcher" types such as the Stewartstown operated, they do have a market price and a ready market. Nationwide markets do exist to the extent that there are even subscription-type 'classified ad' services where such rail equipment is offered. Locomotive brokers, leasing companies, and other shortline, regional and tourist railroads all provide defined markets for this equipment. As new locomotives are generally considered to be in the \$750,000 to \$1.0 million range for new equipment, the resulting used locomotive market is competitive. Sales for similar equipment are possible to locate despite the characteristics and vintage.

How are they sold? Nationwide markets do exist to the extent that there are subscription-type 'classified ad' services where such rail equipment is offered. Locomotive brokers, individual owners, and other shortline, regional and tourist railroads all provide defined markets for this equipment. Locomotive sales of the best equipment are frequently made through inside and 'quiet' contacts, as the 'word goes out' that a buyer is looking, and/or a seller is alerted through personal contact. Therefore, higher-value and quality equipment is not typically found in the public sale arena unless the owner is an entity that is required to by law or an auction situation to put a collection of quality equipment on the national market. Prices that are posted are typically "asking" prices and subject to negotiation unless marked as firm.

The Locomotives

The two locomotives consist of two small switchers and share no particularly common traits between them.

¹ <http://www.kvrr.net/booksrr2.php>

Plymouth No. 9

Stewartstown #9 is a 35-ton gasoline / mechanical Plymouth locomotive used for light switching and freight duties. According to the Stewartstown website, #9 is "Built 1943 by Fate-Root-Heath division of Plymouth Locomotive Works, c/n 4490, model ML-8, original cost: \$9,000. Purchased used by Stewartstown Railroad from South Carolina Port Authority in 1960 through Pan-American Engineer, Dallas, Texas. Weight: 35 tons, equipped with eight-cylinder Leroi gasoline engine, 250 hp. ** While any internal-combustion railroad locomotive tends to be referred to as a 'diesel'; aka 'diesel-electric', this locomotive technically is not – it is a 'gasoline mechanical'.

Plymouth locomotive had their manufacturing facility in Plymouth OH until 1997. Parts and service are still available from W.W. Williams in Columbus OH, but a detailed research was not conducted to see if parts are available for this exact model.² Plymouth has been the country's most prolific small gas and diesel locomotive builder, with 7500 to date. Most of these are small mine and industrial locomotives of less than 25 tons. They are noted for their torque-converter locomotives, and almost all later production uses that type of transmission. They were also manufactured in a wide variety of gauges varying from 24" to standard gauge and found mining and even logging applications.

Two basic facts make this locomotive atypical; first that it is a gasoline, not a diesel, and second, that it is not an 'electric' locomotive – but a straight mechanical drive to the axles. The gasoline engine with spark plugs makes it unusual when the majority of locomotives are diesel-driven, even when this small. Like a truck, it has a clutch pedal, gear shift and a transmission rather than a generator and electric motors for propulsion. While this was an unusual methodology to drive a railroad locomotive, its survivability is likely due to the fact that the vintage electrical system has not deteriorated. 1943-era locomotives typically have their Achilles heel in the lack of availability of third-party electrical components such as generators, traction motors and relays. While it is not known if the individual engine model is still supported, at least some Leroi engine parts are still shown by online dealers and antique engine clubs.³ These gasoline engines were produced for applications beyond locomotives as well, including things like tractors and drilling rigs.

Such small locomotives are typically rated and identified by weight. "35" ton gas-mechanical Plymouths of this vintage are now quite rare and all are considered museum pieces, even if they may actually be quite serviceable as railroad locomotives. An industry today needing to move cars on privately-owned trackage would likely acquire a "Trackmobile" to move railroad cars in an industrial facility rather than have a small diesel switcher. The smaller (under 44-ton) diesel locomotive market has all but become totally obsolete by the introduction of lightweight vehicles that can travel on rubber wheels, transfer weight onto their own drive wheels from the coupled freight car, and haul loads completely out of proportion to their physical size. Functionally, most if not all such vintage pure industrial locomotives are functionally obsolete and none of this weight class is manufactured except for specialized mining situations.

Searches located at least 30 other potentially operable ML-8's, but they are still utilitarian in nature. Only a handful of industry or freight shortlines operate them today even light duties.

While their appeal for freight railroads is diminished, they have managed to survive well in small tourist railroads and museums because of their relative simplicity. Lacking a generator and traction motor is an advantage to an operation that can make mechanical replacement parts, and the volunteer talent pool for vintage truck mechanics is larger than for locomotive mechanics. While they may not be used in excursion services, they continue to be popular beyond some logic as lightweight repair shop shifters, moving cars around museum sites. Properly maintained, they can

² http://www.williamsdistribution.com/distribution_plymouth.cfm

³ <http://www.advantageengineparts.com/engine.html>

start rapidly and easily, and are an 'on demand' locomotive. A number of railroad museums keep them in operating condition for irregular use.

While no operating mechanical evaluation was possible for the purposes of this appraisal, general physical condition and operational suitability were observed. This locomotive features many truly vintage systems and features that bridge the transition era between steam and diesel:

- Steam-locomotive style sand dome
- Railroad-style (rather than industrial) train air brake stand and main air reservoir
- Steam-locomotive style bell
- Leroi gasoline engine (also used in other vintage locomotives of the era)
- Mechanical, and operable, clutch pedal in cab
- Mechanical gear shift in cab
- Steam-locomotive style 'whistle' powered from air system

The locomotive had obviously been operated in the not-too-distant past. Although the cab 'blue card' indicated that the last FRA inspection was in December 2005, general conditions appeared that the locomotive had been at least moved or started within the last year. No components were removed or missing that would have prevented operation. The FRA inspection is only required if the locomotive is used in service, not started for maintenance, so that assumption is possible.

Overall condition of the locomotive, despite the vintage and grime, was fair to good with no obvious fatal flaws observed short of actual observed operation. The engine has obvious oil leaks and corrosion on many components, but also has no signs of failure, attempted patch repairs, or any reason why it was withdrawn from service other than the general shutdown of the railroad due to track condition.

Condition notes and observations are recorded on Worksheet 2 - Equipment Appraisal - Locomotives.

General Electric 44-tonner #10

These particular locomotives were developed as a response to a 1937 national labor agreement stating that locomotives lighter than 44 tons were allowed to be operated without firemen; i.e. one-man operation. This labor savings created an instant market for these lightweight locomotives and railroads found many applications for their use where the labor savings made up for the comparatively small size limitations. 348 were built between 1940 and 1956.

According to the Stewartstown Railroad web page, this particular locomotive "44-ton diesel-electric locomotive built by General Electric in August, 1946, c/n 28503. This record is validated in several reference sources. The locomotive is ex-Coudersport & Port Allegany and Wellsville, Addison & Galetton Railroad #D-1. It was purchased in 1972 by George M. Hart. Leased to Lykens Valley Railroad - 1972 to 1983. It was operated by Rail Tours, Incorporated in Jim Thorpe, Pennsylvania - 1983 to 1985. Service continued at Stewartstown Railroad in Stewartstown, Pennsylvania - 1985 to present.

Original standard engines in the GE locomotives were a pair of D17000 Caterpillar V8 diesel engines, and this was verified in this unit with an intact model plate as original equipment. This engine was a true 'first' with Caterpillar. In 1935, the eight-cylinder D17000 was introduced for industrial applications. "The D17000 was Caterpillar's first non-captive engine. In other words, it was not designed to be used in any Caterpillar earth-moving product. It crushed rock, propelled boats, generated power, drove locomotives and served in hundreds of applications during its twenty-year production life. Working in cooperation with the Louis-Allis Company, Caterpillar introduced a complete line of

self-regulated generator sets. Although they appear large by modern standards, self-regulated generators were far simpler and more compact than the standard generators made up to that date. The economy and reliability of Caterpillar diesel engines made them ideally suited for power generation."

The railroad application in the GE 44-tonner appears to have now outlived all other applications, and the truly thriving 44-tonners today have often been repowered with Cummins or other power plants; at least partially as a response to the difficulty on finding parts for the D17000. Kelly Anderson, the chief mechanical officer for the Strasburg Railroad and a vintage 44-tonner owner, stated online as "We had searched high and low for D-17000 parts, or even a complete serviceable engine and came up completely blank." Parts supplies have moved to the Internet and used parts dealers.⁴

Similarly, the critical electrical parts such as the generator and traction motors were somewhat unique to the 44-tonner and have become difficult to locate. Most were equipped with GE GT555 generators and GE733 traction motors with double reduction gears; this Stewartstown locomotive was positively identified with the 'stock' GT555 original generator.

This particular unit is a relatively stock GE 44-tonner with no evidence of upgrading or component switching from its original manufacture. The exterior condition of the locomotive was in very good condition and no external defects were observed that deserve mention in this appraisal.

Finding an 'intact and potentially operating' original GE 44-tonner has become increasingly rare. This locomotive is so original, and so vintage, that the original banded wooded 'poling pole' used to push freight cars on adjacent tracks is still hung on the running boards. This operating practice was banned by most railroads over 40 years ago.

The number of excursion railroads now aggressively pursuing Caterpillar and older GE parts can be actively documented and has grown over the last 5-7 years. Because of that, the locomotive has likely increased in value as a potential parts source even if the operating characteristics cannot be easily proven.

It was indicated that the primary reason the locomotive was inoperative was the starter battery condition. Judging from physical evidence, the batteries were heavily corroded and likely unusable. Battery replacement for such locomotives with a 32v. electrical system is specialized, but the batteries are still available.

The last 'blue card' date that was on this locomotive was in early 2006. Other than the batteries, no obvious defect conditions were noted, and no conditions were observed that would prevent the locomotive from being operated. Similar to the Plymouth, small maintenance items would indicate that the locomotive was being kept in 'near ready' condition, with no signs of partial disassembly or repair. Like the Plymouth, the locomotive could not be interchanged on its own wheels because of the reluctance of connecting railroads (particularly CSXT) to accept any equipment on its own wheels. The typical method for relocating such a small locomotive today is by dimensional load (flatbed truck) over the highway.

The Diesel Locomotive Market - Features and Pricing

A variety of factors affect market values for diesels. Most locomotives in the open market have had a wide variety of rebuilds and repairs applied to them that directly increase market value today. These key factors include:

- Electrical Cabinet reconditioning and rewiring

⁴ <http://www.tractorparts.com/>

- Truck (wheelsets) reconditioning and wheel replacements
- Motor component changeouts from original equipment - sometimes entire power packages replaced
- Engineer's control stand: vintage (stock) or replacement item
- Set-up of locomotive for running long-end forward, or short-end forward.
- Braking control systems
- Turbochargers - trade-off of additional horsepower for increased maintenance.
- Wheel and truck condition - friction bearing trucks restrict interchange and some roller bearing wheels are now outlawed for movement on CSXT. Flatcar or truck loading is practical for smaller diesel switchers.

Condition of critical components is another key indicator of value. While nearly all locomotive components are repairable, replaceable, and somewhat interchangeable, certain individual items provide key indicators to potential buyers. Some of these items relate to the locomotive passing regulatory safety standards required for safe operation.

- Wheels: Steel wheels wear similar to tires on an automobile. Tread thickness is a measurement taken to determine remaining life - 2" is considered good, condemnation is less than 1" for locomotives in road service, and 3/4" for locomotives in yard service.⁵ Similar to that, wheel profile for adequate flange and tread measurements are taken for regular inspection. Re-profiling the wheels requires lathe turning which is the reason that a minimum tread depth is required.
- Truck and Bolster (support frame) wear. While wheels may be replaceable, reconditioning of the wheelframes and support members is typically not done, and expensive to perform.
- Condition of actual diesel motor and generator. Wear can be examined on the cylinder rings to cylinder wall as a key condition indicator; also visible wear on the generator ring.

Valuation Totals

Comparable sales for the ML-8 Plymouth are very rare, and only one locomotive of similar manufacture type was located through a national search of listings and availability. The majority of units appear to have changed hands through donation rather than outright purchase. The comparable unit was 20-ton; similar in vintage and assembly, supposedly near-operational, and offer-price listed for \$9,000. It had an older and smaller gasoline engine and had been stored outside for some time. Other comparables of locomotives of similar vintage, weight, and size were referenced.

As the locomotive could not be operated, the valuation tends to err on the side of conservative values. There is no applied deduction for bearings or electrical condition as the locomotive would be easily trucked out on a low-boy trailer and there is no propulsion electrical system. The most likely buyer is a railroad museum or tourist operation that either already has another Plymouth or is looking for an economical shop switcher locomotive without 1940's electrical complications. The locomotive appears to still qualify under FRA inspection rules despite its vintage and condition.

⁵Federal Railroad Administration, Code of Federal Regulations, CFR 49 - 299.75 Wheel Conditions

The valuation of the locomotive given the condition is \$12,500 as a direct sale and \$10,625 as a dealer transaction.

Comparable sales for the GE 44-tonner are more common, unfortunately because the difficulty in locating parts has apparently led to a higher number of units recently being offered for sale.

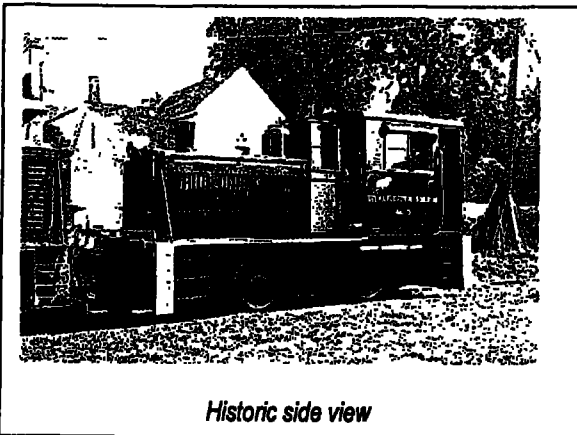
As the number of operational GE44-tonners continue to decline, this locomotive begins to increasingly be regarded as a vintage, rather than a working, locomotive. There is, however, no market-based transaction to rely on to document any value or premium as a vintage, museum piece primarily for preservation or display. The difficulty of locating parts has now established a floor value for these locomotives to help keep others operating. That factor not has determined minimum market values well above scrap, with no necessary assumption of suitability for service assumed. Rebuilt, non-historic locomotives have a much higher value as a 44-ton, twin-engine, four-cycle switcher is a very economical locomotive to operate for low-duty, low-speed shortline switching services on light rail.

Six offers for sale were located with wide variances in value; even with appropriate allowances made for likely sales price a 'fully restored' 44-tonner with replacement engines and rebuilt electrical systems was considered to have a value of over \$75,000 (listings \$95-\$100,000). Similar-condition units to Stewartstown (original equipment, not in service) listed from \$10,000 to \$27,000. Condition of this unit is most similar to and likely exceeds the specifications of the best unit listed for sale of this group.

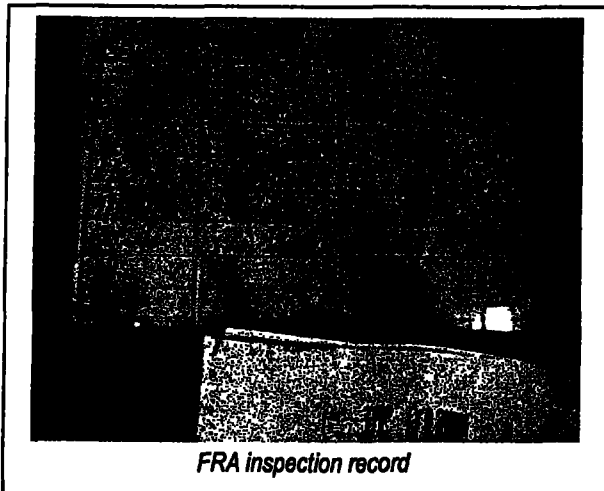
The valuation of the locomotive given the condition is \$28,000 as a direct sale and \$23,800 as a dealer transaction

Values assigned to individual locomotives are listed on Worksheet 2 - Equipment - Locomotives. Based upon these factors for market value and observed condition, the market value for this locomotive fleet is determined to be a total of \$34,425.

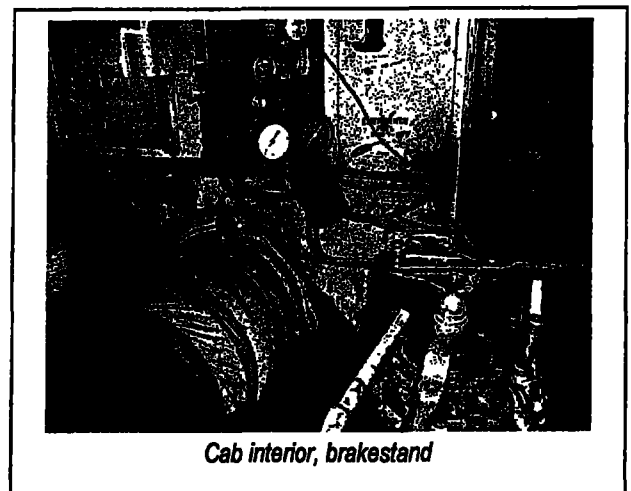
Locomotive Photos – Plymouth #9



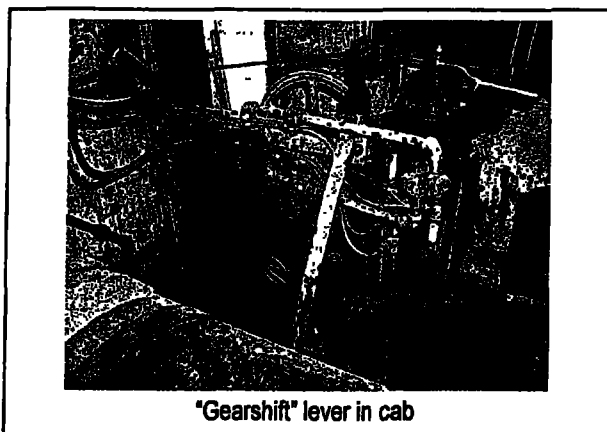
Historic side view



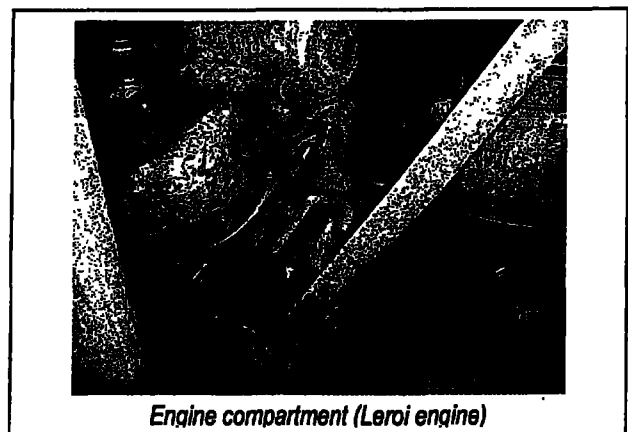
FRA inspection record



Cab interior, brakestand



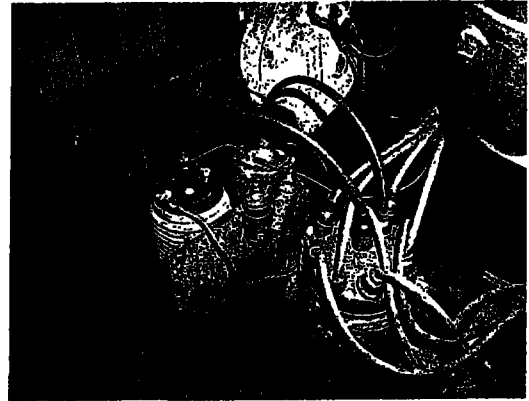
"Gearshift" lever in cab



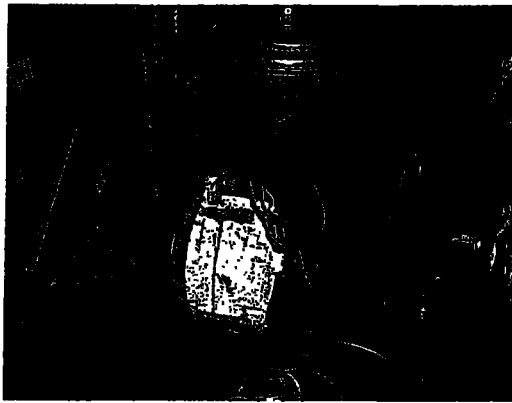
Engine compartment (Leroi engine)



Engine compartment (Leroi engine casting)



Conventional gasoline engine distributor

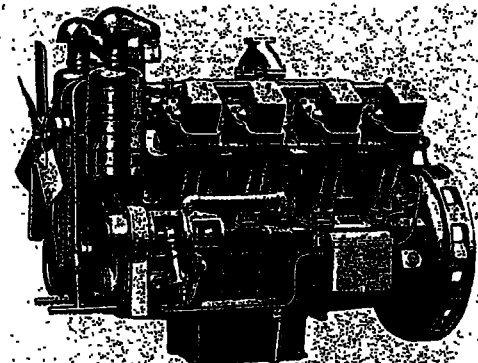


Wheel and brake condition

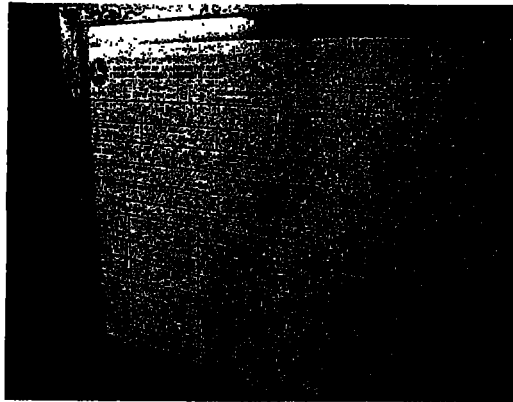
GE 44-tonner #10:



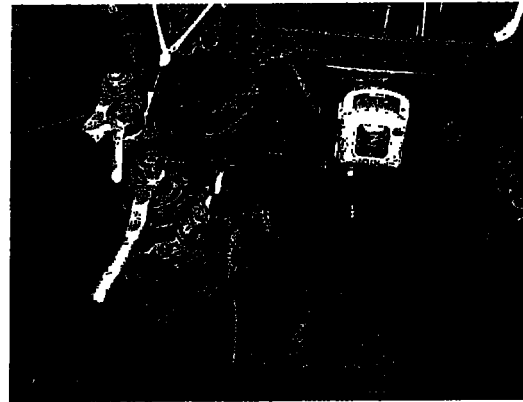
Historic photo – last excursion operated Easter 2005



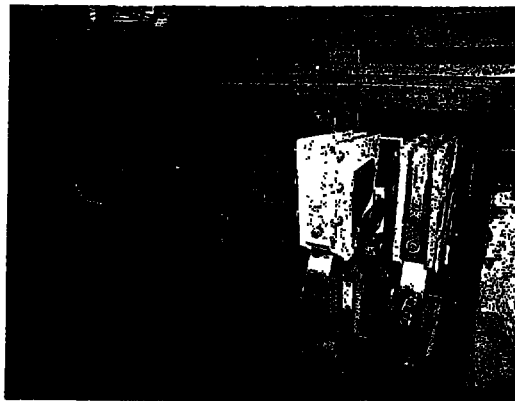
Historic photo – Cat D17000 engine



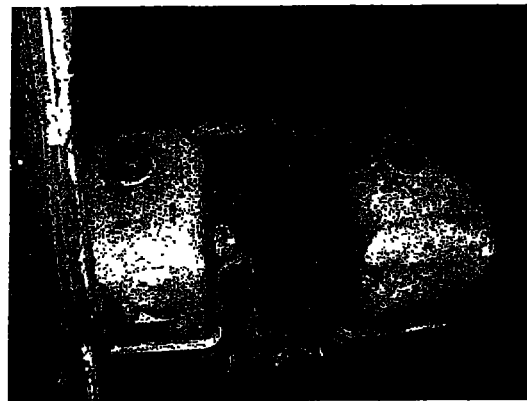
Last FRA inspection circa 2006



44-tonner control stand



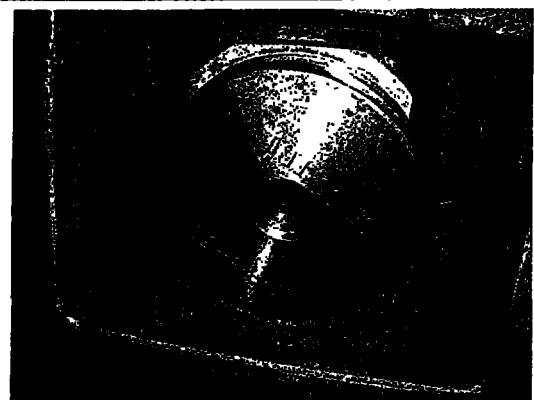
Electrical cabinet conditions



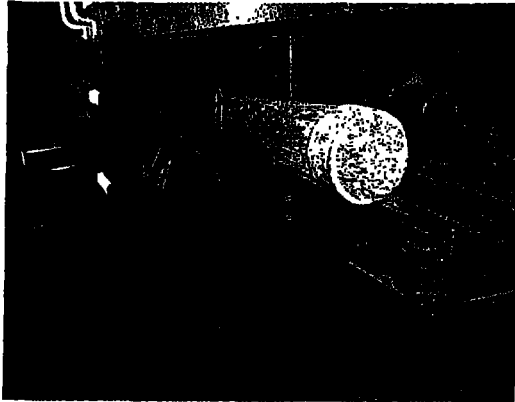
Original D17000 prime movers (2)



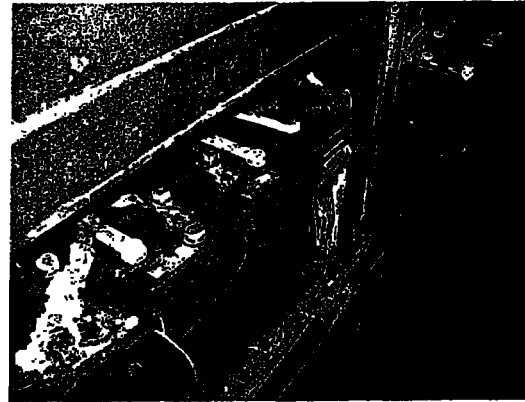
Main generator – cover removed for photo



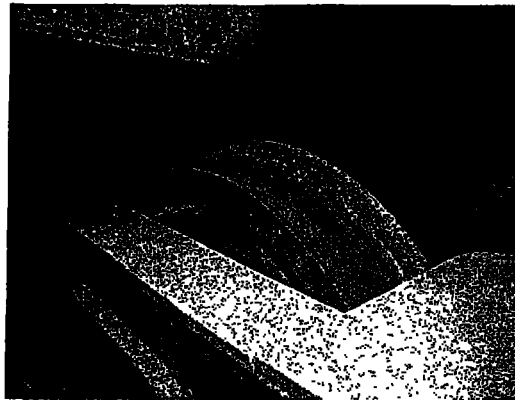
"Friction" bearings on locomotive axles



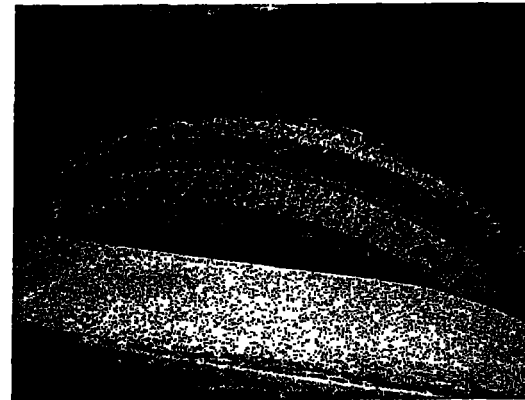
Vintage poling pole on frame



Corroded batteries – no start



Wheel rim and tread condition



Wheel rim and tread condition



Locomotive is a tight fit in shed



44-tonner 10 (Internet, 2005??)

Passenger Equipment

All basic passenger car shells have an established market value. Average market prices vary from \$5,000 to \$75,000, depending on age, car type and condition. The primary markets for older, non-Amtrak/commuter passenger cars continue to be other excursion railroads, railroad museums and private companies re-using railroad cars as a property or display novelty for advertising.

Inventory and condition of the passenger and dinner train equipment on the Stewartstown Railroad was verified by Randall Gustafson of TranSystems on April 21, 2009. The cars were stored in inoperable condition at Stewartstown and are not on live rail connection to the outside world. The passenger cars are considered to be the personal property of Mr. Hart and are included with those report totals.

The Stewartstown Railroad has four railroad passenger cars on the property. They consist of:

- Car 783 – ex-Reading MU control car
- Car 1158 – ex-Reading coach (last used in 2004)
- Car 1303 – ex-Central Railways of New Jersey coach (no known last use)
- Car 1341 – ex-Reading coach (last used in 2004)

Car History

There are two distinct types of cars; the older straight coach cars, and a single MU (Multiple Unit) electrically-powered car that resembles a coach but is actually more closely related to a very large trolley.

The three coaches are similar in age, character and history. The Reading Railroad had a large fleet of locomotive-pulled single-level coach commuter cars to service the Philadelphia and Reading PA markets – on routes that are today operated by SEPTA. This era of steel coaches dates as far back as the early 1920's, and were built by various builders. There is a rough correlation of car age to car number, but the classes appear to be mixed by builder. It is not known when these cars left the Reading Railroad, but it is likely to be in the 1960's. Two of the three coaches were used as late as 2004 on the Stewartstown when excursion operations were shut down.

No.1158 and No.1341 were reportedly built in 1925 and 1922, respectively, for the Reading Company by Bethlehem Shipbuilding (Bethlehem Steel). Similar cars in the same numbered series were reported as built by the Standard Steel Car Company in 1922 and Bethlehem Steel in 1927. They are 72 feet long and seat 76 in closely-spaced seats with "walkover" backs that can be reversed for direction. #1303 is reportedly a 1930 car built for the Central of New Jersey. It is not specifically known as to builder, but is likely Bethlehem Steel. The age of these coaches seems relatively consistent at the early 1920's, even if the precise car builder and build date is not proven. During this era the general type of car construction was heavy, riveted steel over a concrete floor, no air conditioning, and relatively primitive comfort features. This is the same era as other very similar commuter cars used by the Lackawanna Railroad, also built by Bethlehem Steel in the same period. Other than roof style (arched rather than clerestory) the cars are nearly identical in many respects.

Car #783 is the misfit of the group. This car is a relatively intact ex-Reading Railroad electric multiple unit car, with cab controls and much of the electrical equipment intact. The electrical system was straight AC from third rail, with a top speed of 80mph. This car was reportedly built in 1925 for the electrified Reading district that came into Philadelphia. Over 100 of these cars were built by Harlan and Hollingsworth (Bethlehem Steel). This car was reportedly acquired by Steam Tours, Inc. in 1976.

Reading Railroad routes came under regional government control of SEPTA in 1983, and the similar surviving cars in service continued to be rebuilt, renumbered into the 9100 series, and operated as "Blueliners" until as late as 1990, with blue paint and updated interiors. While it may appear to be a coach, it is a second cousin of the rather similar "Lackawanna MU cars" that are much more common on tourist railroads, and had an equally remarkable longevity of service.

None of these cars show any evidence of ever having been used in commuter or passenger service after the original commuter railroad ownership period. Due to the paint and general features, they are assumed to have been directly purchased from the original operators and have not been modernized in any way. This is most problematic in wheel bearings and restroom modernization.

Current uses

As these cars were built and operated during the steam locomotive era, several existing excursion railroads operate these coaches in regular service and prefer them to preserve a vintage historic appearance. As these cars have a classic look and open-window style, they continue to be popular. Documented ex-Reading survivors include:

- Historic Spencer Shops, Spencer, NC (4 cars) (ex-RDG 1292, 1295, 1297, 1298)
- Wannamaker, Kempton & Southern Railroad, PA (3 cars) (ex-RDG 1474, 1494, 1365)
- West Chester Railroad, PA (4 cars) (Ex-RDG MU's # 9107, 9114, 9117 and 9124)
- Lehigh Gorge Scenic Railway (assumed ex-Hart equipment as well) (at least two 9100 "blueliner" ex-MU cars, numbers unknown)

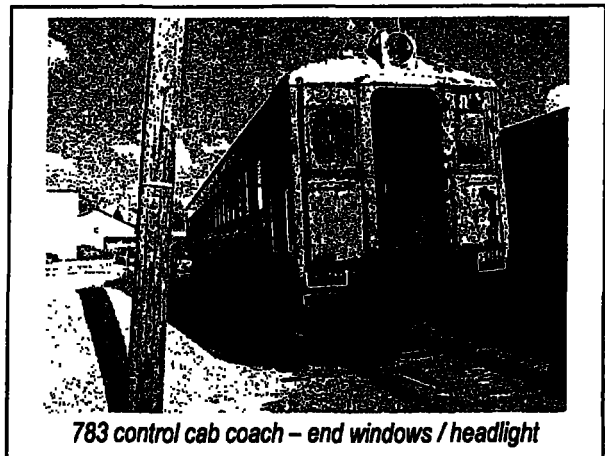
As these cars are now becoming 80 years old and up, they require a lot of maintenance, including roof repairs, truck repairs, window work, and structural issues common to carbon steel cars. The ex-Reading cars are not particularly widespread, and nowhere near as common as ex-Lackawanna cars. As the much larger fleet of Lackawanna cars were operated in regular commuter services into New York until 1984 (including addition of roller-bearing wheels) they are generally preferred by excursion railroads as being in much better shape overall. The Reading cars are considered to be a 'second choice' to similar Lackawanna cars.

Individual car commentaries

MU car 783

This car appears to be one of the 1931-built Reading MU cars used in Philadelphia-district commuter service. It is stored in a relatively inaccessible location in Stewartstown behind the car with the removed truck. There is no photographic evidence of the car ever being used in excursion service on the Stewartstown.

Overall, the structural car condition is fair to good. The car has friction (oil wick and brass) bearings, standard drop-sash windows, walkover seats, and the end vestibules show no particular sign of stress deformation or extreme deterioration. The car interior is surprisingly intact (if



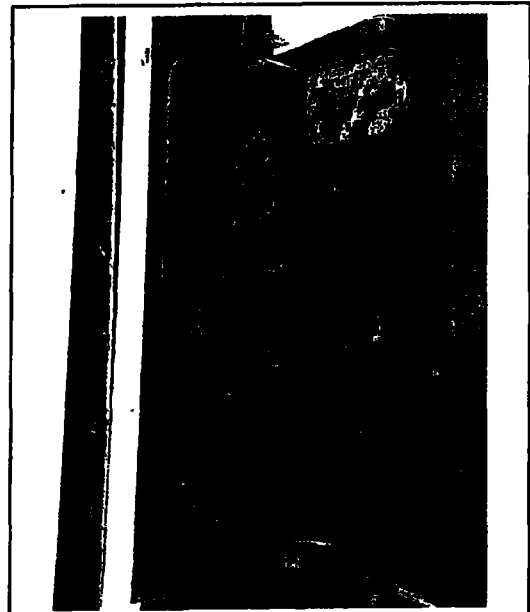
spartan). Wheel condition is generally good. The seat condition was poor. There were no signs of paint peeling and interior deterioration due to leaking roof, although some windows were broken. The car is showing the first significant signs of structural delamination of the roof at the edges.

The basic additional value of this car is that it is a "grandfathered" vehicle as an FRA-legal control cab car. This car is legally a locomotive, with engineer controls intact along with the end windows. That allows this car to be used at the end of a train in a legal reverse movement as a control car; it also allows the car to be used as an FRA compliant vehicle in a heritage commuter style operation in conjunction with normal railcars.

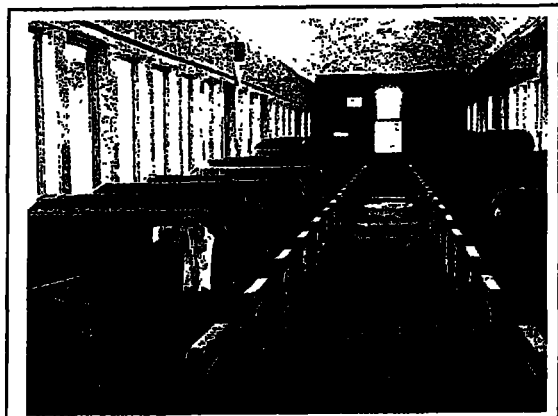
The control car concept allows an excursion railroad to legally operate a train in reverse at normal speed, with the locomotive controls in the end of the coach. While this is an uncommon method of operation, it is legal as long as the car qualifies as a "locomotive", which this car does – with the control stand and headlight. The alternative is to either move the locomotive to the other end of the train (requiring the construction of a passing siding), or back the train across public crossings stopping at each one for flagging protection as an air horn and headlight are not in use.

Recent experiments by TranSystems, as well as others, on developing genset hybrid propulsion systems for streetcars have been remarkably successful. The problem for many operations is that they share a route with an active freight shortline or freight siding, and that puts them in regulatory conflict with the FRA. To allow "streetcar" operations with regular freight requires a certified (or grandfathered) rail-legal vehicle such as this. Many newly-built Diesel Multiple Unit cars in Europe are much more eye-appealing, but lack the basic steel "battleship" construction of these 1930's cars for passenger collision protection. Because of the regulatory issues, adapting and restoring one of these cars may actually be a solution for some specific "heritage streetcar" routes. Due to that, this carbody has additional value.

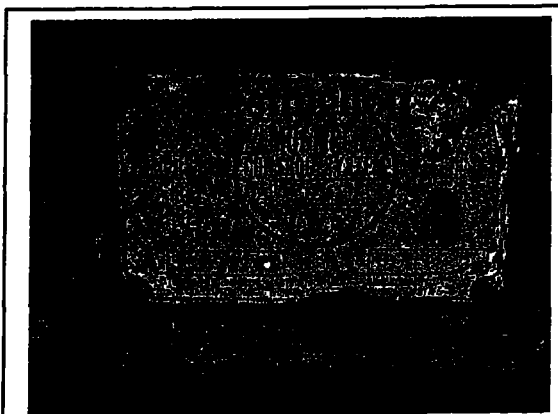
It should be noted that there have not been any successful conversions of vintage Lackawanna or Reading cars to hybrid propulsion - yet. TranSystems research however, has recommended this approach to a number of proposed projects that run into immediate and direct conflict between a 'streetcar' style single-car operation and existing freight railroad operations.



Remaining control stand in 783 car end



783 control cab coach interior



783 MU control legacy

The deduction on this car is that in any case, the existing vintage electrical system (including rectification and transformers) must be removed. All the original Westinghouse MU control systems appear to be intact, along with any residual waste oils, etc., requiring likely hazmat disposal.

Because of the friction-type bearings and lack of direct rail access, this car will have to be moved off-site by truck. As this is a heavy car, this will be an expensive proposition and the total cost of the car including such transportation is often taken into account by a buyer.

Coach No.1303

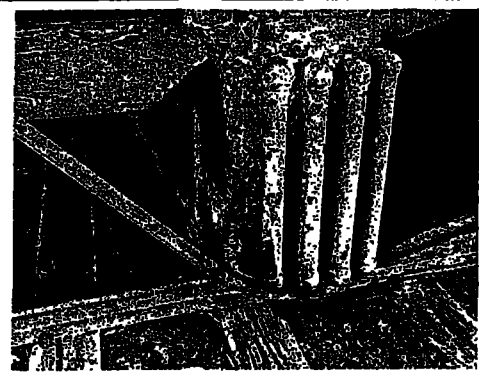
Ex-CNJ Coach 1303 is parked at the north and west side of the Stewartstown wye track, with one end of the car on cribbing. It is missing both trucks that are reportedly at Jim Thorpe PA.

This car shares general characteristics with the other two coaches. This is a 1920's era heavyweight steel commuter coach; open-windowed, with no apparent modifications or upgrading.

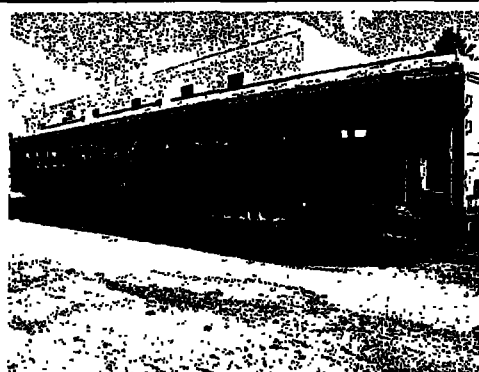
Beyond than the obvious missing truck, this car is in relatively poor condition. Steps have been removed and were piled inside the car. There are approximately three broken windows, and some interior paint peeling on the ceiling that may be a result of roof leakage. Interior rust conditions around ventilation ducts also indicate likely roof leakage.

While the interior is worn, it is intact, and the roof relatively sound overall (particularly from the exterior), the end of the car with the missing truck appears to have suffered significant structural damage or failure at some point, as the vestibule floor is visibly deformed and dropped approximately 3" at the car end. This type of structural failure greatly decreases the value of the car and may be the reason why this particular car was cannibalized for parts rather than the other cars. The COTS date on the air reservoir of 2002 indicates this car was in service on the Stewartstown at some point. It is unknown if the vestibule damage happened during jacking, or why the steps were removed as well as the trucks.

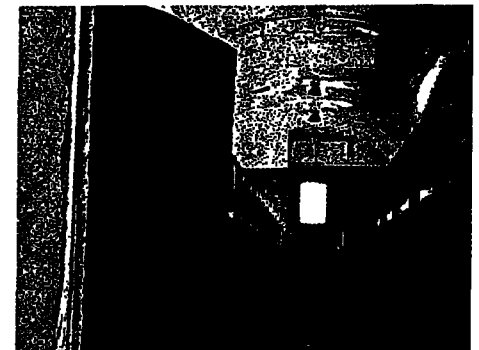
The car has some broken windows, no particularly visible attempt at repair or modernization post-purchase, and what appears to be vintage upholstery. The car interior was not secured against further vandalism and damage. Given the structural conditions of the car at the vestibules, it may be a likely candidate for sale as a non-rail structure. With the trucks and steps already removed, it is essentially a 72' long outbuilding.



783 MU electrical hardware



1303 carbody on cribbing



1303 interior with steps at end



1303 vestibule / frame droop

Coach No. 1158

Coach 1158 is parked beside the Stewartstown passenger station and is one of the two cars that was obviously used last in excursion services in 2005. The car is intact, if vandalized, and is examined as a car most likely to be sold as an operating coach comparable to other 1920's vintage equipment.

1158 would be considered to be a typical 'standard steel' heavyweight vintage commuter coach for valuation purposes. This type of car is still in demand for excursion operators looking to match vintage cars with steam locomotives, and cars with windows that open, rather than sealed, air-conditioned, cars.

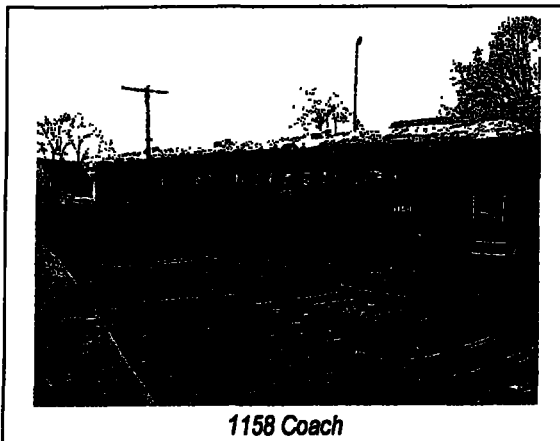
General car conditions were fair to poor, with vandalism from broken windows (11 broken) allowing water into the car interior, and overall corroded conditions on the carbody. COTS dates indicated the car was last inspected for operations in 2002.

Wheel conditions were generally good, with sufficient treadlife remaining for ongoing operations. Wheel bearings were oil-bath ("Friction") style preventing interchange on its own wheels. One truck of the car is now deeply submerged in mud over the rails, preventing easy removal, and over time, creating wheel damage.

Surprisingly, this car showed no evidence of ever having any kind of modernized restroom facilities, with the original 'dump chute' remaining right to the tracks. It is unknown if this were actually used on the Stewartstown, but this kind of toilet is now longer accepted for any operations, vintage or otherwise.

Car purlins – the frame components that hold up the roof – were not severely corroded as on some of the other cars, and window sashes (even with broken glass) were salvageable.

The car roof is reasonably watertight although the roof conditions were deteriorating rapidly on the steel roof. At this point, the car is still salvageable as an operating car, but is considered comparable to many similar steel cars on the market in the \$10,000 and under price range.



1158 Coach



1158 Coach interior through broken windows



1158 wheels in mud – discharge chute above

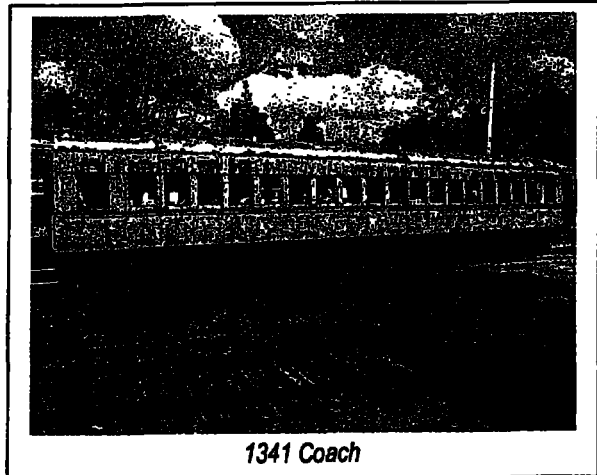
Coach No. 1341

Coach 1341 is also parked beside the Stewartstown passenger station and has been there for some time, and is now somewhat marooned in place by the placement behind 1158. Of the four passenger cars remaining at Stewartstown, this car appears to be the one in the best condition, although it has its own level of deterioration. The roof is in poorer condition, with visible holes in it although no major interior damage is evident – yet. There were no broken windows, and like the 1158, the car is vintage including the original dump toilet system. Like 1158, the car is equipped with 'friction' oil bath bearings, and was last inspected for operation (COTS date) of 2002.

The coach has some additional issues that deserve to be noted. Wheel conditions, while acceptable, were much thinner than on the 1158, with the trucks on the 'south' end at a marginal 1" of remaining wheel tread.

Interior conditions visible from the windows were generally fair (doors were padlocked), but the original Reading-era upholstery appeared to be relatively intact as the windows are still preventing water damage.

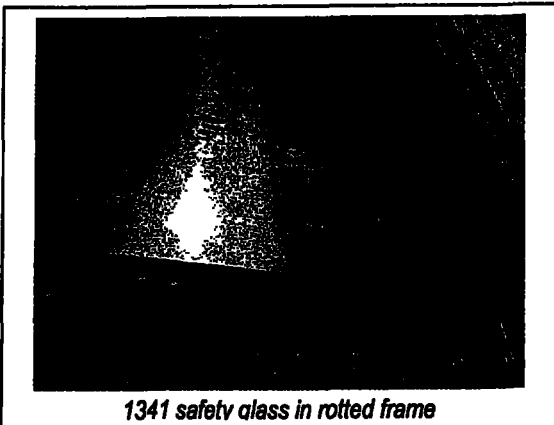
This car is also typical of the other coaches in having friction bearings, dump toilets, and no signs of major upgrades since purchase. One curious upgrade that was evident on this car was at least a partial attempt to put safety glass into the windows rather than basic glazing.



1341 Coach



1341 Coach interior(original fabric)



1341 safety glass in rotted frame

Removing – and moving – the Cars

Ten years ago, most vintage passenger cars could still be moved on their own wheels, if the basic air brake systems were intact, the couplers were inspected, and the overall mechanical condition of the car met interchange railroad inspection standards. This put a sharp valuation difference on cars that were 'stranded' and not on live rail, vs. those cars that could be interchanged on their own wheels. Cars that could be moved on their own wheels were much more valuable.

Today, it is nearly impossible to move a car of this type and age without significant and expensive changes to the car, typically involving replacing the wheel bearings. This is a relatively new requirement by CSXT that has instantly removed half of the rail east of the Mississippi to vintage equipment moves. Beyond that, the per-car/per mile charges for unusual or vintage moves by rail have escalated dramatically by NS. Therefore, vintage railcar moves have now been done either as an over-the-highway move, or alternatively, a dimensional railroad flatcar move with cranes at one or both ends. While they can still be moved by rail, that is seen as an unnecessary expense if the modifications do not add value to the new destination and planned service of the car. Most vintage cars are used in 25mph service and there is only a connecting railroad ban on moving them, not an overall ban on them in any public service at all.

The impact on valuation, paradoxically, is to level the playing field for cars such as these that are not on live rail. Since all such cars have to be moved by truck or flatcar anyway, one that is in Stewartstown is not any more expensive to move than one that is sitting beside a railroad main line. The buyer now assumes that they are going to have to truck or flatcar a car such as this anyway, and the market prices and comparable sales generally reflect that reality.

Freight Equipment

During the track appraisal portion of the inspection, four vintage freight cars were observed on the Stewartstown Railroad property. As these were not specifically identified as personal assets of Mr. Hart, the cars are assumed to be property of the Stewartstown Railroad and included as those totals.

In widely general terms, freight cars can be separated into three groups; those pieces of equipment that still fit within the generally accepted interchange rules developed by the AAR and enforced by the Federal Railroad Administration, those retired or obsolete cars that are still useful for railroads, but not subject to the far more stringent rules necessary to interchange freight cars between connecting carriers, and those cars that are basically scrap and valued at the gross weight of the steel, even if they have some remaining utility or historic value.

The code of Federal Regulations, Part 49, sections 200-300 has several specific language sections that specifically impact the value of the cars examined on the Stewartstown:

FRA Sec. 215.301 General. The railroad or private car owner reporting mark, the car number, and built date shall be stenciled, or otherwise displayed, in clearly legible letters and numbers not less than seven inches high, except those of the built date which shall not be less than one inch high:

- a) On each side of each railroad freight car body; and
- b) (b) In the case of a tank car, in any location that is visible to a person walking at track level beside the car.
- c)

AAR Rule 90: sec 3a. prohibits interchange of cars between carriers that are built or rebuilt prior to Jan 1, 1949; (i.e. 50 year carbody life);

Sec. 7c. prohibits interchange of cars with friction (plain) bearings instead of roller bearings after Jan 1, 1995;

None of the remaining freight cars on the Stewartstown are fully stenciled or lettered for legal interchange service in the General Freight System. In some cases, the cars have no valid lettering or AAR required stenciling to even determine their identification or age. A few of the cars could potentially still be used in interchange service, without restriction to age, if there were a market for the cars. The hopper cars and the single remaining flatcar are theoretically useful as work train equipment elsewhere, but only the ballast hoppers have true value as a marketable freight car with some demand for the car type. The caboose is a derelict that is unfit for any service and is either a candidate for scrapping or restoration as an off-rail structure.

Steel Flatcar at Stewartstown

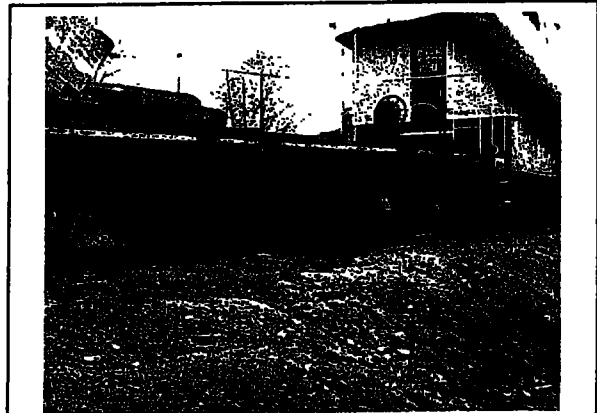
The unlettered steel flatcar at Stewartstown is a legitimate museum piece. Investigation of this specific car led the appraiser to believe this is not actually a flatcar, but a cut-down gondola into a flatcar as the side pockets appear to be remaining gondola ribs.

A very similar car is restored and in-service at the Strasburg Railroad, used for historic recreations, and identified as being ex-Maryland & Pennsylvania Railroad. There is no remaining information on this car of any kind regarding age, reporting marks, capacity, or even original owning railroad. The few clues as to their age and history are by deduction, and by knowledge of surviving similar cars in railroad museums. The vertical brakeshaft remnants, stamped steel end, steel center beam with side sills, and general construction offer some clues that this car may be a surviving original Maryland and Pennsylvania Railroad flatcar, in turn, cut down from an earlier 1900's sideboard gondola. Historians for the B&O railroad museum, and the primary historian and author of a book on Pennsylvania Railroad flatcars, could not positively identify the car as being specific to either connecting railroad.

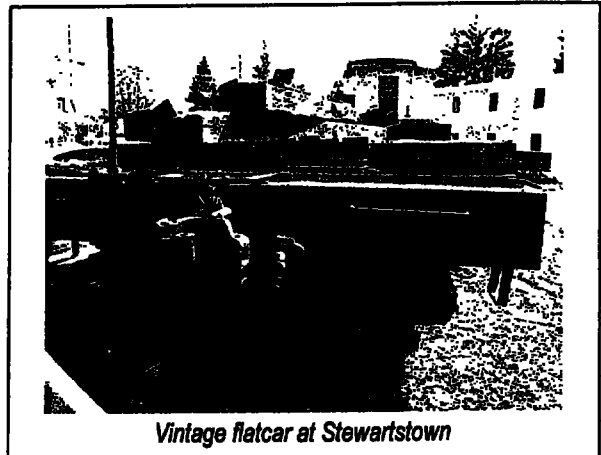
This style of car predates WWII into the 1920's, and likely survived because of the backwoods nature of both the Maryland and Pennsylvania Railroad and the Stewartstown. Flatcars of this length and style were not manufactured after the mid 1930's. Cars that were kept in interchange service beyond the 1920's had their brake equipment modernized and would have had the deck reinforced for higher capacity. It is more likely that this car was converted to work service prior to 1940.

This information dates the cars to approximately 1920, and it is likely this car has been in work service virtually its entire life, or some operational features would have been modernized to minimum standards.

In any case, this is an extremely rare surviving car and should be considered for museum preservation and/or donation. It is only valued at \$1,200 for the basic scrap value of the frame and trucks without an established premium for condition and historic value. It is suggested major railroad museums such as the Railroad Museum of Pennsylvania, or the Railroad Museum of New England, be contacted if these cars were to be disposed of.



Vintage flatcar at Stewartstown



Vintage flatcar at Stewartstown

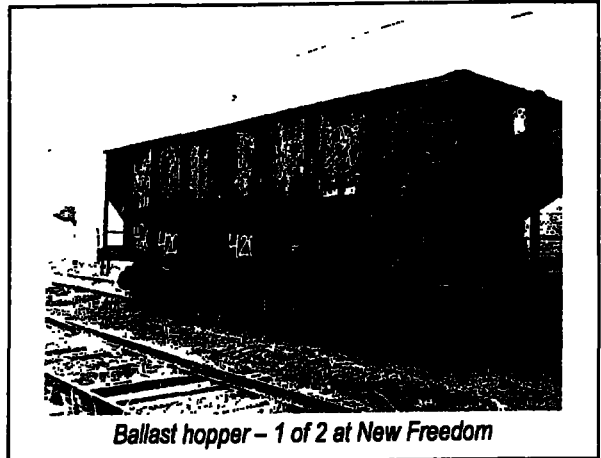
M&PA Ballast Hoppers

Two small hopper cars are on the Stewartstown Railroad property at New Freedom, just northeast of the trailhead and behind an industrial building.

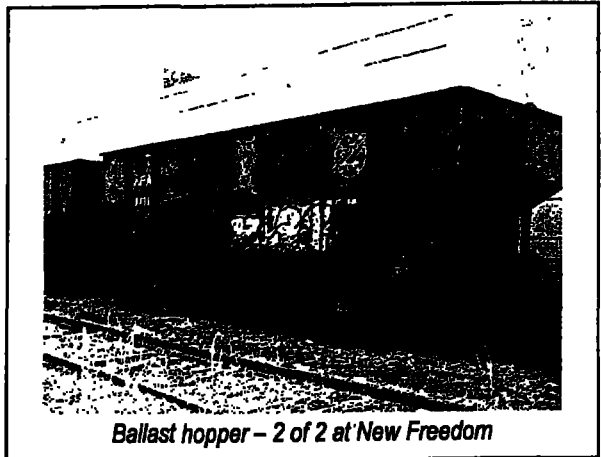
The gates on the bottoms of the cars clearly indicate that these cars were acquired for maintenance of way and ballast moving on-line. The cars still have ex-Maryland and Pennsylvania Railroad lettering on them and photos of the cars were recognized by one of the appraisers, the ex-General Manager of the M&PA during the 1980's as having been used then.

Both cars are apparently of the same age, class and condition, and are valued as a lot.

The cars are apparently modified 55-ton capacity steel coal hoppers built prior to WWII, and converted to ballast hoppers by the M&PA by the addition of ballast-style distribution gates to both the center and side - a useful feature. They were likely sold to the Stewartstown near 1990. These hoppers are approximately half the size and capacity of a modern car today – even for ballast service. These are useful cars for a shortline railroad, but the ballast gates are possibly the most valuable single component of the car. Retired hopper cars of this age are generally scrapped for the price of the raw steel, but this car retains value due to its conversion to ballast service. 4-bay, 55-ton hopper cars are still found often enough that they are not considered to be particularly rare as museum pieces. As such, the cars are valued as scrap with a premium for the doors, at \$2500 each retail and a wholesale lot price of \$4250.



Ballast hopper – 1 of 2 at New Freedom

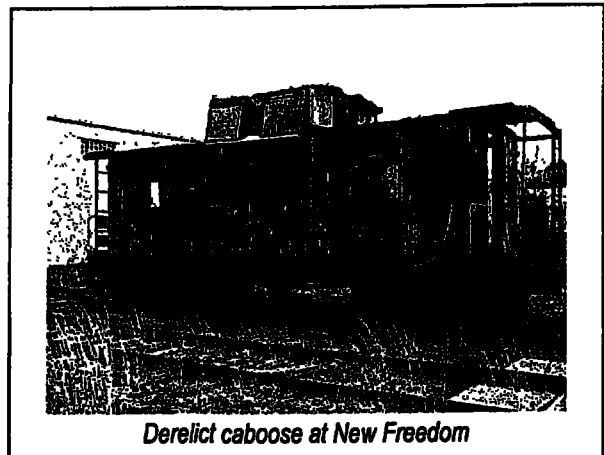


Ballast hopper – 2 of 2 at New Freedom

Derelict Caboose

The remains of an 8-wheel caboose is stored on the property, and presumed to be a railroad asset as it was not identified to be privately owned or on private property.

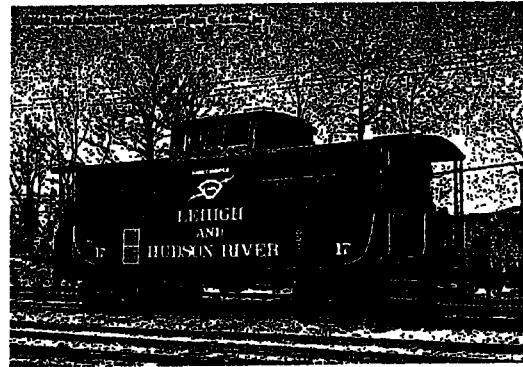
While almost any serviceable caboose today has a value well above railroad and scrap uses (particularly for novelty cabins, motel rooms and storage buildings) this caboose has been severely vandalized and has become structurally deficient to the point where the roof and walls have both failed. While the faint "Lehigh and Hudson River" lettering remains (and likely #17 – which ties into L&HR caboose numbers), the car has no unique historical significance because at least eight similar cabooses of the class are recording as having survived. These WWII-era cabooses



Derelict caboose at New Freedom

are an odd 'wood composite' Northeastern Standard design that is identical in design to far more sturdy steel cabooses that have survived in the hundreds. The wartime steel shortages led to this odd all-wood body design that did not weather well. These cars were last in service prior to 1976 when the L&HR was folded into Conrail, and all cars were sold.

As there is still sufficient raw steel in the frame and trucks to at least assign some scrap value to the asset, a valuation of \$500 for the raw materials was determined, including cost of demolition and scrapping. While a dedicated enthusiast may choose to attempt a restoration, it is unlikely.



Caboose 17 original appearance

Aggregate Values - Freight Cars

Total valuations for the four various pieces of freight equipment listed in this report and on Worksheet 2 - Equipment Valuation Calculations - are totaled at \$5695 wholesale.

08/09/2009
 TransSystems
 07/06/2009

George Hart Estate - Stewartstown Railroad
Worksheet 2 - Equipment Appraisal Calculations
 Effective valuation date April 2009

1. LOCOMOTIVES

Item No.	Build	Description	Builder	Qty	Retail Value	Wholesale Value	Photo?	Appraised Notes
1	1843	Plymouth gasoline 35-ton switcher	1839	1	\$12,500	\$10,625	Yes	Serviceable condition; last blue carded 2005
2	1946	GE 44-ton diesel locomotive #10		1	\$28,000	\$23,800	Yes	Serviceable appears in usable condition Original components - numerous with Last used 2005; batteries reportedly bad

TOTAL LOCOMOTIVES

2 248,800 \$24,225

Compensated (current market)

Plymouth

35" gauge mechanical (diesel) Whitcomb;
 fully restored (re-new) condition
 rebuilt by Brookville 2008 1839 \$40,000 Quartz Mountain new listing

Plymouth mechanical 20-ton; closed outside
 operational 2 years ago; Climax gasoline
 engine (driller capability)
 SN 25653 from Plymouth

GE 25-tonner; operating condition
 general poor body condition; input
 missing gears; Cummins engine

GE 25-tonner; boiler and pieces
 similar to above unit only not assembled

44-tonner

GE 44-tonner; completely rebuilt, rebuilt,
 new generator, CAT 3508 power, repair
 roller bearing. FWA blue card lighting
 \$220K reported on rebuild 1941 \$100,000 Quartz Mountain new listing

GE 45-tonner; completely rebuilt, new
 Cummins engine; generator, wiring,
 excellent condition

ex-Mine Carling 115; original 44-tonner
 bed bottoms, original engines, abcd.,
 can be started but listing 1945 \$27,000 Quartz Mountain

GE 44-tonner; original; 017000 hours;
 missing traction motor - pads unit only

50-ton Whitcomb; rebuilt, new engine

2 D1 7000 engines and parts

\$10,000 Quartz Mountain; reduced from \$27K

\$75,000 Quartz Mountain; original listing \$150K

\$7,000 Quartz Mountain

2. PASSENGER CARS & EQUIPMENT

Item No.	Description	Buy Date	Qty	04/2008 Retail Value	04/2008 Wholesale Value	Ext. Photo	Int. Photo	Apprais. Notes
3	Reading MU cab car # 763		1	\$12,000	\$10,200	Yes	Yes	Cab car add'l value car listed
4	CMU coach 1303		1	\$5,000	\$4,250	Yes	Yes	Truck removed; damage to vestibule (buff)
5	Reading coach 1158		1	\$8,000	\$6,800	Yes	Yes	Significant window and interior damage
6	Reading coach 1341		1	\$9,000	\$7,850	Yes	Yes	Similar condition
TOTAL PASSENGER CARS				4	\$34,850	\$28,900		

COMPARABLES:

Steel claretory coach #4057; poor cond. original wheels, bearings, etc. Interior converted to display purposes
 PRR 1770 coaches (1920-built) roller bearing, interchangeable seat interiors.
 Canadian Pacer coach; steel good cond; 110' air disk; restroom intact; RB wheels
 Poplar Summit steel 1928 Pullman; RB wheels, fair condition; interchangeable.
 ex-LIRR 124K 'ping-pong' coaches; non-interchangeable; on site
 ex-Lacharville coach 4308 poor condition, fiction bearings
 ex-Lacharville coach 4315 fair condition; fiction bearings
 LIRR Pullman-standard commuter coach 2705; interchangeable, usable 800 VDC system
 CN 4854 heavyweight 1925 coach poor condition; CCAR
 ex-Lacharville coach 3248; 1925 fiction bearings, poor condition
 B&O NYLE coach 3562; usable, fair cond 1928 Pullman modernized

\$22,500 D F Barnhart; new listing
 \$17,000 D F Barnhart; (sold)
 \$12,800 Coast Mountain; originalist \$15K
 \$10,000 Sale price per Lacharville RR Hist. Soc January 2009 closed sale
 \$4,800 auction sale price average October 2008 (news)
 \$17,000 Coast Mountain listing
 \$17,000 Coast Mountain listing
 \$17,800 Coast Mountain; originally listed 25K
 \$7,000 Coast Mountain; 2 more similar available
 \$12,000 Coast Mountain
 \$13,000 Coast Mountain; originally listed \$25K

3. MISC EQUIPMENT

Item No.	Description	Built Date	Qty	Retail Value	Wholesale Value	Appraised Notes
7	Crocoose hulk - New Freedom ex-LINE Northeastern caboose		1	\$800	\$405	Yes Demol. scrap only
8	Steel ballast work car; Stewartstown (non-interchangeable; 40' car; round)		1	\$1,200	\$1,000	Yes Historic study
9	6x12 PA ballast hoppers		2	\$5,000	\$4,250	Yes Scrap valuation

TOTAL MISC EQUIPMENT

4 **\$5,750** **\$5,005**

EQUIPMENT SUMMARIES

LOCOMOTIVES

Hart Estate	Stewartstown Railroad
	\$34,425

PASSENGER CARS

\$28,900

FREIGHT EQUIPMENT

\$5,005

TOTAL EQUIPMENT

\$28,900

\$40,120

V - SUMMARY OF VALUES

The Net Liquidation Value of the physical assets and the net liquidation value of equipment as developed in the preceding subsections of this report are summarized below:

		Hart	Stewartstown Railroad	Total
Physical Assets	Rail and OTM		\$543,848.16	
	Turnouts		\$7,751.95	
	Ties		-\$64,482.55	\$487,117.56 ✓
Equipment	Locomotives		\$34,425	✓
	Passenger Cars	\$28,900		
	Freight Equip		\$5,695	\$69,020.00
Totals		\$28,900	\$527,237.56	\$556,137.56

VI - ASSUMPTIONS AND LIMITING CONDITIONS

The Consultants assume no responsibility for legal matters, nor do they offer any opinion as to the validity of the title to the subject properties, which they assume to be free and clear of all encumbrances and therefore, marketable. They do not guarantee the existence or non-existence of liens or encumbrances upon the property.

The Consultants have had no actual certified survey or legal description made of the property and none has been supplied by the client. Therefore, no metes and bounds descriptions of the subject properties will be used.

The Consultants assume that the information given by the client and others is correct and that the persons involved are reliable, responsible individuals, but does not guarantee their accuracy.

The Consultants have not assessed or included the effect of the various zoning ordinances, building codes, planning and/or subdivision regulations that would affect the subject properties.

The Consultants have no present or contemplated future interest in the properties being appraised. Further, the manner of compensation is not contingent upon the value reported.

VII - APPRAISER'S CERTIFICATION

I, Randall D. Gustafson, representing TranSystems Corporation Consultants, Inc., do hereby certify that I have personally inspected the appraised property described within this appraisal report.

I further certify that I have no undisclosed interest in the property, either present or contemplated. Our employment to make this appraisal and compensation is non-contingent upon the value reported herein.

To the best of our knowledge and belief, the statements contained herein are correct, subject to the limiting conditions set forth, and no important facts have been overlooked or withheld.

The estimates of value as indicated below represent our unbiased judgment of the Net Liquidation Value of the property subject to the assumptions and limiting conditions as set forth.

Owned Asset Value as of April 17, 2008, is as follows:

FIVE HUNDRED FIFTY-SIX THOUSAND ONE HUNDRED THIRTY SEVEN and 56 (\$556,137.56)

Respectfully submitted,

TranSystems Corporation Consultants



Randall D. Gustafson
Railroad Specialist

RDG/fsc

Exhibit

B

PAUL ZEIGLER REAL ESTATE
2550 KINGSTON RD., SUITE 321, YORK PA 17402

HART 081607 50
File No. AUG07030

AUGUST 16, 2007

MR. GEORGE HART
JIM THORPE, PA

IN ACCORDANCE WITH YOUR REQUEST, I HAVE INSPECTED THE PROPERTY LOCATED ON SOUTH MAIN STREET, SHREWSBURY, PA 17361, OWNED BY THE STEWARTSTOWN RAILROAD COMPANY, FOR THE PURPOSE OF ESTABLISHING AN OPINION OF VALUE.

THE PROPERTY IS A PARCEL OF GROUND WITH IMPROVEMENTS THEREON LOCATED ON THE EASTERN SIDE OF SOUTH MAIN STREET, JUST NORTH OF ITS INTERSECTION WITH TOLNA ROAD, IN THE BOROUGH OF SHREWSBURY, YORK COUNTY, PA. THE PROPERTY IS FURTHER DESCRIBED AS BEING PARCEL 87-84-000-03-0050 OF THE YORK COUNTY ASSESSMENT RECORDS IS ALSO IN THE SOUTHER SCHOOLS, SOMEWHAT DISTANT FROM SCHOOLS, BUT NEAR TO ALL AMENITIES. ALSO THE LOCATION IS NEAR TO ROUTE #83, FOR COMMUTING NORTH/SOUTH WITH YORK OR BALTIMORE. THE LOCATION IS AN OLDER AREA OF A SMALL COMMUNITY THAT HAS SHOWN CONSIDERABLE GROWTH IN RECENT YEARS. THE PARCEL HAS A FRONTAGE OF APPROXIMATELY 125 FT. WITH MINIMAL DEPTH COMPRISING AN AREA OF .103 ACRES MORE OR LESS. THE PROPERTY IS IN AN AREA ZONED RESIDENTIAL, THUS USE IS VERY LIMITED.

SITUATED ON THIS PARCEL OF GROUND ARE IMPROVEMENTS CONSISTING OF A 1 STORY, BUILDING OF BRICK CONSTRUCTION, HAVING A COMPOSITION SHINGLE ROOF. THE BUILDING, FORMERLY A SMALL RAILWAY STATION, IS AND HAS BEEN BOARDED. THE IMPROVEMENTS TO BE IN NEED OF SOME MAJOR REPAIRS AND UPDATING WITH ROOF SHOWING MAJOR DETERIORATION. ALSO THERE IS A RAILROAD TRACT AND SIDING ON THE SITE. DUE TO SIZE OF SITE AND THE ZONING BEING RESIDENTIAL, USE IS VERY LIMITED, BUT BUILDING DOES HAVE SOME HISTORICAL VALUE.

AS A RESULT OF MY INSPECTION AND BY VIRTUE OF MY EXPERIENCE, IT IS MY OPINION THAT THE MARKET VALUE FOR PROPERTY IS TWENTY FIVE THOUSAND (\$25,000.00) DOLLARS.

UPON ADJUSTING FOR COMPARABLES AND CONDITION, THE MARKETPLACE TENDS TO SUPPORT A VALUE RANGE FOR SUBJECT PROPERTY OF \$22,000 TO \$29,000. AS APPRAISING IS NOT AN EXACT SCIENCE, IN THE FIRST INSTANCE AN INITIAL ASKING PRICE AT OR NEAR THE UPPER LIMITS OF RANGE IS CONSIDERED APPROPRIATE, CONVERSELY AFTER REASONABLE BUT UNSUCCESSFUL EXPOSURE TO THE MARKET, ANY BONA FIDE PURCHASE OFFER (ALL CASH OR EQUIVALENT TO SELLER) AT OR NEAR THE LOWER LIMITS OF SAID RANGE, WOULD, IN MY OPINION, BE LIKEWISE WORTHY OF SERIOUS CONSIDERATION.

TRULY NO SALES WERE NOTED IN AREA, CONSIDERED TO BE COMPARABLE. DUE TO LAND USE IN AND AROUND IMMEDIATE AREA, I BELIEVE THAT WITH CONSIDERABLE REPAIRS AND UPDATING SOME USE COULD BE NEGOTIATED.

THE ABOVE OPINION IS PREDICATED ON THE FACT THAT THE SUBJECT PROPERTY IS MARKETING ON THE OPEN MARKET, WITH NO RESTRICTIONS.

SINCERELY,
PAUL ZEIGLER REAL ESTATE
BY:

William H. Everhart

William H. Everhart, PA Cert Broker/App
BA-003393-L

PAUL ZEIGLER REAL ESTATE
2550 KINGSTON RD., SUITE 321, YORK PA 17402

HART061607 202B
File No. AUG07029

AUGUST 16, 2007

MR. GEORGE HART
JIM THORPE, PA

IN ACCORDANCE WITH YOUR REQUEST, I HAVE INSPECTED THE PROPERTY KNOWN AS 2 E. FRANKLIN STREET, NEW FREEDOM, PA 17349, OWNED BY STEWARTSTOWN RAILROAD COMPANY, FOR THE PURPOSE OF ESTABLISHING AN OPINION OF VALUE.

THE PROPERTY IS A PARCEL OF GROUND LOCATED TO THE EAST OF EAST FRANKLIN STREET, BEING THE REAR OF 7 EAST FRANKLIN STREET (LAMOTTES RESTAURANT) JUST SOUTH OF THE RAIL TRAIL AND NEW FREEDOM RAILWAY RIGHT-OF-WAY IN THE BOROUGH OF NEW FREEDOM, YORK COUNTY, PA. THE PROPERTY IS FURTHER DESCRIBED AS BEING PARCEL 67-78-000-01-020 B, OF THE YORK COUNTY ASSESSMENT RECORDS IS ALSO THE SOUTHERN SCHOOL DISTRICT, NEAR TO SCHOOLS AND MOST AMENITIES. THE DIMENSIONS ARE 48.7'X440.4'X57.8'X428.7', COMPRISING AN AREA OF APPROXIMATELY .2893 ACRES MORE OR LESS, WITH NO FRONTAGE ON PUBLIC STREET. ACCESS APPEARS TO BE OVER THE RAILROAD RIGHT-OF-WAY.

THE LAND IS PARTIALLY CLEARED AND APPEARS TO BE USED FOR PARKING, WHILE REMAINDER IS SOMEWHAT OVERGROWN, WITH A PORTION POSSIBLY IN A FLOOD AREA. THE PROPERTY IS IN AN AREA ZONED CENTRAL/BUSINESS DISTRICT.

AS A RESULT OF MY INSPECTION AND BY VIRTUE OF MY EXPERIENCE, IT IS MY OPINION THAT THE MARKET VALUE FOR SUBJECT IS TWENTY FOUR THOUSAND (\$24,000.00) DOLLARS.

UPON ADJUSTING FOR COMPARABLES AND CONDITION, THE MARKETPLACE TENDS TO SUPPORT A VALUE RANGE FOR SUBJECT PROPERTY OF \$20,000 TO \$28,000. AS APPRAISING IS NOT AN EXACT SCIENCE, IN THE FIRST INSTANCE AN INITIAL ASKING PRICE AT OR NEAR THE UPPER LIMITS OF RANGE IS CONSIDERED APPROPRIATE. CONVERSELY AFTER REASONABLE BUT UNSUCCESSFUL EXPOSURE TO THE MARKET, ANY BONA FIDE PURCHASE OFFER (ALL CASH OR EQUIVALENT TO SELLER) AT OR NEAR THE LOWER LIMITS OF SAID RANGE, WOULD, IN MY OPINION, BE LIKEWISE WORTHY OF SERIOUS CONSIDERATION.

ATTACHED ARE COPIES OF SALES IN AREA, WITH ADJUSTMENTS FOR TIME, LOCATION, PHYSICAL CHARACTERISTICS CONSIDERED.

THE ABOVE OPINION IS PREDICATED ON THE FACT THAT THE PROPERTY BE MARKETED ON THE OPEN MARKET.

SINCERELY,
PAUL ZEIGLER REAL ESTATE
BY:

William H. Everhart

William H. Everhart, PA Cert Broker/App
BA-003202-L

AUGUST 16, 2007

MR. GEORGE HART

JIM THORPE, PA

IN ACCORDANCE WITH YOUR REQUEST, I HAVE INSPECTED THE PROPERTY LOCATED ON HILL STREET, STEWARTSTOWN, PA 17383, OWNED BY THE STEWARTSTOWN RAILROAD CO., FOR THE PURPOSE OF ESTABLISHING AN OPINION OF VALUE.

THE PROPERTY IS A PARCEL OF GROUND WITH IMPROVEMENTS THEREON LOCATED ON THE WESTERN SIDE OF HILL STREET, ROUTE #851, BETWEEN BARLEY DRIVE, AND EAST MILL STREET, IN THE BOROUGH OF STEWARTSTOWN, YORK COUNTY, PA. THE PROPERTY IS FURTHER DESCRIBED AS BEING PARCEL 67-88-000-BK-0079 OF THE YORK COUNTY ASSESSMENT RECORDS, AND IS ALSO IN THE SOUTHEASTERN AREA SCHOOL DISTRICT, SOMEWHAT DISTANT FROM SCHOOLS, BUT NEAR TO MOST AMENITIES. THE LOCATION IS ADJACENT TO A LARGE NEW SUBDIVISION KNOWN AS BAILEY SPRINGS, A CONDOMINIUM COMMUNITY WITH A CONVENIENCE CENTER AND A COMMUNITY CENTER. THE PARCEL HAS A FRONTAGE OF 120.5 FT. AND A DEPTH OF 211.2 FT. AND 285.5 FT., COMPRISING AN AREA OF .47 ACRES, MORE OR LESS. LOCATION IS ZONED RESIDENTIAL /TOWN, THUS LIMITING ITS USE.

SITUATED ON THIS PARCEL OF GROUND ARE IMPROVEMENTS CONSISTING OF A 2 STORY, FRAME AND CONCRETE BLOCK BUILDING WITH A SHINGLE ROOF. THE BUILDING IS PRESENTLY USED FOR STORAGE, HAVING A RAIL SIDING ON BUILDING. ALSO THERE IS A RAILROAD TRACK ON THE SITE. DUE TO THE ABOVE, THE USE IS LIMITED.

AS A RESULT OF MY INSPECTION AND BY VIRTUE OF MY EXPERIENCE, IT IS MY OPINION THAT THE MARKET VALUE IS EIGHTY THOUSAND (\$80,000.00) DOLLARS.

UPON ADJUSTING FOR COMPARABLES AND CONDITION, THE MARKETPLACE TENDS TO SUPPORT A VALUE RANGE FOR SUBJECT PROPERTY OF \$75,000 TO \$80,000. AS APPRAISING IS NOT AN EXACT SCIENCE, IN THE FIRST INSTANCE AN INITIAL ASKING PRICE AT OR NEAR THE UPPER LIMITS OF RANGE IS CONSIDERED APPROPRIATE, CONVERSELY AFTER REASONABLE BUT UNSUCCESSFUL EXPOSURE TO THE MARKET, ANY BONA FIDE PURCHASE OFFER (ALL CASH OR EQUIVALENT TO SELLER) AT OR NEAR THE LOWER LIMITS OF SAID RANGE, WOULD, IN MY OPINION, BE LIKEWISE WORTHY OF SERIOUS CONSIDERATION.

ATTACHED ARE COPIES OF SOME SALES IN AREA, WITH ADJUSTMENTS FOR TIME, LOCATION AND PHYSICAL CHARACTERISTICS CONSIDERED.

SINCERELY,
PAUL ZEIGLER REAL ESTATE
BY:

William H. Everhart

William H. Everhart, PA Cert Broker/App
BA-003393-L

Flood Zone/Risk Report

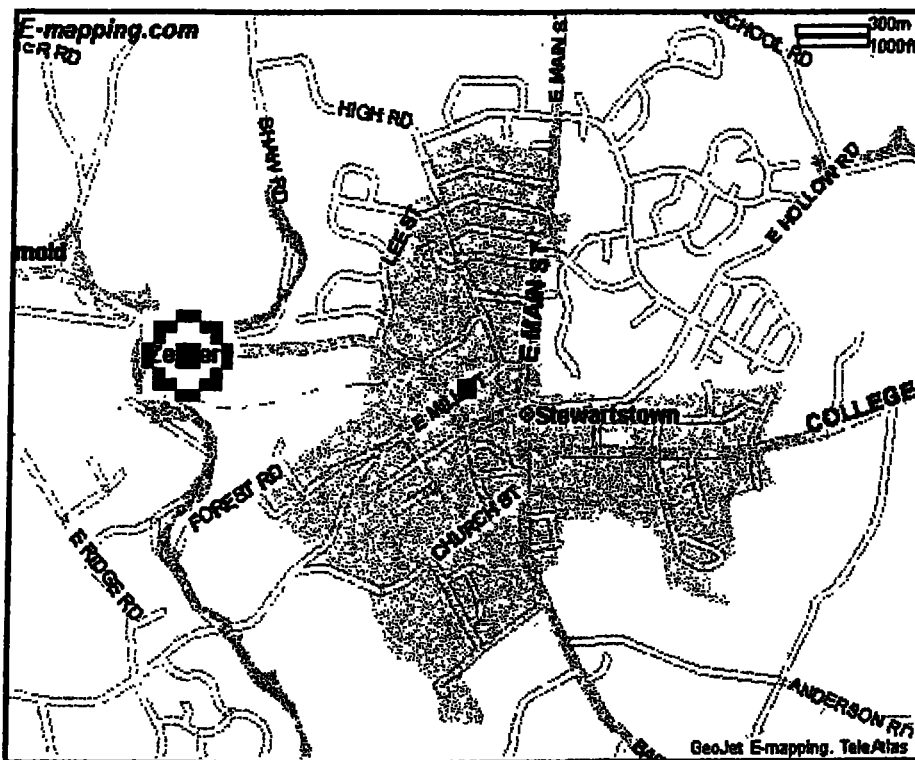
Identification/Ownership

PIDN:	67880000100120000000	Owner Name:	STEWARTSTOWN
Site Address:	N MILL ST PA	Owner Address:	RAILROAD COMPANY STEWARTSTOWN, PA 17383

Flood Zone

Zone:	ANI	Full Panel:	0000000000	FIPS:	42133
Cobra:	COBRA_OUT	Quad:	39078-G5	Quad Unit:	G5
Flood Way:		Panel:	00000	PCOMM:	0000
Panel Type:	UNMC	SFHA:	OUT		

Flood Zone Map



Flood Zone Color Legend

- A: Inundated by 100 year flooding, for which no BFEs have been established
- AE: Inundated by 100-year flooding, for which BFEs have been determined
- ANI: located within a community or county that is not mapped on any published FIRM
- X: determined to be outside the 100- and 500-year floodplains
- X500: Inundated by 500-year flooding

Note:

All flood zones are approximate locations. If property is near a flood zone, please verify with appropriate FEMA resources.

Data Subject to Errors, Omissions, Revisions - Not Warranted.
(4/30/2008)

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AUGUST 16, 2007

MR. GEORGE HART
JIM THORPE, PA

IN ACCORDANCE WITH YOUR REQUEST, I HAVE INSPECTED THE PROPERTY LOCATED ON NORTH MILL STREET, STEWARTSTOWN, PA 17383, OWNED BY THE STEWARTSTOWN RAILROAD COMPANY, FOR THE PURPOSE OF ESTABLISHING AN OPINION OF VALUE.

THE PROPERTY IS A PARCEL OF GROUND WITH IMPROVEMENTS THEREON LOCATED ON THE NORTHERN SIDE OF MILL STREET, BETWEEN HILL STREET AND HIGH STREET, IN THE BOROUGH OF STEWARTSTOWN, YORK COUNTY, PA. THE PROPERTY IS FURTHER DESCRIBED AS BEING PARCEL 87-88-000-01-0012 OF THE YORK COUNTY ASSESSMENT RECORDS AND IS ALSO IN THE SOUTHEASTERN AREA SCHOOL DISTRICT, SOMEWHAT DISTANT FROM SCHOOLS, BUT NEAR TO MOST AMENITIES. THE LOCATION IS AN OLDER AREA OF A SMALL RURAL COMMUNITY THAT HAS SHOWN CONSIDERABLE GROWTH IN RECENT YEARS. THE PARCEL DIMENSIONS ARE VERY IRREGULAR COMPRISING AN AREA OF .246 ACRE, MORE OR LESS, WITH A VERY MINIMAL FRONTAGE. THE AREA IS ZONED INDUSTRIAL.

SITUATED ON THIS PARCEL OF GROUND ARE RAILROAD TRACKS PRESENTLY USED AS A SIDING. DUE TO SIZE OF SITE AND THE LACK OF GOOD ACCESS THE USE IS VERY LIMITED.

AS A RESULT OF MY INSPECTION AND BY VIRTUE OF MY EXPERIENCE, IT IS MY OPINION THAT THE MARKET VALUE FOR SUBJECT PROPERTY IS TWELVE THOUSAND (\$12,000.00) DOLLARS.

UPON ADJUSTING FOR COMPARABLES AND CONDITION, THE MARKETPLACE TENDS TO SUPPORT A VALUE RANGE FOR SUBJECT PROPERTY OF \$8,000 TO \$15,000. AS APPRAISING IS NOT AN EXACT SCIENCE, IN THE FIRST INSTANCE AN INITIAL ASKING PRICE AT OR NEAR THE UPPER LIMITS OF RANGE IS CONSIDERED APPROPRIATE, CONVERSELY AFTER REASONABLE BUT UNSUCCESSFUL EXPOSURE TO THE MARKET, ANY BONA FIDE PURCHASE OFFER (ALL CASH OR EQUIVALENT TO SELLER) AT OR NEAR THE LOWER LIMITS OF SAID RANGE, WOULD, IN MY OPINION, BE LIKEWISE WORTHY OF SERIOUS CONSIDERATION.

ATTACHED ARE COPIES OF SALES IN THE AREA WITH ADJUSTMENTS FOR TIME, LOCATION AND PHYSICAL CHARACTERISTICS CONSIDERED.

SINCERELY,
PAUL ZEIGLER REAL ESTATE
BY:

William H. Everhart

William H. Everhart, PA Cert Broker/App
BA-003383-L

Borrower: STEWARTSTOWN RAILROAD CO.		FILE NO.: AUGUST 1929	
Property Address: NORTH MILL ST.		Case No.: HART081607 0012	
City: STEWARTSTOWN		State: PA	Zip: 17383
Lender: MR. GEORGE HART			





Full Report

Image



Other Images

Parcel ID 67-86-000-01-0012-00-00000
 Owner Name STEWARTSTOWN
 Tot Dwelling/Rent SqFt 0
 Bedrooms 0
 Baths Half 0
 Recent Sale Price
 CoOwner
 Prop Class E EXEMPT
 Tax District 86 STEWARTSTOWN BORO
 School District 09 SOUTH EASTERN
 Prop City PA
 Tax Map 01
 Tax Suffix 00
 Total GLA SF
 GeoJet View Map

Prop Addr N MILL ST
 Land Use 600 EXEMPT- VACANT LAND
 Acres 0.246
 Baths Full 0
 Num Parcels 0
 Recent Sale Date
 Owner Addr RAILROAD COMPANY
 Owner Addr2
 Owner City STEWARTSTOWN PA 17363
 Prop Street Num MILL
 Tax Block 000
 Tax Parcel 0012
 Tax Leasehold 00000
 Owner Display STEWARTSTOWN

Assessment Year	2008	Tax District	STEWARTSTOWN BORO
Land Value	\$21,420.00	Clean and Green Indicator	NO
Imprv Value	\$0.00	Farm Land Value	\$0.00
Total Value	<u>\$21,420.00</u>	Market Land Value	<u>\$21,420.00</u>

Utilities	ALL PUBLIC	Topograph	LEVEL
Traffic	MEDIUM	Road	PAVED
Fronting	SECONDARY STREET	Location	NEIGHBORHOOD OR SPOT
Acres	0.246	Neighborhood	C861000 STEWARTSTOWN BORO

Land Type	Land Size	Land Measurement
PRIMARY SITE	10716	SQUARE FEET

Card Number	1	Total Cards	1
Improvement	VACANT	Year Built	0
Style		Year Remodelled	0
Dwelling SqFt	0	New Construction	
Unfinished Living Area	0	Exterior Wall	
Rec Room Area	0	Num Stories	0
Finished Basement Area	0	Basement Type	
Total Rooms	0	Bsmt Garage Cap	0
Bedrooms	0	Attic	
Family Rooms	0	Heating AC	
Baths Full	0	Heat Fuel	
Baths Half	0	Heat System	
Plumbing Fixtures	0	Fireplaces	0
Living Units	0	Condo Level	0
Condo Type			

Full Report

PROPERTY AND OWNER INFORMATION

Image



Other Images

FYPON LOT

Parcel ID 87-88-000-02-0094-00-00000
 Owner Name LLOYD REED PROPERTIES LLC
 Tot Dwelling/Rent SqFt 0
 Bedrooms 0
 Baths Full 0
 Baths Half 0
 Recent Sale Price \$8,000.00
 CoOwner
 Prop Class C COMMERCIAL
 Tax District 86 STEWARTSTOWN BORO
 School District 09 SOUTH EASTERN
 Prop City PA
 Tax Map 02
 Tax Suffix 00
 Total GLA SF
 GeoJet View Map

Prop Addr N CHURCH & GEORGE ST
 Land Use 300 COMMERCIAL VACANT LAND
 Acres 0.19
 Baths Full 0
 Num Parcels 1
 Recent Sale Date 4/18/2007
 Owner Addr P O BOX 301
 Owner Addr2
 Owner City JARRETTSVILLE MD 21084
 Prop Street Num CHURCH & GEORGE
 Tax Block 000
 Tax Parcel 0084
 Tax Leasehold 00000
 Owner Display LLOYD REED PROPERTIES LLC

ASSESSMENTS

Assessment Year	2007	Tax District	STEWARTSTOWN BORO
Land Value	\$18,530.00	Clean and Green Indicator	NO
Imprv Value	\$0.00	Farm Land Value	\$0.00
Total Value	\$18,530.00	Market Land Value	\$18,530.00

TRANSFERS

Sale Date	4/18/2007	Sale Price	\$8,000.00
Book	1886	Page	5084
Grantor	STEWARTSTOWN RAILROAD CO	Grantee	LLOYD REED PROPERTIES LLC
Sale Type	LAND	Num Parcels	1
Sale Validity	UNVERIFIED VALID SAL		

SITE CHARACTERISTICS

Utilities	ALL PUBLIC	Topograph	LEVEL
Traffic	MEDIUM	Road	PAVED
Fronting	SECONDARY STREET	Location	NEIGHBORHOOD OR SPOT
Acres	0.19	Neighborhood	C881000 STEWARSTOWN BORO
Land Type	PRIMARY SITE	Land Size	0.19
		Land Measurement	ACRES

DWELLING CHARACTERISTICS

Card Number	1	Total Cards	1
Improvement	VACANT	Year Built	0
Style		Year Remodelled	0
Dwelling SqFt	0	New Construction	
Unfinished Living Area	0	Exterior Wall	
Rec Room Area	0	Num Stories	0
Finished Basement Area	0	Basement Type	
Total Rooms	0	Basmt Garage Cap	0
Bedrooms	0	Attic	
Family Rooms	0	Heating AC	
Baths Full	0	Heat Fuel	
Baths Half	0	Heat System	
Plumbing Fixtures	0	Fireplaces	0
Living Units	0	Condo Level	0
Condo Type			

OTHER BLDG AND YARD IMPROVEMENTS

COMMERCIAL CHARACTERISTICS

SKETCH

AUGUST 15, 2007

MR. GEORGE HART

JIM THORPE, PA

IN ACCORDANCE WITH YOUR REQUEST, I HAVE INSPECTED THE PROPERTY LOCATED ON HILL STREET, STEWARTSTOWN, PA 17363, OWNED BY THE STEWARTSTOWN RAILROAD COMPANY, FOR THE PURPOSE OF ESTABLISHING AN OPINION OF VALUE.

THE PROPERTY IS A PARCEL OF GROUND WITH IMPROVEMENTS THEREON LOCATED ON THE EASTERN SIDE OF HILL STREET, BEING THE NORTHEAST CORNER OF HILL STREET AND WEST PENNSYLVANIA AVENUE, IN THE BOROUGH OF STEWARTSTOWN, YORK COUNTY, PA. THE PROPERTY IS FURTHER DESCRIBED AS BEING PARCEL 87-88-000-02-0131 A, OF THE YORK COUNTY ASSESSMENT RECORDS, IS ALSO IN THE SOUTHWESTERN SCHOOL DISTRICT, SOMEWHAT DISTANT FROM SCHOOLS, BUT NEAR TO MOST AMENITIES. THE LOCATION IS AN OLDER AREA OF A SMALL RURAL COMMUNITY, THAT HAS SHOWN CONSIDERABLE GROWTH IN RECENT YEARS. THE PARCEL CONSISTS OF TWO TRACTS, HAS IRREGULAR DIMENSIONS COMPRISING AN AREA OF .47 ACRES, MORE OR LESS. THE AREA IS ZONED INDUSTRIAL.

SITUATED ON THIS PARCEL OF GROUND ARE IMPROVEMENTS CONSISTING OF A 1.5 STORY, BUILDING OF BRICK AND FRAME CONSTRUCTION, HAVING A COMPOSITION SHINGLE ROOF. THE BUILDING, A VERY OLD RAILWAY STATION HAS AN OFFICE, A WAITING AREA, A RESTROOM AND A FREIGHT STORAGE AREA ON THE FIRST FLOOR AND AN OFFICE AND STORAGE ROOM ON THE SECOND FLOOR. THE BUILDING HAS CENTRAL HEAT BY OIL, ELECTRIC AND IS SERVED BY PUBLIC WATER AND PUBLIC SEWER. THE IMPROVEMENTS APPEAR TO BE STRUCTURALLY SOUND AND IN AVERAGE CONDITION FOR AGE.

THE BUILDING IS ON THE NATIONAL HISTORICAL REGISTRY, HAVING A LONG HISTORY IN THE RAILROAD INDUSTRY, MOST RECENTLY USED TO PROMOTE RAILROADING, THUS HAVING SOME HISTORICAL VALUE.

AS A RESULT OF MY INSPECTION AND BY VIRTUE OF MY EXPERIENCE, IT IS MY OPINION THAT THE MARKET VALUE FOR SUBJECT PROPERTY IS TWO HUNDRED FIFTEEN THOUSAND (\$215,000.00) DOLLARS.

UPON ADJUSTING FOR COMPARABLES AND CONDITION, THE MARKETPLACE TENDS TO SUPPORT A VALUE RANGE FOR SUBJECT PROPERTY OF \$200,000 TO \$225,000. AS APPRAISING IS NOT AN EXACT SCIENCE, IN THE FIRST INSTANCE AN INITIAL ASKING PRICE AT OR NEAR THE UPPER LIMITS OF RANGE IS CONSIDERED APPROPRIATE, CONVERSELY AFTER REASONABLE BUT UNSUCCESSFUL EXPOSURE TO THE MARKET, ANY BONA FIDE PURCHASE OFFER (ALL CASH OR EQUIVALENT TO SELLER) AT OR NEAR THE LOWER LIMITS OF SAID RANGE, WOULD, IN MY OPINION, BE LIKEWISE WORTHY OF SERIOUS CONSIDERATION.

ATTACHED ARE COPIES OF SALES IN A REA, WITH ADJUSTMENTS FOR TIME, LOCATION AND PHYSICAL CHARACTERISTICS CONSIDERED.

THE ABOVE OPINION IS PREDICATED ON THE FACT THAT SUBJECT PROPERTY BE MARKETING ON THE OPEN MARKET WITH NO RESTRICTIONS.

SINCERELY,
PAUL ZEIGLER REAL ESTATE
BY:

William H. Everhart

WILLIAM H. EVERHART (BROKER/APPRaiser)
BA-003393-L

DEFINITION OF MARKET VALUE: 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, 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 each acting in what he considers his 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.

*Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the Appraiser's judgment.

STATEMENT OF LIMITING CONDITIONS AND APPRAISER'S CERTIFICATION

CONTINGENT AND LIMITING CONDITIONS: The appraiser's certification that appears in the appraisal report is subject to the following conditions:

1. The appraiser will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it. The appraiser assumes that the title is good and marketable and, therefore, will not render any opinions about the title. The property is appraised on the basis of it being under responsible ownership.
2. The appraiser has provided a sketch in the appraisal report to show approximate dimensions of the improvements and the sketch is included only to assist the reader of the report in visualizing the property and understanding the appraiser's determination of its size.
3. The appraiser has examined the available flood maps that are provided by the Federal Emergency Management Agency (or other data sources) and has noted in the appraisal report whether the subject site is located in an identified Special Flood Hazard Area. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
4. The appraiser will not give testimony or appear in court because he or she made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand.
5. The appraiser has estimated the value of the land in the cost approach at its highest and best use and the improvements at their contributory value. These separate valuations of the land and improvements must not be used in conjunction with any other appraisal and are invalid if they are so used.
6. The appraiser has noted in the appraisal report any adverse conditions (such as, needed repairs, depreciation, the presence of hazardous wastes, toxic substances, etc.) observed during the inspection of the subject property or that he or she became aware of during the normal research involved in performing the appraisal. Unless otherwise stated in the appraisal report, the appraiser has no knowledge of any hidden or unapparent conditions of the property or adverse environmental conditions (including the presence of hazardous wastes, toxic substances, etc.) that would make the property more or less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied, regarding the condition of the property. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, the appraisal report must not be considered as an environmental assessment of the property.
7. The appraiser obtained the information, estimates, and opinions that were expressed in the appraisal report from sources that he or she considers to be reliable and believes them to be true and correct. The appraiser does not assume responsibility for the accuracy of such items that were furnished by other parties.
8. The appraiser will not disclose the contents of the appraisal report except as provided for in the Uniform Standards of Professional Appraisal Practice.
9. The appraiser has based his or her appraisal report and valuation conclusion for an appraisal that is subject to satisfactory completion, repairs, or alterations on the assumption that completion of the improvements will be performed in a workmanlike manner.
10. The appraiser must provide his or her prior written consent before the lender/client specified in the appraisal report can distribute the appraisal report (including conclusions about the property value, the appraiser's identity and professional designations, and references to any professional appraisal organizations or the firm with which the appraiser is associated) to anyone other than the borrower; the mortgagee or its successors and assigns; the mortgage insurer; consultants; professional appraisal organizations; any state or federally approved financial institution; or any department, agency, or instrumentality of the United States or any state or the District of Columbia; except that the lender/client may distribute the property description section of the report only to data collection or reporting service(s) without having to obtain the appraiser's prior written consent. The appraiser's written consent and approval must also be obtained before the appraisal can be conveyed by anyone to the public through advertising, public relations, news, sales, or other media.

APPRAISERS CERTIFICATION: The Appraiser certifies and agrees that:

1. I have researched the subject market area and have selected a minimum of three recent sales of properties most similar and proximate to the subject property for consideration in the sales comparison analysis and have made a dollar adjustment when appropriate to reflect the market reaction to those items of significant variation. If a significant item in a comparable property is superior to, or more favorable than, the subject property, I have made a negative adjustment to reduce the adjusted sales price of the comparable and, if a significant item in a comparable property is inferior to, or less favorable than the subject property, I have made a positive adjustment to increase the adjusted sales price of the comparable.
2. I have taken into consideration the factors that have an impact on value in my development of the estimate of market value in the appraisal report. I have not knowingly withheld any significant information from the appraisal report and I believe, to the best of my knowledge, that all statements and information in the appraisal report are true and correct.
3. I stated in the appraisal report only my own personal, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the contingent and limiting conditions specified in this form.
4. I have no present or prospective interest in the property that is the subject to this report, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or the estimate of market value in the appraisal report on the race, color, religion, sex, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property.
5. I have no present or contemplated future interest in the subject property, and neither my current or future employment nor my compensation for performing this appraisal is contingent on the appraised value of the property.
6. I was not required to report a predetermined value or direction in value that favors the cause of the client or any related party, the amount of the value estimate, the attainment of a specific result, or the occurrence of a subsequent event in order to receive my compensation and/or employment for performing the appraisal. I did not base the appraisal report on a requested minimum valuation, a specific valuation, or the need to approve a specific mortgage loan.
7. I performed this appraisal in conformity with the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place as of the effective date of this appraisal, with the exception of the departure provision of those Standards, which does not apply. I acknowledge that an estimate of a reasonable time for exposure in the open market is a condition in the definition of market value and the estimate I developed is consistent with the marketing time noted in the neighborhood section of this report, unless I have otherwise stated in the reconciliation section.
8. I have personally inspected the interior and exterior areas of the subject property and the exterior of all properties listed as comparables in the appraisal report. I further certify that I have noted any apparent or known adverse conditions in the subject improvements, on the subject site, or on any site within the immediate vicinity of the subject property of which I am aware and have made adjustments for these adverse conditions in my analysis of the property value to the extent that I had market evidence to support them. I have also commented about the effect of the adverse conditions on the marketability of the subject property.
9. I personally prepared all conclusions and opinions about the real estate that were set forth in the appraisal report. If I relied on significant professional assistance from any individual or individuals in the performance of the appraisal or the preparation of the appraisal report, I have named such individual(s) and disclosed the specific tasks performed by them in the reconciliation section of this appraisal report. I certify that any individual so named is qualified to perform the tasks. I have not authorized anyone to make a change to any item in the report; therefore, if an unauthorized change is made to the appraisal report, I will take no responsibility for it.

SUPERVISORY APPRAISER'S CERTIFICATION: If a supervisory appraiser signed the appraisal report, he or she certifies and agrees that: I directly supervise the appraiser who prepared the appraisal report, have reviewed the appraisal report, agree with the statements and conclusions of the appraiser, agree to be bound by the appraiser's certifications numbered 4 through 7 above, and am taking full responsibility for the appraisal and the appraisal report.

ADDRESS OF PROPERTY APPRAISED: NORTH MILL ST., STEWARTSTOWN, PA 17363

APPRAISER:

SUPERVISORY APPRAISER (only if required)

Signature: William H. Everhart
Name: William H. Everhart, PA Cert Broker/App
Date Signed: 08/16/2007
State Certification #: BA-003393-L
or State License #: _____
State: PENNSYLVANIA
Expiration Date of Certification or License: 08/30/2009

Signature: _____
Name: _____
Date Signed: _____
State Certification #: _____
or State License #: _____
State: _____
Expiration Date of Certification or License: _____

☐ Did ☐ Did Not Inspect Property

BA-003393-L

Exhibit

C

Note: There are no "Revert Clauses" on STRT Right-of-Way

ESTIMATED Fair-Market Value (FMV) 2008 STRT RR ASSETS

Following Real Estate Market Values

Based On Mr. William H. Everhart Evaluations
5 PARCELS

1. Station House Property - STRT	<u>FMV</u>
Market Value Range \$200,000 to \$225,000	\$215,000.00

2. No. 2 Engine House - 120.5 ft frontage H/1 St Funneled to 53' R of - 211.2' x 265.5' R (Lumber Yard)	
.47 Acres: Market Val Range \$75,000 to \$80,000	\$80,000.00

3. Hungerford Station Property - Shrewsbury	
Market Value Range \$22,000 to \$29,000	\$25,000.00

→ 3A, STRT WYE - Run About - Mill St - Goodson's Mixed Prop \$12,000.00

4. New Freedom Property ± .2893 Acres Rear of LaMotte's Restaurant/Siding 2 E Franklin St	
Market Value Range \$20,000 to \$29,000	\$24,000.00

(Previously 20' wide 200' Parking ^{Area} Sold To LaMotte's for 70K 1995) Sub Total \$356,000.00

STRT RR Main Track 7.4 miles → 6.9 miles siding

5. Revised 1995 track/roadbed appraisal to reflect March 12, 2007 increase in Pittsburgh scrap iron and Pig Iron of High side of \$380/GT less \$20/GT Transport. less any R.E. property.	{ Low side \$402,306.00 + Chg in price or not included
997.4 GT mainline and siding x \$360 = \$359,064.	

* ASSETS * LOWSIDE FMV Total \$758,306.00

* FMV Assets does not include FMV "for simple" roadbed land
owned by STRT RR, FMV of 2 locomotives, and other
misc assets.

LOW FMV \$758,306.00

Exhibit

D

APPRAISAL

OF THE

Stewartstown Railroad Corridor

**Stewartstown to New Freedom
York County, Pennsylvania**

Prepared For:

**James J. Gillotti, Esquire
Attorney for the Estate of Mr. George M. Hart (Principal)
Oliver Price & Rhodes
Attorneys at Law
1212 South Abington Road
P.O. Box 240
Clarks Summit, Pennsylvania 18411**

As Of:

April 17, 2008

Prepared By:

**Dan McCown & Co., Inc.
Appraisers/Consultants
4 Landgraf Avenue
Bridgeville, Pennsylvania 15017-2806
File No. 28003**

DAN McCOWN and CO

INCORPORATED

APPRAISERS/CONSULTANTS • SINCE 1966

Daniel L. McCown, MAI
President

- **CORPORATE HEADQUARTERS**
4 Landgraf Avenue, Bridgeville, PA 15017-2806, (412) 257-0700, FAX (412) 257-0710
dan@mccown.net www.mccown.net
- **MERCER OFFICE**
P.O. Box 193, Volant, PA 16156, (724) 533-2814, FAX (724) 533-2764

August 6, 2009

James J. Gillotti, Esquire
Oliver Price & Rhodes
Attorneys at Law
1212 South Abington Road
P.O. Box 240
Clarks Summit, Pennsylvania 18411

Dear Mr. Gillotti:

In response to our recent engagement as stated herein, we are pleased to submit the attached appraisal report of our analysis and conclusions regarding (1) the *market value for continued corridor use*, and (2) *net liquidation value (NLV)* of property identified as

**Stewartstown Railroad
Approximately 8.0 Miles
Stewartstown to New Freedom
York County, Pennsylvania**

The accompanying report, of which this letter is a part, summarizes the scope of work, the physical characteristics of the corridor, the various land uses that adjoin the corridor, our opinion of the highest and best use, sales of land in the general vicinity of the corridor and methods of valuation and our final opinions of value. *Please note that we valued only the land and not the rail, ties or ballast.*

This appraisal report is in *summary* report format and is intended to comply with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation, and the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute with which I hold the MAI designation.

We have appraised the *fee simple estate* as unencumbered by any liens, mortgages, or other indebtedness, but subject to the Assumptions and Limiting Conditions contained herein and made part of this report. It should be noted that we made two *hypothetical* assumptions in this appraisal. We also certify that we have no present or prospective interest in the subject property or personal interest with respect to the parties involved.

Our conclusions, therefore, after analysis of relevant data and utilization of professional judgment, is that the values of the of the subject property, as of April 17, 2008—the date of death of Mr. George M. Hart (Principal) and the effective date of this appraisal – were

Market Value for Recreational Use	\$500,000
Net Liquidation Value	\$319,000

James J. Gillotti, Esquire

August 6, 2009

Page 2

The analyses contained in this report necessarily incorporate estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. While we have made an earnest effort to make reasonable assumptions and accurate projections, we cannot guarantee their accuracy.

In addition to the valuation process contained herein, your attention is directed to the *Preface, Assumptions and Limiting Conditions* and *Certifications of the Appraisers*.

We sincerely appreciate your interest in one of our real estate services and we will be happy to answer any questions that you may have.

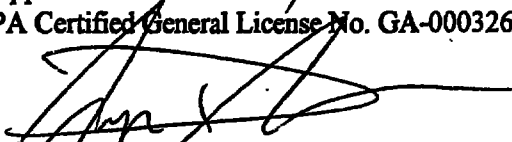
Very truly yours,



Daniel L. McCown, MAI

Appraiser

PA Certified General License No. GA-000326-L



Lynn D. McCown

Assistant to the Certified General Real Estate Appraiser

PREFACE

An appraisal is a type of research and analysis into the law of probabilities with respect to real property valuation. Through education, training, experience, and professional philosophy, the appraiser is able to opine a value of real property based on the activities of buyers, sellers, and other property owners. Because of the unique characteristics of each parcel of real property, adjustments typically have to be made for differences between rights in properties.

The market value opinion of the subject property expressed herein is substantiated and justified by a detailed analysis of both the physical characteristics of the subject real property and the social, economic, and governmental forces, which exert pressure on the subject property.

The final opinion of value in a professional appraisal report must not be considered to be absolute but rather an opinion of value resulting from reliable market data, which was collected, analyzed, and adjusted to reflect the elements of comparison between the comparables and the subject. The professional appraiser cannot be an advocate; otherwise the principles of the profession are belied.

With the aforementioned in mind, you are encouraged to read this report which sets forth the purpose for which the appraisal was made and the appraiser's analysis and conclusions. Hopefully, you will concur with the contents of this report.

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INTRODUCTION

STATEMENT OF THE PROBLEM

The property, which is the subject of this appraisal, is an 8.0-mile¹ railroad right-of-way (aka corridor) that extends from Stewartstown to New Freedom, York County, Pennsylvania. While the track, ties and ballast² are still in place, it is our understanding that the last train ran approximately 10 years ago.

On April 17, 2008, Mr. George M. Hart, principal in the ownership of the property, died. Consequently, we were engaged to provide our client and the intended user identified below with our opinion of (1) the *market value for continued corridor use*, and (2) the *net liquidation value (NLV)* of the corridor. While title may not be held in fee simple, we based this appraisal on fee simple ownership, as we did not perform a title search. This appraisal is based on methodology that we believe is credible.

We have opined the value as of April 17, 2008—the date of death. However, we toured the corridor on May 19 and 20, 2009. The steps that we took to complete this assignment are generally outlined in the Scope of Work and are implemented throughout the report. We believe that the contents of this report comply with the USPAP, contain sufficient information to allow the intended user to understand the contents and meet the expectations of the client as outlined in the engagement letter in the Addendum.

CLIENT/INTENDED USER/INTENDED USE OF APPRAISAL

It is our understanding that the Estate of George M. Hart is the client and James J. Gillotti, Esquire, attorney for the Mr. Hart's estate and Mr. John W. Willever, Executor of the Estate are the intended users. It is our understanding that the intended use of this report and its contents is to assist in the settlement of Mr. Hart's estate.

TYPE OF VALUE/ESTATES

There are numerous values that an appraiser may be asked to opine, i.e., market value, rental value, insurable value, investment value, use value, going-concern value, liquidation value, net liquidation (NLV), value for continued corridor use and business value to mention the most common. Each of these can be expressed in an as is, retrospective or prospective manner. There are also three estates that exist in real property ownership, i.e., *fee simple*, *leased fee* and *leasehold*.

We have opined the *value for continued corridor use* and *NLV* at the request of Mr. Gillotti, attorney for the Estate.

Typically, a railroad company does not own all of the rights (Bundle of Rights) inherent in property ownership. Furthermore, it is virtually impossible to identify, let alone value, the rights owned by such a company. Therefore, we have assumed that the corridor is owned in *fee simple* for purposes of this appraisal.

Market Value is defined as *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, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is*

¹ We had to calculate the length of the right-of-way since we were unable to secure Valuation Maps.

² The track, ties and ballast were not included in this appraisal.

consummation of a sale as of a specified date and passing of title from seller to buyer under conditions whereby:

- *Buyer and seller are typically motivated;*
- *Both parties are well informed or well advised and each acting in what he considers his own best interests;*
- *A reasonable time is allowed for exposure in the open market;*
- *Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- *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.*³

NOTE: In order to understand this definition, the reader must recognize the difference between "value" and "price". Value is thought of in the appraisal industry as the most probable price which a property will bring in a competitive and open market. Implicit in the economic definition of a competitive and open market is a large number of buyers and sellers each acting independently in their own perceived best interest. Price is the amount agreed upon by one buyer and one seller in one transaction. Consequently, in many transactions, the price paid for real property does not equal market value.

*Net Liquidation Value (NLV) is defined as the net liquidation value, for their highest and best use for non-rail purposes, of the rail properties on the line to be subsidized which are used and required for performance of the services requested by the person offering the subsidy. 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 disposition 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.*⁴

*Fee simple estate is defined as absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.*⁵

EFFECTIVE DATE OF THE APPRAISAL

The effective date of this appraisal is April 17, 2008—the date of Mr. Hart's death.

REQUIREMENTS OF APPRAISAL/COMPETENCY STATEMENT

This appraisal assignment was completed in conformance with an "Agreement" between Mr. Willever, Executor for the Estate of George M. Hart and Dan McCown & Co., Inc., Appraisers/Consultants. This

³ 12 C.F.R. Part 34.42 (g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994.

⁴ The Surface Transportation Board (49 C.F.R., Sec. 1152.34 {c}).

⁵ *The Dictionary of Real Estate Appraisal, Fourth Edition*, Chicago, Illinois, Appraisal Institute, Page 113.

appraisal assignment is not based on a requested minimum valuation, a specific valuation, or the approval of a loan, nor is current employment of the appraiser conditioned on the appraisal producing a minimum valuation, specific valuation, or the approval of a loan. This appraisal was prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation, and the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute, of which I, Daniel L. McCown, am a member holding the designation MAI. We believe that we are in compliance with the USPAP Competency Rule because of our experience in appraising similar properties and our completion of numerous real property educational courses (see Qualifications of the Appraisers located in the Addendum).

SCOPE OF WORK

The scope of this appraisal includes, but is not limited to our

- Viewing of the subject corridor
- Viewing of the adjoining land uses
- Search for, collection, and analysis of land sales data that are "across the fence" (ATF)
- Area, site and highest and best use analysis
- Description of the corridor
- Implementation of the methods to opine (1) the Market Value for Recreational Use, and (2) NLV
- Final opinions of value

ENVIRONMENTAL STATEMENT

The value conclusions in this report are based upon the assumption that there are no conditions of environmental concern which affect the value of the subject property, including, but not limited to, hazardous or toxic wastes, wetlands, buried storage tanks, underground fires, lead based paint, PCB's, and radon gas.

During our tour of the corridor, we observed stains of oil or similar material on the ground, which is typical for railroad corridors. Since we have no expertise in environmental matters, we strongly recommend that any related questions or concerns be evaluated by a qualified expert prior to finalizing decisions regarding the subject property.

ASSUMPTIONS AND LIMITING CONDITIONS

This is a Summary Appraisal Report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it presents only summary discussions of the data, reasoning, and analyses that

were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated herein. The appraiser is not responsible for unauthorized use of this report.

While we assume the responsibility relating to items customarily thought of by disinterested third parties as being items which should be the responsibility of appraisers of real property, we do not accept the responsibility of unknowns or conditions which fall into bodies of knowledge or disciplines in which we do not have expertise. Consequently, in order to present this appraisal report in a professional manner utilizing maximum integrity and reliability, we have listed below and throughout this report specific assumptions and limiting conditions which are made part of this report.

General

1. We assume no responsibility for matters legal in character nor do we render any opinion as to the Title, which is assumed to be good. All existing liens and encumbrances, if any, have been disregarded and the properties are appraised as though free and clear, under responsible ownership and competent management.
2. The analyses contained in this report necessarily incorporate opinions and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some opinions or assumptions however may not materialize, and unanticipated events and circumstances may occur. Therefore, actual results achieved during the period covered by our analyses may vary from our opinions, and the variations may be material. While we have made an earnest effort to make reasonable assumptions and accurate projections, we cannot guarantee their accuracy.
3. The maps/exhibits contained herein are included to assist the reader in visualizing the real estate. We have made no survey of the site and assume no responsibility in connection with such matters. Furthermore, a diligent effort was made to identify all easements and/or rights-of-way involving the subject property. Consequently, we assume no responsibility for adverse effects on the subject property caused by easements or rights-of-way not mentioned herein.
4. After diligent research, the information, which we collected, is assumed to be accurate and reliable, but we assume no responsibility in connection with such matters. Because of the large number of sales, we were unable to verify them.
5. We were not provided data relative to subsoil conditions nor did we observe adverse subsoil conditions when we inspected the subject site. Consequently, we do not accept responsibility for matters pertaining to subsoil conditions.
6. It appears that the majority of the site is not in designated flood zone areas. *If more information is necessary regarding this matter, we recommend contacting an expert as we do not assume responsibility for matters in this body of knowledge.*
7. Toxic/hazardous wastes and/or contaminants, such as, but not limited to, radon gas, asbestos, urea formaldehyde foam insulation, lead-based paint, and PCB's may exist on the subject real estate.

We appraised the subject property as though free and clear of any/all adverse conditions as outlined above. We do not warrant against the existence of one or more of the above; thus, we are not responsible for such matters. If there is doubt, an expert should be consulted.

8. The value of mineral rights and/or gas/oil rights, if any, were not included in this appraisal assignment.
9. We did not observe or note any anticipated public or private improvements located off the subject sites which could have an effect on value. Consequently, we are not responsible for any impact on value caused by such off-site improvements of which we are unaware.
10. Neither all nor any part of the contents of this report, especially the valuation conclusions, our identity or Dan McCown & Co., Inc. with which we are associated, shall be conveyed to the public through advertising, public relations, news, or other media without the written consent and approval of the analysts identified herein.
11. Possession of this report or a copy thereof does not carry with it the right of publication; nor may it be used by anyone other than the client without the prior written consent of Dan McCown & Co., Inc.
12. We are not required to give testimony or to appear in court by reason of this appraisal, with reference to the property in question, unless arrangements have been previously made thereof.

Specific

13. We have assumed that the subject property has unity of ownership, unity of use and contiguity and exclusive of bridges.
14. Since we were unable to secure Valuation Maps, we based on land area calculations on tax maps from the York County Assessors Office and minimal information from maps that we secured from the National Archives in Washington, D.C. We reserve the right to revise our opinions if it is determined that our land areas are incorrect.
15. We have made two *hypothetical* assumptions in this analysis. First, we assumed that the corridor is held in fee simple ownership, and second, we assumed that the corridor is abandoned. These are permitted under Standard Rule 1-2(h) of the USPAP.

THE OPINION OF VALUE EXPRESSED HEREIN IS VALID ONLY FOR THE STATED PURPOSE, ONLY FOR THE EFFECTIVE DATE OF THE APPRAISAL AND SUBJECT TO THE GENERAL AND SPECIFIC ASSUMPTIONS AND LIMITING CONDITIONS THAT ARE CONTAINED HEREIN AND MADE PART OF THIS REPORT.

EXECUTIVE SUMMARY

Name/Location:	Stewartstown Railroad Right-of-Way Stewartstown to New Freedom Approximately 8.0 Miles York County, Pennsylvania
Owner:	Stewartstown Railroad Company
Present Use:	Inactive Railroad Corridor
Defined Values:	Market Value for Recreational Use Net Liquidation Value (NLV)
Property Rights Appraised:	Fee Simple Estate
Effective Date of Appraisal:	April 17, 2008
Site Area:	33.01 Acres
Length (Miles):	8.0+/- Miles
Corridor Width	Predominantly 30' except for a short distance just west of Stewartstown which is 53'

Market Value for Recreational Use	\$500,000
Net Liquidation Value	\$319,000

FACTUAL DATA ANALYSIS AND CONCLUSIONS

DESCRIPTION OF CORRIDOR

Overview

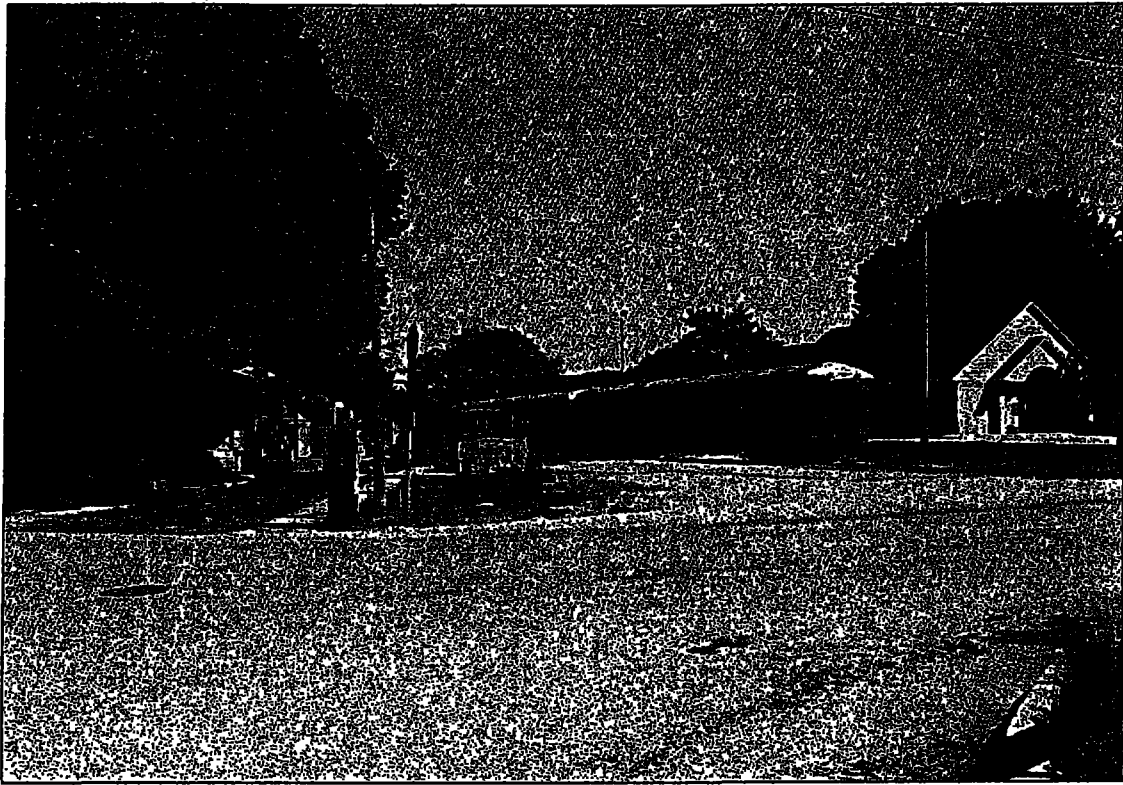
The subject of this appraisal assignment is the Stewartstown Railroad right-of-way that extends approximately 8.0 miles (according to our calculations) from the center of Stewartstown Borough to the center of New Freedom Borough in York County, Pennsylvania.

The subject corridor commences with a triangle in downtown Stewartstown then continues westward through Hopewell Township, Shrewsbury Township where it goes under I-83, Shrewsbury Boro (which is surrounded Shrewsbury Township) and terminates in New Freedom Borough.

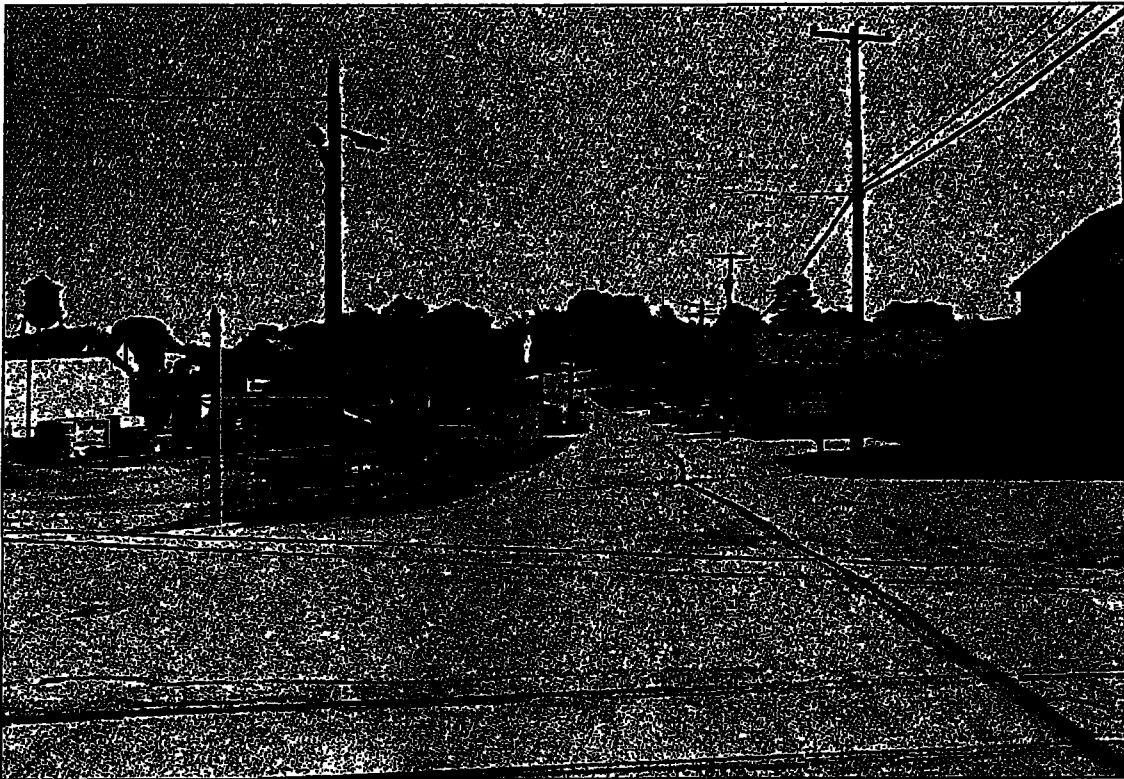
Description of Corridor

From the triangle in downtown Stewartstown, the corridor extends westward out of town into Hopewell Township past a modern apartment complex, then it extends westward behind modest residential development along the southerly side of Rt. 851 through woodlands, across TR 548 where it adjoins Rt. 851, extending through sparse commercial and industrial development, crossing TR 552 and TR 532 and passing in front of the Hopewell Township Municipal Building. From there, the corridor again crosses TR 552 where it turns southwest parting ways with Rt. 851. Continuing in a southwesterly direction, the corridor traverses rural farmland and sparse residential crossing TR 540 at three locations. Just short of the intersection of TR 540 and TR 542, the corridor extends northwestward through a cut in a wooded hillside crossing TR 542 at two locations before turning westward and crossing the intersection of TR 542 and LR 66118.

Continuing westward, the corridor traverses farmland until just before going under I-83 where it is bordered on the south side with light industrial property. Immediately after going under I-83, it abuts a modern townhouse project continuing through farm land for a short stretch before entering Shrewsbury Borough. In the Borough, it adjoins a modern retirement community and nursing home, miscellaneous mature residential and commercial establishments exiting through a light industrial area. After exiting the Borough, the corridor bisects farm land to the north and light industrial property to the south until it enters New Freedom Borough where it terminates at the parking lot for the dklfjsdfsf bar (parking lot was purchased from the Stewartstown RR).



BEGINNING OF CORRIDOR IN STEWARTSTOWN



BOROUGH OF STEWARTSTOWN



BOROUGH OF STEWARTSTOWN



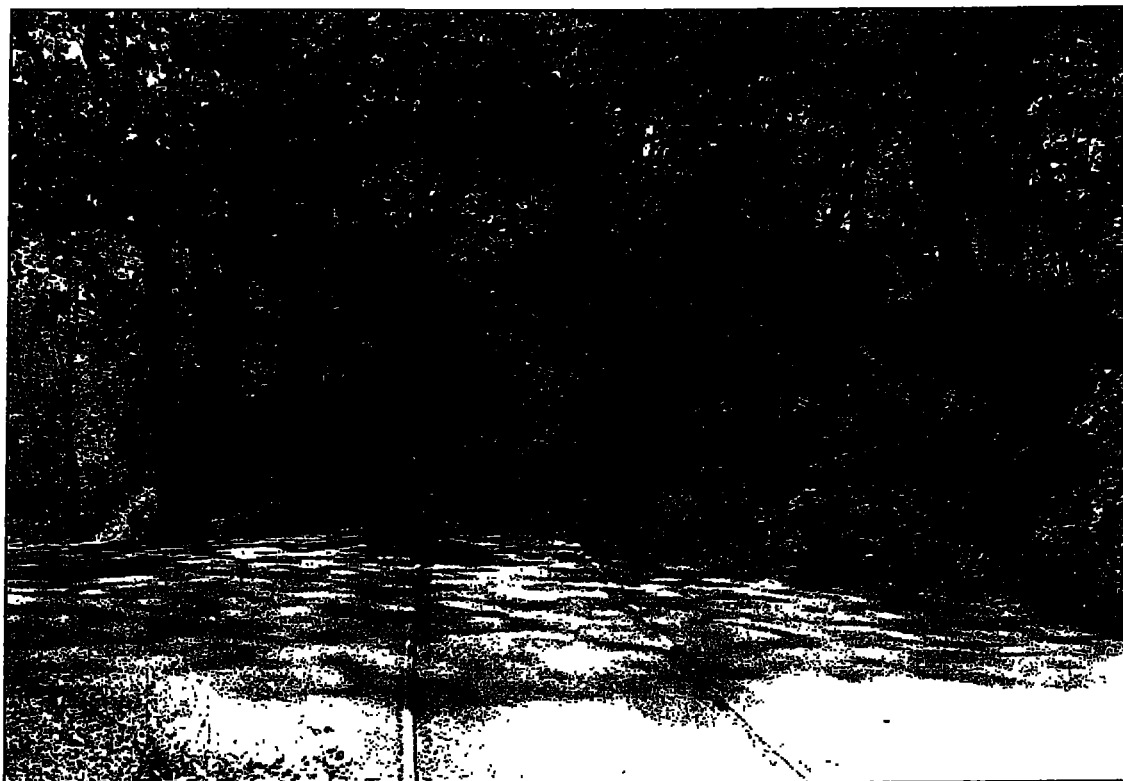
BOROUGH OF STEWARTSTOWN



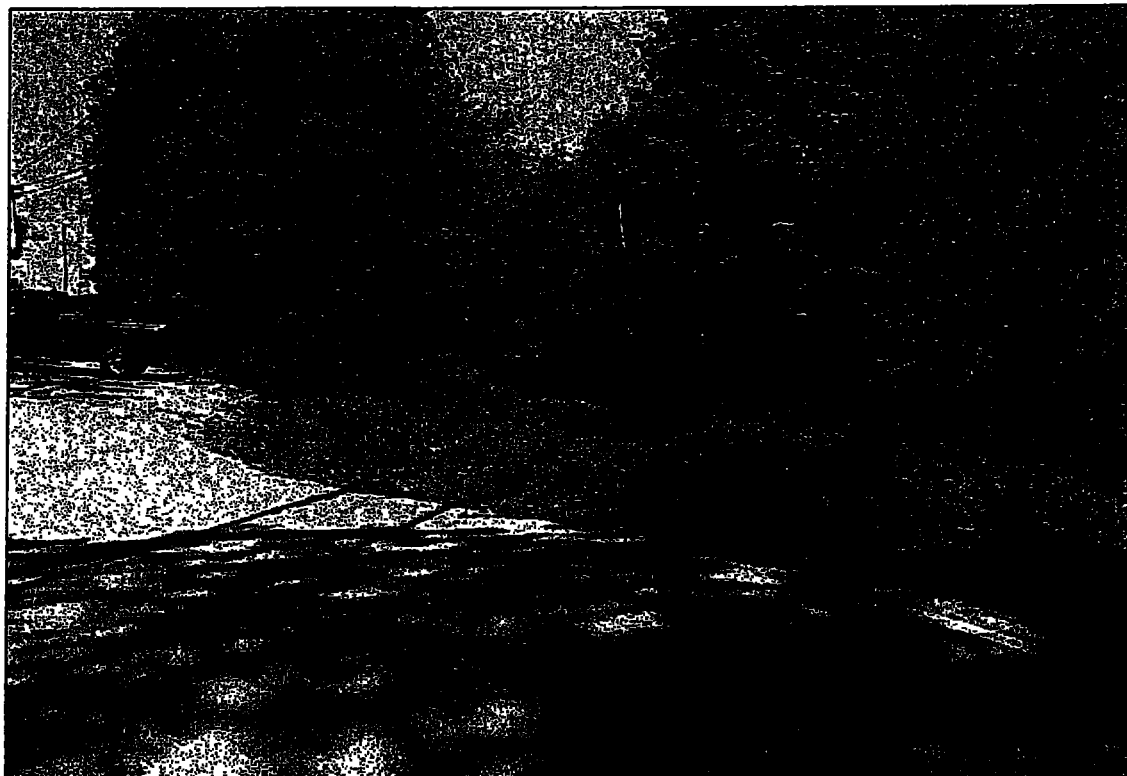
BOROUGH OF STEWARTSTOWN



ENTERING HOPEWELL TOWNSHIP



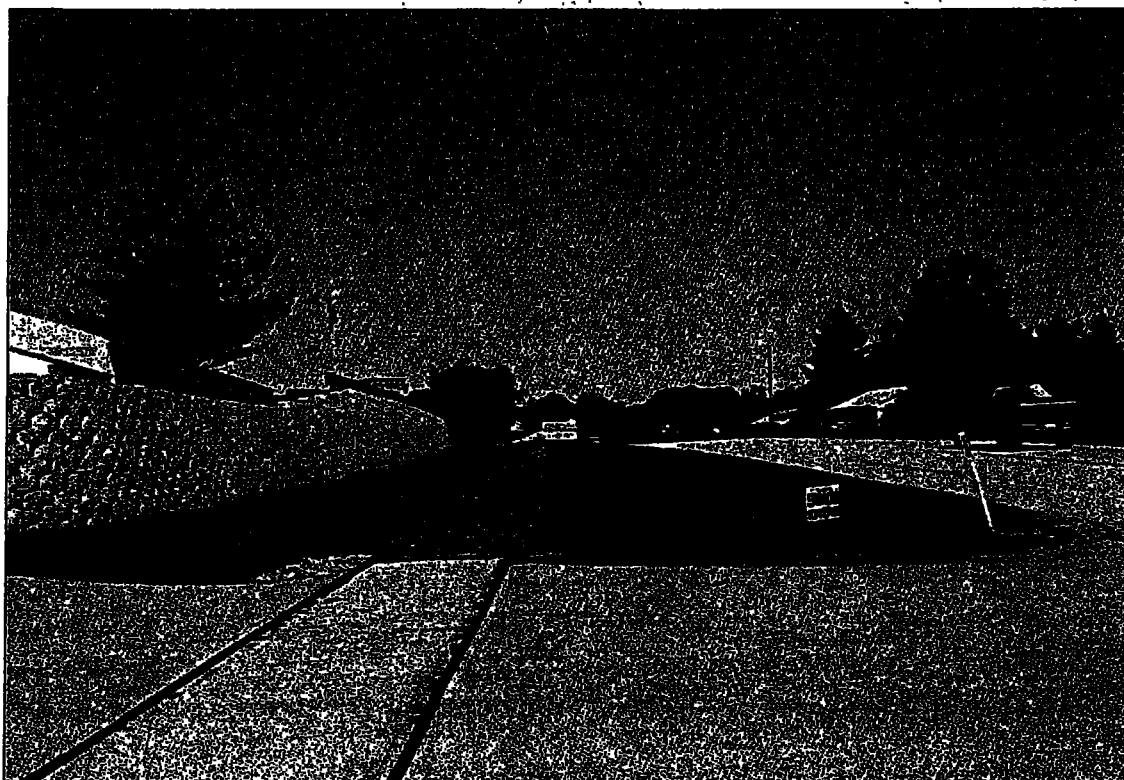
WESTERLY VIEW AT T-552 CROSSING.



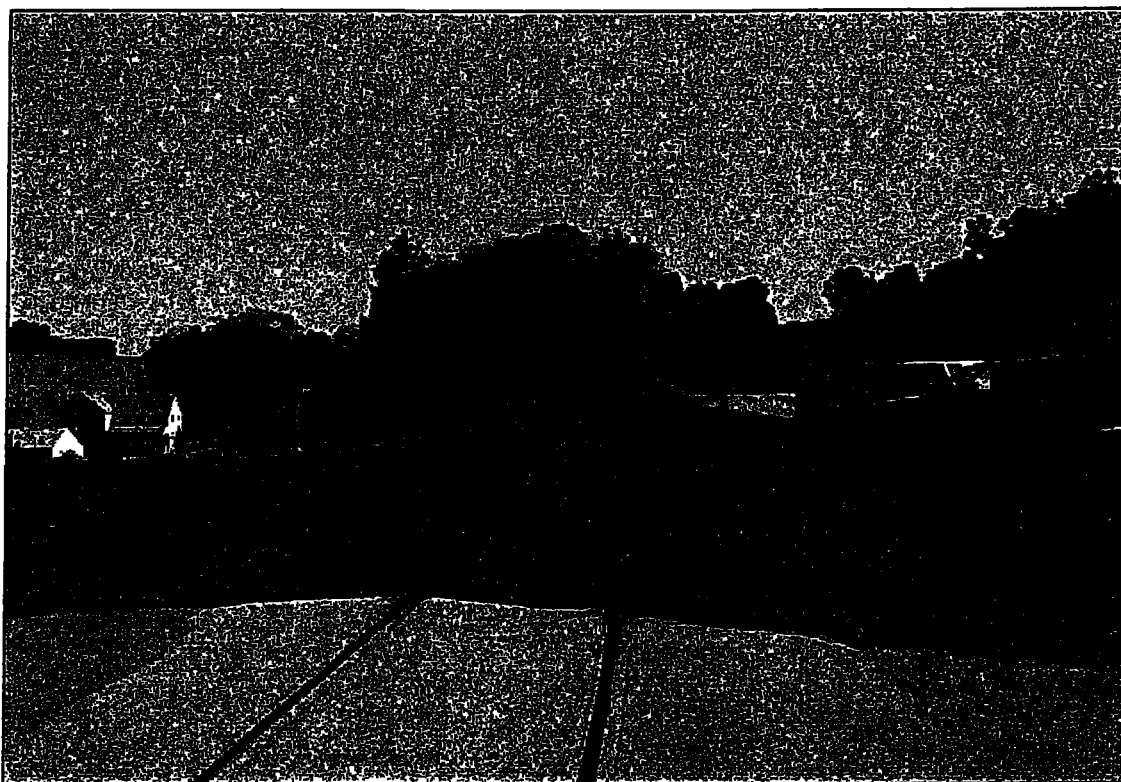
EASTERLY VIEW AT T-552 CROSSING.



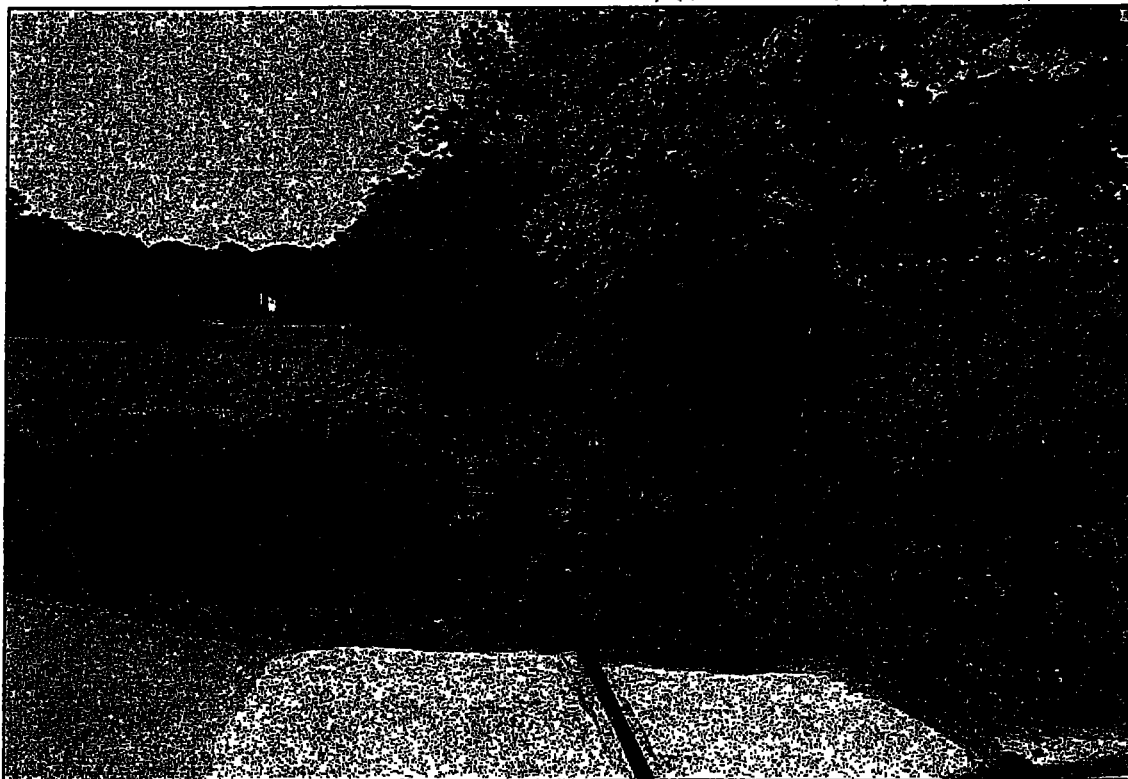
EASTERLY VIEW AT T-532 CROSSING



WESTERLY VIEW AT T-532 CROSSING



EASTERLY VIEW AT T-540 CROSSING



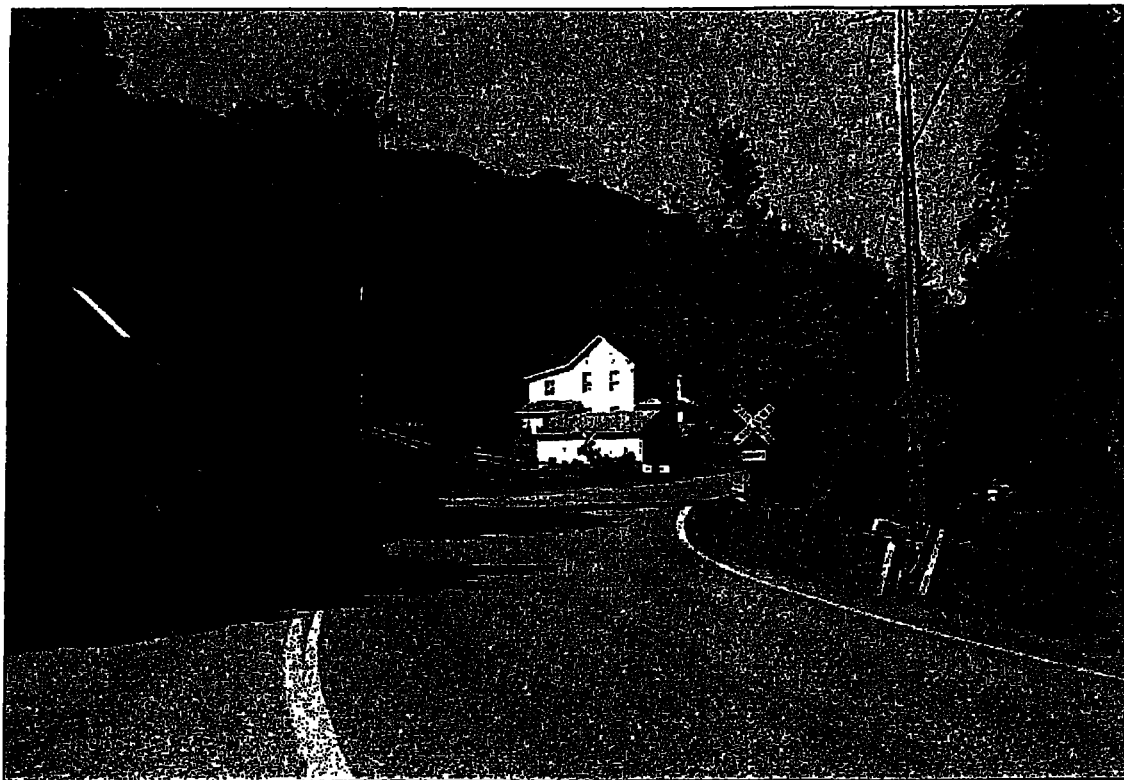
WESTERLY VIEW AT T-540 CROSSING



VIEW OF CORRIDOR CREEK BOTTOM LAND



EASTERLY VIEW OF CORRIDOR L.R. 66118 CROSSING



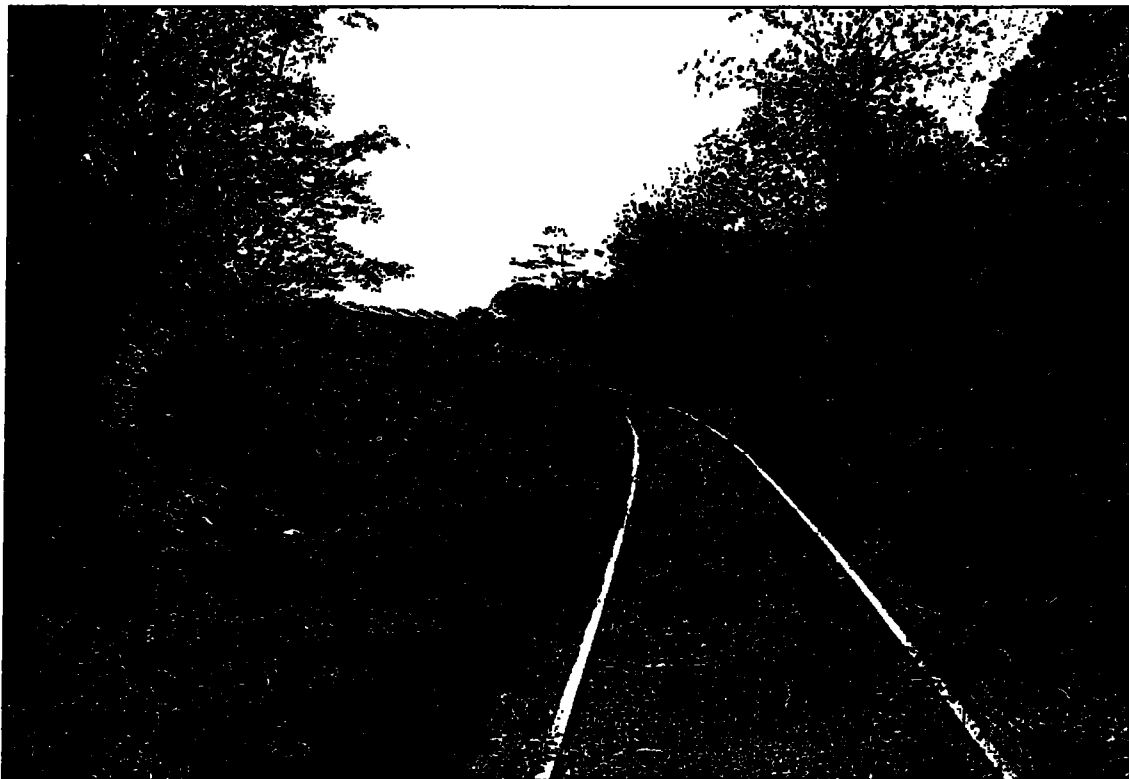
WESTERLY VIEW ON T-441



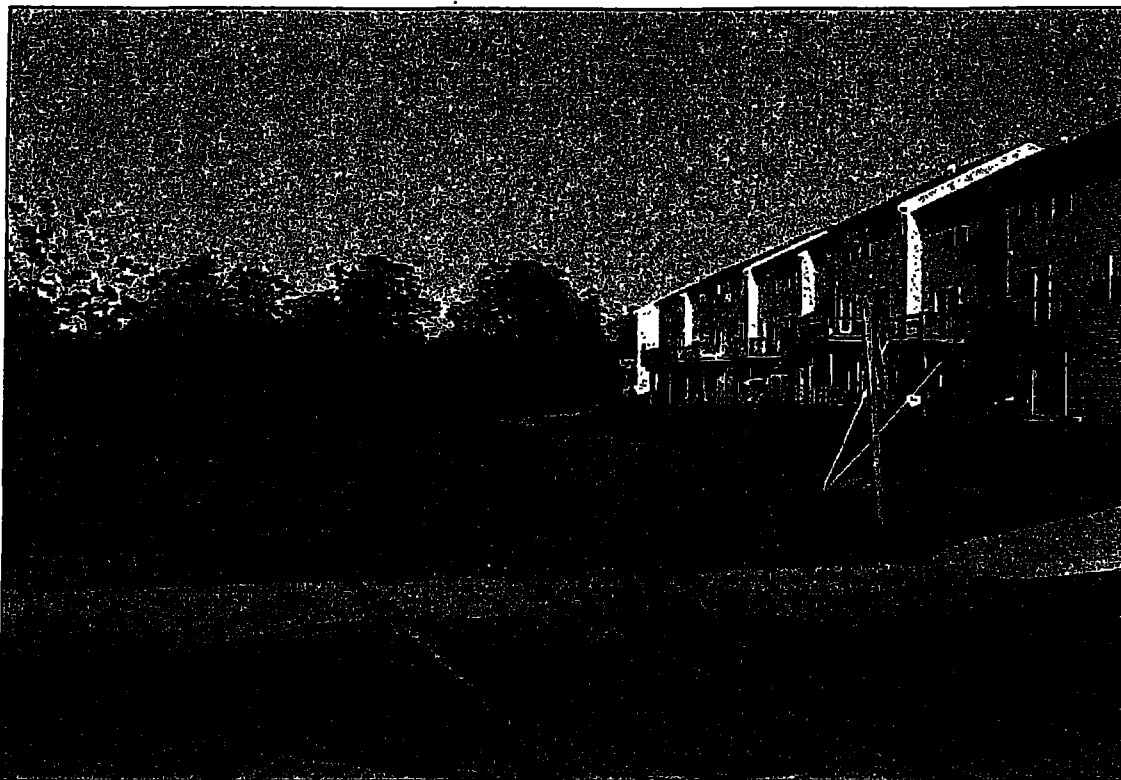
EASTERLY VIEW ON T-441



EASTERLY VIEW OF UNDER I-83



WESTERLY VIEW OF FROM I-83



EASTERLY VIEW FROM T-502



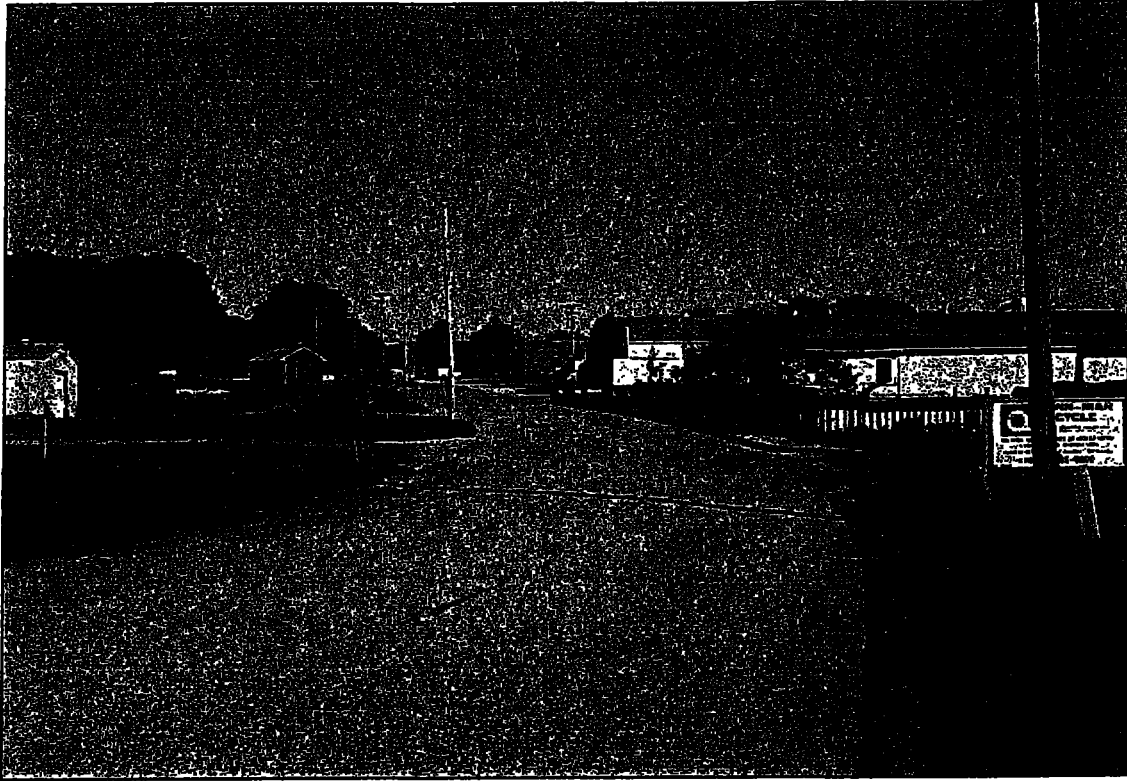
WESTERLY VIEW FROM TR-502



EASTERLY VIEW IN SHREWSBURY AT ROUTE 11 CROSSING



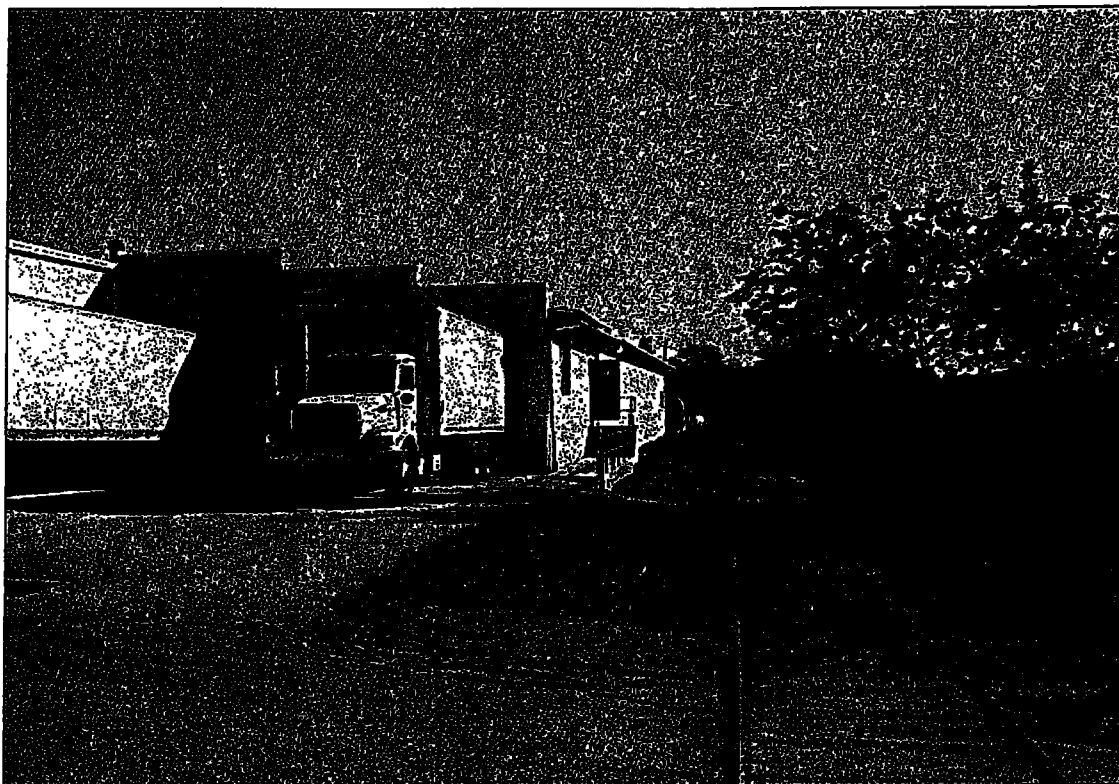
WESTERLY VIEW IN SHREWSBURY AT ROUTE 11 CROSSING



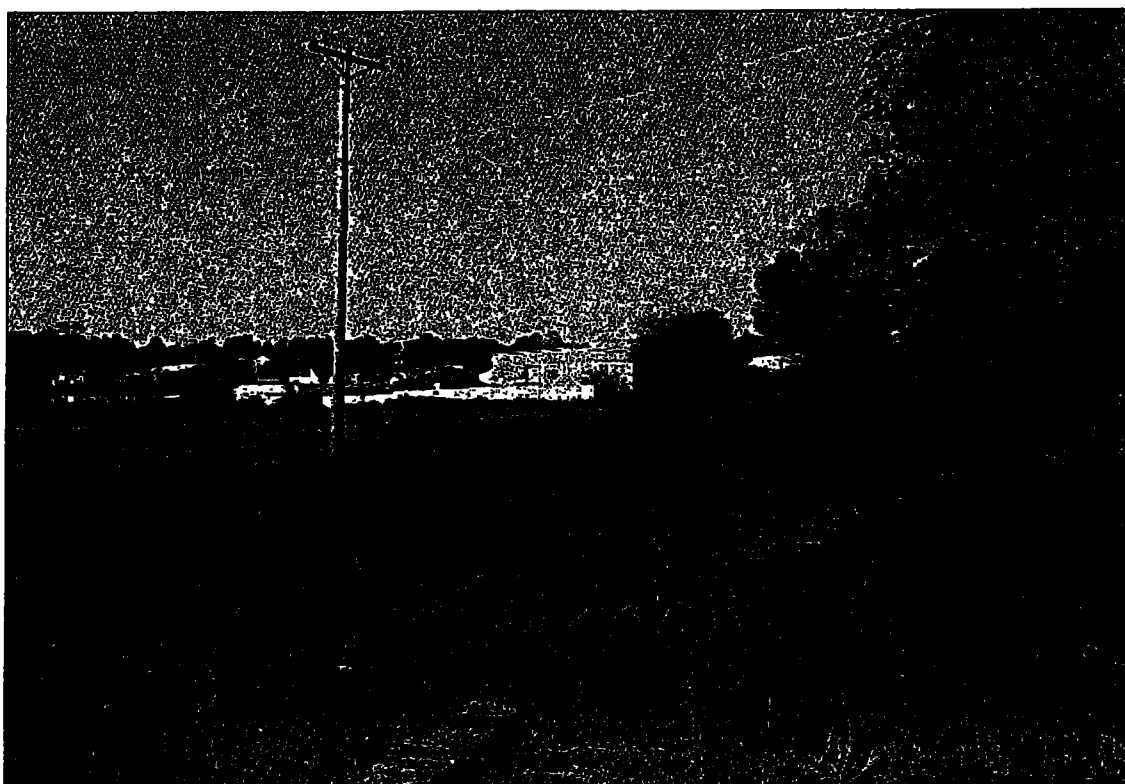
INDUSTRIAL AREA IN SHREWSBURY ADJOINING CORRIDOR (CENTER)



EASTERLY VIEW OF IN INDUSTRIAL AREA



WESTERLY VIEW OF INDUSTRIAL AREA IN SHREWSBURY



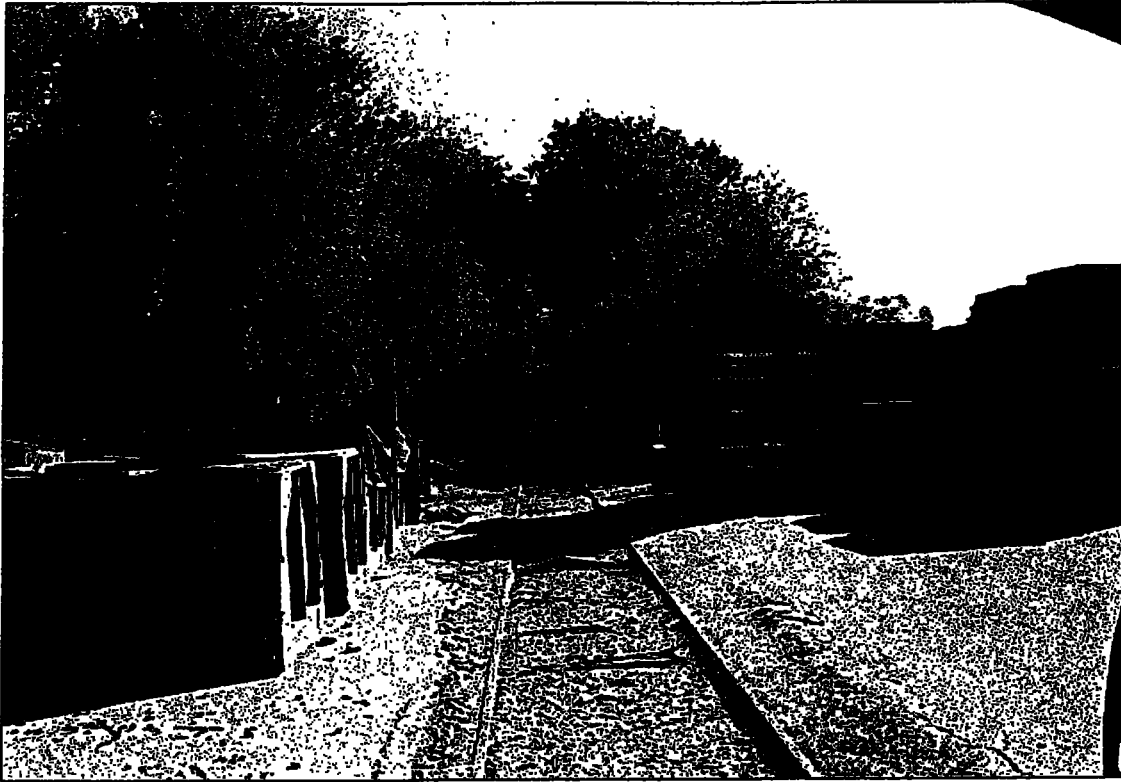
EASTERLY VIEW TOWARD SHREWSBURY AT STONE ARCH CROSSING



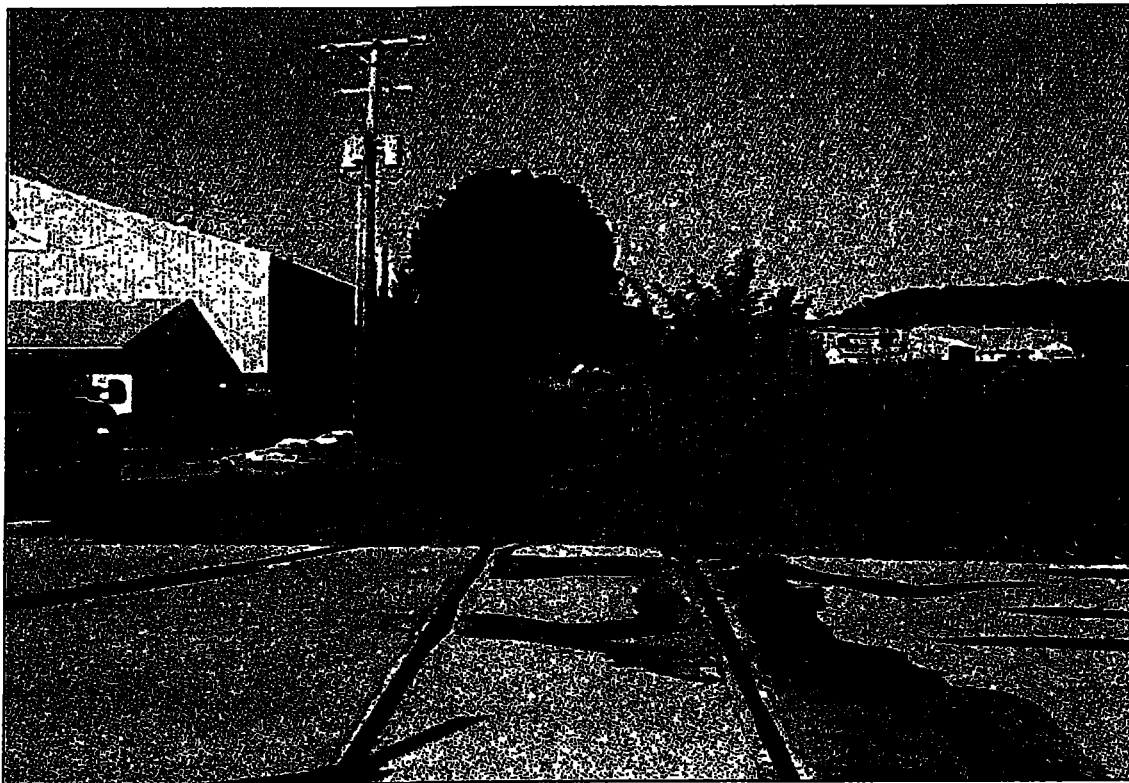
WESTERLY VIEW AT STONE ARCH ROAD



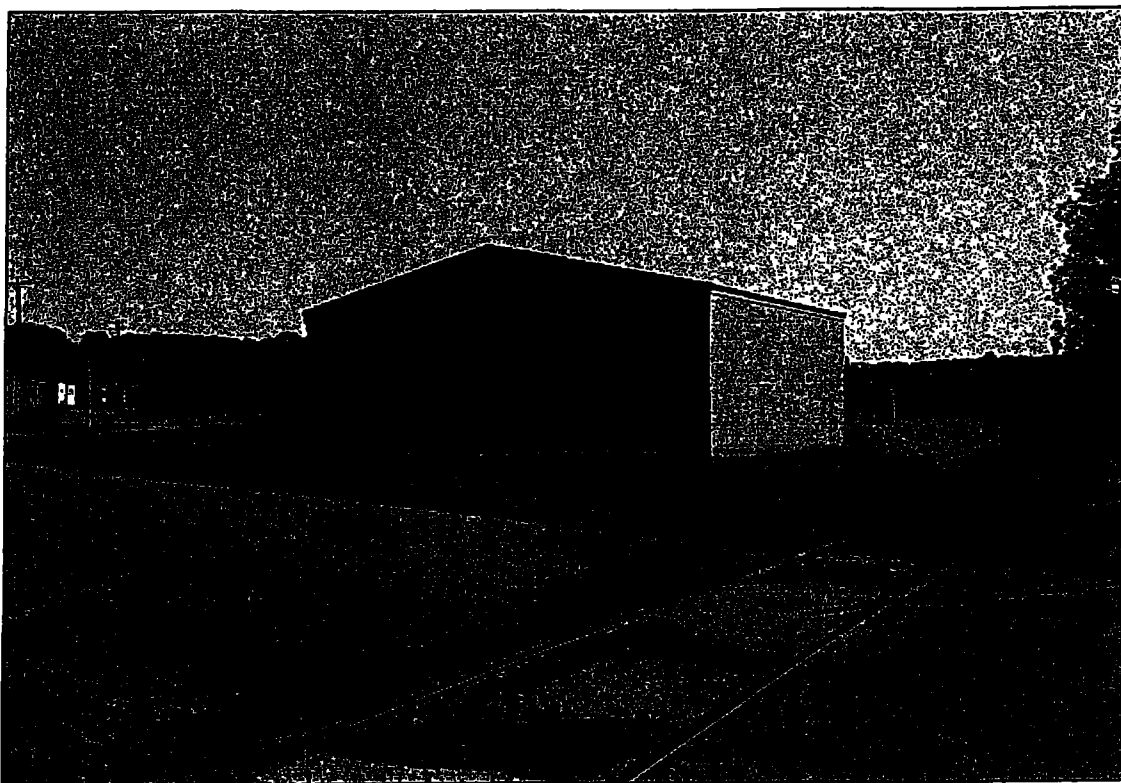
EASTERLY VIEW BEHIND INDUSTRIAL BUILDING



WESTERLY VIEW BEHIND INDUSTRIAL BUILDING



EASTERLY VIEW AT PLEASANT AVENUE CROSSING



WESTERLY VIEW AT PLEASANT AVENUE CROSSING



EASTERLY VIEW AT EDGE OF NEW FREEDOM BOROUGH



WESTERLY VIEW IN NEW FREEDOM BOROUGH



END OF CORRIDOR AT FRANKLIN STREET IN NEW FREEDOM BOROUGH

METHODOLOGY

Railroad rights-of-way, like all real estate, may contain the bundle of rights from the center of the earth to the heavens. They can be divided into subsurface, surface and aerial rights. Moreover, these segmentations can be subdivided into multiple corridors. Consequently, a railroad right-of-way can contain multiple corridors for multiple uses, thus, creating fractional use values.

Corridors are unusual pieces of property. They are generally long and quite thin. Parcels along the right-of-way may be held by the railroad in less than fee simple forms of title. Because of the complex nature of the property, a considerable amount of time and administrative expense may be required to dispose of it.

As is the case in the valuation of all real property rights, a proper highest and best use analysis of the potential uses of property is the key to the success of the valuation process. In the appraisal of railroad corridors (excluding appraisals performed under the definition of net liquidation value in ICC Regulation 49 CFR, Sec. 1152.34(c)), the highest and best use analysis determines the appropriate methodology for the assignment.

There are two uses for a railroad right-of-way; (1) for continued corridor use(s), and (2) for subparceling and conveying to adjoining property owners.

Corridor properties can be used for many purposes including, but not limited to

- 1) Short-line railroads (newly formed)
- 2) Highways
- 3) Chemical pipelines
- 4) Coal slurry pipelines
- 5) Oil pipelines
- 6) Gas pipelines
- 7) Coaxial cables
- 8) Television cables
- 9) Parks
- 10) Playgrounds
- 11) Bridle paths
- 12) Bikeways
- 13) Walking paths
- 14) Scenic gardens
- 15) Steam pipelines
- 16) Aqueducts
- 17) Storm sewer lines
- 18) Sanitary sewer lines
- 19) Flood control
- 20) Electric transmission lines
- 21) Industrial waste products lines
- 22) Industrial or commercial use of lands adjacent to basic subject parcel, including those dependent on or related to the right-of-way itself. These include, but are not limited to, rail-served building sites, pumping stations, parking lots, interchanges, etc.⁶

⁶ John P. Dolman and Charles F. Seymour. "Valuation of Transportation/Communication Corridors"; *The Appraisal Journal* (October 1978); pages 509-522.

If the highest and best use is thought to be continued use as a corridor, then the already assembled corridor has an economic advantage, saving the purchaser the acquisition costs and related expenses of acquiring and assembling land to create the corridor. This economic advantage is reflected in the valuation process utilizing an "Enhancement Factor". If, however, the use is not discerned to be an assembled corridor, a Net Liquidation Value (NLV)⁷ must be estimated. The following discussion details the methodologies utilized in these value approaches.

TYPES OF VALUE

Corridor Use Value (Enhanced)

When the highest and best use of a corridor is for transportation/communication/utility transmission use, "plottage" results. Plottage is an added increment of value above the cost and expense of assembling small plots of land to form a corridor. For corridor use to be the highest and best use and for plottage, or "special enhancement" to exist, four criteria must exist. They are

- 1) Similar corridors in the marketplace must be scarce
- 2) The property must contain special features necessary for the intended use
- 3) Cost avoidance must exist which means that the value of the corridor is less than the cost to assemble a similar corridor
- 4) There must be demand for a corridor and its special features

Before the valuation process can commence, three concepts must be understood. They are

1) Subparceling the Corridor

The corridor must be hypothetically subparceled according to the zoning and uses of adjoining parcels outside of the right-of-way.

2) Across-the-Fence (ATF)

This is a term given to the analysis of uses and values of land adjacent to or near the corridor boundary lines.

3) Enhancement Factor

This is a factor (sometimes called a "Corridor Factor") which expresses the relationship between the value for corridor use and the ATF value. This factor generally ranges from 1.0 to 2.5, but occasionally as high as 4.0.

After subparceling the corridor according to zoning and land uses of adjoining land, the next step in valuing a corridor is to opine ATF values. While it is not customary to adjust ATF sales for size, shape, access, and other physical characteristics, it may be necessary to adjust for time (market change), location and zoning differences.

⁷ Considered by many as being synonymous with "scrap value".

when compared to ATF value. The Corridor Factor is derived from market data by relating corridor sale prices (net to real estate⁸) to their respective adjusted aggregate ATF values (see equation under Corridor Factor).

Market Value for Recreational Use

When the criteria for transportation/communication/utility transmission corridor use do not exist, but there is apparent demand for recreational use, analysis of corridor sales is appropriate using a sale-price-per-acre "unit of comparison" with a comparison to ATF values to establish an "Unenhanced Corridor Factor". This factor is always less than 1.0.

Net Liquidation Value

When the criteria for transportation/communication/utility transmission corridor use do not exist, the highest and best use is for subparceling and selling the segments to the adjoining property owners. Subparceling is based on adjacent land use and not by title holder. The next step is to collect and analyze current sales data on adjacent or nearby land to develop an ATF value consistent with zoning, building and environmental codes. After ATF values are estimated for the various uses, they must first be adjusted for physical characteristics such as size, shape, topography and access, and economic characteristics such as time and limited market.

The sum of these adjusted ATF values for each segment is then adjusted to account for sales, administrative and holding costs. This final adjusted value is then broken down into an estimated absorption period and discounted to net present value (NPV). The aggregate is NLV. The ratio of NLV to the aggregate ATF (before adjustment) is always below 1.0.

Conclusions

In conclusion, the valuation of rights-of-way either before or after abandonment is hinged upon the highest and best use analysis, as in the valuation of any parcel of real estate. The Sales Comparison Approach is paramount in determining the value under all conclusions of use potential. The methods diverge with the use of either a **Corridor Use Value**, again based on sales of similar properties and incorporating the principle of substitution inherent in reproduction cost, **Market Value for Recreational Use**, based on corridor sales compared to their respective ATF values, or the use of discounting future gain to present value based on parcelization, or **Net Liquidation Value**.

NOTE: WE CONCLUDED THAT UTILIZATION OF THE CORRIDOR USE VALUE METHODOLOGY IS NOT APPROPRIATE AS IT DOES NOT APPEAR TO BE FEASIBLE TO UPGRADE THE CORRIDOR FOR COMPLIANCE WITH LOCAL, STATE AND FEDERAL REGULATIONS.

ACROSS THE FENCE (ATF) ANALYSIS

Across the Fence (ATF) Method is defined as "a land valuation method typically used to estimate the value of a real estate corridor, including railroad or pipeline rights of way, highways, or other corridor real estate. The price or value of land adjacent to the corridor (i.e., "across the fence") is considered for the valuation".⁹

⁸ Excluding tracks, ties and ballast in railroad appraising.

⁹ Dictionary, op., cit., page 5.

Across the Fence (ATF) Value is defined as ".....the value concluded based on a comparison with adjacent lands before the consideration of any other adjustment factors. The ATF value accounts for location and market conditions....."¹⁰

ATF land sales data provide the foundation for all three types of value estimates, i.e., Continued Use, Market Value for Recreational Use and Net Liquidation. Unlike the traditional Sales Comparison Approach to Value in property valuation, ATF utilizes macro comparable sale data located either adjacent to or in close proximity to the subject property. Typically these data are not verified in the traditional manner because of the large volume of data.

To arrive at ATF value, the corridor at issue is first divided into segments or parcels to reflect the highest and best use characteristics of the adjoining land. Comparison is then made between these segments of the corridor and the comparable market data "across the fence" from the corresponding segment.

PROPERTY VALUATION

MARKET VALUE FOR RECREATIONAL USE

We considered the three traditional approaches to value in this assignment, but we did not develop either the Cost or Income Capitalization Approaches to value. The Cost Approach is not applicable, since the subject of this appraisal is vacant land, and, the Income Capitalization Approach is not applicable, in our opinion, since the real estate does not possess income-producing characteristics that would attract equity investors.

After our preliminary investigation and analysis of the corridor, we concluded that the corridor use value methodology was not appropriate as it does not appear to be feasible to upgrade the corridor for compliance with local, state and federal regulations. Therefore, we developed the methodology for valuing the corridor for both recreational use and net liquidation.

In our search for market data for application in this analysis, we contacted railroad companies and appraisers for sales of corridors in Western Pennsylvania, which we believe provide a sound basis for our estimate of value. The data, which we collected are outlined below and summarized in Exhibit I.

SALE NO. 1

Location:	The Clarion/Little Toby Trail / Elk, Jefferson, and Clearfield Counties, Pennsylvania		
Grantor:	Esquire Fuel Company	Grantee:	Headwaters Charitable Trust
Sale Date:	April 15, 1994	Sale Price:	\$75,000
Reference:	DBV 0303, Page 0564	Land Area:	130.91 Acres

Description – This property consists of part of a former railroad corridor which is located in Elk, Jefferson, and Clearfield Counties, Pennsylvania. The Clarion / Little Toby Trail is an 18 mile trail that runs along the Clarion River from Ridgeway to the ghost town of Carman and then follows along the Little Toby Creek from Carman to Brockway. The property consists of a long strip of land with an average width of approximately 60 feet. The rail improvements were removed prior to the sale. It was purchased for use as part of a recreational biking, walking, and cross-country skiing lineal park. The

¹⁰ Ibid.

parcel contains a land area of approximately 130.91 acres. The trail traverses a great deal of PA Game Commission land the entire distance can be traveled without crossing a highway.

Verification: -- Data pertaining to the sale was provided by Attorney James A. Meyer, who represented Headwaters Charitable Trust at the time of the transaction, and also by a website for The Clarion / Little Toby Rails to Trails (<http://pavisnet.com/tcrtt/>).

Analysis of Sale:

ATF Value	\$1,500 per acre
Price/Acre	\$573 per acre
% of ATF	38.2
Price/Mile	\$4,167 per mile

SALE NO. 2

Location:	Hoodlebug Trail / Indiana County, Pennsylvania		
Grantor:	Coral Lands Company, Inc.	Grantee:	Indiana County
Sale Date:	February 20, 1998	Sale Price:	\$70,000.00
Reference:	DBV 1123, Page 98	Land Area:	13.01 Acres

Description: -- This property consists of part of a former railroad corridor which is located in Center and White Townships in Indiana County, Pennsylvania. The property consists of a long strip of land with an average width of approximately 60 feet. The rail improvements were removed prior to the sale. It was purchased for use as part of a recreational biking and walking lineal park, with an overhead utility easement known as Hoodlebug Trail. The parcel contains a land area of 13.01 acres. The trail begins at the Indiana University of Pennsylvania campus. It runs through suburban neighborhoods. There were overhead utility easements that bisect this trail.

Verification: -- Data pertaining to the sale was provided by another appraiser who obtained it from the Indiana County records and verified it with Mr. Edward Patterson of the Indiana County Parks Department.

Analysis of Sale:

ATF Value	\$15,000
Price/Acre	\$5,380 per acre
%ATF	35.9
Price/Mile	\$39,106 per mile

SALE NO. 3

Location:	Montour Trail / Allegheny County, Pennsylvania		
Grantor:	Dick Corporation	Grantee:	Montour Trail Council
Sale Date:	November 14, 1997	Sale Price:	\$24,000.00
Reference:	DBV 10080, Page 556	Land Area:	29.09 Acres

Description: -- This property is part of a former railroad corridor which is partly situated in the communities of Jefferson Hills Borough and the City of Clairton in Allegheny County, Pennsylvania. The property consists of a long strip of land which contains an approximate length of two miles. The rail improvements were removed prior to the sale. It was purchased for use as part of a larger public recreational biking and walking lineal park known as the Montour Trail. This site contains a land area of 29.09 acres. It extends through an industrial area.

Verification: -- Data pertaining to the sale was provided by another appraiser who obtained it from the Allegheny County records and verified it with Mr. Matt Simson of the Dick Corporation.

Analysis of Sale:

ATF Value	\$2,500 per acre
Price/Acre	\$825 per acre
% of ATF	33.0
Price/Mile	\$12,000 per mile

SALE NO. 4

Location:	Coal & Coke Trail / Westmoreland County, Pennsylvania		
Grantor:	Carol Ann Stewart	Grantee:	Regional Trail Corporation
Sale Date:	September 3, 2003	Sale Price:	\$24,000.00
Reference:	#200309030071362	Land Area:	17.233 Acres

Description: -- This property consists of part of a former railroad corridor which is partially located in East Huntington and Mount Pleasant Townships in Westmoreland County, Pennsylvania. The property consists of a long strip of land which contains an approximate length of two miles. The track improvements were removed prior to the sale. It was purchased for use as a public recreational biking and walking park known as the Coal & Coke Trail. The parcel contains a land area of 17.233 acres. It extends through a rural area with poor topography and marsh lands.

Verification: -- Data pertaining to the sale was provided by another appraiser who obtained it from the Westmoreland County records and verified it with Mr. Robert McKinley of the Regional Trail Corporation.

Analysis of Sale:

ATF Value	\$3,000 per acre
Price/Acre	\$1,393 per acre
% of ATF	46.4
Price/Mile	\$12,000 per mile

SALE SALE NO. 5

Location:	Five Star Trail / Westmoreland County, Pennsylvania		
Grantor:	Scott and Barbara DeWitt	Grantee:	Regional Trail Coporation
Sale Date:	August 28, 1998	Sale Price:	\$7,500.00
Reference:	DBV 3610, Page 287	Land Area:	5.51 Acres

Description: -- This property consists of part of a former railroad corridor which is located in Hempfield Township in Westmoreland County, Pennsylvania. The property consists of a long strip of land which contains an approximate length of one mile. The rail improvements were removed prior to the sale. It was purchased for use as part of a larger public recreational biking and walking park known as the Five Star Trail. The parcel contains a land area of 5.51 acres and extends through an industrial area.

Verification: -- Data pertaining to the sale was provided by another appraiser, who obtained it from the Westmoreland County records and verified it with Mr. Robert McKinley of the Regional Trail Corporation.

Analysis of Sale:

ATF Value	\$4,000
Price/Acre	\$1,361 per acre
% of ATF	34.0
Price/Mile	\$7,500 per mile

SALE NO. 6

Location:	Twin Lakes Trail / Westmoreland County, Pennsylvania		
Grantor:	Keith and Colleen Sue Weyandt	Grantee:	Regional Trail Corporation
Sale Date:	February 5, 2003	Sale Price:	\$28,000.00
Reference:	#200302060009820	Land Area:	13.80 Acres

Description: -- This property consists of part of a former railroad corridor which is partly located in Unity and Hempfield Townships in Westmoreland County, Pennsylvania. The property consists of a long strip of land with an average width of approximately 60 feet. The rail improvements were removed prior to the sale. It was purchased for use as a public recreational biking, walking, & horse riding park known as the Twin Lake Trail. The parcel contains a land area of 13.80 acres and extends through a rural area.

Verification: -- Data pertaining to the sale was provided by another appraiser, who obtained it from the Westmoreland County records and verified it with Mr. Robert McKinley of the Regional Trail Corporation.

Analysis of Sale:

ATF Value	\$5,000
Price/Acre	\$2,029 per acre
% of ATF	40.6
Price/Mile	\$14,737 per mile

Exhibit I DATA SUMMARY CHART

NO.	LOCATION	DATE	LENGTH IN MILES	PRICE ACRES	PRICE PER ACRE	DATE ACRES	SP/AC VALUES	TO DATE	COMMENTS
NO. 1	Clarion / Little Toby Trail Elk and Jefferson Counties, PA	4/94	18	\$75,000	130.91	\$573	\$1,500	38.2	Property was purchased for use as a recreational biking and walking lineal park. Located along the Clarion River and Little Toby Creek. Average width of approximately 60 feet. Rail improvements removed prior to sale. Traverses through both of the counties in which the subject is located.
NO. 2	Hoodiebug Trail, Indiana County, PA	2/98	1.79	\$70,000	13.01	\$5,380	\$15,000	35.9	Property was purchased for use as a recreational biking and walking lineal park. An overhead utility easement bisects this trail. It runs through suburban neighborhoods. Average width of approximately 60 feet. Rail improvements removed prior to sale.
NO. 3	Montour Trail, Allegheny County, PA	11/97	2.0	\$24,000	29.09	\$825	\$2,500	34.0	Property was purchased as part of a larger recreational biking and walking lineal park. It extends through an industrial area. Rail improvements were removed prior to sale.
NO. 4	Coal & Coke Trail, Westmoreland County, PA	9/03	2(approx)	\$24,000	17.233	\$1,393	\$3,000	46.4	Property was purchased for use as a public recreational biking and walking park. It has an approximate length of two miles. It extends through a rural area with poor topography and marsh lands. Rail improvements were removed prior to sale.
NO. 5	Five Star Trail, Westmoreland County, PA	8/98	1.0	\$7,500	13.01	\$1,361	\$4,000	34.0	Property was purchased as part of a larger public recreational biking and walking park. It extends through an industrial area. Rail improvements were removed prior to sale.
NO. 6	Twin Lakes Trail, Westmoreland County, PA	2/03	1.9	\$28,000	13.8	\$2,029	\$5,000	40.6	Property was purchased for use as a public recreational biking, walking, and horse riding park. The property has an average width of approx. 60 feet. Rail improvements were removed prior to the sale.
Averages									

The price of the six sales ranges from \$7,500 to \$75,000 with the sale prices per acre range from \$573 to \$5,380 for parcels ranging in size from 13.01 acres to 130.91 acres. But, more importantly, the percentage of Sale Price to ATF value ranges from 34.0 to 46.4.

We have analyzed the foregoing data and concluded that neither location, date of sale, size nor length of the corridor appeared to have influenced the relationship of Sale Price to ATF. The mean is 38.2 for the six variants and 36.5 after eliminating the high of 46.4. The median is 34.0. We have selected 36.0 for application in this analysis which we believe is reasonable and realistic.

ATF land sales data in Stewartstown Borough are illustrated in Exhibit 2.

Exhibit 2 Stewartstown Borough ATF Land Sales Data Summary

SALE	LOCATION	GRANTEE	SALES DATE	SALES PRICE	LAND AREA AC	SP/AC OF LAND AREA
1	Mill Street Stewartstown Boro	D. C. Hash	4/97	\$5,000	0.22	\$22,321
2	S. Hill Street Hopewell Twp.	Lloyd Reed Properties, LLC	3/07	\$8,000	0.193	\$41,450

ATF land sales data in Hopewell Township are illustrated in Exhibit 3.

Exhibit 3 Hopewell Township ATF Land Sales Data Summary

SALE	LOCATION	GRANTEE	SALES DATE	SALES PRICE	LAND AREA AC	SP/AC OF LAND AREA
1	Stewartstown Station Hopewell Twp.	J. A. Myers	1/95	\$347,466	86.54	\$4,015
2	Orchard Road Hopewell Twp.	A. L. Marberger	10/08	\$150,000	5.57	\$26,930
3	Waycross Lane Hopewell Twp.	Woolford & Ass.	2/06	\$125,000	0.85	\$147,059
4	Waycross Lane Hopewell Twp.	Woolford & Ass.	2/06	\$125,000	0.85	\$147,059
5	Kurtz School Road Hopewell Twp.	Fairview at Kurtz School Road	2/08	\$303,785	22.99	\$13,214

ATF land sales data in Shrewsbury Township are illustrated in Exhibit 4.

Exhibit 4 Shrewsbury Township ATF Land Sales Data Summary

SALE	LOCATION	GRANTEE	SALE S DATE	SALES PRICE	LAND AREA AC	SP/AC OF LAND AREA
1	Caprice Ct. Shrewsbury Twp.	ISHA Lodging Corporation	12/07	\$1,050,000	6.48	\$162,037
2	Caprice Ct. Shrewsbury Twp.	Statewide Properties, LP	12/07	\$380,000	2.76	\$137,681
3	Lakeside Drive Shrewsbury Twp.	J. W. Bone	3/08	\$142,500	0.324	\$439,815
4	Holley Road Shrewsbury Twp.	Don Cheramie	2.0	\$120,000	2.00	\$60,000
5	Glen Valley Road Shrewsbury Twp.	J. Brenneman	7/08	360,000	2.57	\$140,078
6	Church Street Shrewsbury Twp.	W. W. Lawrence	12/08	\$15,000	0.45	\$33,333
7	Kurtz School Road Shrewsbury Twp.	Fairview at Kurtz School Road	2/08	\$303,785	22.99	\$13,214

ATF land sales data in Shrewsbury Borough are illustrated in Exhibit 5.

Exhibit 5 Shrewsbury Borough ATF Land Sales Data Summary

SALE	LOCATION	GRANTEE	SALE S DATE	SALES PRICE	LAND AREA AC	SP/AC OF LAND AREA
1	Main Street Shrewsbury Borough	TLS Main St LLC	5/03	\$140,000	1.46	\$95,890
2	Tree Hollow Road Shrewsbury Borough	Stewartstown Cornerstone LP	2/03	\$650,000	28.12	\$23,113
3	Covington Ridge Shrewsbury Borough	S & A Custom Homes	3/00	\$650,000	46.67	\$13,927
4	Holley Road Shrewsbury Borough	Don Cheramie	2.0	\$120,000	2.00	\$60,000
5	Glen Valley Road Shrewsbury Borough	J. Brenneman	7/08	360,000	2.57	\$140,078

Our final estimate of market value for recreational use is illustrated in Exhibit 6.

Exhibit 6 Final Estimate of Market Value for Recreational Use

MUNICIPALITY	MILEAGE	ACRES	ATF VALUE	TOTAL VALUE
Stewartstown	0.701	2.804	\$50,000	\$140,200
Hopewell	3.759	15.706	\$20,000	\$314,120
Shrewsbury Twp	2.311	9.244	\$60,000	\$554,640
Shrewsbury Boro	0.521	2.084	\$100,000	\$208,400
New Freedom	0.794	3.176	\$50,000	\$158,800
TOTALS	8.086	33.01¹¹		\$1,376,160

Our estimate of the ATF value for the entire corridor is \$1,376,160. We have selected a Corridor Factor of 36% (0.36) based on the six corridor sales summarized in Exhibit 1.

Therefore:

ATF	X	CORRIDOR FACTOR	=	MARKET VALUE
\$1,376,160	X	0.36		\$495,418
Final Estimate of Market Value for Recreational Use				\$500,000 (R)

NET LIQUIDATION VALUE

At your request, we have also opined the Net Liquidation Value (NLV). The NLV methodology was described earlier as one which results from the conclusion that the highest and best use of a railroad right-of-way is to disassemble and market the segments to adjoining property owners of third parties.

The basic steps taken in the Net Liquidation Value analysis are to:

- segment the abandoned right-of-way according to ATF land use
- calculate land area according to right-of-way use by scaling Valuation Maps (aka "Val Maps)
- analyze ATF sales to develop an ATF Base Value consistent with zoning, building, and environmental codes
- adjust ATF Base Values for characteristics such as size, shape, topography and access, and economic characteristics such as time and limited market(s)
- adjust the sum of the adjusted ATF Base Values for each segment to account for sales, administrative, and holding costs known as Liquidation Costs
- discount the Final Adjusted ATF Base Value to reflect the time to liquidate each segment of the corridor

¹¹ Based on a 33' width except for a short distance just west of Stewartstown which appears to be 53' wide.

The next step is to adjust the sales prices for *physical and economic "elements of comparison"*, including, but not limited to,

Access -- The ability of a user to gain practical access to a parcel, whether through a legally platted access-way or through owned, adjacent property. The majority of the parcels are only accessible by way of adjoining properties.

Topography -- The influence on the value of the (NLV) parcel resulting from differences in the elevation of the right-of-way and the adjacent lands.

Drainage -- Portions of the right-of-way are drainage-effective, either due to poor natural drainage or due to the limitations imposed by constructed drainage pipes and ditches lying in easements within the right-of-way.

Shape -- The shape of the (NLV) parcel also has a significant impact on value, due primarily to the narrow width of the right-of-way and the irregular way that existing lot and parcel boundaries intersect with the right-of-way boundaries. Furthermore, for parcels with existing legal access, the shape adjustment compensated for long, narrow shape of the (NLV) parcel.

Land Use -- The pattern of land use has a significant effect on the value of the (NLV) parcel. In order for the parcel to achieve its highest value (at or near base ATF value), the parcel must operate a high degree of utility for compatible land uses.

Limited Market -- In some instances, the right-of-way of the (NLV) parcel is only compatible with one adjoining land owner and this limited market is reflected in the adjustments.

The acreage value was adjusted downward 50% because of the undesirable physical characteristics of the subject parcel as it adjoins neighboring property owners, and the absence of a market. In some instances, the segmented parcel is only compatible with one adjoining land owner and this limited market is reflected in the adjustments. This results in the "Adjusted Base Value".

The next step is to deduct *liquidation* costs from "adjusted value" figures. Liquidation costs include the anticipated expenses of marketing the property including sales commissions, administrative expenses, and other expenses related to the sales program. For the purpose of calculating net liquidation value, liquidation costs are estimated at 15% of the "adjusted value" figures. Liquidation costs are then deducted from the adjusted base value.

The calculations to opine the Final Adjusted Base Value are:

ATF Base Value	=	33.01 Acres	x	\$41,700/Acre	=	\$1,376,160
Adjustment	=	\$1,376,160	x	50%	=	(688,080)
Adjusted Base Value						\$ 688,080
Liquidation Costs	=	\$688,080	x	15%	=	(103,212)
Final Base Value	=					\$ 584,868
Rounded To						\$ 585,000

Discounting Process

The primary issue in this process is absorption which is simply defined as the rate at which it is anticipated parcels will sell and the total property liquidated. In a marketing program, the most desirable parcels will sell first, and some parcels will be unmarketable under any circumstances. In opining NLV, a zero value is assigned to those segments deemed to be unmarketable. In the case of the subject, we believe that 85% of the corridor would sell. We have projected a schedule for the disposition which sets for the right-of-way to be sold represented by a percentage of the total based on the premise previously discussed.

Discount Rate Selection

We have concluded that the real estate marketplace would regard this type of liquidation sale of the rail corridor as a riskier undertaking than marketing a conventional subdivision or other properties. The primary source of risk is the absence of market participants beyond those adjoining the corridor. While discount rates range from 10% to 12% in today's general real estate market, we believe that an appropriate rate would be closer to 20% given the risks associated with the subject. The projected marketing schedule is illustrated on the following page.

Year	Section/Comments	Estimated Base Value	Discount Rate	Discounted Base Value
1	50% of the corridor will sell	\$292,500	0.833	\$243,653
2	25% of the corridor will sell	\$146,250	0.694	\$101,498
3	10% of the corridor will sell	\$58,500	0.579	\$ 3,872
4	15% of the corridor will not sell	\$0	N/A	\$0
Total NLV				\$319,023
Rounded To				\$319,000

NET LIQUIDATION VALUATION CONCLUSION

We appraised the Net Liquidation Value of the subject property utilizing the abandoned corridor valuation method because we were instructed to do so by our client. In conclusion, after analysis and utilization of professional judgment, it is our opinion that the Net Liquidation Value of the subject property as a whole, as of April 17, 2008, was

\$319,000

VALUE CONCLUSIONS

We considered the three methods for valuing corridors, but we did not develop the Corridor Use Value method because the four criteria for such methodology can not be met, in our opinion. We did however, develop the Market Value for Recreational Use and Net Liquidation Value. The indicated values are

Market Value for Recreational Use	\$500,000
Net Liquidation Value	\$319,000

HIGHEST AND BEST USE

Highest and Best Use is defined as *the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value*¹².

Fundamentally, a highest and best use evaluation is an economic analysis, which expresses the conclusions of the analyst in terms of greatest profit or economic return to the land.

As previously stated, there are three types of value for a railroad right-of-way; (1) Value for Continued Corridor Use(s), (2) Market Value for Recreational Use, and (3) Net Liquidation Value.

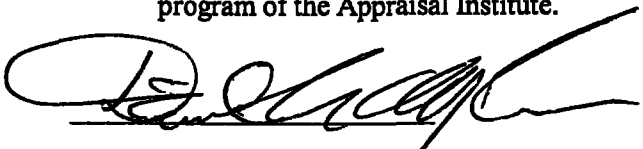
In analyzing the subject corridor, we did not believe that the aforementioned criteria exist for justifying the valuation for Continued Corridor Use. We understand that there is demand for the corridor, but the prospective buyer(s) do not have the financial backing to upgrade the improvements for compliance. Therefore, we did not develop this methodology.

At the request of the client, we developed the remaining two methods for valuing corridors. Our indicated value for converting the corridor for recreational use is \$500,000 and the NLV is \$319,000. Therefore, we believe that the ***Highest and Best Use*** of the subject corridor is for recreational use.

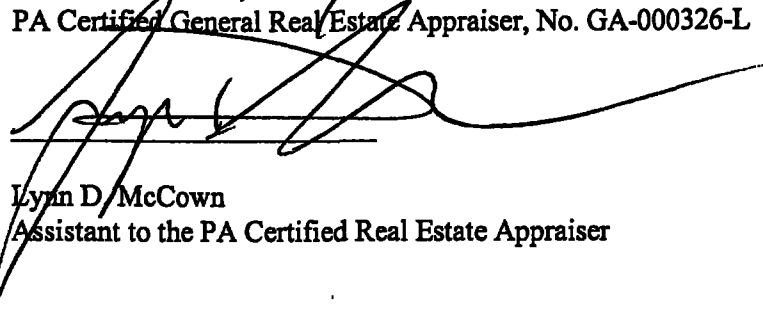
¹² Dictionary, op. cit., p. 135.

CERTIFICATION OF THE APPRAISERS

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We 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.
4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our 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.
7. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
8. We have made an inspection of the real estate that is the subject of this report.
9. No one provided significant professional assistance to the persons signing this report.
10. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
11. The use of this report is subject to the requirements of the Appraisal Institute to review by its duly authorized representatives.
12. As of the date of this report, I, Daniel L. McCown, have completed the continuing education program of the Appraisal Institute.



Daniel L. McCown, MAI
PA Certified General Real Estate Appraiser, No. GA-000326-L



Lynn D. McCown
Assistant to the PA Certified Real Estate Appraiser

ADDENDUM

**DAN McCOWN AND CO
INCORPORATED**

APPRAISERS/CONSULTANTS • SINCE 1986

Daniel L. McCown, MAI
President

• CORPORATE HEADQUARTERS

4 Landgraf Avenue, Bridgeville, PA 15017-2806, (412) 257-0700, FAX 257-0710

• MERCER OFFICE

PO Box 193, Volant PA 16156, (724) 533-2814, FAX (724) 533-2764

CONFIRMATION OF ENGAGEMENT

Date: May 5, 2009
To: James J. Gillotti, Esquire
Attorney for Estate of George M. Hart, Deceased
From: Daniel L. McCown, MAI
Real Property Appraiser/Consultant
RE: Appraisal of Stewartstown Railroad R/W Exclusive of Rail, Ties and Ballast
York County, Pennsylvania

This memorandum is to confirm the terms and conditions for an appraisal of the Stewartstown Railroad Company real estate assets (exclusive of rails, ties, ballast and property appraised by Mr. William H. Everhart) in York County, Pennsylvania. The appraisal will report two values, i.e., the *market value for continued corridor use*, and the *net liquidation value*.

The service that Dan McCown & Co., Inc., will provide is an appraisal of the right-of-way between New Freedom and Stewartstown. Our analysis will be illustrated in a summary report format as defined by the Uniform Standards of Professional Appraisal Practice (USPAP).

A Scope of Work for the appraisal will include, but not be limited to: (1) my viewing of the corridor that is the subject of this assignment, (2) the photographing of the corridor and a sampling of adjoining properties, (3) the analysis of the various land uses that adjoin the subject corridor, (4) the search for, collection and analysis of relevant data; (5) the collection of Across the Fence (ATF) sales data for the establishment of the valuation base in this analysis, (6) highest and best use analysis; (7) implementation of the appropriate approaches to value the subject corridor, and (8) the final estimates of value.

The appraisal will comply with the USPAP of The Appraisal Foundation and the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute with which I hold the MAI designation. *Moreover, this appraisal assignment will not be based on a requested minimum valuation, a specific valuation, or the approval of a loan, nor will current employment or retention of Dan McCown & Co., Inc., be conditioned on the appraisal producing a minimum valuation, specific valuation, or the approval of a loan.*

The fee for this appraisal assignment will not exceed \$5,000 for three copies of the appraisal with delivery approximately on or about July 24, 2009. I will provide you with verbal values prior to the delivery date. While we will start the assignment as soon as possible, we require a retainer of \$2,500 prior to completing the assignment.

The client has the right to terminate the assignment at any time, in which case there will be no further obligation on the part of either party to continue. In such event, the client will be billed only for the actual time accumulated through the date of cessation at the rate of \$50/hour to \$165/hour depending on personnel contribution.

The staff of Dan McCown & Co., Inc. is well qualified to perform this assignment by virtue of its vast experience involving most types of real estate covering 26 states and most counties in Pennsylvania including many linear corridors. Moreover, I have 20 years experience teaching appraisal courses across the United States for the Appraisal Institute.

If you have any questions or comments regarding this agreement or the appraisal process, please contact me at your convenience at the telephone number for the Mercer Office.

Again, thank you for this opportunity to serve you and the estate, and my staff and I look forward to working with you. It is our hope that we will be able to satisfy your needs.

Would you please have Mr. Willever execute this agreement and return one executed copy to the Mercer Office.

Accepted:



Daniel L. McCown, President

May 5, 2009

Date

Estate of George M. Hart

Client Name

228 WEST WASHINGTON AVENUE

Address

WASHINGTON, N.J. 07882

Telephone Number

(908) 689-0988

John W. Willever, Executor

Name and Title



Signature

STEWARTSTOWN BOROUGH ZONING MAP

ZONING CLASSIFICATIONS

ZONING LEGEND

	COMMERCIAL
	VILLAGE
	INDUSTRIAL
	RESIDENTIAL
	AGRICULTURAL

MAP LEGEND

	STEWARTSTOWN BOROUGH BOUNDARY
	EXISTING STREETS
	PROPOSED STREETS



ZONING MAP



Commercial/Residential and
Section per the Township's

boundary on Tax Map Ck, Parcel 51 containing its original lot
974 Zoning Ordinance.

Property Lines Based Upon York County Tax Assessments

Property Lines Based Upon York County Tax Assessments

10

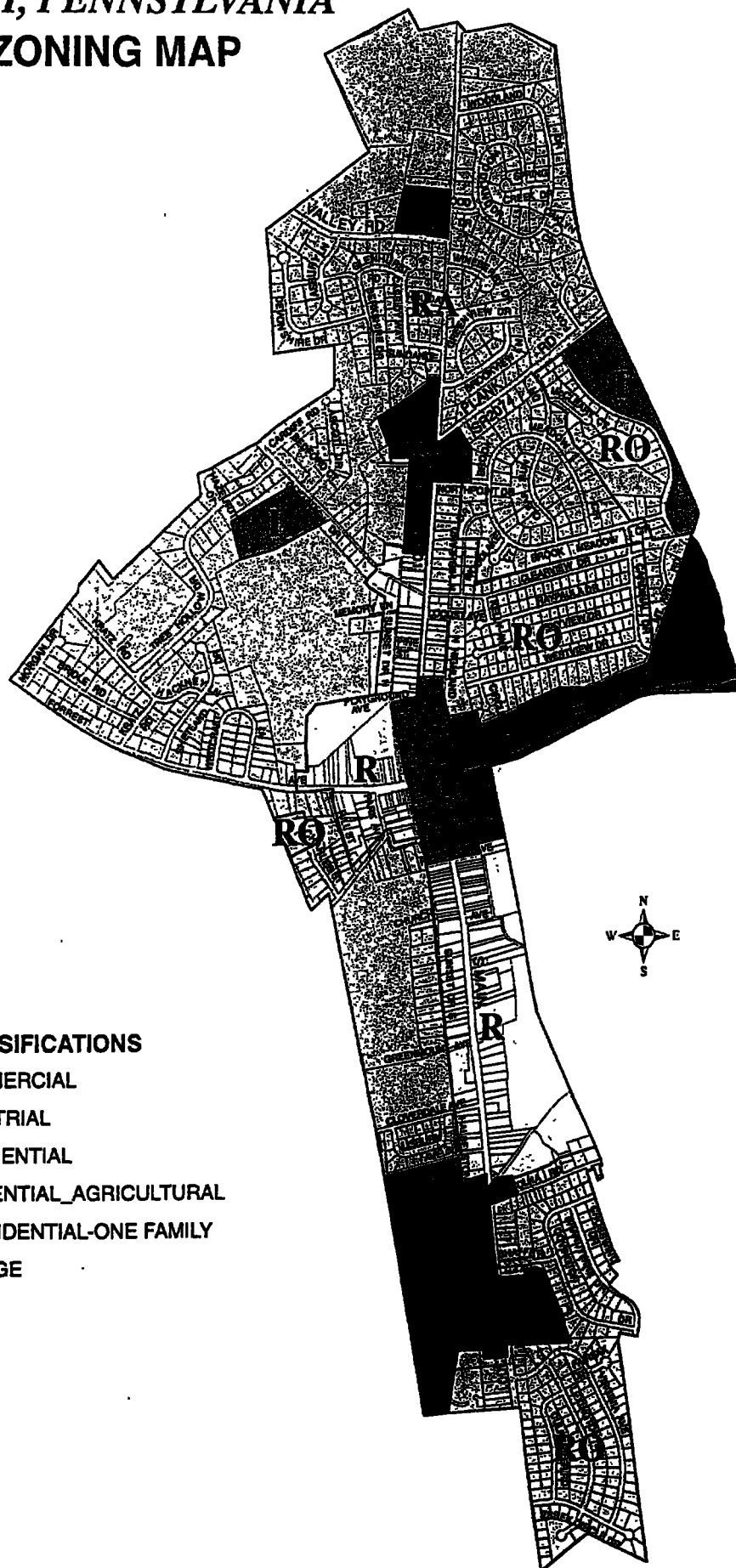
1992年12月

卷之五

馬氏

**SHREWSBURY BOROUGH
YORK COUNTY, PENNSYLVANIA
OFFICIAL ZONING MAP**

47



ZONING CLASSIFICATIONS

-  C - COMMERCIAL
-  I - INDUSTRIAL
-  R - RESIDENTIAL
-  RA-RESIDENTIAL_AGRICULTURAL
-  RO - RESIDENTIAL-ONE FAMILY
-  V - VILLAGE



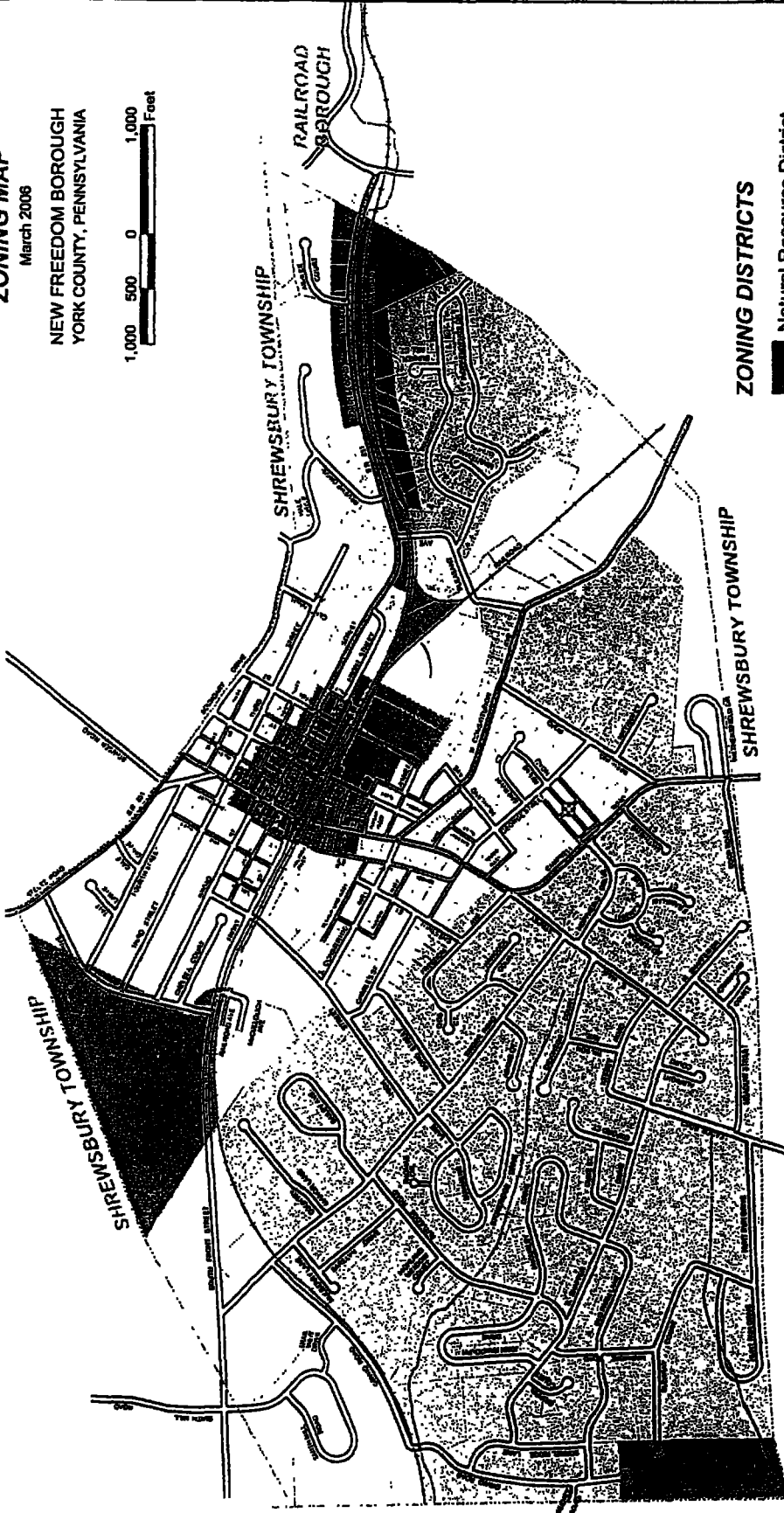
ZONING MAP

March 2006

NEW FREEDOM BOROUGH
YORK COUNTY, PENNSYLVANIA



BALTIMORE
COUNTY
MARYLAND



ZONING DISTRICTS

- Natural Resource District
- Rural Residential District
- Single Family Residential District
- Traditional Neighborhood District
- Central Business District
- Light Industrial Employment District

**BUCHART
ENGINEERING, INC.**
The Industrial Plaza of York
445 West Philadelphia Street
PO Box 15040
York, PA 17405-7040
www.bh-ba.com
(717) 852-1400

QUALIFICATIONS OF DANIEL L. MC COWN

EDUCATION: Mt. Lebanon High School
University of Tennessee, BS in Agriculture Economics
Numerous Real Estate Courses, Seminars and Workshops

CERTIFIED APPRAISER: Commonwealth of Pennsylvania #GA-000326-L
State of Ohio #2001022484 State of New York #46000047649

OTHER LICENSE: Real Estate Broker, Commonwealth of Pennsylvania

MEMBER: Appraisal Institute
American Institute of Real Estate Appraisers (MAI) -
1989 President - Pittsburgh/Western Pennsylvania
Chapter #13
1990 Member - Governing Council
Society of Real Estate Appraisers (SRPA) -
1990 President - Pittsburgh Chapter #12
REALTORS Association of Metropolitan Pittsburgh
Pennsylvania Association of REALTORS
National Association of REALTORS

EXPERIENCE: Mortgage Loan Appraiser - Mellon National Bank & Trust
Company
Prudential Insurance Company of America
John H. Spicer, MAI
Self-Employed, 1969 - 1972
President, Dan McCown & Co., Inc., October 1, 1972

Appraised property in 25 states and 56 counties in Pennsylvania

Emphasis on commercial, industrial, multiple-family and railroad
property valuation, and consulting.

MISCELLANEOUS: Instructor - Appraisal Institute (from 1977 to 1997)
Former Instructor -- College of Bus. Ad., Penn State University
Former Instructor -- Pennsylvania REALTORS Institute

QUALIFICATIONS OF LYNN DANIEL MCCOWN**EDUCATION:****GENERAL**

1999 Graduate from Grove City High School
Grove City, Pennsylvania

REAL ESTATE**USPAP**

Fundamentals of Residential Appraising
Residential Construction
Income Producing Property, and
Investment Properties

EMPLOYMENT:

Dan McCown & Co., Inc.

JOB TITLE:

Appraisal Assistant

1999-Present Dan McCown & Co., Inc.

EXPERIENCE:

Worked in five States--New Jersey, Pennsylvania, West Virginia, New York and Ohio

Worked in 28 Counties--Allegheny, Armstrong, Beaver, Berks, Blair, Bucks, Butler, Cambria, Clarion, Clearfield, Crawford, Cumberland, Dauphin, Delaware, Elk, Erie, Fayette, Indiana, Jefferson, Lawrence, Lebanon, Lehigh, Luzerne, Lycoming, McKean, Mercer, Venango, and Westmoreland

Commonwealth of Pennsylvania
Department of State
Bureau of Professional and Occupational Affairs
PO Box 2649 Harrisburg PA 17105-2649

08 0621420

Certificate Type
Certified General Appraiser

Certificate Status
Active

Initial Certification Date
09/10/1991

Expiration Date
06/30/2011

DANIEL L MCCOWN
DAN MCCOWN & CO INC
4 LANDGRAF AVENUE
BRIDGEVILLE PA 15017-2806

Certificate
Number
GA000326L

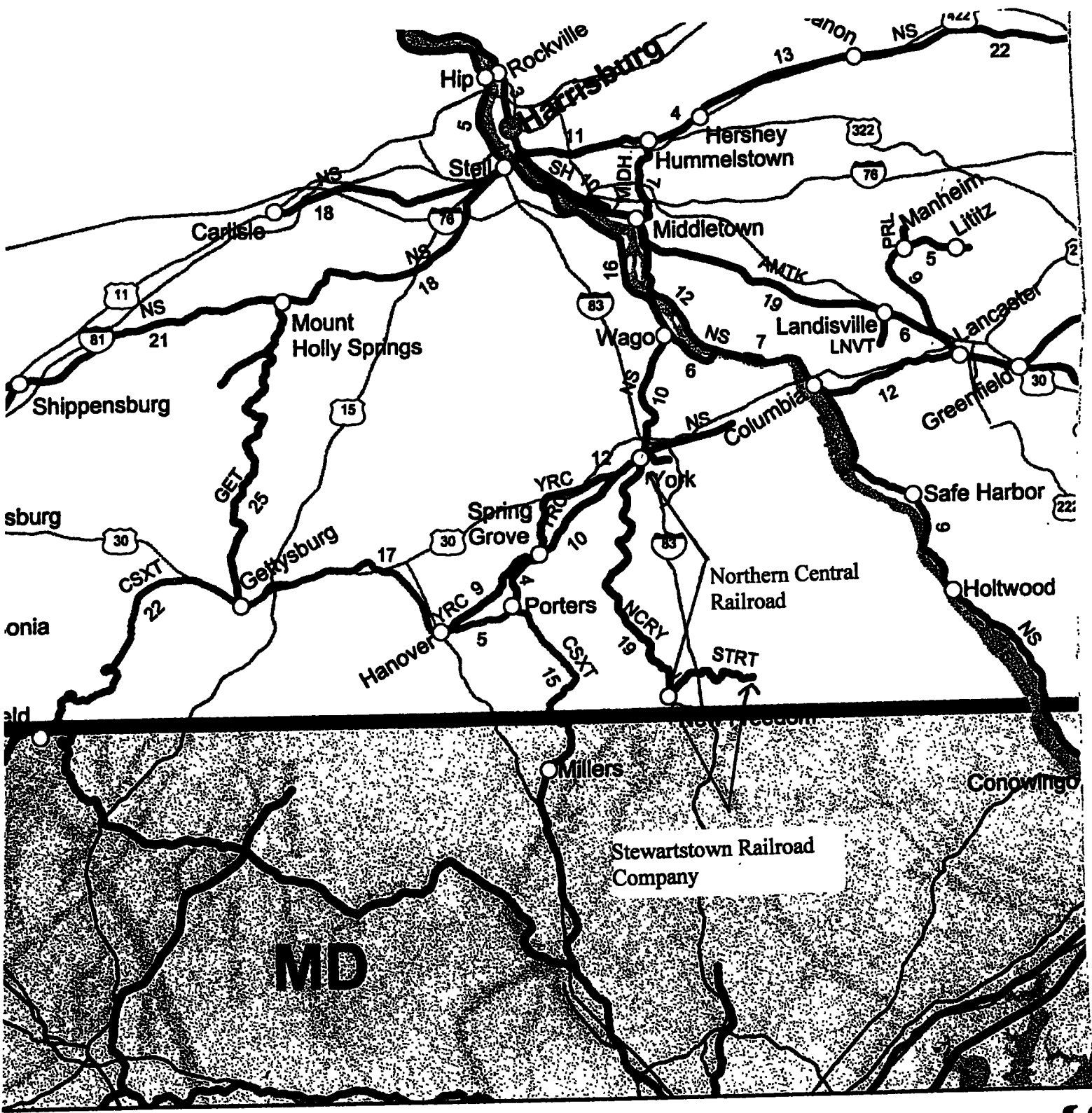
Basil L. Mevula
Commissioner of Professional and Occupational Affairs

[Signature]
Signature

ALTERATION OF THIS DOCUMENT IS A CRIMINAL OFFENSE UNDER P.A.C.S. § 911

Exhibit

E



Exhibit

F

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Docket No. AB – 1071

STEWARTSTOWN RAILROAD COMPANY
ADVERSE ABANDONMENT
YORK COUNTY, PA

**STEWARTSTOWN RAILROAD COMPANY'S RESPONSE TO FIRST DISCOVERY
REQUESTS OF THE ESTATE OF GEORGE M. HART**

RESPONSES TO DISCOVERY REQUESTS

Pursuant to 49 CFR 1114.21 through 1114.31 and Request for Extension of Time filed by Stewartstown Railroad Company on May 17, 2011 and Decision served by the Board on June 6, 2011, the Stewartstown Railroad Company ("SRC") directs the following Response to First Discovery Requests of the Estate of George M. Hart.

Request No. 1. Produce the most recent estimate of the value of all SRC assets, including current cash on hand.

Response: See Appendix pp. 1 - 16.

Request No. 2. Produce the most recent estimate of the net liquidation value of the track and track material owned by SRC.

Response: See Appendix pp. 1 - 16.

Request No. 3. Describe the current condition of the SRC rail line. In particular:

(a) Does all of SRC's rail line meet or exceed current FRA Class I safety standards?

Response: No.

(b) If not, what portions of SRC's rail line (identified by milepost boundaries) are in FRA Class I condition or better, and what portions of SRC's rail line (identified by milepost boundaries) require repair or rehabilitation to meet minimum Class I track safety standards?

Response: SRC is not currently in operating condition and is, therefore, not required to perform line inspections. The exact portions of the line that are in FRA Class 1 condition or better or, alternatively, the portions that require repair or rehabilitation to meet minimum Class 1 track safety standards are, therefore, unknown.

note 14
note 18

Request No. 4. Provide all track inspection reports, track maintenance reports, track repair estimates, and any other documents in SRC's possession that discuss the condition of SRC's rail line since January 1, 2008.

Response: No track inspection reports have been produced since January 1, 2008. The remaining documents responsive to this request are contained in the Appendix, pp. 17 - 26.

Request No. 5. Beginning with calendar year 2008 through this year, provide SRC's track maintenance budget and actual track maintenance expenditures, including the amounts expended in each calendar year, the type of work performed and/or expected to be performed, and the location (according to milepost boundaries) of the maintenance performed.

Response: Until Mr. Hart's passing in 2008, SRC's track maintenance budget and actual track maintenance expenditures were under his control. Therefore, to the knowledge of current SRC management, there was no specific budget projected and little, if any, work performed under his administration following the cessation of rail operations at his direction in 2004. Mr. Hart at times, in fact, actively prevented other corporate officers and shareholders from attempting maintenance and repairs of the rail line during this time period.

Following Mr. Hart's passing and the reorganization of the Company, repairs were initially begun with material on hand, and there were no cash expenditures for track materials and related materials in 2008 and 2009. Vegetation control was performed in 2008 and 2009 using donated materials, tools and labor. All labor during this time period was performed with volunteers, and there are no labor expenses or contractor payments. SRC has also located a source of donated ties.

note 15

Exhibit

G

(b) If not, what portions of SRC's rail line (identified by milepost boundaries) are in FRA Class I condition or better, and what portions of SRC's rail line (identified by milepost boundaries) require repair or rehabilitation to meet minimum Class I track safety standards?

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note 14
note 16

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note 15

Maintenance of way expenditures began under the current SRC management team in 2010 is as follows:

	<u>2010</u>	<u>2011 (year to date)</u>
Stone ballast	\$417.39	\$462.79
Contractors	\$300.00	
Equipment Rental	\$76.32	\$1,000.00
In Bound Freight	\$320.26	
Equipment Repairs	\$258.28	
Other Track Material	\$3,057.00	\$371.00
Rail	\$0	
Ties, Switch Timbers	\$553.11	
Vegetation Control	\$1,500.00	\$1,725.00 (value of donated materials and services)
Total	\$6,482.36	\$883.79 (\$2,608.79) ?

Request No. 6. Identify what remedial actions, if any, SRC believes are necessary to return the entirety its rail line to FRA Class I operating condition, and identify how much SRC estimates it would cost to return the entire line to FRA Class I operating condition.

Response: See Appendix pp. 27 - 29, which contains a copy of "Stewartstown Railroad Track Rehabilitation Plan – February 27, 2010." This document contains a 5 year plan to return the entire rail line to FRA Class 1 condition and resume operations in segments beginning at Stewartstown milepost 7.4 and progressing towards New Freedom milepost 0.0. "Year 1" of the projected plan has been substantially completed during 2010 and items under "Year 2" are being addressed at this time.

Note that the plan does not include a budget. Track material prices change frequently in response to market conditions and substantial portions of the work are expected to be performed by volunteer labor.

Request No. 7. In its Reply (at page 10), SRC lists five business entities (hereinafter, "shippers") to which "Stewartstown has previously provided freight service." For each of these shippers:

(a) provide its mailing address and local business phone number;

Response: The Estate has already contacted these individuals and therefore no response is necessary.

(b) the individual acting on behalf of each shipper to whom correspondence relating to this Proceeding should be addressed; and

Response: Bull Supply Co. Inc. – Allen Bull, Owner

Mann & Parker – Robert Bushman, President

Exhibit

H

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Response: Bull Supply Co. Inc. – Allen Bull, Owner

Mann & Parker – Robert Bushman, President

Exhibit

I

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C.**

STB Docket No. AB-1071

**STEWARTSTOWN RAILROAD COMPANY
– ADVERSE ABANDONMENT –
IN YORK COUNTY, PA**

**VERIFIED STATEMENT
OF
CAPTAIN HERMAN J. BUSHMAN, JR.**

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C.**

STB Docket No. AB-1071

**STEWARTSTOWN RAILROAD COMPANY
– ADVERSE ABANDONMENT –
IN YORK COUNTY, PA**

VERIFIED STATEMENT OF CAPTAIN HERMAN J. BUSHMAN, JR.

My name is Herman J. Bushman, Jr. My address is: 8821 Lynnhurst Drive, Fairfax, VA 22031. I retired in 1972 from a career in the U.S. Navy, having achieved the rank of Captain. I am a director of the Stewartstown Railroad Company ("SRC"), and I also own 48% percent of SRC's outstanding shares, which makes me SRC's (largest principal shareholder). I have been closely associated with SRC since 1972, and have served as a director and/or shareholder since 1975. I am very familiar with the current circumstances of SRC, and the developments that have led to the current rail line abandonment proceeding before the Board.

SRC is a public corporation incorporated in the Commonwealth of Pennsylvania, owned by shareholders. SRC's rail line is a branch extending between Stewartstown and New Freedom, PA, which I understand is identified as Federal Common Carrier 729.

George Hart, a shareholder of SRC since 1970, who I considered a friend and colleague, also served as an SRC officer and director (1972-2008) during his many years of service to the railroad. In connection with his involvement in SRC's affairs, Mr. Hart advanced substantial sums to SRC between 1986 and 2007 to keep the company solvent

during difficult times. I understand that these loans are payable on demand, were secured by a lien on SRC's assets, and that SRC directors approved of the lien.

Mr. Hart passed in April of 2008. I am aware that he directed his estate (the "Estate") promptly to collect on SRC's debt, and, indeed, the estate issued a demand for payment on 12 December 2008, two and one half years ago. It is my understanding that the abandonment proceeding now before the Board has been initiated because SRC has not honored its obligations as they are specifically set forth in his will (para. 23) and lien agreement. It is also my understanding that SRC has not satisfied its obligations because it does not have liquid assets sufficient to repay its debt owed to the Estate, as well as a \$62,000 owed to the John Hope Anderson Estate, and back wages of \$13,500 owed to two former employees.

Since 1992, SRC has handled no freight traffic, and operations were limited to tourist trains excursions until April 2004, when the excursion operations ended due to unsafe track conditions. The only SRC revenues in recent years have derived primarily from car storage, sales of scrap material, a \$220/year license agreement, speeder operations fees \$400/6months, rental fees, and excursion tickets – amounting to roughly \$5,000-\$10,000 in annual revenues since 2009. Recently, SRC officers have announced plans to reactivate the railroad as a tourist excursion operation. For the last three years, however, motor cars known as "track speeders" have operated over the SRC line, and, more recently, SRC has conducted paid excursion rides in "trailer cars" that carry 8 to 10 passengers which, in my view, raise concerns about liability.

In view of SRC efforts to restore excursion tourist operations, I have become concerned about the condition of SRC's line, because FRA has not inspected the track

since 1992.¹ For this reason, I requested Brad Haines, SRC's former chief mechanical officer, track inspector, and a director of the company, to undertake an informal track inspection, and to report to me on what he saw. In his report to me on May 16, 2011 (attached hereto as Attachment 1), Mr. Haines noted a number of track defects, and he offered his opinion that SRC's track does not meet FRA Class I track safety standards. In addition, Mr. Haines recommended that an FRA inspection should be conducted promptly to determine what is needed to bring the line up to Class I condition. Subsequently, I asked Mr. Haines to review SRC's track maintenance history, and to provide an estimate to fix up the track to Class I standards. Mr. Haines did as I requested, and a copy of his assessment and estimate is appended to my statement as Attachment 2. If the line is reactivated, SRC would be required to maintain its line and any additions to it in accordance with FRA safety regulations and those of the Commonwealth of Pennsylvania.

In my view, as a long-time director of SRC, it would not be financially possible to restore the SRC line to Class I status, and to maintain it at that level to conduct safe tourist operations based primarily on the uncertainties of volunteer labor and donated materials as is currently envisioned. In fact, if SRC had a viable business plan for the railroad, I would have expected it to obtain necessary capital from individual investors or a lending institution so that SRC could restore its line to service, repay its debt to the estate, and offer to such an investor or lending institution a security interest in the very same assets that were offered as a security to Mr. Hart. But SRC has attempted instead to

¹ FRA inspected the track every 6 months from 1985 to 1992. PA PUC made an inspection in August 2000 after a safety complaint filed by the Hopewell Township. Otherwise, aside from informal track inspections prior to speeder excursions, I am aware of no track inspections of the line since 2004.

force the Estate into such a role, which, to me, is strong evidence that SRC does not have a business plan that would attract private investment.

But most importantly, I have agreed to supply a verified statement in connection with this proceeding primarily because I wish to comment on how SRC has responded, and is responding, to the Estate's demand for repayment of amounts that SRC owes to it. As should be readily apparent, SRC currently lacks the funds to be able to repay the Estate, but that does not mean that SRC is patently unable to honor its contractual obligations or that it should be avoiding its obligations as I believe it has been doing. SRC can still sell the railroad as a railroad if there are any willing buyers, and if not, it could liquidate assets (which might require SRC's acquiescence in the Estate's abandonment efforts), as I had advocated and recommended at the first SRC directors meeting on May 10, 2008, after George Hart's death.

As an SRC director, I am aware of a proposal that SRC had made over a year ago to the Estate wherein, instead of repaying SRC's debt obligations at once, SRC proposed to repay the loan amount over a period of five years. I am not surprised that the Estate rejected SRC's repayment proposal. Were I in the Estate's shoes, I would not have agreed to SRC's proposal either. And I am also not surprised to learn that SRC has not made any payments whatsoever to the Estate since the Estate made its first demand for repayment in full some two and one-half years ago. Given my experience with SRC since the cessation of freight operations in 1992, I seriously doubt that SRC would be able to restore the railroad to operation AND repay the full amount owed to the Estate in five year's time. It is worth remembering that, during the last few years of SRC's operation, SRC only managed to keep going thanks to the substantial capital infusions

that Mr. Hart supplied to the railroad in exchange for a security interest in the railroad's assets.

I am disappointed with SRC's handling of recent developments, because I don't believe that the railroad is doing right by the Estate. SRC's efforts to try to force the Estate to be a long-term creditor of the railroad is inappropriate and unfair, and it is not in keeping with the terms of SRC's debt obligations. In short, I believe that the current SRC management has made an inappropriate decision to try to "play with trains" at the expense of the Estate, and that does not sit well with me. I understand that SRC has not been able to secure third-party financing sufficient to repay the amounts owed the Estate, or that it has not tried to do so, although, given SRC's limited prospects, I presume the former to be more likely.

In my view, since third-party financing is almost certainly unavailable to SRC, the best (and, indeed the ethical) solution would be for the SRC property to be sold at fair market value to a responsible, well-managed company or person with financial resources sufficient to properly restore and operate the line, assuming such a potential buyer and interest in such a transaction exists. As I understand it, a possible result of the abandonment process would be an STB-sanctioned sale of SRC's rail assets to a third party to maintain their status as railroad property, and, frankly, I can think of no better outcome to the current situation. If no buyer materializes, then SRC must be prepared to liquidate assets as necessary to meet its debt obligations. Such an arrangement could allow the SRC right-of-way to be converted to a rail trail, which would at least preserve some of SRC's history. In any event, it is time that SRC met its obligations, and, if it

cannot, then I would not be opposed to an order from the Board permitting the abandonment of SRC's rail lines.

As additional information, SRC shareholders held a special meeting on November 24, 2009, at which time SRC's shareholders voted unanimously to sell SRC (preferably to another rail operator) to pay the corporation's debts. A copy of the resolution approving this endeavor is attached hereto as Attachment 3. SRC has been approached by third parties, aware of SRC's situation, interested in acquiring SRC's assets. None of these parties has expressed a desire to run excursions, as has been SRC's focus for several years. In addition, I understand that SRC has been offered at least one proposal under which SRC's rail line would be converted into a rail trail. None of the expressions of interest or proposals has led to an agreement for the sale of all or a portion of SRC's assets.

VERIFICATION

I, Captain Herman J. Bushman, verify under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement.

Executed on June 7, 2011 *Herman Bushman, Jr.*

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C.**

STB Docket No. AB-1071

**STEWARTSTOWN RAILROAD COMPANY
– ADVERSE ABANDONMENT –
IN YORK COUNTY, PA**

**VERIFIED STATEMENT
OF
CAPTAIN HERMAN J. BUSHMAN, JR.**

ATTACHMENT 1

May 16, 2011

Capt. Bushman,

At your request I went down to the Stewartstown Railroad to do some reconnaissance. Starting at New Freedom I drove to every public crossing and look up and down the track. I found some crossbucks missing and some others with the lettering missing or peeling. I saw no new ties put in and it looked the same as when I put the track out of service for its entire length in April of 2004. The condition of ties has deteriorated. At Keeney there was water running through the track. The only exceptions I saw was some ^{SSRS} ties put in at Baily Springs crossing just west of the enginehouse. I walked from Baily Springs to Bridge 8. The tie work went from Baily Springs to the coal bin, maybe 1/10 of mile. I counted 18 new ties put in but not spiked, 38 ties either pulled out and not replaced or dug at and not pulled out. There were numerous ties marked for replacement but nothing done. There was some work done between Baily Springs crossing and State Route 851, about 300 feet, but I didn't walk that part. In front of Stewartstown station I saw some switch timber replacement that was spiked up. You mentioned it was 6 replaced, but I didn't count so that may be correct. None of the track work was dressed up. There were holes and small piles of dirt everywhere they worked.

As far as I know the engines, 9 and 10, are still out of service. They would have to be inspected and airbrake work done and blue carded before they could be used. In my opinion the track does not meet FRA Part 213 Track Safety Standards, Subpart D - Track Structure, so even if locomotives are inspected there is no place to go.

I did this reconnaissance on May 12, 2011. I would suggest that a FRA or P.U.C. Track Inspector inspect the track to determine what is needed to bring it up to a class 1 condition.

Brad Haines

STRT Former - Chief Mechanical Officer, Track Inspector, and Director

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C.**

STB Docket No. AB-1071

**STEWARTSTOWN RAILROAD COMPANY
– ADVERSE ABANDONMENT –
IN YORK COUNTY, PA**

**VERIFIED STATEMENT
OF
CAPTAIN HERMAN J. BUSHMAN, JR.**

ATTACHMENT 2

Capt. Bushman,

1* SRK out of service
due to damage caused by Hurricane Agnes 6/29/11

A brief history of Stewartstown Railroad track maintenance. Prior to 1972 two guys did track maintenance three days a week and train service 2 days a week. No work was done between 1972 and 1984 except weed spraying. Stewartstown Railroads 7.2 miles were brought up to class 1 standards between 1984 and 1985. 4 people were hired to maintain Stewartstown's 7.2 miles and Northern Central's 18 miles of track plus do train service. Not all 4 were available all the time to work. In 1992 Northern Central's 18 miles was given up. At this time there was about 2-3 people to do track work ^{at times} about 2000 George Hart told me we were about at the end of the useful life of the ties and the railroad would need major tie replacement. I agreed with his statement. On April 12, 2004 (East ^{Run}) we had a small ^{excursion} derailment at Zeigler's switch, mile post 6.3 This was the last train movement. George ^{Hart} stated at this time we were at the end of the useful life of the ties. I agreed with this. I was the only one doing track work ^{part time} at this time since about 2002. We were putting in a lot of gauge rods instead of ties to hold gauge. I'm not sure when but not too long after the derailment I put the whole 7.2 miles of track out of service for train movements ^{due to unsafe track conditions} but not motor car movement so we could keep a presence and inspect for encroachments. * September 2007. FRA and Pa DOT were notified.

In my opinion the cost to fix up the track would be as follows;

1 mile = 5,280 feet. Replace every 3rd tie, STRT Ties are 24 inches on center = 880 ties
2,640 Ties per mile
880 Ties Delivered to railroad, \$39.40 per tie = \$34,672.00
880 Ties contractor to install, \$33.00 per tie = \$29,040.00 (this is spiked and graded)
880 Ties Remove from property \$3.00 per tie = \$2,640.00
3520 Spike (4 per tie) 70.4 Keys \$38.75 per key = \$2,728.00

Note: Does not include cost of TIE PLATES. \$69,080.00 per mile x 4 miles = \$276,320.00
x 7.2 miles = \$497,376.00

This does not include ballast at maybe \$12.00 a ton Delivered, repair of washouts at Mann & Parker and others, repair of bridges, switch timbers at \$59.30 to \$107.10 depending on length, tamping, repair of roof at Stewartstown station, Repair of roof and brick at Hugorford Station. If state money is used the price goes up due to meeting state specifications. Price does not include ditching.

Volunteer labor can not be relied upon due to the hard work of track work and the amount of training to perform the job safely.

Brad Haines

Former STRT Track Inspector

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C.**

STB Docket No. AB-1071

**STEWARTSTOWN RAILROAD COMPANY
– ADVERSE ABANDONMENT –
IN YORK COUNTY, PA**

**VERIFIED STATEMENT
OF
CAPTAIN HERMAN J. BUSHMAN, JR.**

ATTACHMENT 3

RESOLUTION STEWARTSTOWN RAILROAD COMPANY TO BE SOLD

WHEREAS, in a letter dated December 12, 2008 the Estate Attorney for George M. Hart made a formal demand for payment of \$352,415 of the judgment currently held by the Estate against the Railroad.

WHEREAS, the will of George M. Hart is very rigid in specifically instructing the EXECUTOR of his Estate to return a sum of \$352,415 owed him by the Railroad to his Estate.

WHEREAS, failure to discharge the judgment note (Lien) and instructions to his EXECUTOR on or before January 31, 2010, it will be necessary for the Estate to foreclose and sell the Railroad assets.

WHEREAS, in view of the foregoing, and for all practical purpose the Railroad is insolvent, it deems to be in the best interests of the Corporation and its shareholders that Stewartstown Railroad Company, a Pennsylvania corporation be sold, it is:

RESOLVED, that it is recommended that the Corporation be sold:

RESOLVED, that the question of selling the Corporation is to be submitted to a vote at the shareholders special meeting held this date November 24, 2009 at 1:30 P.M. at the company station and office in Stewartstown, Pennsylvania.

RESOLVED, that the secretary of the Corporation has given written notice of the special shareholders meeting, stating that the main purpose of the meeting is to consider selling the assets of the Corporation, to each member of record and entitled to vote on the selling of the Corporation.

RESOLVED, that the following plan of selling the Corporation is adopted for the assembly and marshalling of the assets of the Corporation, the paying of all known debts and liabilities, and the distribution of the remaining assets.

PLAN OF SELLING THE CORPORATION

- 1. The Corporation shall first pay and discharge all liabilities and obligations of the Corporation.**
- 2. The (officers) of the Corporation are authorized to sell any or all corporate assets on the terms and conditions based on a recent appraised Fair Market Value, and for the consideration that the officers deem reasonable or expedient, and to execute any instruments necessary to transfer title to these assets.**
- 3. After the provision for or the payment of the known debts and liabilities of the corporation, the officers of the corporation are authorized and directed to distribute the remaining assets of the corporation to the shareholders by distributing to each shareholder of record an amount of cash equal to the proportion that the shares owned by the shareholder bears to the total issued and outstanding shares of the corporation to the complete satisfaction of the rights of each shareholder.**
- 4. The officers of the corporation are authorized to perform whatever acts and to take whatever steps may be necessary or convenient to affect these resolutions.**
- 5. The officers of the corporation are authorized and directed to take appropriate measures to obtain the shareholders approval of the plan of selling all assets authorized in this resolution by obtaining either the affirmative votes of at least a majority of all the shareholders entitled to vote on the plan or by obtaining the written consent of all of the shareholders to the plan.**

The shareholders of this corporation duly adopted this Resolution on the day of

29th of November 2009 *HAB*

Secretary

**INVITATION FOR PROPOSALS TO PURCHASE THE
STEWARTSTOWN RAILROAD**

*located in Stewartstown, York County, Pennsylvania
(south central Pennsylvania, approximately midway between
York, Pennsylvania and Baltimore, Maryland)*

The Board of Directors of the Stewartstown Railroad Company is seeking proposals from individuals or entities interested in purchasing the Stewartstown Railroad for the purpose of preservation and operation. It is not the intent of the Board of Directors or the Shareholders of the Company to scrap the railroad or to abandon it.

After much consideration, the Board has decided that it may be in the best interest of the shareholders and of the railroad itself to put the railroad into the hands of an individual or entity with sufficient resources to restore the railroad to operation on a prompt time frame. The sale would include the railroad's real properties and track from New Freedom, PA to Stewartstown, PA, locomotives #9 and #10, structures including two stations and enginehouse, and all tools, equipment, maintenance parts, tie, rail and track material inventories on hand. At the present time, the corporate archives and records, and the corporation itself, are not for sale. We are also not considering the sale of individual assets or the donation of the railroad at this time. Individuals or entities wishing further details or to submit a written proposal should contact:

Ms. Renée Bitten, Corporate Secretary
Stewartstown Railroad Company
P.O. Box 155
Stewartstown, PA 17363.
or e-mail Ms. Bitten at: ken@classicrail.com

By Order of the Board of Directors
Renée Bitten, Corporate Secretary
Stewartstown, Pennsylvania

December 31, 2009

Exhibit

J

Miscellaneous track maintenance equipment

Loaned equipment:

Flatcar MPA #127 (non-interchange company service)

Miscellaneous track maintenance equipment

Leased equipment:

None

Request No. 19. In its Reply at page 5, SRC refers to ongoing “operating revenues.” What were SRC’s operating revenues in each of calendar years 2008-2010, and from what operations did such revenues derive?

Response: See Appendix p. 197-203.

Request No. 20. Provide the current condition of all at-grade rail-highway crossings along SRC’s line, along with any correspondence to or from the Pennsylvania Public Utilities Commission and/or the Pennsylvania Department of Transportation regarding these crossings and their upkeep.

Response: See Appendix pp. 204 - 284.

Request No. 22. When were the railroad bridges along SRC’s line last inspected, and, at that time, in what condition were the bridges reported to be? In that regard:

- (a) Provide the most recent bridge inspection report or any similar such document reporting on the then condition of each bridge inspected.
- (b) Describe SRC’s current bridge inspection and maintenance program.
- (c) If not inspected and reported on since prior to January 1, 2008, please provide an estimate of each bridge’s current condition, the type and costs of any repairs that are expected to be necessary to restore each such bridge to service, as well as the basis for your assessment and conclusions.

McCormick, Susan L.

From: ejb4433@comcast.net
Sent: Wednesday, June 15, 2011 6:19 PM
To: McCormick, Susan L.
Subject: Fwd: Stewartstown Railroad grade crossing protection

No. 20

----- Forwarded Message -----

From: "Ahmed Lasloudji" <alasloudji@state.pa.us>
To: ejb4433@comcast.net
Cc: dmw280@gmail.com, fairmontdave@gmail.com
Sent: Thursday, January 27, 2011 9:03:23 AM
Subject: RE: Stewartstown Railroad grade crossing protection

Eric,

I am not aware of any funding for railroad signage. The safety funding are provided to addresse crossings that meet the FRA criteria and generally speaking must be in top 25% of the FRA list. I would recommend to provide PennDOT what crossings you think are good candidates to be addressed and see if there will be eligible for Federal monies. Further, please see below an answer to the same request made by Dave Watson to PUC. Greg Vaughn who handles the safety projects in our Central Office gave the following answer:

From: Vaughn, Gregory
Sent: Monday, January 24, 2011 11:51 AM
To: 'Dave Watson'
Cc: Hubbard, Jack W; Lasloudji, Ahmed; Bender, Rodney
Subject: RE: Crossing Improvement Grants - STRT

Dave--

Unfortunately, none of the Stewartstown crossings qualify for Federal Rail Safety Funds. The state Bureau of Rail Freight has a grant program available to shortline railroads, but I don't know their exact criteria.

If you go to the Bureau's rail grant page, <http://www.dot.state.pa.us/Internet/Bureaus/pdBRF.nsf/RailFreightHomepage?openframeset&Frame=main&src=infoGrantProgram?readform>, you might get some answers. They also have contact information for the bureau.

Greg

Gregory J. Vaughn | Grade Crossing Engineer
PA Department of Transportation
Bureau of Design | Grade Crossing Unit
400 North Street | 7th Floor | Harrisburg, PA 17120-0094
Phone: 717.772.3079 | Fax: 717.705.2380

Exhibit

K

(b) If not, what portions of SRC's rail line (identified by milepost boundaries) are in FRA Class I condition or better, and what portions of SRC's rail line (identified by milepost boundaries) require repair or rehabilitation to meet minimum Class I track safety standards?

Response: SRC is not currently in operating condition and is, therefore, not required to perform line inspections. The exact portions of the line that are in FRA Class 1 condition or better or, alternatively, the portions that require repair or rehabilitation to meet minimum Class 1 track safety standards are, therefore, unknown.

note 14
note 15

Request No. 4. Provide all track inspection reports, track maintenance reports, track repair estimates, and any other documents in SRC's possession that discuss the condition of SRC's rail line since January 1, 2008.

Response: No track inspection reports have been produced since January 1, 2008. The remaining documents responsive to this request are contained in the Appendix, pp. 17 - 26.

Request No. 5. Beginning with calendar year 2008 through this year, provide SRC's track maintenance budget and actual track maintenance expenditures, including the amounts expended in each calendar year, the type of work performed and/or expected to be performed, and the location (according to milepost boundaries) of the maintenance performed.

Response: Until Mr. Hart's passing in 2008, SRC's track maintenance budget and actual track maintenance expenditures were under his control. Therefore, to the knowledge of current SRC management, there was no specific budget projected and little, if any, work performed under his administration following the cessation of rail operations at his direction in 2004. Mr. Hart at times, in fact, actively prevented other corporate officers and shareholders from attempting maintenance and repairs of the rail line during this time period.

Following Mr. Hart's passing and the reorganization of the Company, repairs were initially begun with material on hand, and there were no cash expenditures for track materials and related materials in 2008 and 2009. Vegetation control was performed in 2008 and 2009 using donated materials, tools and labor. All labor during this time period was performed with volunteers, and there are no labor expenses or contractor payments. SRC has also located a source of donated ties.

note 15

March 29, 2011

**Stewartstown Railroad
Attn: Eric Bickleman**

Dear Eric:

We are pleased to supply you with a quotation for the proposed railroad crossing improvements in Stewartstown.

H & H will supply all labor, tools, equipment, and materials to do the following work:

- 1. Remove and dispose of existing wooden timbers and asphalt.**
- 2. Re-spike existing rails to gauge.**
- 3. Install guard rails provided by railroad.**
- 4. Provide and install 5 ½" compacted layer of new asphalt in place of old timbers.**
- 5. Seal all edges with AC-20 hot tar.**

Note 1: Keep one lane of traffic open during this project.

Note 2: The cost of asphalt paving is based on the state asphalt index of \$500 per ton. The cost of asphalt paving will be subject to increase or decrease based on the state index at the time of placement.

Total cost to be \$6,500

Proposal accepted by _____

Thank you for the opportunity of quoting this project. If you have any questions, please feel free to call me at 717-225-6981 or 717-600-5817.

Sincerely,

Scott Pentz

Exhibit

L

Miscellaneous track maintenance equipment

Loaned equipment:

Flatcar MPA #127 (non-interchange company service)

Miscellaneous track maintenance equipment

Leased equipment:

None

Request No. 19. In its Reply at page 5, SRC refers to ongoing “operating revenues.” What were SRC’s operating revenues in each of calendar years 2008-2010, and from what operations did such revenues derive?

Response: See Appendix p. 197-203.

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- (b) Describe SRC’s current bridge inspection and maintenance program.
- (c) If not inspected and reported on since prior to January 1, 2008, please provide an estimate of each bridge’s current condition, the type and costs of any repairs that are expected to be necessary to restore each such bridge to service, as well as the basis for your assessment and conclusions.

Request #5

		2008	2009	2010	2011 Y-T-Date Through May	2011 Budget
Ballast	Rip Rap for erosion control and 2 inch stone	\$0.00	\$0.00	\$417.98	\$0.00	\$1,000.00
Contractors		\$0.00	\$0.00	\$300.00	\$0.00	\$1,500.00
Equipment Rental	Air Compressor, Backhoe, Etc.	\$0.00	\$0.00	\$76.32	\$0.00	\$250.00
In Bound Freight		\$0.00	\$0.00	\$320.28	\$0.00	\$500.00
Maintenance of Way Equipment Repairs		\$0.00	\$0.00	\$288.28	\$0.00	\$300.00
Other Track Material	Spikes, Joint bars, Gauge Rods, Tie Plates	\$0.00	\$0.00	\$3,057.00	\$0.00	\$1,000.00
Rail		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Ties, Track, Wood		\$0.00	\$0.00	\$333.11	\$0.00	\$2,000.00
Vegetation Control		\$0.00	\$0.00	\$1,500.00	\$0.00	\$1,750.00
		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total		\$0.00	\$0.00	\$6,482.36	\$0.00	\$8,500.00

In 2008 and 2009, we did track repairs using materials on hand
 In 2010, we began to run out of gauge rods, tie plates and spikes and began purchasing additional track materials.
 In 2010, we only purchased switch and bridge ties.
 In 2010, we received donation of NEW 7" X 9" X 8' hardwood, treated crossies from Koppers Corp., Muncy, PA
 In 2011, we understand that crossie needs will once again be met by donations from Koppers, and sawmill in Fellston, MD.
 Vegetation control in 2008 and 2009 was done using donated materials, tools and labor
 Vegetation control in 2011 will be done using donated materials and spray truck from Woolaver Bros. Trucking Company, Inc. Muncy, PA
 These figures do not reflect value of volunteer labor and loaned equipment, both of which are substantial.
 Substantial inventory of RAIL is in stock and the railroad can be returned to FRA Class I without purchase of additional rail
 Substantial inventory of turnout parts are in stock and the railroad can be returned to FRA Class I without purchase of turnout parts
 Cross tie purchases for 2011 will be for turnout and bridge timbers only as we will use NEW, grade, treated timbers for these critical pieces
 NEW turnout and bridge timbers may also be available from Koppers, we are still working on this issue.

REQUEST #19

	2008	2009	2010
Crossing Repair Escrow from Stewartstown Boro	\$325.00	\$0.00	\$0.00
Northern Central Railcars NARCOA runs	\$720.00	\$750.00	\$750.00
License Agreements/Right-of-Way	\$1,110.00	\$222.00	\$222.00
Miscellaneous	\$832.75	\$1,090.28	\$0.00
Rent-Equipment	\$250.00	\$0.00	\$0.00
Rent-School Bus Shelter	\$0.00	\$300.00	\$400.00
Rent-Equipment Storage	\$1,345.00	\$2,100.00	\$8,900.00
Rent-Enginehouse Sign	\$1,000.00	\$1,000.00	\$1,000.00
Rent-Hungerford Station Lease	\$0.00	\$233.33	\$0.00
Sales-Equipment	\$150.00	\$0.00	\$0.00
Sales-Scrap	\$368.45	\$80.00	\$0.00
Sales-Excursion Tickets	\$0.00	\$0.00	\$665.00
Track Repair from Insurance Company (MP 1 and Hungerford)	\$900.00	\$0.00	\$3,926.57
Total	\$7,001.20	\$5,783.61	\$16,863.57

REQUEST #18 Equipment Owned, Leased and on Loan To Stewartstown Railroad Company 4.30.2011

LOCOMOTIVES

NONE

RAILROAD EQUIPMENT

Locomotive #9	Plymouth 35-ton gasoline mechanical, Construction Number 4480, Built 5/1943
Locomotive #10	General Electric 44-ton diesel-electric, Construction Number 28503, Built 8/1946
Track Motor Car	Fairbanks-Morse Model 50
Flat Car	Four-wheel, steel frame, wood deck, 6,000 lbs. capacity
Flat Car #80989	Eight-wheel, steel frame, wood deck, 30 feet, air brakes
Passenger Coach #795	Ex-Reading Company Company MU Trailer #783
Passenger Coach #1158	Ex-Reading Company Company Commuter Coach #1158
Passenger Coach #1803	Ex-CNU RR Company Commuter Coach #1803
Passenger Coach #1341	Ex-Reading Company Commuter Coach #1341

RAILROAD EQUIPMENT

Caboose #	Ex-Reading Company Caboose # _____, Class _____ (Refer)	(Phx)
Caboose #	Ex-Pennsylvania Railroad Company # _____, Class _____	(Williamson)
Fairmont A-B-B Track motor car #880	diesel, air brakes, full cab	(Williamson)
Fairmont A-D Track motor Car #5700-08	gasoline, hand brakes, standard cab	(Williamson)
Railway Track Work Company Tie Crane #7M-2105		(Williamson)
Schramm Pneumotractor Model S-250-0 with rail wheels		(Williamson)
DMVX #5	Tool car, six-wheel, steel construction	(Williamson)
DMVX #7	Flat car, four-wheel, steel frame, wood deck, 20,000 lbs. capacity	(Williamson)
DMVX #10	Flat car, four-wheel, all-steel, 30,000 lbs. capacity	(Williamson)
DMVX #11	Flat car, four-wheel, all-steel, 34,000 lbs. capacity, tie service	(Williamson)
DMVX #12	Ballast car, four-wheel, all-steel, 34,000 lbs. capacity, stone service	(Williamson)
Flatcar #MFA 127	Eight-wheel, steel frame, wood deck, 40-foot, air brakes	(Williamson)
Flatcar #8	Flat Car, four-wheel, steel frame, wood deck, 20,000 lbs.	(Friends of the SEPT RR)
Car #1	Open-air excursion car reboots and roof, eight-wheel, steel frame	(Friends of the SEPT RR)
Car #2	Open-air excursion car reboots and roof, eight-wheel, steel frame	(Friends of the SEPT RR)

Exhibit

M

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

STB Docket No. AB-1071

**STEWARTSTOWN RAILROAD COMPANY
– ADVERSE ABANDONMENT –
IN YORK COUNTY, PA**

ENVIRONMENTAL AND HISTORIC REPORT

**Keith G. O'Brien
Robert A. Wimbish
BAKER & MILLER PLLC
2401 Pennsylvania Ave., NW
Suite 300
Washington, DC 20037
Tel: (202) 663-7852
kobrien@bakerandmiller.com**

May 5, 2011

Attorneys for the Estate of George M. Hart

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

STB Docket No. AB-1071

**STEWARTSTOWN RAILROAD COMPANY
– ADVERSE ABANDONMENT –
IN YORK COUNTY, PA**

ENVIRONMENTAL AND HISTORIC REPORT

On or about June 10th, the Estate of George M. Hart (the “Estate”) intends to file for authority to permit the “adverse” abandonment of the entire 7.4-mile rail line of the Stewartstown Railroad Company (“SRC”) extending between milepost 0.0 at New Freedom, PA, and milepost 7.4 at Stewartstown, PA. In accordance with the procedures set forth in 49 C.F.R. §§ 1105.7 and 1105.8, the Estate is required to submit the following consolidated Environmental and Historic Report (“E&HR” or “Report”).

ENVIRONMENTAL REPORT

(1) PROPOSED ACTION AND ALTERNATIVES.

Describe the proposed action, including commodities transported, the planned disposition (if any) of any rail line and other structures that may be involved, and any possible changes in current operations or maintenance practices. Also describe any reasonable alternatives to the proposed action. Include a readable, detailed map and drawings clearly delineating the project.

The Estate proposes to obtain Board authority to permit the “adverse” abandonment of the entire 7.4-mile rail line of the Stewartstown Railroad Company (“SRC”) extending between milepost 0.0 at New Freedom, PA, and milepost 7.4 at Stewartstown, PA in York County, PA (the “Line”). A map depicting the location of the proposed rail line abandonment is attached as Exhibit 1. Upon obtaining authority for abandonment of the Line, the Estate, subject to appropriate process of Pennsylvania law, will foreclose upon the Line and, if necessary to satisfy the Estate’s financial stake in the rail property, may salvage the Line’s track and track material, and dispose of the real Estate.¹

¹ The Estate would prefer, if at all possible, to have the foreclosed-upon SRC assets sold at fair market value to an interested third party with plans to preserve the Line for railroad purposes. If such an objective can be achieved, then the requested abandonment authority would merely facilitate the transfer of rail asset ownership for cash, and would allow the proceeds of such an asset sale to be distributed as appropriate to the Estate, other SRC creditors, and to SRC. At this

Upon information and belief, the Estate understands that SRC has not conducted freight common carrier operations over the Line since about 1992; therefore, it is unlikely that the transaction will have any effect on common carrier service.² According to Mr. David C. Hart, Manager of Bureau of Transportation & Safety, Pennsylvania Public Utility Commission (PA PUC) abandonment, salvage of the Line (if it proves to be necessary) would eliminate 31 public at-grade rail-highway crossings, and an unknown number of private crossings.

As stated above, upon obtaining the requested abandonment authority, the Estate will foreclose upon the Line in accordance with Pennsylvania law, seek to have the SRC assets sold to an interested buyer, or, if need be, to salvage rail and track material (such as tie plates, fasteners, and crossties) to the extent necessary to satisfy SRC's unpaid debt obligations. The Estate does not intend as part of any salvage activity to disturb the sub grade or sub grade structures, and therefore will not engage in any excavation activity.

Upon information and belief, the Estate understands that SRC last operated freight service in 1992 and, with the exception of the occasional track speeder outing mentioned above, suspended recreational passenger excursion operations in 2004. The Estate understands that SRC has since struggled to achieve its objective of restoring the Line to service for purposes other than track speeder operations.³ The Estate does not believe that the Line's track is in adequate condition at this time to safely handle conventional passenger or freight train operations, but the Estate does not intend to rely on this issue of the Line's physical condition as justification for abandonment, because other, more salient facts that the Estate will present into evidence in its application will be sufficient to demonstrate that abandonment is warranted.

SRC's debt to the Estate (for loans extended by Mr. Hart) is evidenced by a promissory note from SRC payable to George M. Hart dated January 28, 2006. The debt is secured by a first mortgage given to Mr. Hart in 1996 in the amount of \$289,702.31 (which was the amount owed by SRC to Mr. Hart at that time). The mortgage, which was recorded with the York County Recorder of Deeds, covers all property owned by SRC (including the Line). The January 2006 note was entered as a judgment against SRC in York County, PA, in March 2006 in the amount of \$352,415. Under Pennsylvania law, a judgment is a lien on all real estate owned by the

time, it is not clear if there is any third party that – (1) has such an interest in the SRC's rail assets; and (2) possesses the funds necessary to undertake such an asset purchase.

² On information and belief, the Estate understands that, following the cessation of freight common carrier operations in roughly 1992, SRC operated occasional passenger excursion trains on the Line with conventional equipment until about 2004. SRC has contended in this proceeding that it has as recently as 2010 hosted certain railroad-related "operations" over a portion of its Line. The Estate has reason to believe, however, that such "operations" have nothing to do with the provision of freight common carrier service or even the provision of passenger excursion trains with conventional equipment, but instead consist merely of hosting a private, recreational "track speeder" group that periodically uses SRC tracks for the purposes of track speeder outings. See the website of the North American Railcar Operators Association website at <http://www.narcoa.org/excursions/2010trips.html>.

³ Again on information and belief, the Estate understands that SRC's chief objective is to raise money through private donations and grants to be able to reinstate conventional passenger excursion service over the Line.

judgment debtor (including the Line). Therefore, the estate is a secured creditor with respect to the Line.

George M. Hart died April 17, 2008. His will was probated with the Register of Wills of Carbon County, PA, and John W. Willever was appointed as executor of the Estate. The will directs the executor to collect the debt owed to the Estate by SRC. In addition to the \$352,415, the Estate may also have a valid legal claim against SRC for post-judgment interest from March 2006 to the present time, as well as for the costs incurred in pursuing the subject abandonment.

SRC's debt obligations are now fully due and owing to the Estate, and have been for a few years. Evidently due to SRC's near to total lack of revenues and cash reserves, the Estate has found SRC unable, or at least unwilling, to fulfill its debt obligations in whole or in part. The Estate has not received any debt repayment funds at all from SRC since the Estate issued its demand for debt repayment in late 2008 or early 2009. In short, SRC has been unable or unwilling to abide by the specific terms of the subject debt instrument, which requires SRC to repay its debts to the Estate immediately upon demand.

Furthermore, the Estate has good reason to believe that the Line has virtually no realistic prospect in the near term of becoming an outlet for rail-borne interstate commerce. The stub-ended Line connects at milepost 0.0 with the Northern Central Railway ("NCR") at New Freedom, and, as is shown on the map attached hereto as Exhibit 1, the NCR line serves as SRC's only connection to the interstate rail network. But the NCR property – owned by York County, PA – also has been out of service for several years, and the Estate is not aware of any ongoing efforts by York County or a third party working in cooperation with York County to restore the NCR line to service and to resume freight common carrier operations. For these reasons, even assuming that SRC's Line is in (or could be returned to) a condition to handle revenue freight traffic, the railroad lacks, and likely will continue to lack, a viable freight outlet.

Under the circumstances, the Estate has no choice but to file an application for the "adverse" abandonment of the SRC's Line in order that Estate can, subject to appropriate processes under Pennsylvania law, foreclose upon SRC's rail assets and arrange for their sale or liquidation to the extent necessary to satisfy SRC's debt obligations.

For the reasons discussed above, the proposed abandonment would have no impact upon any existing freight commodity flows. Also, to the extent that any portion of the Line must be liquidated to satisfy SRC's debt obligations to the Estate, the Estate intends to target only track and track material, and it has specifically determined *not to undertake the salvage or removal of any lineside structures (such as train stations), bridges or culverts.*

Finally, in the Estate's view, the only alternatives to the Line's abandonment would be for – (1) the Estate not to seek to abandon the Line (which, under the circumstances present here would be contrary to the directives of Mr. Hart's will); (2) the Estate to explore a longer-term debt repayment arrangement with SRC that might forestall or eliminate the need to abandon the Line (an arrangement that is both contrary to the Estate's mandate under Mr. Hart's will to conclude collection of such debts promptly and to end its current status as a creditor, and one that would also be irresponsible, in light of SRC's demonstrated inability to make even a partial repayment of its debt to date); and (3) SRC to locate a third party that would be willing to purchase the Estate's interest in the Line (specifically, the mortgage and judgment lien) in satisfaction of SRC's debt to the Estate. The Estate does not regard alternatives 1 and 2 to be

acceptable options, because they are at odds with the Estate's mandate under Mr. Hart's will. On the other hand, option 3, and variations of it, would be quite appealing to the Estate, but it has not been approached by an interested third party with the demonstrated resources to purchase the Estate's interest in the Line for cash up front.

(2) TRANSPORTATION SYSTEM

Describe the effects of the proposed action on regional or local transportation systems and patterns. Estimate the amount of traffic (passenger or freight) that will be diverted to other transportation systems or modes as a result of the proposed action.

There has not been any freight traffic on the Line since freight service was suspended in about 1992. Accordingly, the proposed abandonment should have no adverse effects on regional or local transportation systems and patterns. The elimination of at-grade crossings, which would result from the proposed abandonment and resultant salvage of the Line, should improve local roadway traffic conditions.

(3) LAND USE

- (i) Based on consultation with local and/or regional planning agencies and/or a review of the official planning documents prepared by such agencies, state whether the proposed action is consistent with existing land use plans. Describe any inconsistencies.**

The Estate believes that the proposed abandonment is consistent with, and would promote, existing land use plans. The land adjoining the Line is rural, and at times agricultural, residential and forested in character.

By letters dated May 5, 2011, copies of this Report have been mailed to the appropriate local and state agencies, including York County, PA, and the heads of Stewartstown Borough, Hopewell Township, Shewsbury Township, Shrewsbury Borough, and New Freedom Borough) for their information and comment. See E&HR Consultation Letter Example and Service List, attached as Exhibit 2.

- (ii) Based on consultation with the U.S. Soil Conservation Service, state the effect of the proposed action on any prime agricultural land.**

The Estate believes that no prime agricultural land would be affected by the proposed abandonment. As indicated above, the land through which the Line traverses is predominantly rural. Nevertheless, the Estate has notified the United States Department of Agriculture ("USDA") - NRCS of the proposed abandonment by letter dated May 5, 2011 (to which letter this Report was appended), and has requested assistance in identifying any potential effects on prime agricultural land. See E&HR Consultation Letter Example and Service List - Exhibit 2.

- (iii) If the action affects land or water uses within a designated coastal zone, include the coastal zone information required by 1105.9:**

The Estate believes that no part of the Line traverses a designated Pennsylvania coastal zone. In its effort to comply with the requirements of section 1105.9, the Estate has contacted

the Pennsylvania Department of Environmental Protection, Coastal Resources Management Program ("PA-CRMP") on this issue, and spoke to PA-CRMP's Gary Obleski on April 28, 2011. According to Mr. Obleski, the Line is not located within a designated coastal zone. Nevertheless, out of an abundance of caution, and in the interest of compliance with section 1105.9, the Estate has served a copy of this Report on PA-CRMP by letter dated May 5, 2011.

- (iv) **If the proposed action is an abandonment, state whether or not the right-of-way is suitable for alternative public use under 49 U.S.C. § 10905 and explain why.**

The Estate believes that the Line could be suitable for alternate public use. For example, following issuance of the requested abandonment authority, the Line's rail assets could be sold to a public entity wishing to preserve the Line for possible future freight and/or passenger rail service. Alternatively, assuming the Estate has no choice but to salvage some or all of the Line's track and track material to recoup the amounts SRC owes to it, the land comprising the Line's right-of-way could be well-suited for use as a recreational trail, which could promote tourism in the area between Stewartstown and New Freedom and, more generally, in York County, PA.

(4) **ENERGY**

- (i) **Describe the effect of the proposed action on transportation of energy resources.**

The proposed abandonment will have no effect on the transportation of energy resources.

- (ii) **Describe the effect of the proposed action on recyclable commodities.**

The proposed abandonment will have no effect on the transportation of recyclable commodities.

- (iii) **State whether the proposed action will result in an increase or decrease in overall energy efficiency and explain why.**

The proposed abandonment will have no effect on overall energy efficiency.

- (iv) **If the proposed action will cause diversions from rail to motor carriage of more than:**

(A) **1,000 rail carloads a year; or**

(B) **An average of 50 rail carloads per mile per year for any part of the affected line, quantify the resulting net change in energy consumption and show the data and methodology used to arrive at the figure given.**

Neither of the above thresholds would be exceeded. There has been no freight service on the Line since about 1992.

(5) AIR

(i) If the proposed action will result in either:

- (A) An increase in rail traffic of at least 100 percent (measured in gross ton miles annually) or an increase of at least eight trains a day on any segment of rail line affected by the proposal , or**
- (B) An increase in rail yard activity of at least 100 percent (measured by carload activity), or**
- (C) An average increase in truck traffic of more than 10 percent of the average daily traffic or 50 vehicles a day on any affected road segment, quantify the anticipated effect on air emissions. For a proposal under 49 U.S.C. § 10901 (or § 10505) to construct a new line or reinstitute service over a previously abandoned line, only the eight train a day provision in sub-section (5)(i)(A) will apply.**

The above thresholds will not be exceeded.

(ii) If the proposed action affects a class I or non-attainment area under the Clean Air Act, and will result in either:

- (A) An increase in rail traffic or at least 50 percent (measured in gross ton miles annually) or an increase of at least three trains a day on any segment of rail line,**
- (B) An increase in rail yard activity of at least 20 percent (measured by carload activity), or**
- (C) An average increase in truck traffic of more than 10 percent of the average daily traffic or 50 vehicles a day on a given road segment, the state whether any expected increased emissions are within the parameters established by the State Implementation Plan. However, for a rail construction 49 U.S.C. § 10901(or 49 U.S.C. § 10505), or a case involving the reinstitution of service over a previously abandoned line, only the three train a day threshold in this item shall apply.**

Based upon 40 C.F.R. § 81.339, the Estate believes that York County is a designated non-attainment area. However, the above thresholds will not be exceeded.

- (iii) If transportation of ozone depleting materials (such as nitrogen oxide and freon) is contemplated, identify: the materials and quantity; the frequency of service; safety practices (including any speed restrictions); the applicant's safety record (to the extent available) on derailments, accidents and spills, contingency plans to deal with accidental spills; and the likelihood of an accidental release of ozone depleting materials in the event of a collision or derailment.**

Not applicable.

(6) NOISE

If any of the thresholds identified in item (5)(i) of this section are surpassed, state whether the proposed action will cause:

- (i) An incremental increase in noise levels of three decibels Ldn or more; or**
- (ii) An increase to a noise level of 65 decibels Ldn or greater. If so, identify sensitive receptors (e.g., schools, libraries, hospitals, residences, retirement communities, and nursing homes) in the project area, and quantify the noise increase for these receptors if the thresholds are surpassed.**

None of the thresholds in item 5(i) of this section will be exceeded.

(7) SAFETY

- (i) Describe any effects of the proposed action on public health and safety (including vehicle delay time at railroad grade crossings).**

With the possible exception of an occasional track speeder excursion over portions of the Line, the Estate understands that the Line has been out of service since 2004. The proposed abandonment is not expected to have any material adverse effect on public health and safety. If the abandonment is granted and the Line is salvaged, the track salvage would result in the closure of approximately 31 public road crossings and additional private crossings.

- (ii) If hazardous materials are expected to be transported, identify: the materials and quantity; the frequency of service; whether chemicals are being transported that, if mixed, could react to form more hazardous compounds; safety practices (including any speed restrictions); the applicant's safety record (to the extent available) on derailments, accidents and hazardous spills; the contingency plans to deal with accidental spills; and the likelihood of an accidental release of hazardous materials.**

There has not been any freight service on the line since about 1992. The proposed abandonment would, of course, foreclose the possibility of future transportation of hazardous materials over the Line.

- (iii) If there are any known hazardous waste sites or sites where there have been known hazardous materials spills on the right-of-way; identify the location of those sites and the types of hazardous materials involved.**

The estate is not aware of any known hazardous waste sites or sites where there have been known hazardous materials spills on the Line.

(8) BIOLOGICAL RESOURCES

- (i) Based on consultation with the U.S. Fish and Wildlife Service, state whether the proposed action is likely to adversely affect endangered or threatened species or areas designated as a critical habitat, and if so, describe the effects.**

The Estate does not believe that the proposed action is likely to adversely affect endangered or threatened species or areas designated as a critical habitat. The Estate has notified both the regional and local offices of the U.S. Fish and Wildlife Service ("USF&W") of the proposed abandonment by letter dated May 5, 2011, and has requested assistance in determining whether the proposed abandonment will adversely affect endangered or threatened species or areas designated as a critical habitat. A copy of this Report was attached to the letter sent to USF&W. See E&HR Consultation Letter Example and Service List - Exhibit 2.

(ii) State whether wildlife sanctuaries or refuges, National or State parks or forests will be affected, and describe any effects.

The Estate is unaware of any wildlife sanctuaries or refuges, National or State parks or forests that would be adversely affected by the proposed abandonment. Nevertheless, the Estate has notified the National Parks Service ("NPS") of the proposed abandonment by letter dated May 5, 2011, requesting assistance in identifying any potential effects on wildlife sanctuaries or refuges, National or State parks or Forests. A copy of this Report was attached to the letter sent to NPS. See E&HR Consultation Letter Example and Service List - Exhibit 2.

(9) WATER

(i) Based on consultation with State water quality officials, state whether the proposed action is consistent with applicable Federal, State or local water quality standards. Describe any inconsistencies.

The Estate is confident that the proposed abandonment will be consistent with applicable water quality standards. The Line traverses Ebaughs Creek, Deer Creek, and Codurus Creek, all of which are depicted on a topographic map attached hereto (see Exhibit 3). However, *the Estate does not intend to undertake any salvage of track and/or track material within or immediately adjacent to any of these watercourses.* In connection with this issue, Estate has contacted the Pennsylvania Department of Environmental Protection ("PADEP") and the United States Environmental Protection Agency ("USEPA") by letters dated May 5, 2011. A copy of this Report (along with the maps) was attached to the letter. See E&HR Consultation Letter Example and Service List - Exhibit 2.

(ii) Based on consultation with the U.S. Army Corps of Engineers, state whether permits under section 404 of the Clean Water Act (33 U.S.C. § 1344) are required for the proposed action and whether any designated wetlands or 100-year flood plains will be affected. Describe the effects.

The Estate believes that – (1) no permits under section 404 of the Clean Water Act will be required for the proposed abandonment, and (2) no designated wetlands or 100-year flood plains will be affected. If, following Board-issuance of the requested abandonment authority, it is necessary to effectuate salvage of any track and/or track material along the Line, such salvage activities will be accomplished by use of the right-of-way for access, along with existing public and private crossings. No new access roads are contemplated. The Estate does not intend to disturb any of the underlying roadbed or to perform any activities that would cause sedimentation or erosion of the soil, and does not anticipate any dredging or use of fill in the removal of the track material. The crossties (if salvaged) and/or other debris will be transported

away from the Line, and will not be discarded along the right-of-way; they will not be placed or left in streams or wetlands, or along the banks of such waterways. Also, during track removal, appropriate measures will be implemented to prevent or control spills from fuels, lubricants or any other pollutant materials from entering any waterways. Finally, if track and track material salvage are necessary, the Estate believes that it may not be necessary for it to salvage all of the track and track material to recoup the amount of the debt SRC owes to the Estate. Accordingly, the Estate would first target the track and track material not in or immediately adjacent to wetlands and watercourses. For these reasons, the Estate believes that a permit under Section 404 of the Clean Water Act will not be required.

The Estate has contacted the U.S. Army Corps of Engineers – Carlisle Regulatory Field Office, and the U.S. Army Corps of Engineers Baltimore District (York, Pennsylvania’s Regional Office) by letters dated May 5, 2011. A copy of this Report was attached to each letter. See E&HR Consultation Letter Example and Service List - Exhibit 2.

(iii) State whether permits under section 402 of the Clean Water Act (33 U.S.C. § 1342) are required for the proposed action.

For the reasons set forth in response to items 9(i)-(ii), the Estate believes that no permit under section 402 of the Clean Water Act would be required for the abandonment. The Estate has contacted the PADEP and the USEPA regarding this item by letters dated May 5, 2011, and has requested assistance in identifying any potential water quality impacts (based on applicable water quality standards) and in determining whether the proposed abandonment is consistent with such federal, state, or local standards. A copy of this Report was attached to each letter. See E&HR Consultation Letter Example and Service List - Exhibit 2.

(10) PROPOSED MITIGATION

Describe any actions that are proposed to mitigate adverse environmental impacts, indicating why the proposed mitigation is appropriate.

The Estate does not expect any adverse environmental impact from the proposed abandonment and, therefore, mitigating action is unnecessary. The Estate will, of course, cooperate in any further evaluation of proposed remedial/mitigation actions which interested federal, state, and/or local agencies may recommend to the Board.

(11) ADDITIONAL INFORMATION FOR RAIL CONSTRUCTIONS

Not applicable.

HISTORIC REPORT

49 CFR 1105.8(d):

- (1) A.U.S.G.S. topographic map (or alternate map drawn to scale and sufficiently detailed to show buildings and other structures in the vicinity of the proposed action) showing the location of the proposed action, and the locations and approximate dimensions of railroad structures that are 50 years old or older and are part of the proposed action;**

A map generally depicting the location and scope of the Line is attached hereto as Exhibit 1. U.S.G.S. topographic maps showing the location structures along the Line are Exhibit 3. Both maps are being supplied to the Pennsylvania Historical and Museum Commission, Bureau for Historic Preservation ("PA-BHP") as part of a complete copy of this Report. To the best of the Estate's knowledge, there are 16 railroad structures on the line that are believed to be 50 years old or older. The approximate location of these structures is depicted on maps. See Exhibit 3.

- (2) A written description of the right-of-way (including approximate widths, to the extent known), and the topography and urban and/or rural characteristics of the surrounding area;**

The 7.4-mile right-of-way is believed to be generally 30 feet wide, except for a short distance just west of Stewartstown which is 53 feet wide. The western end of the Line begins at milepost 0.0 in New Freedom, PA. From the western terminus, the Line travels in a generally easterly direction through undulating countryside and farmland. The Line traverses agricultural, residential, countryside and wooded rural lands, and terminates at milepost 7.4 at Stewartstown.

- (3) Good quality photographs (actual photographic prints, not photocopies) of railroad structures on the property that are 50 years old or older and of the immediately surrounding area;**

The Estate has determined that there are 16 structures along the Line that are likely to be 50 years old or older (10 bridge spans and 6 lineside structures such as railroad stations), and the approximate location of each such structure is plotted on the U.S.G.S. maps. See Exhibit 3. The Estate has photographs of 15 of these 16 structures. The Estate has been unable to obtain a color photograph of one structure – the Stone Arch Bridge overpass, which, in any event is already listed with the National Register of Historic Places.⁴ For the remaining 15 structures, the Estate has color photographs, and it has supplied these photographs to PA-BHP for evaluation. See

⁴ The Estate will consult further with the Board's Office of Environmental Analysis ("OEA") and with PA-BHP as necessary in connection with the structures for which the Estate has been unable to supply color photographs. The Estate does not believe that the absence of certain photographic documentation here is problematic, however, because *the Estate is willing to commit not to salvage or to remove any of these structures as a condition to approval of the Estate's forthcoming abandonment application*, and, accordingly, the proposed abandonment will have no negative impact on any structures of historic interest.

Exhibit 4. As Appendix A to Exhibit 4, the Estate is also attaching copies of valuation maps in its possession, which may provide further documentation potentially relevant to historical analysis of the structures in question.⁵ Aside from the materials supplied as Exhibit 4 depicting most of these structures roughly as they exist today, the Estate does not have any additional information in its possession (such as engineering diagrams or other records) that it believes would aid in any historical structures analysis.

The Estate wishes to stress the following: *If the Estate must proceed with track salvage following a grant of the requested abandonment request, the Estate does not anticipate removing or dismantling any of the structures along the railroad right-of-way that are 50 years old or older. Rather, the Estate would arrange for the salvage of track and track material, and possibly the sale of certain valuable SRC-owned land parcels as necessary to recoup the amounts that SRC owes to the Estate. The Estate agrees that the below-listed structures along the Line should be preserved to the extent possible, particularly since the Line could be converted into an interpretive recreational trail that could tell the story of the Stewartstown Railroad. For these reasons (and also, of course, because these 16 structures are estimated to have a negative net salvage value), SRC does not intend to dismantle or to remove the 9 bridges or rail line overpasses along the Line, and it has no plans to dismantle any of SRC's lineside structures.*

(4) The date(s) of construction of the structure(s), and the date(s) and extent of any major alterations, to the extent such information is known;

The relevant railroad structures consist of the following: (1) SRC train station in Stewartstown, PA (constructed 1914), (2) SRC engine house (constructed circa 1906-1914), (3) SRC tool shed (date constructed unknown), (4) SRC Coal Dock (constructed 1915), (5) SRC Water Tower/Reservoir (constructed 1915), (6) SRC Turnpike Station in Shrewsbury (constructed 1925), (7) Valley Road Overpass (also known as the "Iron Bridge," originally constructed in 1870, and moved to its present site in 1885 and reinforced and replaced in the 1920's), (8) Ridge Road Overpass (constructed in 1885), (9) Stone Arch Road Overpass (date of construction not known); (10) first crossing of Ebaughs Creek (steel girder bridge constructed in 1885), (11) second crossing of Ebaughs Creek (stone culvert constructed in 1885), (12) first trestle crossing of Deer Creek, (trestle constructed between 1885-1895), (13) second crossing of Deer Creek (steel girder bridge constructed in 1885), (14) first crossing of Codorus Creek (steel girder bridge constructed in 1885), (15) second crossing of Codorus Creek (cast iron pipe construction – construction date unknown), (16) and third crossing of Codorus Creek (three – track crossing using Steel-H beams, constructed in 1885).

(5) A brief narrative history of carrier operations in the area, and an explanation of what, if any, changes are contemplated as a result of the proposed action;

SRC was chartered in 1885 by local interests. Following construction, the Line provided freight and passenger service from the small communities of the Deer Creek Valley to and from a connection with Northern Central Railway (later a part of the Pennsylvania Railroad system) at New Freedom. Stewartstown's traffic base was largely agricultural in nature, but it also served a

⁵ The valuation maps are rather extensive, and will only be included with the copies of this Report being sent to the PA-BHP and to the Board. Any other interested party that has a legitimate interest in the valuation maps may obtain a copy from the Estate's counsel upon request.

number of small manufacturing firms. Through the years, Stewartstown's passenger and freight traffic base dwindled. The line suffered a major setback in 1972, when Hurricane Agnes inflicted considerable damage upon the railroad.

In the aftermath of Hurricane Agnes and the bankruptcy of the Penn Central, the Pennsylvania Department of Transportation acquired the Northern Central Railway ("NCR") property (which was part of the Penn Central bankruptcy estate, but was not included in the Conrail final system plan) from New Freedom to a connection with the Maryland and Pennsylvania Railroad at York, and restored that line to service. The NCR line, incidentally, is and was SRC's only physical connection to the balance of the interstate rail network. In 1985, SRC assumed operation of the NCR trackage and resumed freight service. But, once again, freight shipments dwindled, and SRC commenced the operation of passenger train excursions to supplement its income.

The Commonwealth of Pennsylvania eventually sold the connecting NCR line to York County, which intended to re-deploy the NCR right-of-way as a recreational trail. SRC terminated its lease of the NCR line in 1992, and, because no new freight operator was installed on that rail line, freight service on the NCR lines, and, by extension, to and from SRC's Line itself ended. Excursion trains continued over the original Stewartstown line (the Line that is the subject of this abandonment proceeding) to and from New Freedom until the spring of 2004. See history of SRC as taken from www.stewartstownrailroad.com and included in Exhibit 4 attached hereto.

The Estate intends, upon obtaining STB authority to abandon the Line, and subject to appropriate processes under Pennsylvania law, to foreclose upon the Line and sell it at fair market value to a third party interested in the Line for continued railroad purposes (if such a buyer can be found). But if no such interested third party comes forward, the Estate intends to salvage rail and track material (such as tie plates, fasteners, and possibly crossties) that possess positive net salvage value to the extent necessary to recover amounts due and owing from SRC, which may include accrued interests and the cost of this proceeding before the Board. If salvage is necessary, such salvage activities will not disturb any sub grade or sub grade structures, and therefore will not entail any excavation. The Estate will not dismantle, remove or re-deploy any bridges or culverts along the Line, and has no plans for the disposition of any of the historical properties or other structures on the Line.

- (6) A brief summary of documents in the carrier's possession, such as engineering drawings, that might be useful in documenting a structure that is found to be historic;**

As indicated above, the Line was built in the late 1800s. The Estate is a third party not in possession of the rail assets in question that is seeking adverse abandonment authority as an SRC creditor. As such, the Estate does not have engineering drawings or any other such documents regarding the structures identified in Section 5, above. But, again, the Estate has no plans to salvage any structures that are, or may be found to be, historically significant.

- (7) An opinion (based on readily available information in the railroad's possession) as to whether the site and/or structures meet the criteria for listing on the National Register of Historic Places (36 CFR 60.4), and whether there is a likelihood of archeological resources or any other previously unknown historic properties in the**

project area, and the basis for these opinions (including any consultations with the State Historic Preservation Office, local historical societies or universities);

As indicated above, the Estate's records indicate that there are 16 structures (bridges and overpasses, a water tower/reservoir, an engine house, tool shed, a coal dock, and two railroad stations) on or adjacent to the Line that are 50 years old or older. The following 7 SRC structures among the 16 identified above are currently listed in the National Register of Historic Places ("NRHP"): The SRC train station in Stewartstown, SRC's Turnpike Station in Shrewsbury, SRC's engine house, the second Deer Creek crossing bridge, the Ridge Road Overpass, the Stone Arch Road Overpass, and the Valley Road Overpass.⁶ In addition to the structures that are listed in the NRHP, it is quite possible that several of the additional bridges and lineside structures could qualify for NRHP listing as well. In any event, the Estate has no intention of dismantling, removing, or relocating any of these structures, because such action is unlikely to prove necessary to recover the SRC debt owed to the Estate. Moreover, the Estate envisions the prospect that the structures in question could remain in active use if the Line's right-of-way was converted into a recreational trail.

The Estate is unaware of any archeological resources or any other previously unidentified historic properties along the Line.

- (8) A description (based on readily available information in the railroad's possession) of any known prior subsurface ground disturbance or fill, environmental conditions (naturally occurring or manmade) that might affect the archeological recovery of resources (such as swampy conditions or the presence of toxic waste), and the surrounding terrain.**

The Estate has no records of, and is unaware of, any known subsurface ground disturbance or fill, or environmental conditions that might affect the recovery of archeological resources. Track work and/or construction has undoubtedly occurred over the many years that the Line has been in existence. Such work may have affected the potential for recovery of archeological resources.

⁶ See <http://www.nationalregisterofhistoricplaces.com/pa/York/state.html> and <http://www.stewartstownrailroad.com/historicplaces.htm>.

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

STB Docket No. AB-1071

**STEWARTSTOWN RAILROAD COMPANY
– ADVERSE ABANDONMENT APPLICATION–
YORK COUNTY, PA**

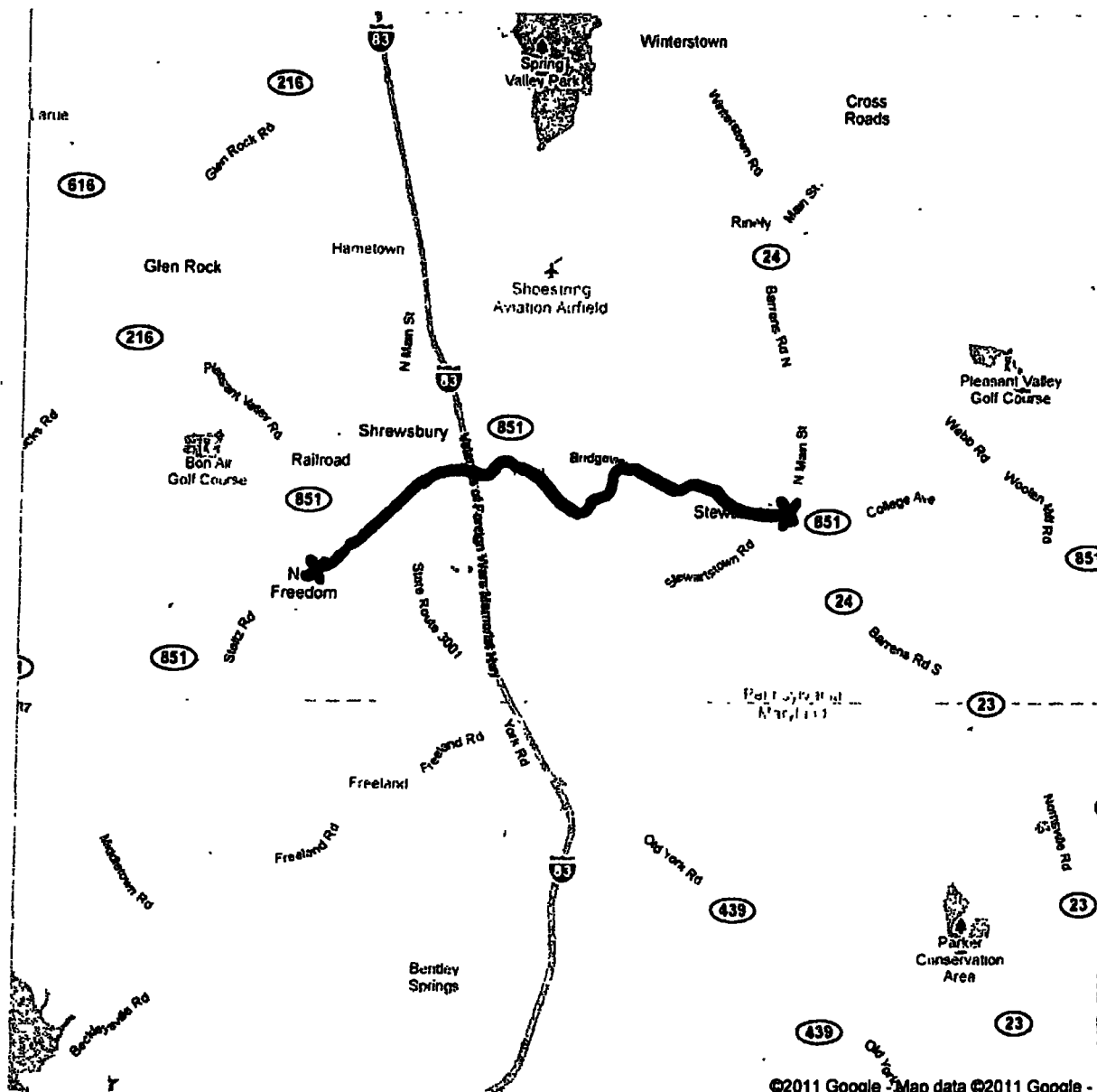
ENVIRONMENTAL AND HISTORIC REPORT

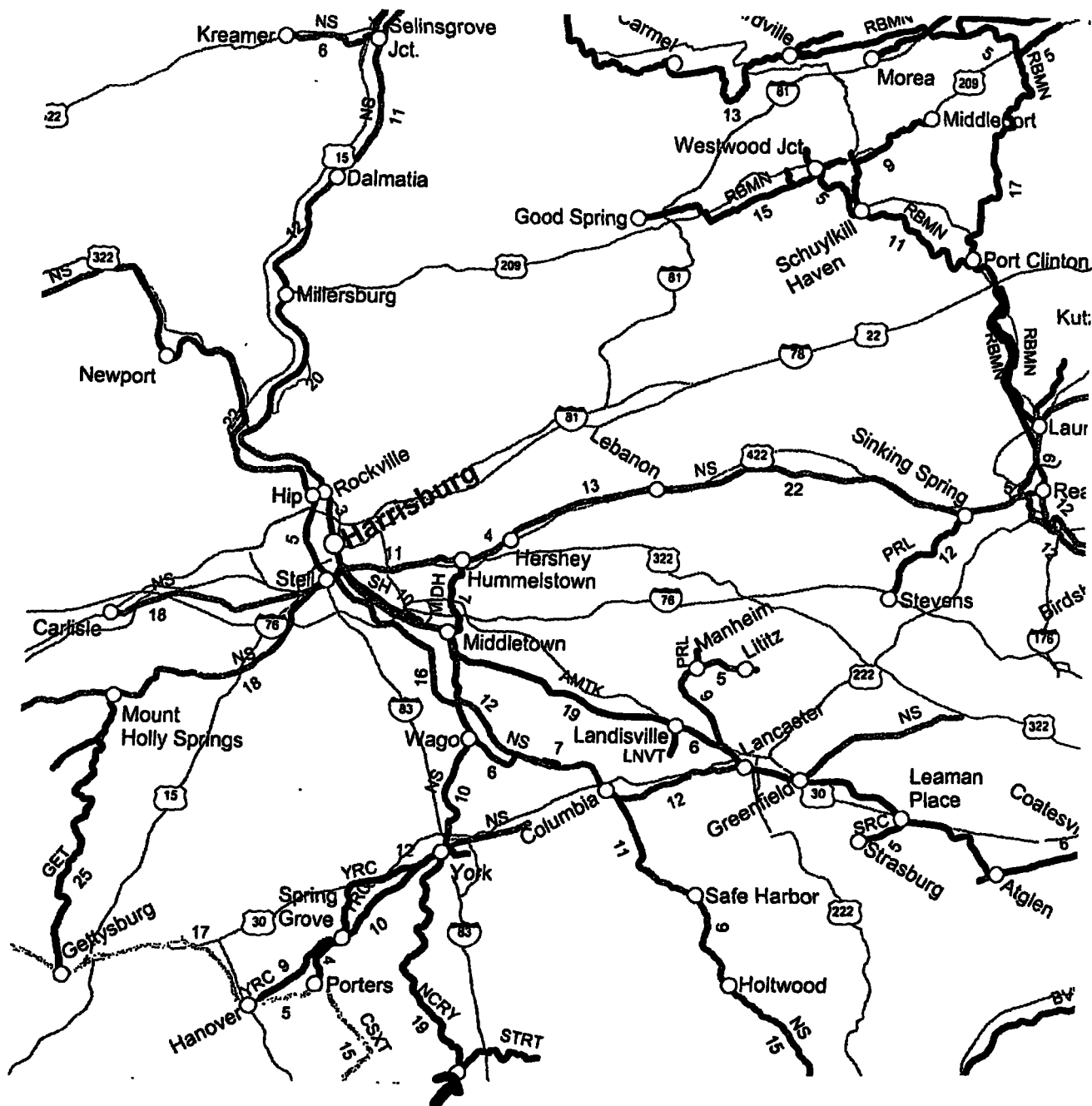
EXHIBIT 1 – LOCATION MAPS

Google maps Address York, PA

Get Google Maps on your phone

Text the word "GMAPS" to 466453





Stewartstown Railroad Company's only interstate commerce outlet is with the inactive Northern Central Railway at New Freedom.

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

STB Docket No. AB-1071

**STEWARTSTOWN RAILROAD COMPANY
– ADVERSE ABANDONMENT APPLICATION –
YORK COUNTY, PA**

ENVIRONMENTAL AND HISTORIC REPORT

EXHIBIT 2 – CONSULTATION LETTER AND SERVICE LIST

**Stewartstown Railroad Company
York County, PA
Environmental Reports Service List subject to 1105.7(b)**

(1) State Clearinghouse

Pennsylvania Department of Transportation
Bureau of Rail Freight, Ports and Waterways
P.O. Box 2777
Harrisburg, PA 17105
Garry DeBerry
717) 783-8763

(2) State Environmental Protection Agency

John Hanger, Secretary
Pennsylvania Department of Environmental Protection
Rachel Carson State Office Building
400 Market Street
P.O. Box 2063
Harrisburg, PA 17105
(717) 783-2300
S/W Mary W.

(3) State Coastal Zone Management Agency

Pennsylvania Department of Environmental Protection
Coastal Resources Management Program
P.O. Box 2063
400 Market St., 15th Floor
Harrisburg, PA 17105-2063
Phone: 717-772-4785
S/W Jeff Dewey
****(No designated areas in York County, PA.)****

(4) The heads of the county/ political entity

Jeff Joy, Mayor
Brady Terrell, President of the Council
49 East High Street
New Freedom, PA 17349
<http://www.newfreedomboro.org/Council.htm>

Peter W. Schnabel, Mayor
Michael W. Ridgely, President of the Council
35 West Railroad Avenue
Shrewsbury, PA 17361
http://www.shrewsburyborough.org/BC_Contacts.htm

**Stewartstown Railroad Company
York County, PA
Environmental Reports Service List subject to 1105.7(b)**

Paul Solomon, Chairman of the Board of Supervisors
12341 Susquehanna Trail South
Glen Rock, PA 17327-9067
<http://www.shrewsburytownship.org/Government/BoardofSupervisors.aspx>

David Wisnom, Chairman of the Board of Supervisors
Patricia R. Schaub, Township Manager/Secretary/Treasurer
3336 Bridgeview Road
PO Box 429
Stewartstown, PA 17363
<http://www.hopewelltownship.com/>

Marsha England, President of the Borough Council
Bonner Smith, Mayor of the Borough
6 N. Main Street
Suite A
Stewartstown, Pennsylvania 17363
<http://www.stewartstown.org/council.htm>

M. Steve Chronister, President
The Board of Commissioners
Administrative Center
28 East Market St.
York, PA 17401-1588
Phone: 717-771-9964

(5) Regional Office of the Environmental Protection Agency

Shawn M. Garvin
Regional Administrator
US Environmental Protection Agency Region 3
1650 Arch Street (3PM52)
Philadelphia, PA 19103-2029

(6) US Fish & Wildlife Service

Marvin Moriarty
Northeast Regional Office
U.S. Fish and Wildlife Service
300 Westgate Center Drive
Hadley, MA 01035-9589

**Stewartstown Railroad Company
York County, PA
Environmental Reports Service List subject to 1105.7(b)**

Carole Copeyon
U.S. FISH & WILDLIFE SERVICE
Pennsylvania Field Office
315 South Allen Street, Suite 322
State College, PA 16801
814.234.4090, Ext 232

(7) U.S. Army Corps of Engineers

Mike Danko
U. S. Army Corps of Engineers
Carlisle Regulatory Field Office
401 East Louther Street, Suite 205
Carlisle, PA 17013
Phone: 717-249-8730

Attention: Real Estate Division
U.S. Army Corp of Engineers
Baltimore District
P.O. 1715
Baltimore, MD 21203

8) The National Park Service

Peter Samuel
National Park Services
National Heritage Areas Program Coordinator
Northeast Regional Office
200 Chestnut Street, 5th Floor
Philadelphia, PA 19106
phone: 215.597.1848

9) US Soil Conservation Service

Dave White, Acting Chief
USDA, NRCS, Office of the Chief
1400 Independence Ave., SW, Room 5105-A
Washington, DC 20250
Phone: 202-720-7246
S/w Darryl Thomas

**Stewartstown Railroad Company
York County, PA
Environmental Reports Service List subject to 1105.7(b)**

10) National Geodetic Survey

National Geodetic Survey
NGS Information Services, NOAA, N/NGS12
National Geodetic Survey SSMC-3, #9202
1315 East-West Highway
Silver Spring, MD 20910-3282

11) Pennsylvania State Historic Preservation Office

Jean Cutler
Pennsylvania Historical and Museum Commission
Bureau for Historic Preservation
Commonwealth Keystone Building, Second Floor
400 North Street
Harrisburg, PA 17120-0093
(717) 783-8946
S/W Tina to confirm

Advance Notice Contacts
Service List pursuant to 1152.50

Public Service Commission

Secretary's Bureau
Pennsylvania Public Utility Commission
PO Box 3265
Harrisburg, PA 17105-3265
(717) 787-9732

Department of Defense (Military Traffic Management Command, Transportation Engineering Agency, Railroads for National Defense Program)

David Dorfman
SDDC TEA
Railroads for National Defense
709 Ward Dr., Bldg. 1990
Scott AFB, IL 62225
(618) 220-5741
S/W Bob Korpanty to verify contact.

**Stewartstown Railroad Company
York County, PA
Environmental Reports Service List subject to 1105.7(b)**

The National Park Service, Recreation Resources Assistance Division

Charlie Stockman
National Park Service
Rivers & Trails Conservation Program
1201 Eye Street, NW, 9th Floor (Org. Code 2220)
Washington, D.C. 20005
(202) 354-6900
S/W Charlie to verify recipient

Natural Resources Conservation Service
USDA
1 Credit Union Place, Suite 340
Wildwood Center
Harrisburg, PA 17110

U.S. Department of Agriculture, Chief of the Forest Service

Thomas L. Tidwell, Chief
Forest Service
U.S. Department of Agriculture
Sidney R. Yates Federal Building
201 14th Street SW
Washington, DC 20024
(202) 205-8439
S/W Kim Walton, Executive Assistant Chief of Staff

BAKER & MILLER PLLC

ATTORNEYS and COUNSELLORS

2401 PENNSYLVANIA AVENUE, NW

SUITE 300

WASHINGTON, DC 20037

TELEPHONE (202) 663-7820

FACSIMILE (202) 663-7849

KEITH G. O'BRIEN

(202) 663-7852 (Direct Dial)

May 5, 2011

Garry DeBerry
Pennsylvania Department of Transportation
Bureau of Rail Freight, Ports and Waterways
P.O. Box 2777
Harrisburg, PA 17105

RE: *Stewartstown Railroad Company – Adverse Abandonment – In York
County, PA, STB Docket No. AB-1071*

Dear Mr. DeBerry:

On or about June 10, 2011, the Estate of George M. Hart ("Estate") expects to file with the Surface Transportation Board ("STB") an application for a third-party (or "adverse") abandonment of the entire 7.4-mile rail line of the Stewartstown Railroad Company ("Stewartstown"), located in York County, PA, running from milepost 0.0 at New Freedom, PA, to milepost 7.4 at Stewartstown, PA (the "Line"), pursuant to 49 U.S.C. § 10903 and the corresponding regulations at C.F.R. Part 1152, Subpart C. The Line traverses United States Postal Zip Codes 17349, 17361, and 17363. Enclosed is a consolidated Environmental and Historic Report (the "Report") describing the proposed abandonment and any expected environmental and historic effects, as well as a map of the affected area.

We are providing you with a copy of this Report so that you may review the information that will form the basis for the STB's independent environmental analysis in this proceeding. If any of the information is incorrect or misleading, if you believe that pertinent information is missing, or if you have any questions about the STB's environmental review process, please contact the Office of Environmental Analysis ("OEA"), Surface Transportation Board, 395 E Street, SW, Washington, DC 20423-0001; TEL: (202) 245-0295, and refer to STB Docket No. AB-1071.

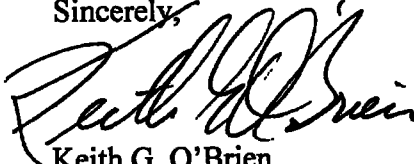
Because the applicable statutes and regulations impose stringent deadlines for processing this action, your written comments to OEA (at the address provided above) along with a copy to the Estate's representatives (at the address provided below) would be appreciated within three

Garry DeBerry
May 5, 2011
Page Two

weeks. Your comments will be considered by the STB in evaluating the environmental and/or historic preservation impacts of the contemplated action.

If there are any questions concerning this proposal, please contact either Keith G. O'Brien or Robert A. Wimbish at the law firm of Baker & Miller, PLLC, 2401 Pennsylvania Avenue, NW, Suite 300, Washington, DC 20037; by facsimile at (202) 663-7849; by e-mail at kobrien@bakerandmiller.com or rwimbish@bakerandmiller.com, or by telephone at (202) 663-7820.

Sincerely,



Keith G. O'Brien

Counsel for Estate of George M. Hart

Enclosures

cc: Office of Environmental Analysis
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

STB Docket No. AB-1071

**STEWARTSTOWN RAILROAD COMPANY
– ADVERSE ABANDONMENT APPLICATION –
YORK COUNTY, PA**

ENVIRONMENTAL AND HISTORIC REPORT

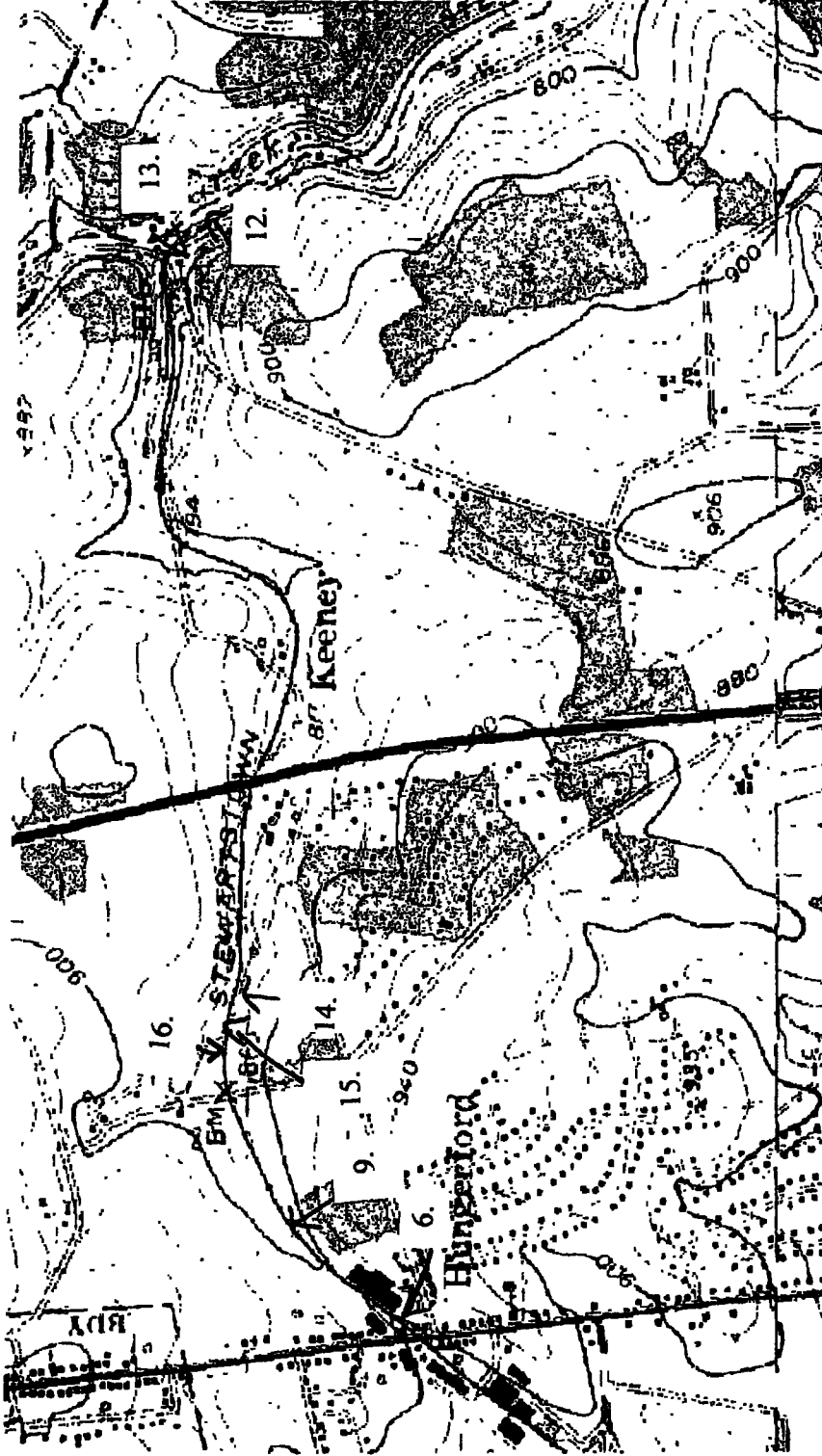
**EXHIBIT 3 – U.S.G.S TOPOGRAPHIC MAPS (Numbers on topographical maps
represent structures as enumerated in Item 4 of the Historic Report)**



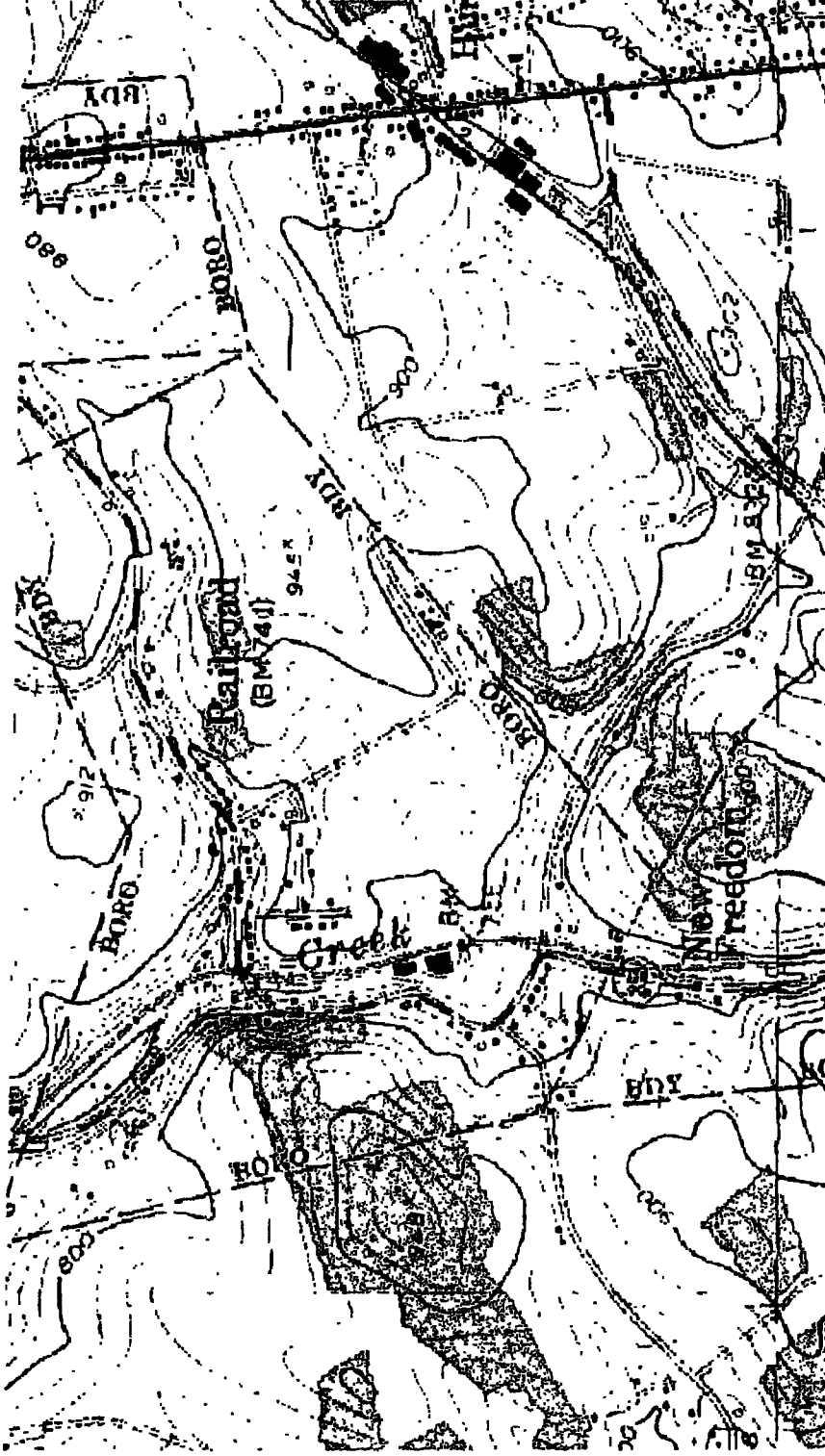
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Elevation at center: 869 feet (265 meters)
Quad: USGS Stewartstown
Drg Name: o39076g5
Drg Source Scale: 1:24,000



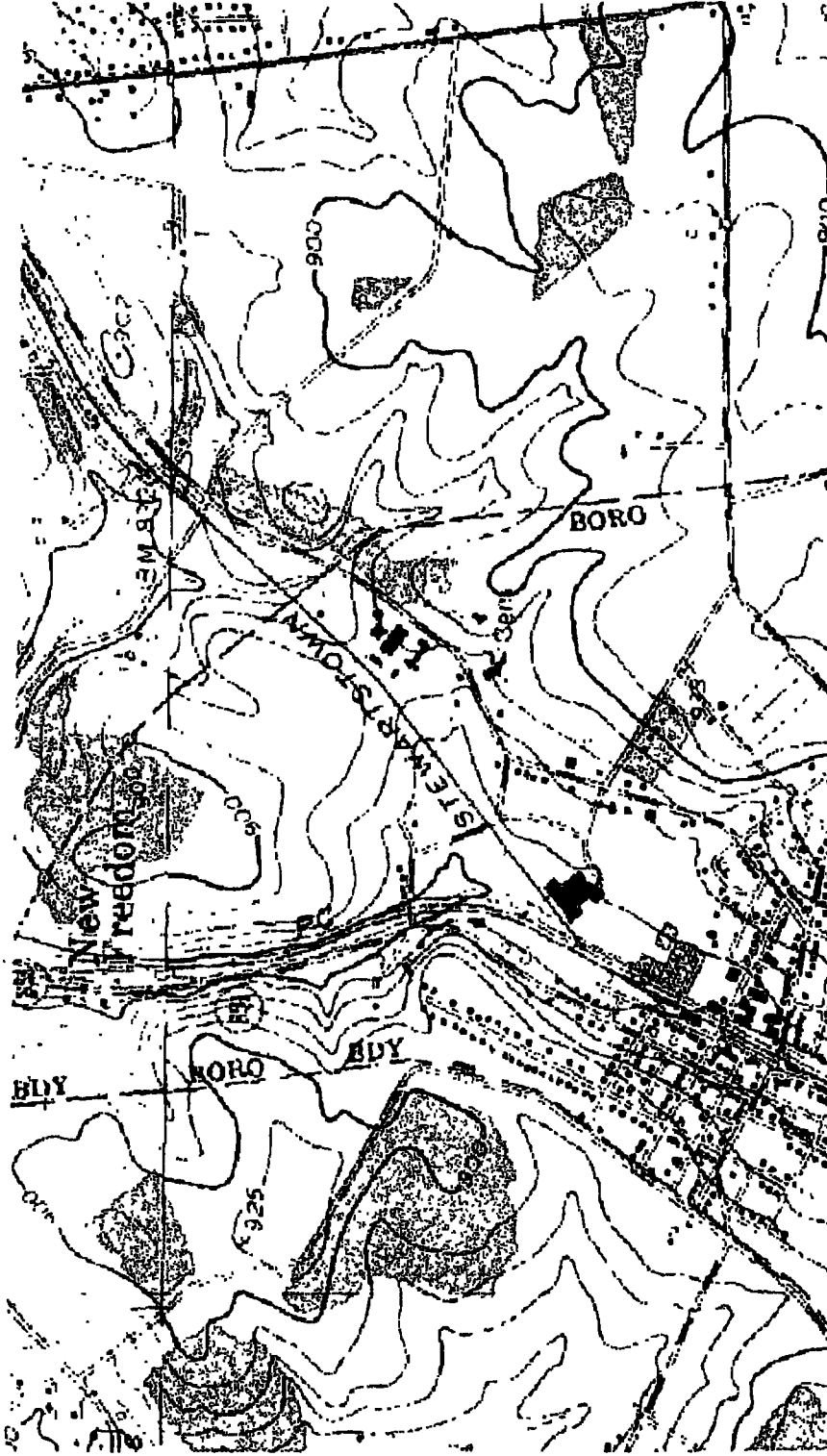
Center: 39.7569°N 76.6318°W
Elevation at center: 899 feet (274 meters)
Quad: USGS Glen Rock
Drg Name: o39076g6
Drg Source Scale: 1:24,000



Center: 39.7569°N 76.6626°W
Elevation at center: 869 feet (265 meters)
Quad: USGS Glen Rock
Drg Name: 039076g6
Drg Source Scale: 1:24,000



Center: 39.7569°N 76.6934°W
Elevation at center: 879 feet (268 meters)
Quad: USGS Glen Rock
Drg Name: 039076g6
Drg Source Scale: 1:24,000



Center: 39.7451°N 76.6934°W
Elevation at center: 830 feet (253 meters)
Quad: USGS New Freedom
Drg Name: o39076f6
Drg Source Scale: 1:24,000

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

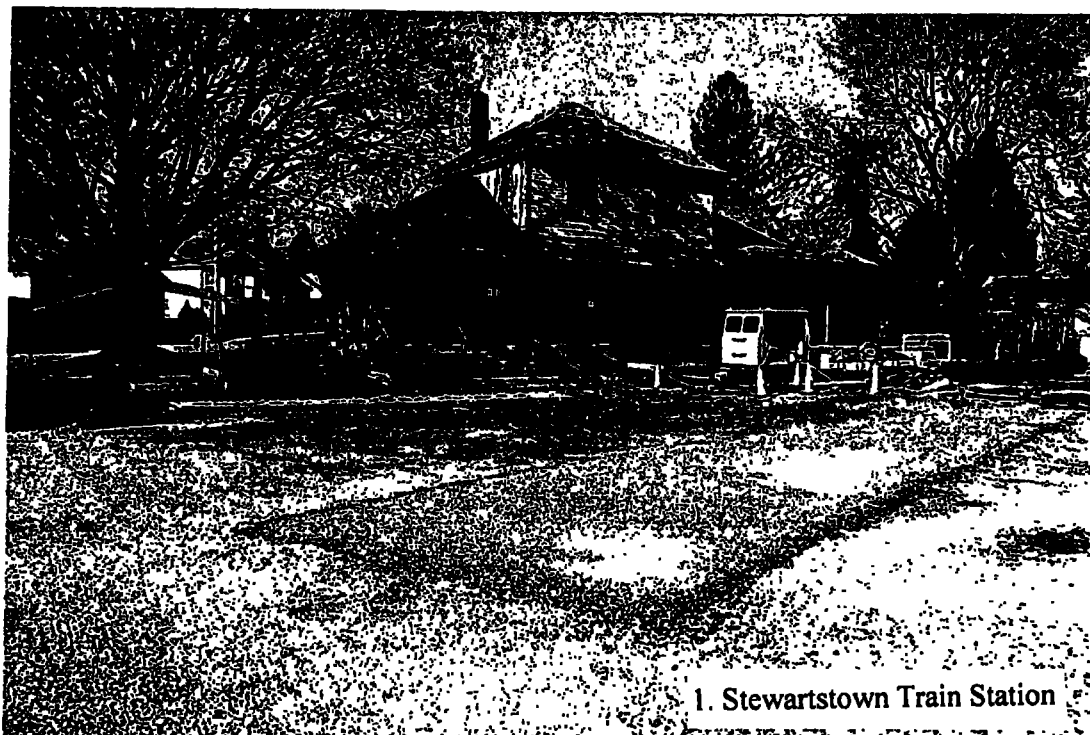
STB Docket No. AB-1071

**STEWARTSTOWN RAILROAD COMPANY
– ADVERSE ABANDONMENT APPLICATION –
YORK COUNTY, PA**

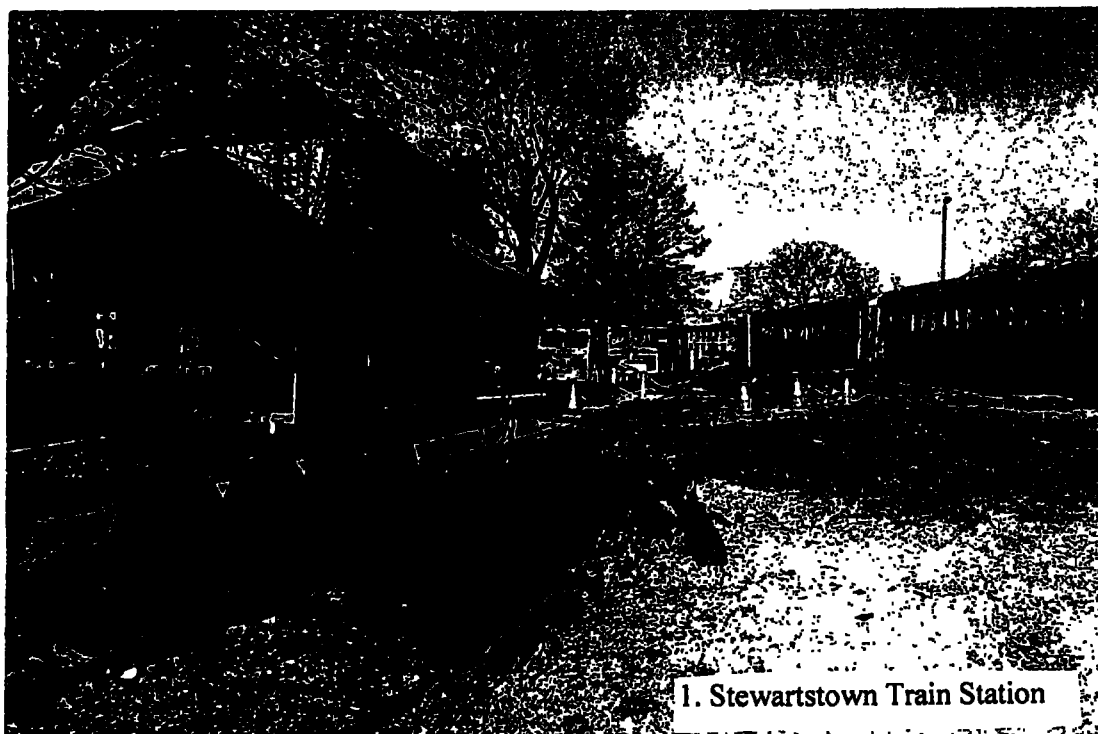
ENVIRONMENTAL AND HISTORIC REPORT

EXHIBIT 4

COLOR PHOTOGRAPHS (STRUCTURES) AND RELATED MATERIALS



1. Stewartstown Train Station



1. Stewartstown Train Station

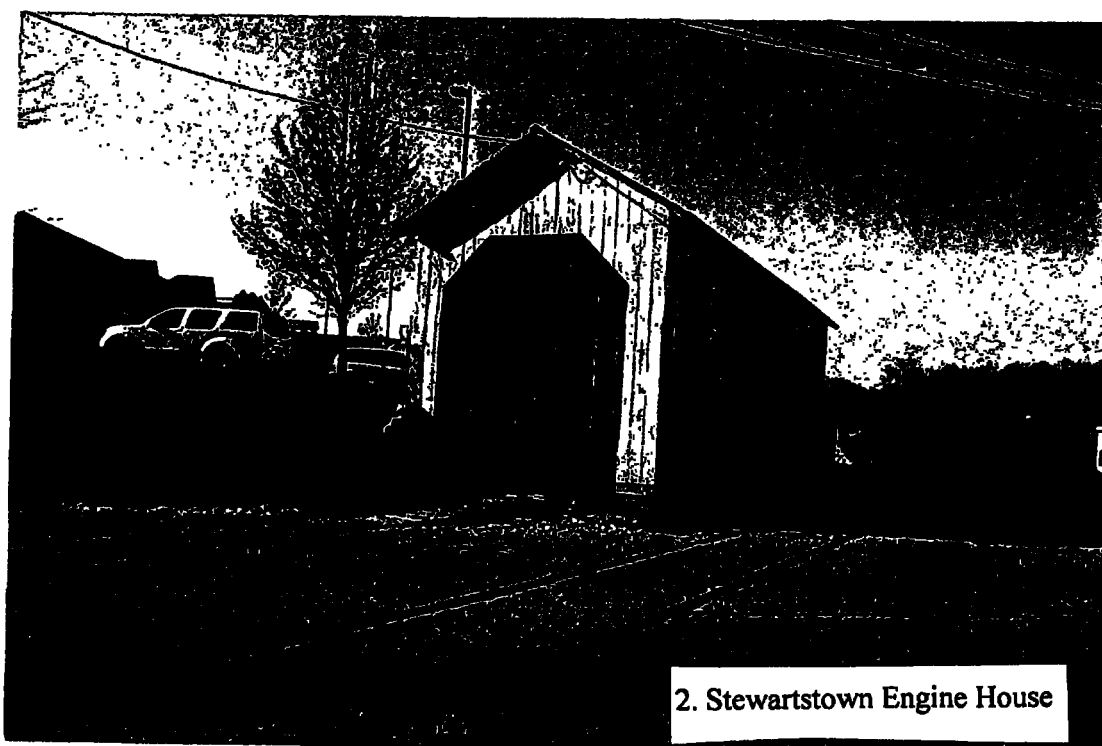


1. Stewartstown Train Station

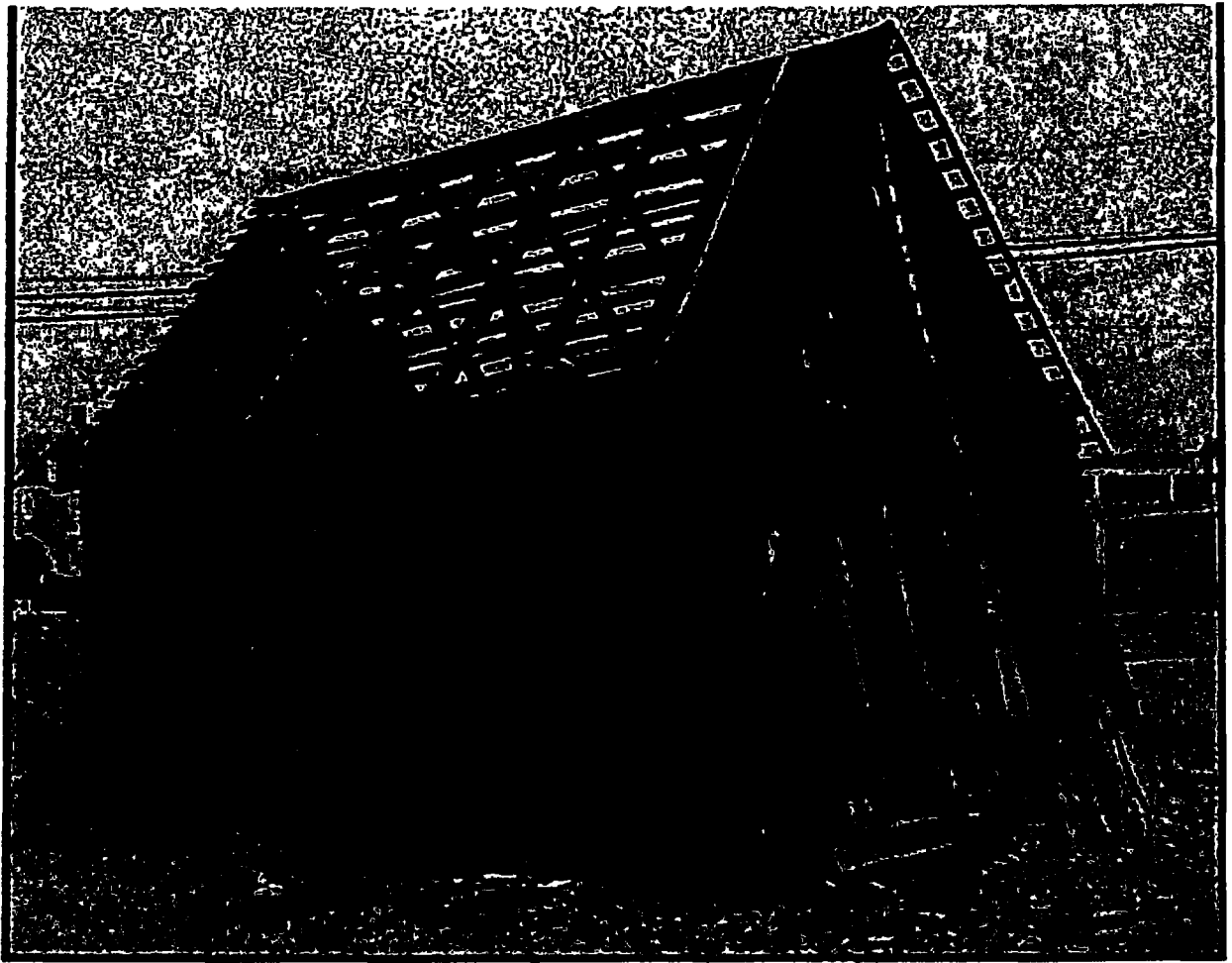
1. Stewartstown Train Station



2. Stewartstown Engine House



2. Stewartstown Engine House



3. Stewartstown Tool Shed





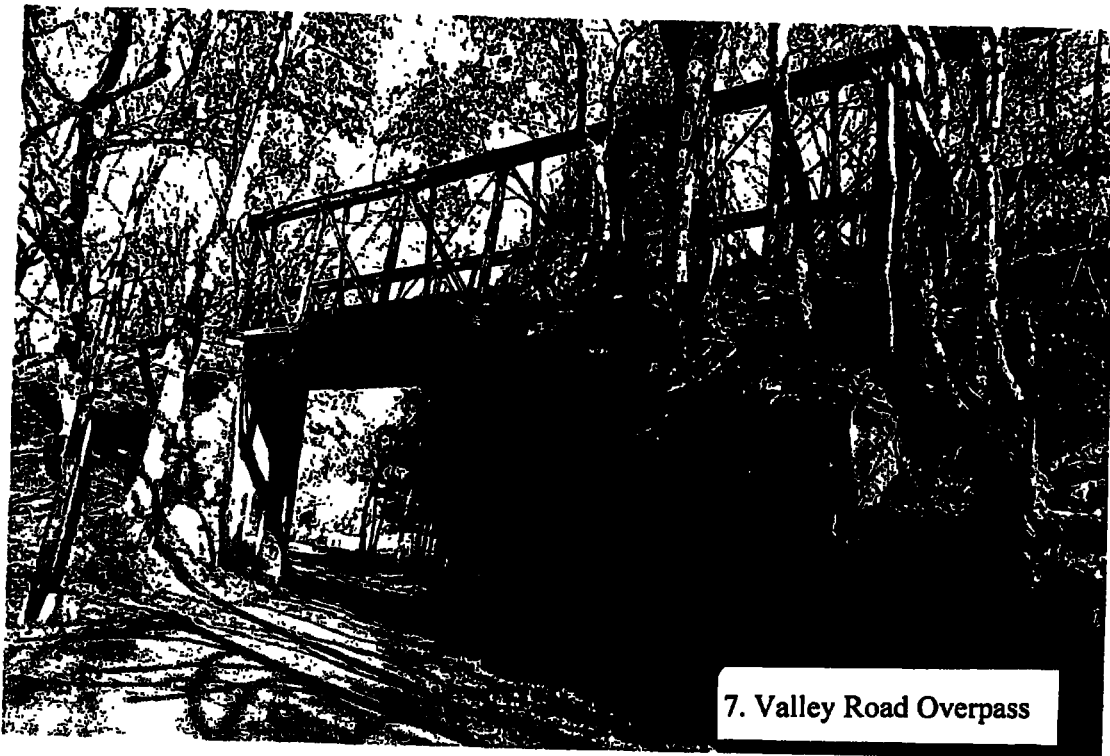
5. Stewartstown Water Tower/
Reservoir



5. Stewartstown Water Tower/
Reservoir



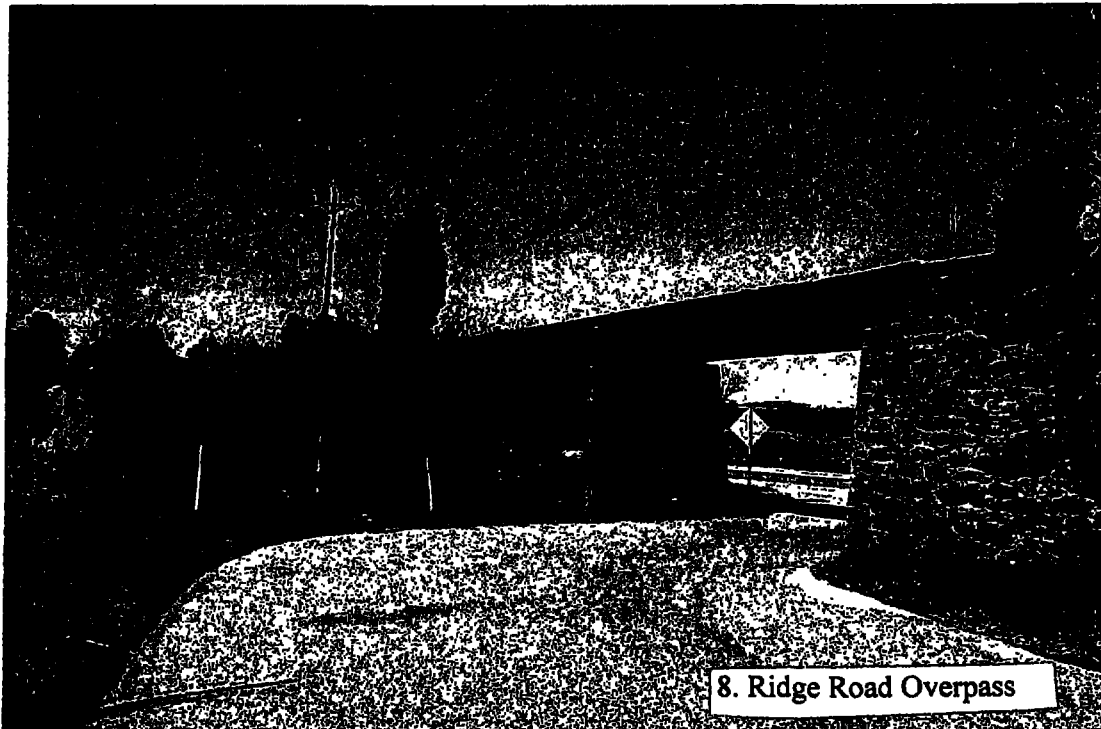
6. SRC Turnpike Station in
Shrewsbury (aka Hungerford
Station)



7. Valley Road Overpass

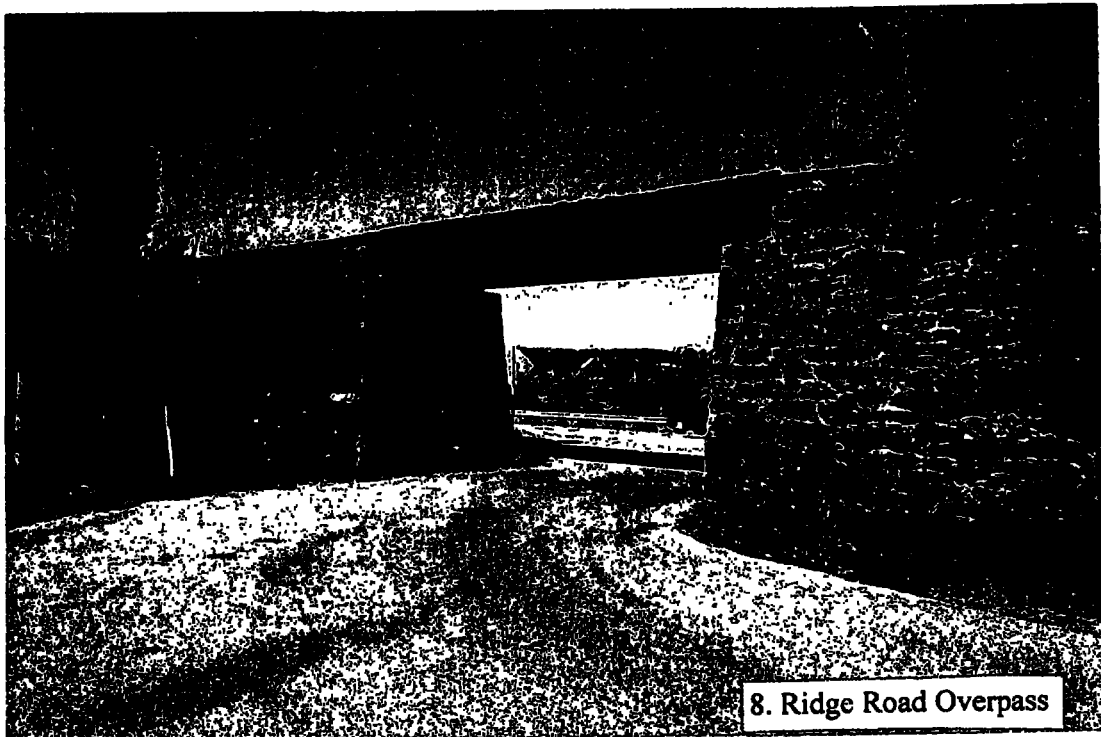
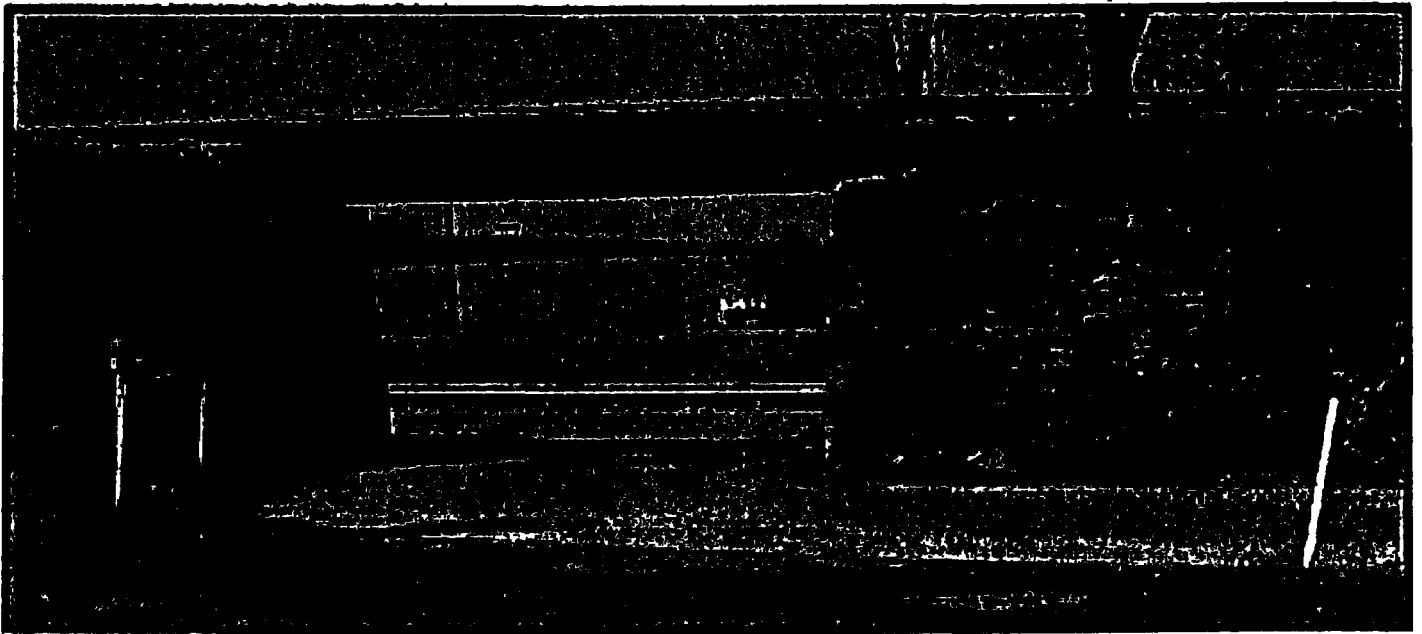


7. Valley Road Overpass Iron Bridge



8. Ridge Road Overpass

8. Ridge Road Overpass



8. Ridge Road Overpass



10. First Crossing of Ebaugh's
Creek



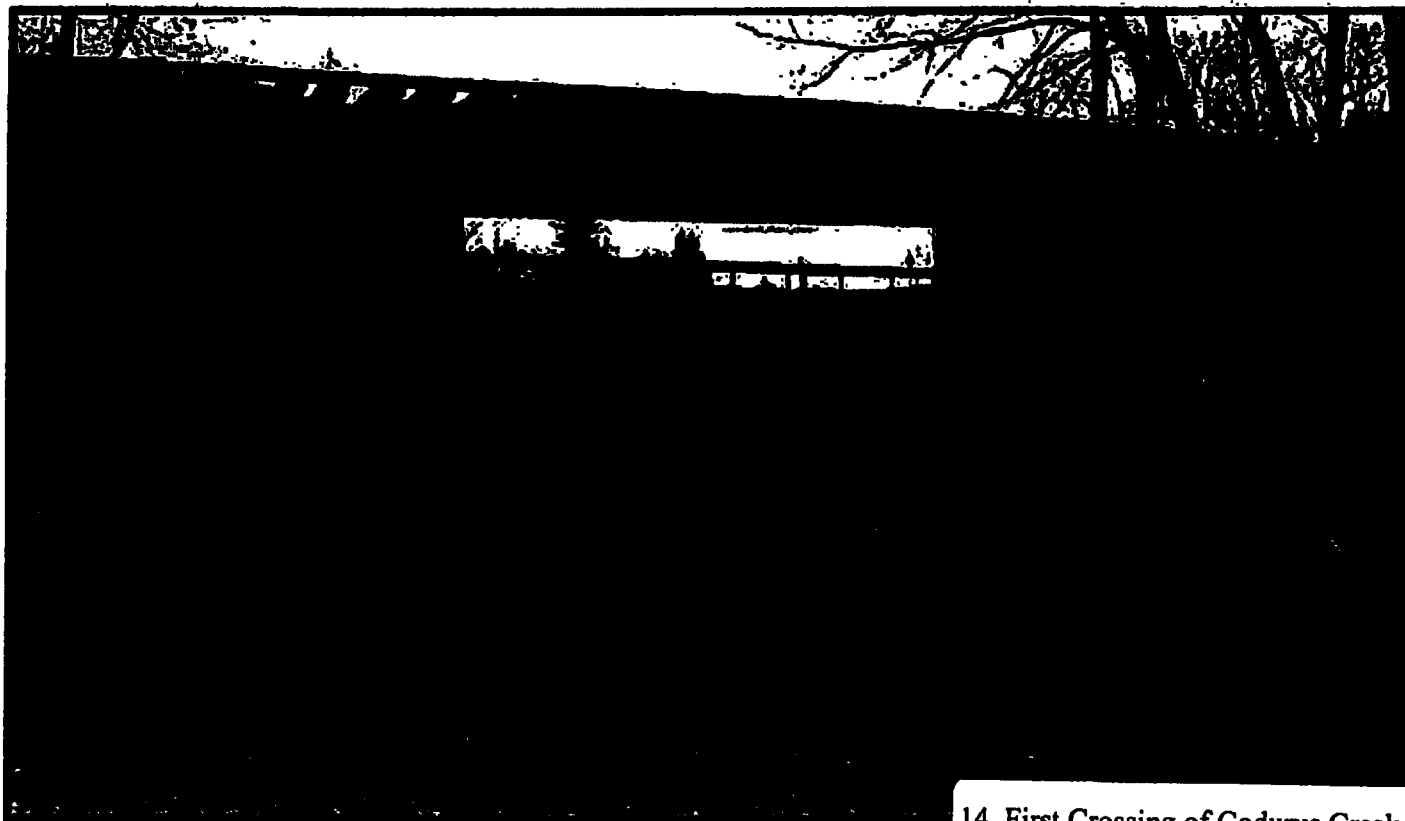
11. Ebaughs Creek Second Crossing

12. First crossing of Deer Creek (masonry culvert constructed between 1885-1895)





13. Second Crossing of Deer Creek

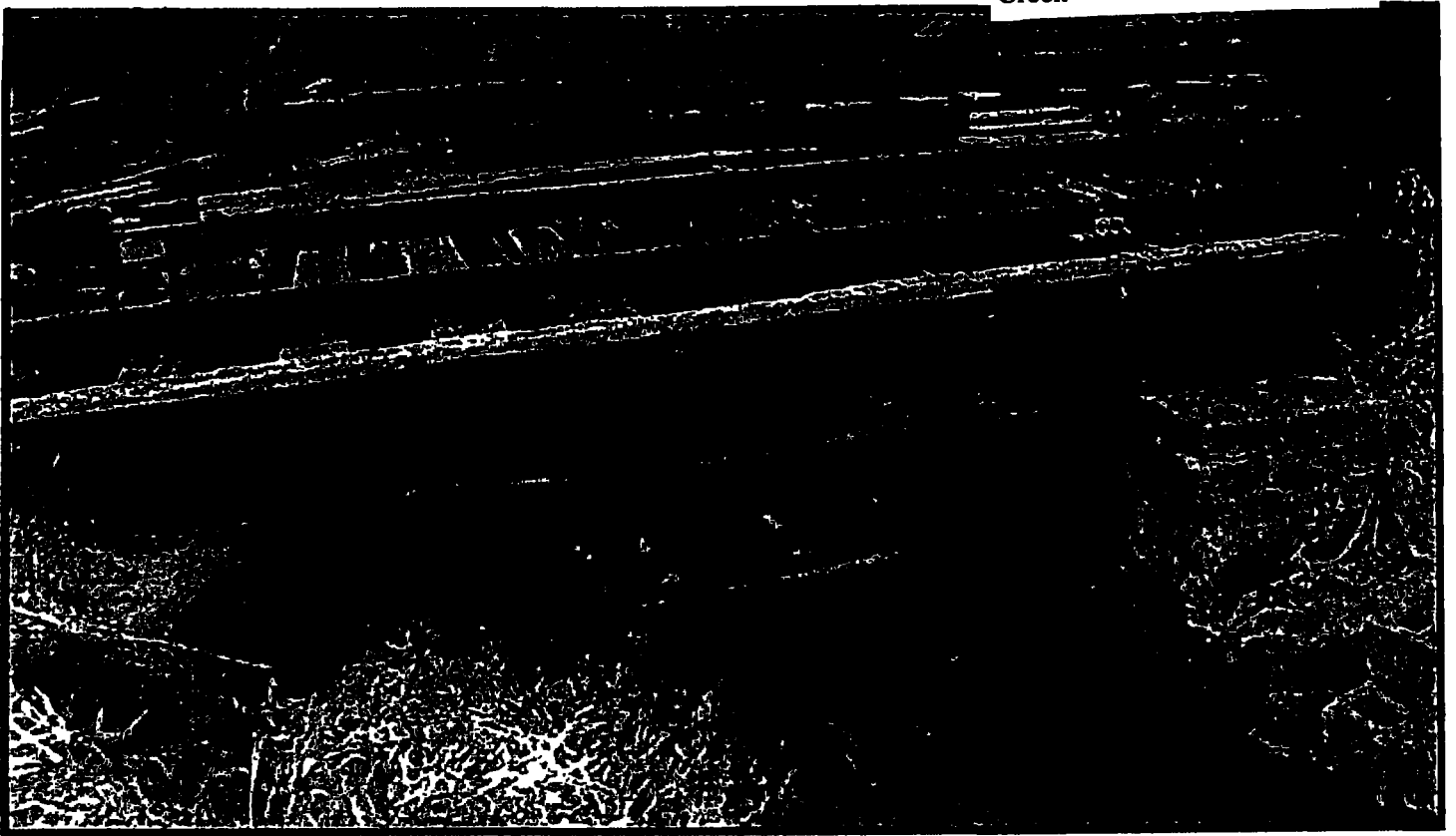


14. First Crossing of Codurus Creek



15. Second Crossing of Codurus Creek

16. Third Crossing of Codurus
Creek



Exhibit

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DRAFT FEDERAL REGISTER NOTICE

STB Docket No. AB-1071

Notice of Application for Adverse Abandonment

On July 7, 2011, the Estate of George M. Hart ("Petitioner") filed with the Surface Transportation Board ("Board"), Washington, DC, 20423, an application permitting for the adverse abandonment of all of the track of the Stewartstown Railroad Company extending from milepost 0.0 at New Freedom, PA, to milepost 7.4 at Stewartstown, PA, a distance of 7.4 miles, in York County, Pennsylvania. There are no stations on this line; line has been out of service for over six years, which traverses through United States Postal Service ZIP Codes 17349, 17361, and 17363.

To the best of Petitioner's knowledge and belief the line does not contain federally granted rights-of-way. Any documentation in the petitioner's possession will be made available promptly to those requesting it. The applicant's entire case for abandonment (case in chief) was filed with the application.

The Surface Transportation Board does not normally impose labor protective conditions when a rail carrier abandons its entire line. see County of Coahoma Mississippi – Abandonment Exemption – In Tallahatchie and Coahoma Counties, Ms. STB Docket No. AB-579X (served June 15, 2001).

Any interested person may file with the Board written comments concerning the proposed abandonment or protests (including the protestant's entire opposition case), within 45 days after the application is filed. All interested parties should be aware that following any abandonment of rail service, and salvage of line, the line may be suitable for other public use, including interim trail use. Any request for a public use condition under 49 U.S.C. 10905 (§1152.28 of the Board's rules) and any request for a trail use condition under 16 U.S.C. 1247(d) (§1152.29 of the Board's rules) must be filed within 45 days after the application is filed. Persons who may oppose the abandonment but who do not wish to participate fully in the process by appearing at any oral hearings or by submitting verified statements of witnesses, containing detailed evidence, should file comments. Persons interested only in seeking public use or trail use conditions should also file comments. Persons opposing the proposed abandonment that do wish to participate actively and fully in the process should file a protest.

In addition, a commenting party or protestant may provide:

- (i) An offer financial assistance pursuant to 49 U.S.C. 10904 (due 120 days after the application is filed or 10 days after the application is granted by the Board, whichever occurs sooner);
- (ii) (Employee-entire line); Recommended provisions for the protection of the interests of employees.
- (iii) A request for a public use condition under 49 U.S.C. 10905; and
- (iv) A statement pertaining to prospective use of the right-of-way for interim trail use and rail banking under 16 U.S.C. 1247(d)

Parties seeking information concerning the filing of protests should refer to §1152.25.

Written comments and protests, including all requests for public use and trail use conditions, must indicate the proceeding designation STB. No. AB-1071 and should be filed with the Surface Transportation Board, Washington, DC 20423, no later than August 22, 2011. Interested persons may file a written comment or protest with the Board to become a party to this abandonment proceeding. A copy of each written comment or protest shall be served upon the representative of the applicant: Keith G. O'Brien, Baker & Miller PLLC, 2401 Pennsylvania Ave., NW, Ste. 300, Washington, DC 20037, (202) 663-7852. The original and 10 copies of all comments or protests shall be filed with the Board with a certificate of service. Except as otherwise set forth in part 1152, every document filed with the Board must be served on all parties to the abandonment proceeding. 49 CFR 1104.12(a).

The line sought to be abandoned will be available for sale for continued rail use, if the Board decides to permit the abandonment, in accordance with applicable laws and regulations (49 U.S.C. 10904 and 49 CFR 1152.27).

Persons seeking further information concerning abandonment procedures may contact the Surface Transportation Board or refer to the full abandonment regulations at 49 CFR part 1152. Questions concerning environmental issues may be directed to the Board's Section of Environmental Analysis.

An environmental assessment (EA) (or environmental impact statement (US), if necessary) prepared by the Section of Environmental Analysis will be served upon all parties of record and upon any agencies or other person who commented during its preparation. Any other persons who would like to obtain a copy of the EA (or EIS) may contact the Section of Environmental Analysis. EAs in these abandonment proceedings normally will be made available within 33 days of the filing of the application. The deadline for submission of comments on the EA will generally be within 30 days of its service. The comments received will be addressed in the Board's decision. A supplemental EA or EIS may be issued where appropriate.

Exhibit

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Request No. 15. Provide copy of SRC's current business plan (see SRC Reply at 2).

Response: See Appendix pp. 168 - 190.

Request No. 16. Identify efforts/results of SRC's professional fundraiser (SRC Reply at 3) and amounts he/she is seeking to obtain, and that he/she has successfully raised on behalf of SRC since April 1, 2008.

Response: The Friends of the Stewartstown Railroad, Inc, ("FSR") a 501(c)(3) not-for-profit corporation not directly affiliated with SRC has begun a fundraising campaign to assist with various aspects related to the preservation of historic structures, rolling stock and property associated with the SRC. In connection with this effort, preliminary discussions were conducted by FSR with a professional fundraising consultant.

It was determined to be in FSR's best interest not to move forward with this particular fundraising consultant. However, efforts are underway to find an entity more suitable. FSR continues its fundraising activities to assist SRC in restoring its rail line to service.

Request No. 17. SRC states that in early 2010 it made an offer to "pay off the debt" owed to the Estate "over a five year period" (SRC Reply at 3), but the Estate rejected this proposal. Notwithstanding the Estate's rejection of the repayment plan (which proposal clearly anticipated that SRC would have funds to begin debt repayment to the Estate later in 2010), SRC has made no payments to the Estate whatsoever. Please explain why SRC has not to date made any payments to the Estate, and what SRC has done with the funds that it would have used and would have be using to repay its debt to the Estate.

Response: See Appendix pp. 191 -196.

Request No. 18. Identify all railroad operating equipment (such as locomotives and rolling stock) currently owned or leased by SRC, or on loan to SRC.

Response: Owned equipment:

Locomotive No. 9 – Plymouth 35 ton gasoline mechanical

Locomotive No. 10 – General Electric 44 ton diesel electric

Passenger Coaches No. 793, 1158, 1303, 1341

Flatcar No. 90939 (non-interchange company service)

STEWARTSTOWN RAILROAD BUSINESS PLAN

Stewartstown Railroad: The Shortline that Survived Despite the Odds

Unlike the many shortlines and major railroads that have gone through bankruptcy, reorganization, mergers and abandonments, the Stewartstown Railroad (STRT RR) survived seven major national financial depressions, panics, and recessions since it was built in 1885. In fact, the line was constructed and opened at the height of Long Depression of 1873-1896. During its following eighty-seven years of commercial operation, the STRT RR survived six more major economic downturns that included the Panic of 1893, Panic of 1907, Post-World War I Recession, Great Depression of the 1930s, Recession of 1953, and Recession of 1957.

The survival of the STRT RR through repeated periods of financial adversity can be attributed to both geographic and management factors. Geographically, the management of the STRT RR concentrated on transporting locally grown agricultural commodities to the rapidly growing Baltimore, Washington and York markets. The railroad's strong geographic focus on serving its core market was reinforced by a conservative management philosophy that avoided corporate debt, outside financial control, and union labor agreements. Company management also retained its flexibility to make timely decisions to control capital and operating costs.

It took an Act of God (Hurricane Agnes in June 1972) to end the commercial viability of the STRT RR. While the railroad survived Agnes, the 16 inches of torrential rain from the storm washed away the line's outside rail connections, and did what seven man-made financial contractions were unable to accomplish. Unlike other heritage tourism railroads in its Mid-Atlantic market area, the location of the STRT RR in the highlands of southern York County demonstrates the line's ability to survive future storm damage of the magnitude of Hurricane Agnes or greater.

To add to its long-term uniqueness, the STRT RR has the distinction of being one of the oldest railroads in Pennsylvania that has retained its original corporate structure and independent ownership status. The line is also one of the very few railroads in the United States that completely avoided corporate debt. From a physical perspective, the alignment, rails and many structures of the line are exactly as they were when they were built in 1885. In fact, there are seven structures on the line that have been placed on the National Register of Historic Places by the U.S. Department of the Interior - one structure for each mile of its length (See Appendix A).

Among the 44 other heritage tourism railways and railroad museums in its market area, the STRT RR stands out for its unaltered authenticity and rugged uniqueness. The rails of this intact shortline still wind their way through the rolling hills of southern York County, Pennsylvania. As it has done in three centuries, the STRT RR continues to provide a rail link to its namesake town and to a now ghost railroad (New Park & Fawn Grove RR, 1906-1934) that almost touched the historic Mason-Dixon Line (See Plate A).

For well over a century, the STRT RR has been regarded by railroad industry professionals as a best practices example of long-term railroad corporate and financial stability. In the post-1985 period when the STRT RR began providing regular heritage tourism trips, the line was managed by George M. Hart who personally helped finance the operation of the line. The minor derailment in April 2004, combined with Mr. Hart's declining health and death in 2008, caused an interruption in the heritage tourism operation of the STRT RR.

Today, efforts are underway to restore the line, its structures and equipment so that heritage tourism trips can resume. The market research study which is appended to this Business Plan indicates that the STRT RR is well positioned to attract sufficient ridership from the nearby Baltimore metropolitan region (and outside tourism sources) to justify efforts to restore the line to operational status.

Goals for the STRT RR

The initial goal is to return the STRT RR to operating status as a heritage tourism railway by the 100th anniversary of the Stewartstown station in 2014. This goal will compliment current efforts by Stewartstown Borough which is in the process of preparing a new Comprehensive Plan for the community. The Request for Proposals for the new plan states that the STRT RR "has the potential to be an attractive community

asset for local residents and visitors." Returning the STRT RR to operation is regarded as a potential economic development enhancement for the Borough.

A longer-term goal is the preparation of documentation to have the STRT RR operating right-of-way listed on the National Register of Historic Places. Another longer-term goal is to develop a Pennsylvania Shortline Railroad History Research Center which will showcase the preserved historical records of the STRT RR and other shortline railroads in Pennsylvania. This project will be a cooperative effort by the STRT RR, the local historical society, and other interests. Such a specialized research center does not currently exist, and has the potential to further compliment the overall interests of the STRT RR and Stewartstown Borough.

This Business Plan has been developed to assist in the accomplishment of these goals.

Organization of the STRT RR

The STRT RR is stock corporation incorporated in the Commonwealth of Pennsylvania. At the state level, the line is regulated by the Pennsylvania Public Utilities Commission and PennDOT, and operates under a state certificate of public convenience and necessity. At the federal level, the line is classified as a Class III railroad and is regulated by the Federal Railroad Administration of the U.S. Department of Transportation.

The affairs of the STRT RR are managed by its Officers and Board of Directors. The management of the STRT RR includes professionals in the railroad industry and volunteers who have extensive experience in the operation of a heritage tourism railway. The current STRT RR Officers and Board of Directors are as follows:

David M. Williamson	Freeland MI	President
Renee Bitten	Stewartstown PA	Secretary
Captain Herman J. Bushman, Jr.	Fairfax VA	Director
Don Matthews	Stewartstown PA	Treasurer
Raymond T. McFadden	Dillsburg PA	Director
Eric Bickleman	Red Lion PA	Director
Raymond E. Refer	Cockeysville MD	Director

The STRT RR management is actively working to re-establish the line as a financially viable heritage tourism railway, and to resolve legacy issues associated with the estate of late George Hart. The management is also working together with the Friends of the Stewartstown Railroad (Friends) to seek new funding sources to assist in restoring the STRT RR to operating status.

The management of the STRT RR is assisted by the Friends, a private non-profit organization. The Friends received its 501(c)(3) private non-profit status from the U.S. Internal Revenue Service on March 17, 2008.

STRT RR Strategic Marketing Advantages

The following summary of the strategic marketing advantages of the STRT RR is based on a detailed comparison of its characteristics with 44 other heritage tourism railways and rail museums in what is considered the Baltimore metropolitan region day trip and tourism market area. This market area includes facilities within 300 miles / 5 hours driving time of Baltimore. This market area includes facilities in the six state Mid-Atlantic area (Delaware, Maryland, New Jersey, Pennsylvania, Virginia, and West Virginia). (See Appendix B)

Proximity to Market Area – The STRT RR is the closest rail line to the center of its primary market area (the Baltimore metropolitan region) which can provide heritage tourism trips through a highly scenic rural area. With proper marketing and outreach efforts, the 2.7 million people that live in its primary market area can be expected to provide a growing and reliable source of riders for the STRT RR for the foreseeable future. This is especially true in the post-recession period when visitors from the Baltimore metropolitan region and other nearby areas will be seeking shorter distance travel opportunities for entertainment and personal enrichment purposes. While there are other rail lines in its market area that provide a similar rail travel experience, almost all are well beyond the practical range for day trips.

Accessibility to Market Area Populations – Unlike other nearby heritage tourism lines, the STRT RR has uncongested, toll-free, year-round Interstate highway access to attract day trip visitors from its primary market area, and tourists in its spatially extended secondary market area. This high level access will enable the STRT RR to operate on a regular basis throughout the year rather than just provide seasonal trips as do

other heritage tourism lines in the same market area. It should be noted that Interstate highway access to many other competing heritage tourism lines require their potential riders to pass within 4 miles of the STRT RR.

The STRT RR is one of the few heritage tourism lines in the U.S. that has direct access to a traffic-free interstate biking / hiking trail system, and bike-on Light Rail Transit service that connects to more distant parts of its primary market area. This will enable the STRT RR to provide to a rail-bike bridge for bike riders across the difficult topography that separates the Baltimore-York bike trail from local roads and country lanes that offer additional bike riding experiences through the orchards, vineyards and farmlands in southeastern York County.

As part of its restoration plan, the STRT RR also plans to adapt its facilities and passenger equipment to make them fully accessible to the elderly and individuals with disabilities. This will enable the STRT RR to provide this rapidly growing population in its market area with nearby heritage tourism rail travel opportunities.

Authentic Historic Trip Experience – The STRT RR remains frozen in time almost as it was when it was built in 1885, including its track, track structures, and preserved operating records. The line also includes a brick station that will be 100 years old in 2014 and a 1906 engine house. In addition to these two trackside buildings, there are five other structures on the line are listed on the National Register of Historic Places by the U.S. Department of the Interior.

The STRT RR is one of the only railroads in its market area that uses the same tracks that have been operated under the same ownership in three different centuries. Other nearby heritage tourism lines operate on recently acquired tracks that were previously owned by mainline railroads, or tracks that have been extensively reconstructed to repair storm damage. There are a variety of other rail-related attractions in the market area of the STRT RR, but these offer different types of ride experiences or static railway equipment displays. Many of the rail competitors of the STRT RR have been restored in ways that do not provide a truly authentic historic rail trip experience.

From a folklore standpoint, there was an informal encampment of friendly hobos (ca 1920's - 1950's) who lived in the woods near the STRT RR tracks just west of Stewartstown. These temporary residents were WW I veterans and victims of the Great Depression. In later years, the railroad transported members of the Polish-American community in Baltimore to agricultural and cannery jobs in Stewartstown during the growing and harvest seasons.

Rugged Scenic Route – The STRT RR is the only line in its market area that offers day trip passengers rides through an extremely rugged, scenic rural area that has mountainous characteristics (See Plate B). It has over 1.5 miles of 2 percent plus eastbound grades, and almost a mile of 2 percent plus westbound grades. Other nearby lines operate along stream valleys with moderate grades, or across gently rolling countryside areas.

The 7.2 mile line of the STRT RR winds its way through portions of three different watersheds and crosses two summits as it traverses scenic agricultural and woodland areas. The line encounters significant adverse grades in both directions as it descends and ascends through deep watershed valleys. The maximum grades on the STRT RR are 2.30 percent eastbound and 2.19 percent westbound (See Plate C). The line also has sharp curves, earth fills over ravines, cuts through hill tops, and historically unique bridge and trackside structures. The STRT RR is the only line in its market area to use a head end helper or pusher on heavily loaded excursion trains.

Motive Power – The STRT RR is the only line in its market area which exclusively uses vintage gasoline and diesel powered locomotives that actually operated in revenue service on the line rather than locomotives that were recently acquired from other sources and subsequently used in heritage tourism rail service. One of its current locomotives was hauling freight and passenger excursion trains on the line before many of the later heritage rail lines began operating. A twin of the oldest gasoline locomotive now on the roster of the STRT RR hauled a sightseeing train on the line in May 1956.

The current motive power of the STRT RR has outlasted many generations of modern diesel-electric locomotives that were use on other railroads. The gasoline locomotive still operating on the line is 66 years old while the slightly larger diesel locomotive is 63 years of age. The early conversion of the STRT RR from steam to gasoline and diesel motive power as well as its long-term retention of motive power are major factors that have contributed to the line's continued viability and longevity.

Day Trip Enjoyment Multiplier Effect – In addition to the railroad's own unique attractiveness factors described above, the close proximity of the line to other tourism resources offers opportunities for day trippers and others to enhance their visit to the STRT RR. Within a short distance to the STRT RR are many year-round sightseeing / shopping attractions, country markets, vineyards and orchards. For visitors to the STRT RR who have a stronger interest in railroads, the line's proximity to a variety of other nearby rail-oriented attractions offers specialized trip enhancement opportunities.

Within a short walking distance of the historic Stewartstown station is the unique museum of the Stewartstown Historical Society which offers an opportunity to peer back into the rich past of a tiny Pennsylvania ridgeline town that created the railroad and profited from its existence. In the future, the STRT RR and the local historical society are planning a joint Pennsylvania Shortline Railroad History Research Center which will showcase the historical records of the STRT RR and other shortline railroads in Pennsylvania.

Physical Characteristics of the STRT RR

The following physical characteristics of the STRT RR are based on published sources, and STRT RR records.

1890 Station Names	Distance Between Stations (mi)	Elevation ASL (ft)	Maximum Grade (%)	1890 Travel Time (min)	1890 Speed (mph)
New Freedom		820			
	1.6		2.23 EB	6	16
Turnpike / Hungerford		900			
	0.9		2.19 WB	4	13
Keeney		805			
	0.7		1.42 WB	3	14
Sheffer / Tolna		745			
	1.4		1.09 EB	6	14
Anstine		820			
	0.5		2.30 EB	2	15
Orwig		860			
	0.5		2.01 WB	2	15
Reimold		805			
	0.7		1.95 WB	2	21
Zeigler / (Valley Bridge)		770			
	0.9		1.77 EB	3	18
Stewartstown		850			
	7.2 mi total			28 min total	15 mph average

Future Ridership Estimates

From 1885 until 1972 when Hurricane Agnes destroyed its rail connection with the outside world, the STRT RR provided freight service to agricultural and manufacturing interests along its 7.2 mile line. It also provided regularly scheduled passenger service to Stewartstown and eight other station along its length until 1952.

After the former Penn Central line was rebuilt and reopened, the STRT RR provided freight service from 1985 until 1992 when PennDOT discontinued the STRT RR's outside rail connection between York and New Freedom.

The line operated its first passenger excursion trip in 1956 for local residents and rail enthusiasts between Stewartstown and New Freedom. After experimenting with excursion trips in 1983 and 1985, the STRT RR began operating regular passenger excursion trips in 1986.

The following table summarizes past and estimated future annual ridership (See Appendix C for ridership records, demographic data, and projection procedures).

Past and Estimated Future Annual Ridership from Core Market Area

Year	Past Ridership	Low	Projected Ridership* Medium	High
1986	4,886			
1994	15,920			
2015		5,991	18,450	30,908
2030		6,262	19,283	32,304

* Projected ridership only includes estimated revenue passengers from within the Baltimore metropolitan region market area. It is conservatively estimated that revenue passengers from outside this market area could increase the above ridership by 10-20%.

The estimated ridership in 2015 and 2030 (including a 10-20% ridership increase from tourist passengers from outside the line's core market area) is ca 34,000 and 39,000 respectively. In 2015 and 2030, it is expected that 80-90% of the STRT RR's ridership will be derived from day trips from its core market area. Ridership from its extended market area is expected be limited by competition from the 44 other heritage tourism railways and rail museums that are located within 300 miles / 5 hours driving time from Baltimore.

Future Total Revenue Estimates

Future estimates of total revenue for the STRT RR are based on comparable current fares of heritage tourism railways and rail museums in its extended market area. In the period prior to the reopening of the line in late 2014, inflation is assumed to be 2% per year due to current economic recovery conditions. In the post 2014 period, the inflation rate is limited to 3% per year due to concern about the effect of higher rates of fare increase on potential ridership.

The average current fare for 29 comparable lines and rail-related facilities in the STRT RR's extended market area is \$9.25. Based on the above assumed inflation rates, the adult fare for the STRT RR in its first year of operation would be \$10.50 in 2015 and \$16.50 in 2030.

These projected adult fares do not include admission charges, souvenir sales, or fees for special trip-related services such as food or extended tours beyond the basic trip. The total estimated revenue for the STRT RR in 2015 and 2030 is shown in the following table.

Projected Total Revenue (2015 - 2030)

Year	Estimated Ridership	Average Fare	Total Revenue
2015	34,000	\$10.50	\$357,000
2030	39,000	\$16.50	\$643,500

These projected total revenue estimates provides a basis for determining the net operating revenue for the STRT RR during the early years of the 15-year operating period following the initial reopening of the line.

Estimate of Pre-2014 Startup Capital Cost

As disused in previous sections, the initial goal of reopening the STRT RR as a viable heritage tourism railroad is proposed to be phased over a 5-year period. This will permit an initial portion of the line to be reopened by the 100th anniversary of the completion of Stewartstown Station in late 2014. It is currently planned that the entire 7.2 mile line would be reopened in two phases. The first phase would include a 4-mile section from Stewartstown to Tolna. This section would be reopened by late 2014. The second phase would include the remaining 3.2 miles from Tolna to New Freedom. It is envisioned that the latter section would be reopened as early as possible in the post-2014 period.

The categories of startup capital costs are expected to include the following: 1) station and trackside structure restoration, 2) roadbed and railroad crossing stabilization, 3) bridge and culvert restoration, 4) tie replacement, 5) rail and switch rehabilitation, 6) motive power maintenance, 7) rolling stock upgrade, 8) disability access and equipment improvements, 9) possible debt service costs, and 10) administrative and marketing costs.

These ten categories of startup costs (which will not be supported by revenue sources) are assumed to come from one or more of the following funding sources. A small portion of initial startup costs could possibly be covered by estimated revenue produced during the early years of operation (after 2014).

There are five types of funding sources that could be used to cover part or all of the above startup costs. These sources include the following: 1) charitable donations (in exchange for federal / state tax credits), 2) grants, 3) in-kind services and donated materials, 4) loans, and 5) volunteer services.

An aggregate estimate of initial startup costs could range up to \$200,000 over a 5-year period. This estimate assumes, in part, the donation of material and use of volunteer labor. Actual initial startup costs will depend on the extent to which the implementation time frame, material and labor assumptions are realized. If the initial phase of the line were to be reopened prior to the assumed starting date, it would possibly be necessary to place more emphasis on purchased materials and contract labor than currently envisioned. This could increase initial start up costs.

Realization of assumed startup costs also depends on a satisfactory resolution of the lien placed against the STRT RR by George Hart in 2006, and ongoing cooperation between the railroad's Officers and Board of Directors and the Friends.

Estimate of Operating Cost and Net Revenue

The projected total revenue estimates discussed in previous sections provides a basis for determining order-of-magnitude net operating revenue for the STRT RR during the early operating period following the reopening of the Stewartstown - Tolna portion of the line. While total revenue estimates are projected up to the year 2030, it is difficult to estimate operating and startup costs in the out years of operation (after the Tolna - New Freedom section is reopened) because inflation, reopening time frame, possible replacement of motive power and rolling stock equipment, and other factors can not be determined at this time.

For the restoration and operation of the STRT RR to be a viable undertaking, it is assumed that operating assistance from outside sources during the period covered by this business plan (2015-2030) will be minimal or not required.

The basis for projected operating costs in the early period following the reopening of the Stewartstown - Tolna section is from operating cost data contained in a financial statement prepared by the STRT RR's accountant for the 1998-1999 time period. The baseline operating costs were escalated to the present (2009) at a rate of 3.00% per year. Variable rates of inflation (3.00% to 5.00%) were used to project baseline operating costs from the present to the early period (2015) after the initial portion of the line is reopened.

Projected Operating Costs (1998 / 99 - 2015)

Operating Cost Levels	Baseline Operating Cost 1998-99)	Projected Present Operating Cost (2009)	Projected Early Operating Period Operating Cost (2015)	Projected Early Operating Period Operating Cost + Variable Contingency Factors (10% - 30%)
Low Estimate of Operating Cost (2015)	\$59,044	\$81,731	\$97,591	\$107,350 (+ 10% Factor)
Medium Estimate of Operating Cost (2015)	\$59,044	\$81,731	\$103,416	\$124,099 (+ 20% Factor)
High Estimate of Operating Cost (2015)	\$59,044	\$81,731	\$109,527	\$142,385 (+ 30% Factor)

High Estimate of 2015 Net Revenue

\$357,000 Estimate of 2015 Total Revenue
- ~~\$107,350~~ Low Estimate of 2015 Operating Cost (plus 10% Contingency Factor)
\$249,650 Estimate of 2015 Net Revenue

Medium Estimate of 2015 Net Revenue

\$357,000 Estimate of 2015 Total Revenue
- ~~\$124,099~~ Medium Estimate of 2015 Operating Cost (plus 20% Contingency Factor)
\$232,901 Estimate of 2015 Net Revenue

Low Estimate of 2015 Net Revenue

\$357,000 Estimate of 2015 Total Revenue
- ~~\$142,385~~ High Estimate of 2015 Operating Cost (plus 30% Contingency Factor)
\$214,615 Estimate of 2015 Net Revenue

As previously noted, it should be emphasized that substantial portions of projected net revenue are assumed to be allocated toward the restoration of the Tolna - New Freedom portion of the STRT RR and other related costs.

This Business Plan (including appendices, maps and diagrams) represents a good faith effort to describe all important aspects of this heritage tourism railroad including projected ridership, revenue and operating costs. This document is subject to revision as more detailed information becomes available.

Contact Information for Stewartstown Railroad Officials

David Williamson (President), Freeland MI, 989-695-6881(H), 989-450-4903 (C)
< fairmontdave@speednetllc.com >

Don Matthews (Treasurer), Stewartstown PA, 717-993-2356 (H)

Eric Bickleman (Director), Washington DC, 301-848-1707 (C)
< ejb4433@comcast.net >

Raymond Reter (Director), Cockeysville MD, 410-628-7131
< raymondreter@verizon.net >

Exhibit

P

Stewartstown Railroad

Track Rehabilitation Plan

February 27, 2010

Scope of Work – Materials and Equipment Only. Cost estimates dependent on donated materials and volunteer labor. Time estimated to complete each project is dependent upon labor availability.

Year 1

Preliminary – Operate motorcars and tie crane length of line to clear downed trees. Qualify operators on tie crane. Use tie crane to move large trees and to position pipes at Waltemyer washout.

Need tie crane, motorcar(s), chainsaws, shovels, fuel
Estimate two 8 hour work days to complete with 4 – 5 laborers

Project 1 – Repair washout in vicinity of Waltemyer Road crossing No. 3 to allow safe operations of motorcars and on-track equipment

Position gabions and fill with rock around pipes, fill behind gabions with loose material to roadbed level, compact with tamper, construct wing walls of old ties and catch basin of rock on upstream side. Replace ties, ballast and tamp.

Equipment – Ballast car, motorcar, backhoe, pavement tamper, air compressor, air tampers, air spikers

Materials - tons heavy rock, crushed concrete fill material, stone ballast, gabions, 15 ties, 30 tie plates, 60 new spikes, junk timbers already onsite, pipes already onsite, fuel

Project 2 – Restore mainline track only to FRA Class 1 standards from the end of track at Stewartstown station to Zeigler's station 1 mile including fire damaged timbers on Bridge 8. Ballast and tamp as material available.

Equipment – backhoe, tie crane, air compressor, air spikers, air tampers, hand tools

Materials – Switch timbers 10' – 16' as needed, 675 ties, 1350 tie plates, 2700 spikes
tons ballast

Note: Tie replacements needed to attain FRA Class 1 computed as follows:
Ties are on 24" centers therefore 2640 ties total per mile or 5280 feet of track.
FRA requires minimum 5 good ties properly spaced per every 39' segment of track for Class 1.
 $5280' \text{ divide by } 39' \text{ equals } 135 \text{ segments each with } 5 \text{ good ties. } 5 \times 135 = 675$

Project 3 – Stewartstown coach track is all but non-existent. Replace all ties and spread ballast, raise and tamp approximately 200’.

Equipment – same

Materials – 100 ties, 200 plates, 400 spikes, tons ballast

Spring 2011 - With these tasks accomplished and the approval of an FRA or Pennsylvania PUC track inspector, limited excursion operations commence between Stewartstown and Ziegler’s

Year 2

Project 4 – Restore mainline track to FRA Class 1 from Zeigler’s to Orwig’s station 1.2 miles. Repair small washouts as needed in vicinity of Iron Bridge to Easter Egg site.

Materials – 810 ties, 1620 plates, 3240 spikes, fill material as needed, cribbing ties as needed, ballast

Project 5 – Hire railroad contractor to replace all timbers on Iron Bridge

Project 6 – Professional bridge inspector to inspect Iron Bridge and Ridge Road bridge. Replace timbers, repair defects on Ridge Road bridge as necessary.

Spring 2012 - With track inspection FRA-PUC approval operations commence to Orwig’s

Year 3

Project 7 - Restore mainline track to FRA Class 1 from Orwig’s to Tolna 1.9 miles

Materials – 1280 ties, 2560 plates, 5120 spikes, ballast

Project 8 - Bridge Inspector – Deer Creek Bridge
Replace bridge timbers, repair defects as necessary.

Spring 2013 – Inspection, operations commence to Tolna

Year 4

Project 9 - Restore mainline track to FRA Class 1 from Tolna to Hungerford 1.6 miles

Materials – 1080 ties, 2160 plates, 4320 spikes, ballast

Spring 2014 – Inspection, operations commence to Hungerford

Year 5

Project 10 - Restore mainline track Hungerford to New Freedom 1.6 miles

Materials – 1080 ties, 2160 plates, 4320 spikes, ballast

Project 11 - Restore New Freedom run around – approximately 1000' of track plus 5 switches. Does not include public delivery track or Columbia Forest sidings.

Materials – 150 ties, 300 plates, 10' – 16' switch timbers as needed TBD, spikes, ballast

**Project 12 - Bridge Inspector – Kirchner Road bridge
Replace bridge timbers, repair defects as needed.**

**Project 13 - Repair Mann & Parker washout
Fill material as needed. Retaining wall and pipe extension as needed TBD**

Inspection, operations commence to New Freedom Spring 2015

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