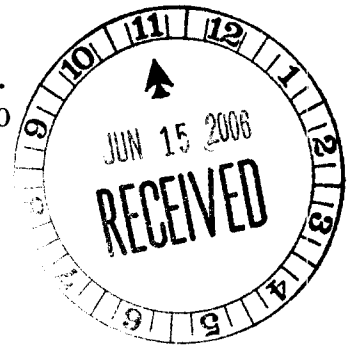


LAW OFFICE
THOMAS F. MCFARLAND, PC.
208 SOUTH LASALLE STREET - SUITE 1890
CHICAGO, ILLINOIS 60604-1112
TELEPHONE (312) 236-0204
FAX (312) 201-9695
mcfarland@aol.com

THOMAS F. MCFARLAND

June 14, 2006



ENTERED
Office of Proceedings

By UPS overnight mail

JUN 15 2006

216 774

Fritz R. Kahn, Esq.
Attorney for Seaside Holdings, Inc.
1920 N Street, N.W., 8th fl.
Washington, DC 20005-3934

Part of
Public Record

Mr. Michael J. Garcia
Pacific Unified Railroad Corporation
1800 East Sahara Avenue, Suite 107
Las Vegas, NV 89104

Mr. Robert W. Larson, President
Oregon, Pacific & Eastern Railroad Co.
161 Millsview Lane
Roseburg, OR 97470

Mr. Vernon A. Williams (original + 10 copies)
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423-0001

Re: STB Docket No. AB-914X, *McCloud Railway Company -- Abandonment and Discontinuance of Service Exemption -- in Siskiyou, Shasta and Modoc Counties, CA*

Gentlemen:

This is to provide McCloud Railway Company's (MCR) estimate of net liquidation value (purchase price) for the rail line authorized for abandonment in the above proceeding in the amount of \$4,655,202.90, composed of \$4,363,784.10 for the net salvage value of the track materials in the line, and \$291,418.80 for the market value for nonrail use of the land in the railroad right-of-way to which MCR has marketable fee title. This estimate is provided pursuant to 49 U.S.C. § 10904(b) and 49 C.F.R. § 1152.27(a) and (c).

Attached in support of the above estimate are the following:

- (1) a breakdown of the estimate of net salvage value of track materials provided by Railroad Materials Salvage, Inc., Richmond, MO (Appendix 1).
- (2) a title report insuring fee title in McCloud Railway Company as to the parcels of land valued in this estimate (Appendix 2); and

THOMAS F. MCFARLAND

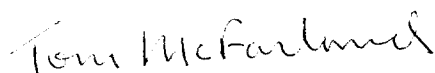
June 14, 2006

Page 2

- (3) a summary of the valuation of fee-held parcels based on the actual 2001 assessed value of such parcels, increased by 20 percent to reflect fair market value (Appendix 3).^{1/}

In accordance with the Board's decision in this proceeding served June 1, 2006, this is also to remind you that any offers of financial assistance are now due 10 days after your receipt of this estimate, i.e., on June 26, 2006.

Very truly yours,



Thomas F. McFarland

Attorney for McCloud Railway Company

TMcF:kl:wp8.0\1005\trfrkl

cc: Mr. Jeff Forbis

^{1/} The correlation between Appendices 2 and 3 is as follows:

<u>Fee Parcel Number in Appendix 2, p. 2</u>	<u>Map Number in Appendix 3</u>
1	47014
	47015
2	47016
	47017
	47018
3	47019
	47020
	47021
4	47022
	47023
	47024
	47025
	47026
5	47027
6	NONE
7	47029 Parcel 2
8	47029 Parcel 4
	47030

NOTE: No fee properties are located in Fee Parcel Nos. 6 and 9

06-01-06

Bartle Jct, CA to Hambone, CA

MP 19 to MP 31

Steel: 75# / 77 1/2 # / 80# GN Section
including 60# S. T.

	Net Tons	Per Ton	Summary
Scrap	115.88	200.00	\$23,176.00
Reroll / China	431.50	220.00	\$94,930.00
Reroll / Chicago Heights	431.50	270.00	\$116,505.00
90# GN Reroll / Chicago Heights	692.20	270.00	\$186,840.00
OTM:	365.77	240.00	\$87,784.80

Total steel sales \$509,235.80

Total ties sales \$170,056.00

Total all sales **\$679,291.80**

Less takeup -\$164,000.00

NLV **\$515,291.80**

06-01-06 Berry Jct, CA to Scott, CA @ Sierra Pacific Lumber Company

MP 0.0 to MP 6.0

Rail:	Length	Net Tons	Per Ton	Summary
70# Scrap	33'	117.04	200.00	\$23,408.00
85# Scrap	33'	71.60	220.00	\$15,752.00
Reroll	33'	639.00	270.00	\$172,530.00

	Net Tons	Per Ton	Summary
OTM:	172.66	240.00	\$41,438.40

Total steel sales	\$253,128.40
Total ties sales	<u>\$88,560.00</u>

Total all sales	\$341,688.00
Less takeup	<u>-\$78,000.00</u>

NLV	\$263,688.00
-----	---------------------

06-01-06

NLV - McCloud, CA to Burney, CA

62.10 track miles - Main and Siding

	Size	Net Tons	Price/NT	Summary
3.40 track miles @ 105.60 NT/mile	60# - 65#	359.04	\$200.00	\$71,808.00
200.00 track miles @ 142.12	85#:			
	85# scrap	284.24	\$220.00	\$62,532.80
	85# reroll	2557.76	\$270.00	\$690,595.00
16.60 track miles @ 150.48	90# GN reroll	2497.96	\$270.00	\$674,449.20
22.1 track miles @ 150.40	90# RA/903:			
	10% reroll	332.38	\$270.00	\$89,742.60
	45% # 1	1495.72	\$450.00	\$673,074.00
	45% # 2	1495.72	\$400.00	\$598,288.00
	Bars	pairs - 6364	pair - \$14.00	\$89,096.00
	Plates	each - 114,566	each - \$1.75	\$200,490.50
	OTM	1700.65	\$240.00	<u>\$408,156.00</u>
	Steel			\$3,558,232.30
	Ties			\$916,576.00
	Total Sales			\$4,474,808.30
	Less take-up			<u>-\$890,004.00</u>
	NLV			\$3,584,804.30

APPENDIX 2

Siskiyou County Title Co.

Preliminary Report **COPY**

In response to the application for a policy of title insurance referenced herein, Siskiyou County Title Co. hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception below or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage of said Policy or Policies are set forth in Exhibit A attached. Copies of the Policy forms should be read. They are available from the office which issued this report.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

The Policy(s) of title insurance to be issued hereunder will be policy(s) of Fidelity National Title Insurance Company, a California corporation OR Stewart Title Guaranty Company, a Texas corporation.

Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Exhibit A of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects and encumbrances affecting title to the land.



Siskiyou County Title Co.

By

A handwritten signature in cursive script, appearing to read 'David Collier'.

David Collier, President

COPY

Siskiyou County Title Co.

206 Fourth Street, P.O. Box 189 Yreka, CA 96097
(530) 841-3062 • Fax (530) 841-3063

Preliminary Report

To: 4 Rails Inc
PO Box 1500
Mc Cloud, Ca 96057

Order Number: 00205027-300

Escrow Officer: Title Department

Attn: Jeff Forbis

Title Officer: Karen Cleland

Customer Reference:

Short Term Rate: No

Property Address: McCloud River Rail Road

Effective Date: November 24, 2005 at 7:30 A.M.

The form of **Policy or Policies** of title insurance contemplated by this report is:

CLTA Standard Coverage Policy - 1990

1. The **estate or interest** in the land hereinafter described or referred to covered by this report is:
A FEE as to Parcel(s) 1-9
2. Title to said estate or interest at the date hereof is **vested in**:
4 Rails, Inc., a California Corporation
3. The land referred to in this report is situated in the County of Siskiyou, State of California, and is described as follows:
See exhibit "One" attached hereto and made a part hereof.

KNCKnc December 12, 2005

Exhibit "One"

PARCEL 1:

All that portion of the following described land lying within Sections 34, 35 and 36, Township 40 North, Range 2 West, M.D.M.

A strip of land 200 feet in width lying 100 feet equally on each side of the located center line of the McCloud River Railroad, beginning at the Easterly end of Parcel "H" as described in Parcel 5 of the deed recorded July 14, 1992 as instrument number 92009857, Official Records of Siskiyou County; thence Easterly along the present located center line of the McCloud River Rail Road across the Southeast 1/4 of Section 32 and the South 1/2 of Section 33; the South 1/2 of the North 1/2 and the North 1/2 of the Southwest 1/4 of Section 34; the North 1/2 of Section 35 and the North 1/2 of Section 36, all in Township 40 North, Range 2 West, M.D.M.

EXCEPTING therefrom all of the timber standing, or lying, or which may be in or upon the said lands or any part thereof; also all ore, minerals, fossils of every name which may be in or upon said above described, and also the right of the party of the first part, its successors and assigns for the purpose of removing said timber thereon and developing and working any mines which may be therein, and also such rights or powers is said party of the first part, its successors and assigns, to and over said lands as may be reasonably necessary or convenient to render effective the rights last above specified as reserved in the deed recorded September 20, 1907 in Book 75 of Deeds at Page 73, records of Siskiyou County.

NOTE: A portion of the re-aligned right of way in Section 34, 35 and 36, Township 40 North, Range 2 West, M.D.M. appears to be used under an un-recorded special use permit from the United States of America dated January 1, 1959 and are excluded from coverage herein.

PARCEL 2:

Township 39 North, Range 1 West and Township 40 North, Range 1 West, M.D.M.

A strip of land varying in width from 150 feet to 200 feet in width lying equally on each side of the located center line of the McCloud River Railroad beginning at the West line of Section 31 and extending Easterly across the North 1/2 and the Northeast 1/4 of the Southeast 1/4 of said Section 31; Southeasterly across the Southwest 1/4 and the Southwest 1/4 of the Southeast 1/4 of Section 32; Township 40 North, Range 1 West, Easterly across Lots 1 and 2 of the Northeast 1/4 of Section 5 and Easterly across Lots 1, 2, 3 and 4 of Section 4, both in Township 39 North, Range 1 West; North, easterly across the Southeast 1/4 of the Southeast 1/4 of Section 33, and the South 1/2 of Section 34; Northeasterly across the Northwest 1/4 of the Southwest 1/4 and the North 1/2 of Section 35 and the North 1/2 of Section 36 in Township 40 North, Range 1 West, M.D.M. to the East line of said section. ion.

SAVING, EXCEPTING AND RESERVING from said lands, however, all of the timber standing, or lying, or which may be in or upon the said lands which or any may part be thereof in or upon ; also said all above ore, minerals described , fossils and also of every name the right of the party of the first part, its successors and assigns forever, to enter by itself or its agents or servant upon said lands, or any part thereof, for the purpose of removing said timber thereon and developing and working any mines which may be therein, and also such rights or powers in said party of the first part, its successors and assigns, to and over said lands as may be reasonably necessary or convenient to render effective the rights last above specified, as reserved in the deed recorded September 20, 1907 in Book 75 of Deeds at Page 73, records of Siskiyou County.

Excepting the right to take from said tracts of land any and all merchantable timber now standing upon said tracts of land as reserved in the deed recorded January 25, 1907 in Book 71 of Deeds at Page 370, records of Siskiyou County

A portion of the original and re-aligned right of way in Township 40 North, Range 1 West, M.D.M. appears to be used under un-recorded Special Use Permits from the United States of America dated July 14, 1930 and January 1, 1959 and said areas are excluded and excepted from coverage herein

PARCEL 3:

Township 39 North, Range 1 East and Township 40 North, Range 1 East, M.D.M.

A strip of land 150 feet in width lying 75 feet equally on each side of the located center line of the McCloud River Railroad beginning at a point on the Westerly line of Section 31; thence Easterly and Southeasterly across to South 1/2 of Section 31 and Easterly across the Southwest 1/4 of the Northwest 1/4 and the North 1/2 of the South 1/2 of Section 32 to the East line thereof; thence said strip being 200 feet wide, 100 feet equally on each side of said railroad, beginning at the West line of Section 33; thence Easterly, Northeasterly and Easterly across the North 1/2 of the Southwest 1/4, the Southeast 1/4 of the Northwest 1/4 and the Northeast 1/4 of Section 33 to the East line thereof; thence Southeasterly across Section 34 and the Southwest 1/4 of the Southwest 1/4 of Section 35 to the South line thereof, all in Township 40 North, Range 1 East, M.D.M.; thence Southeasterly across Lots 4, 5, 6, 7, 9, 10, 11 and 16 of Section 2 and Lots 13, 14, 17, 18, 19, 20 and the Southeast 1/4 of Section 1, both in Township 39 North, Range 1 East, M.D.M.

ALSO a parcel of land situated, lying and being in the County of Siskiyou, State of California and bounded and more particularly described as follows, to-wit:

BEGINNING at a point on the McCloud River Railroad Company's right of way One Hundred (100) feet from Station 887.85, thence at right angles from line of said right of way two hundred eighty feet (280), thence at right angles to the left two hundred and seventy (270) feet, thence at right angles to the left two hundred and eighty (280) feet to a point on the right of way of the McCloud River Railroad Company, two hundred and seventy (270) feet Easterly of point of beginning, said piece of land lying in Lot Ten (10), Section Two (2), Township Thirty-nine North (39N) Range One East (1E), M.D.M.

EXCEPTING from said lands, however, all of the timber standing, or lying, or which may be in or upon the said lands or any part thereof; also all ore, minerals, fossils of every name which may be in or upon said above described lands, and also the right of the party of the first part, its successors and assigns forever, to enter by itself or its agents or servants upon said lands, or any part thereof, for the purpose of removing said timber thereon and developing and working any mines which may be therein, and also such rights or powers in said party of the first part, its successors and assigns, to and over said lands as may be reasonably necessary or convenient to render effective the rights last above specified, as reserved in the deed recorded September 20, 1907 in Book 75 of Deeds at Page 73, records of Siskiyou County.

Excepting therefrom, the right to take from said tracts of land any and all merchantable timber now standing upon said tracts of land as reserved in the deed recorded January 25, 1907 in Book 71 of Deeds at Page 370, records of Siskiyou County

EXCEPTING therefrom said lands, however, all of the timber standing or lying, or which may be in or upon the said lands or any part thereof; also all ore, minerals, fossils of every name which may be in or upon said above described lands, and also the right of the party of the first part, its successors and assigns forever, to enter by itself or its agents or servants upon said lands, or any part thereof, for the purpose of removing said timber thereon and developing and working any mines which may be therein, and also such rights or powers in said party of the first part, its successors and assigns, to and over said lands as may be reasonably necessary or convenient to render effective the rights last above specified as reserved in the deed recorded December 27, 1938 in Book 98 of Deeds at Page 166, records of Siskiyou County.

Relocated right of way in Sections 31 and 32, Township 40 North, Range 1 East, appears to be used under un-recorded Special Use Permits from the United States of America and said areas are excluded and excepted from coverage herein.

EXCEPTING from said lands, however, all of the timber which now is or may hereafter be standing, lying or being upon said lands or any part thereof, together with the right to the party of the first part, its successors and assigns forever, to enter by itself or its agents or servants upon said lands or any part thereof for the purpose of removing said timber therefrom as reserved in the deed recorded April 27, 1962 in Book 474 at Page 769, Official Records of Siskiyou County.

PARCEL 4:

Township 39 North, Range 2 East, Township 40 North, Range 2 East and Township 41 North, Range 2 East, M.D.M.

A strip of land 200 feet in width lying 100 feet equally on each side of the located center line of the McCloud River Railroad, beginning on the West line of Section 6, Township 39 North, Range 2 East, M.D.M.; thence Easterly and Northerly across the Northwest 1/4 of the Southwest 1/4, and the West 1/2 of the Northwest 1/4 to the North line of Section 6; thence Northerly across the West 1/2 of Section 31, Township 40 North, Range 2 East, M.D.M.; the Southwest 1/4, the West 1/2 of the Northeast 1/4 and the East 1/2 of the Northwest 1/4 of Section 30 to the North line thereof; thence Northerly across the East 1/2 of the Southwest 1/4, to West 1/2 of the Northeast 1/4 of the Southeast 1/4 of the Northwest 1/4 of Section 19 to the North line thereof; thence Northeasterly across the Southeast 1/4 of the Southeast 1/4 of Section 18 to the East line thereof; thence Northeasterly, Easterly and Southeasterly across the South 1/2 of Section 17 to the South line thereof; thence Southeasterly across the North 1/2 of the Northeast 1/4 of Section 20 to the East line thereof; thence Southeasterly and Northeasterly across the Northwest 1/4 and the West 1/2 of the Northeast 1/4 of Section 21 to the North line thereof; thence Northeasterly across the West 1/2 of the East 1/2 and the Northeast 1/4 of the Northeast 1/4 of Section 16 to the North line thereof; thence Northeasterly across the Southeast 1/4 and the Southeast 1/4 of the Northeast 1/4 of Section 9 to the East line thereof; thence Northeasterly across the North 1/2 of Section 10 to the North line thereof; thence Northeasterly across the East 1/2 of Section 3 to the East line thereof; thence Northeasterly across the North 1/2 of Section 2 to the North line thereof, all in Township 40 North, Range 2 East, M.D.M.; thence Northeasterly across the South 1/2 of the Southeast 1/4 of Section 35 and the Southwest 1/4 of Section 36, both in Township 41 North, Range 2 East, M.D.M. to the Hambone Siding and the intersection with the Burlington Northern Railroad and the termination of this line.

EXCEPTING therefrom said lands, however, all of the timber standing or lying, or which may be in or upon the said lands or any part thereof; also all ores, minerals and fossils, of every name which may be in or upon said above described lands and also the right of the party of the first part, its successors and assigns forever, to enter by itself or its agents or servants upon said lands, or any part thereof, for the purposes of removing said timber thereon and developing and working any mines which may be therein, and also such rights or powers in said party of the first part, its successors and assigns, to and over said lands as may be reasonably necessary or convenient to render effective the rights last above specified, as reserved in deed recorded August 22, 1924 in Book 111 of Deeds at Page 550, records of Siskiyou County

EXCEPTING therefrom all said lands, however, all of the timber standing or lying, or which may be in or upon the said lands or any part thereof; also all ores, minerals, fossils of every name which may be in or upon said above described lands, and also the right of the party of the first part, its successors and assigns, forever, to enter by itself or its agents or servants upon said lands, or any part thereof, for the purpose of removing said timber thereon and developing and working any mines which may be therein, as reserved in the deed recorded August 22, 1924 in Book 111 of Deeds at Page 552, records of Siskiyou County.

EXCEPTING therefrom said lands, however, all of the timber standing or lying, or which may be in or upon the said lands or any part thereof; also all ore, minerals, fossils of every name which may be in or upon said above described lands, and also the right of the party of the first part, its successors and assigns forever, to enter by itself or its agents or servants upon said lands, or any part thereof, for the purpose of removing said timber thereon and developing and working any mines which may be therein, and also

such rights or powers in said party of the first part, its successors and assigns, to and over said lands as may be reasonably necessary or convenient to render effective the rights last above specified as reserved in the deed recorded September 20, 1907 in Book 75 of Deeds at Page 73, records of Siskiyou County.

Excepting therefrom, all oil, coal and other minerals within or underlying said land, as reserved in the deed recorded April 4, 1915 in Book 88 of Deeds at Page 431, records of Siskiyou county

A portion of the original and re-aligned right of way in Sections 34, 35, 36, Township 40 North, Range 2 West; Sections 31, 35 and 36, Township 40 North, Range 1 West; Section 31, Township 40 North, Range 1 East; Sections 1 and 2, Township 40 North, Range 2 East and Sections 35 and 36, Township 41 North, Range 2 East appears to be used under un-recorded Special Use Permits from the United States of America dated January 1, 1959, July 1930 and November 1935 and said areas are excluded and excepted from coverage herein.

PARCEL 5:

All in Township 39 North, Range 1 East and Township 39 North, Range 2 East, M.D.M.

Section 1, T39N., R1E., M.D.M.

Parcel of land situate, lying and being in the County of Siskiyou, State of California, and more particularly described as follows, to-wit:

A strip of land Two Hundred Feet (200') in width, being One Hundred Feet (100') equally on each side of the center line of the railroad of the party of the second part, as the same is now surveyed and staked out, in a general Southerly direction from its connection with the main line railroad of said second party in Lot Nineteen (19) of Section One (1), Township Thirty-nine (39) North, Range One (1) East, over and across said Lot Nineteen (19) and over and across the East half of the Southwest quarter (E 1/2 SW 1/4) of said Section One (1), Township Thirty-nine (39) North, Range One (1) East, to the South boundary line of said East half of the Southwest quarter (E 1/2 SW 1/4).

Excepting therefrom, all timber standing, lying, or being upon said lands, together with the right to enter upon said lands and cut and remove said timber at any time or times as described in Deed to McCloud River Railroad Company recorded September 25, 1950 in Book 265 Official Records, page 542.

PARCEL 6:

A strip of land 200 feet in width lying 100 feet equally on each side of the located centerline of the McCloud River Railroad, beginning at the intersection of the centerline of said railroad and the North line of Section 12, Township 39 North, Range 1 East, M.D.M.; thence Southerly through the East 1/2 of the West 1/2 of Section 12; the Northeast 1/4 of the Northwest 1/4, the South 1/2 of the Northwest 1/4, the West 1/2 of the Southwest 1/4, and the Southeast 1/4 of the Southwest 1/4 of section 13; the East 1/2 of the Northwest 1/4, the Southwest 1/4 of the Northeast 1/4, the East 1/2 of the Southeast 1/4 and the Northwest 1/4 of the Southeast 1/4 of Section 24 and the Northeast 1/4 of the Northeast 1/4 of Section 25, all in Township 39 North, Range 1 East, M.D.M.; thence Easterly across the South 1/2 of the Southwest 1/4 and the Southeast 1/4 of the Southeast 1/4 of Section 19, Township 39 North, Range 2 East and the Northwest 1/4 of the Northeast 1/4 and the Northeast 1/4 of the Northwest 1/4 of Section 30, Township 39 North, Range 2 East, M.D.M.

Parcel 6 is used under an un-recorded Special Use Permit from the United States of America dated July 25, 1950 and is excluded and excepted from coverage herein.

PARCEL 7:

A strip of land 100 feet in width lying 50 feet equally on each side of the located centerline of the

McCloud River Railroad, beginning at the intersection of the centerline of said railroad and the West line of the Northeast 1/4 of the Northeast 1/4 of Section 30, Township 39 North, Range 2 East, M.D.M.; thence Easterly and Northerly to a point on the East line of said Section 30 as described in Deed to McCloud River Railroad Company recorded December 8, 1954 in Book 341 Official Records, page 452. Out by later Deed Recorded in Book 349 Official Records, page 426.

Excepting therefrom all timber now or hereafter standing, lying or being upon any of the lands hereinabove conveyed; together with the right to enter upon said lands or any part thereof at any time to cut and remove said timber, as reserved in the deed recorded December 8, 1954 in Book 341 at Page 452, and as modified in the deed recorded in Book 349 at Page 426, Official Records of Siskiyou County.

PARCEL 8:

A strip of land 100 feet in width lying 50 feet equally on each side of the located centerline of the McCloud River Railroad, beginning at the intersection of said centerline and the West line of Section 29, Township 39 North, Range 2 East, M.D.M.; thence Northerly and Easterly through the Northwest 1/4 of the Northwest 1/4 of Section 29 and the West 1/2 of the Southwest 1/4 of Section 20 to Station 308+00 on said railroad; thence said strip being 150 feet in width, 50 feet to the South and 100 feet to the North of said located centerline and extending Easterly to Station 328+00; thence said strip being 100 feet in width lying 50 feet equally on each side of the located centerline, easterly and Southerly through the North 1/2 of the Southeast 1/4 of Section 20, the West 1/2 of the Southwest 1/4 of Section 21, the Northwest 1/4 of Section 28; thence Easterly, Southerly and Easterly through the North 1/2 of the South 1/2, the Southwest 1/4 of the Northeast 1/4 and the Southeast 1/4 of Section 28 and Easterly and Southerly through the Southwest 1/4 of the Northwest 1/4 and the Southwest 1/4 of Section 27 to the Shasta County line, all in Township 39 North, Range 2 East, M.D.M. as described in three Deeds to the McCloud River Railroad Company recorded August 13, 1954 in Book 336 Official Records, pages 59, 77 and 96.

EXCEPTING all timber standing, growing or being and all timber to be grown on the property as hereinabove described, except that portion thereof necessary to be cut in the actual construction, maintenance and use of the railroad to be constructed by Grantee herein as reserved in the above deeds recorded in Book 336 at Pages 59, 77 and 96, Official Records

Assessor's Parcel Numbers

018-330-080, 110, 130, 140, 150, 160
027-050-050, 110
027-060-130, 210, 220, 230, 240, 250, 260,
027-070-260, 270
027-100-220
027-120-120, 130
027-150-020, 090, 200, 210, 220, 240
027-160-080
027-170-130, 140, 150, 160, 170
027-200-110, 120, 130, 140, 150
027-220-140
027-230-370, 380, 390
027-250-270
027-260-290, 300, 310, 320
027-480-080, 090, 100
028-230-190, 200
028-360-150, 160, 170, 180, 190, 200, 210, 220, 230
028-370-100, 110, 120
028-390-200

At the date hereof, items to be considered and exceptions to coverage in addition to the printed exceptions and exclusions in said policy form would be as follows:

1. Property taxes, which are a lien not yet due and payable, including any assessments collected with taxes to be levied for the fiscal year 2006-2007.
2. Property taxes, the first installment which are a lien due and payable, and the second installment is a lien not yet due and payable including any assessments collected with taxes levied for the fiscal year 2005-2006.
Note: No report or examination of the property taxes or assessments is offered herein.
3. The lien of supplemental taxes, if any, assessed pursuant to the provisions of Chapter 3.5 (Commencing with Section 75) of the Revenue and Taxation code of the State of California.
4. Easement(s) for the purpose(s) shown below and rights incidental thereto as reserved in a document;

Reserved by: Bridgeford-Cunningham Company, a corporation, Westover Lumber Company, a corporation, William W. Westover and William Westover
Purpose: railroad, road crossings and rights of entry
Recorded: January 25, 1907 in Book 71, Page 370, of Deeds
Affects: Portions of Parcels 2 and 3
5. Easement(s) for the purpose(s) shown below and rights incidental thereto as reserved in a document;

Reserved by: The McCloud River Lumber Company
Purpose: Rights of Entry for the access to reserved timber and minerals
Recorded: September 20, 1907 in Book 75, Page 73, of Deeds, records of said county
Affects: Portions of Parcels 1,2,3,4, and 5 described herein
6. Easement(s) for the purpose(s) shown below and rights incidental thereto as reserved in a document;

Reserved by: Central Pacific Railway Company
Purpose: Rights of entry for access to reserved oil, coal and other minerals
Recorded: April 04, 1915 in Book 88 of Deeds at , Page 431, records of Siskiyou county
Affects: A portion of Parcel 4 described herein
7. Easement(s) for the purpose(s) shown below and rights incidental thereto as reserved in a document;

Reserved by: The McCloud River Lumber Company
Purpose: Rights of entry for access to reserved timber and minerals
Recorded: August 22, 1924 in Book 111 of Deeds at Page 550 and 552 Official Records
Affects: Portions of Parcel 4 described herein

8. Any adverse claim, interest or title of Red River Lumber Company, a Minnesota Corporation to that portion of Parcel 4 described herein lying within the interest conveyed in the deed recorded May 29, 1931 in Book 24 at Page 195, Official Records of Siskiyou County, was a fee interest or an easement or right of way interest.

9. Easement(s) for the purpose(s) shown below and rights incidental thereto as granted in a document;

Granted to: The County of Siskiyou
Purpose: Right of Way for Road Purposes
Recorded: 11/09/1933 in Book 50, Page 350, Official Records
Affects: A portion of Parcel 6

10. Easement(s) for the purpose(s) shown below and rights incidental thereto as reserved in a document;

Reserved by: The McCloud River Lumber Company
Purpose: Rights of Entry for access to reserved timber and minerals
Recorded: December 27, 1938 in Book 98, Page 166, Official Records
Affects: Portions of Parcel 3 described herein

11. Easement(s) for the purpose(s) shown below and rights incidental thereto as reserved in a document;

Reserved by: The McCloud River Lumber Company, a corporation
Purpose: rights of entry for access to reserved timber
Recorded: September 25, 1950 in Book 265, Page 542, Official Records
Affects: Parcel 5 described herein

12. Easement(s) for the purpose(s) shown below and rights incidental thereto as reserved in a document;

Reserved by: Archie D. Walker and Bertha H. Walker, his wife, et al
Purpose: Rights of entry for access to reserved timber and easement and crossing rights
Recorded: August 25, 1954 in Book 336, Page 59, and counter-part deeds recorded on pages 77 and 96, Official Records
Affects: Portions of Parcel 8

Covenants, conditions and restrictions including reversionary rights (deleting therefrom any restrictions indicating any preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status or national origin) as set forth in the document referred to in the numbered item last above shown.

13. Easement(s) for the purpose(s) shown below and rights incidental thereto as reserved in a document;

Reserved by: The McCloud River Lumber Company
Purpose: Rights of entry for access to reserved timber and crossing easements
Recorded: December 08, 1954 in Book 341, Page 452, Official Records
Affects: A portion of Parcel 7 described herein

14. Easement(s) for the purpose(s) shown below and rights incidental thereto as granted in a document;
- Granted to: United States of America
Purpose: Road Easement
Recorded: February 25, 1950 in Book 418, Page 365, Official Records
Affects: A portion of Parcel 4 described herein
15. Easement(s) for the purpose(s) shown below and rights incidental thereto as granted in a document;
- Granted to: United States of America
Purpose: Roadway
Recorded: February 25, 1950 in Book 418, Page 365, Official Records
Affects: A portion of Parcel 4 described herein
16. Easement(s) for the purpose(s) shown below and rights incidental thereto as described in license agreement
- By and between: McCloud River Railroad Company, a California corporation and Western California Telephone Company, a Corporation
Purpose: "...poles, crosspieces and approximately 35 miles of telephone lines running generally along railroads right of way..."
Recorded: July 21, 1961 in Book 463, Page 505, Official Records
17. Easement(s) for the purpose(s) shown below and rights incidental thereto as reserved in a document;
- Reserved by: McCloud River Lumber Company, a corporation
Purpose: Rights of entry for access to reserved timber
Recorded: April 27, 1962 in Book 474, Page 769, Official Records
Affects: portions of Parcel 3 described herein
18. Easement(s) for the purpose(s) shown below and rights incidental thereto as described in the agreement
- By and Between: McCloud River Railroad Company, a Corporation and the United States of America
Purpose: Road Crossing
Recorded: August 20, 1974 in Book 716, Page 550,
Re-recorded: May 1, 1975 in Book 731 at Page 414
Affects: A portion of Parcel 2 described herein
19. Easement(s) for the purpose(s) shown below and rights incidental thereto as described in the agreement
- By and Between: McCloud River Railroad Company, a Corporation and the United States of America
Purpose: Road Crossing
Recorded: February 26, 1975 in Book 727, Page 787

- Re-recorded: May 1, 1975 in Book 731 at Page 407
Affects: A portion of Parcel 2 described herein
20. Easement(s) for the purpose(s) shown below and rights incidental thereto as described in the agreement
- By and Between: McCloud River Railroad Company, a Corporation and the United States of America
Purpose: Road Crossing
Recorded: June 19, 1978 in Book 822, Page 383,
Affects: A portion of Parcel 3 described herein
21. Easement(s) for the purpose(s) shown below and rights incidental thereto as described in the agreement
- By and Between: McCloud River Railroad Company, a Corporation and the United States of America
Purpose: Road Crossing
Recorded: May 14, 1979 in Book 857, Page 100,
Affects: A portion of Parcel 8 described herein
22. Easement(s) for the purpose(s) shown below and rights incidental thereto as described in the agreement
- By and Between: McCloud River Railroad Company, a Corporation and the United States of America
Purpose: Road Crossing
Recorded: November 6, 1981 in Book 930, Page 751,
Affects: A portion of Parcel 4 described herein
23. Easement(s) for the purpose(s) shown below and rights incidental thereto as granted in a document;
- Granted to: United States of America
Grantor: McCloud River Railroad, a corporation
Purpose: Firebreak
Recorded: April 22, 1982 in Book 943, Page 483, Official Records
Affects: portions of Parcels 1 and 2 described herein
- An agreement which states that the rights reserved in the deed recorded September 20, 1907 in Book 75 of Deeds at Page 73 were subordinated to the document or interest above shown,
- By document
Recorded: October 12, 1982 in Book 966, Page 89, Official Records
24. Easement(s) for the purpose(s) shown below and rights incidental thereto as granted in a document;
- Granted to: United States of America
Grantor: McCloud River Railroad, a corporation
Purpose: Roadway
Recorded: October 28, 1982 in Book 968 at Page 316, Official Records
Affects:

An agreement which states that the rights reserved in the deed recorded in Book 111 of Deeds at Page 552 were subordinated to the document or interest above shown,

By document

Recorded: December 16, 1982 in Book 975 at Page 248 Official Records

An agreement which states that the rights reserved in the deed recorded in Book 88 of Deeds at Page 431 were subordinated to the document or interest above shown,

By document

Recorded: February 10, 1983 in Book 982 at Page 331 Official Records

25. A document entitled "Acknowledgement of Federal Assistance", for the Improvement of the McCloud River Railroad, executed by the McCloud River Railroad and the California Department of Transportation, recorded January 6, 1983 in Book 978 at Page 90, Official Records

The terms and provisions of District Agreement No. 02-303 disclosed by the above document, between the California Department of Transportation and the McCloud River Railroad

26. Easement(s) for the purpose(s) shown below and rights incidental thereto as described in an Easement Agreement

By and Between: The McCloud River Railroad Company, a California Corporation and
The Transmission Agency of Northern California, a California Joint
Powers Agency

Recorded: June 4, 1991 instrument number 91006531, Official Records

Affects: Parcel 3

27. Easement(s) for the purpose(s) shown below and rights incidental thereto as described in an Easement Agreement

By and Between: The McCloud River Railroad Company, a California Corporation and
The Transmission Agency of Northern California, a California Joint
Powers Agency

Recorded: June 4, 1991 instrument number 91006532, Official Records

Affects: Parcel 4

28. Easement(s) for the purpose(s) shown below and rights incidental thereto as described in an Easement Agreement

By and Between: The McCloud River Railroad Company, a California Corporation and
The Transmission Agency of Northern California, a California Joint
Powers Agency

Recorded: June 4, 1991 instrument number 91006533, Official Records

Affects: Parcel 4

29. Easement(s) for the purpose(s) shown below and rights incidental thereto as granted in a document;

Granted to: Citizens Utilities Company of California, a corporation

Purpose: underground communication transmission system
Recorded: October 31, 1991 instrument number 91014847, Official Records
Affects: a portion of Parcel 8 described herein

30. A deed of trust to secure an indebtedness in the amount shown below, and any other obligations secured thereby

Amount: \$975,900.00
Dated: May 01, 1997
Trustor: 4 Rails, Inc, a California Corporation
Trustee: GT Service Corp., a California Corporation
Beneficiary: U.S. Small Business Administration
Loan No.: DLB 117656640-08
Recorded: May 15, 1997 instrument number 97005517, Official Records
Affects: This and other property

A request that a copy of any Notice of Default and of any Notice of Sale under the above deed of trust be mailed to:

Party: Sprint Communications Company L.P.
Address: 6100 Sprint Parkway
Attn: Manager, Network Real Estate-Facilities
Mailstop: KSOPHK021-2A718
Ref: PRN#155080
Overland Park Kansas 66251
Recorded: October 23, 2000 instrument number 20000102313286, Official Records

A Substitution of Trustee under said deed of trust which names as the substituted trustee, the following

Substituted Trustee: Mt. Shasta Title & Escrow Company, a California Corporation
Recorded: December 01, 2000 as Instrument No. 20000120115907, Official Records

An agreement to modify the terms and provisions of said deed of trust as therein provided

Recorded: December 01, 2000 instrument number 20000120115909, Official Records

An assignment of the beneficial interest under said deed of trust which names:

Assignee: WAMCO XXVIII, Ltd.
Loan No.: Undisclosed
Recorded: July 05, 2001 instrument number 2001070509262, Official Records

31. A deed of trust to secure an indebtedness in the amount shown below, and any other obligations secured thereby

Amount: \$259,000.00
Dated: May 02, 1997
Trustor: 4 Rails, Inc
Trustee: GT Service Corp., a California Corporation
Beneficiary: U.S. Small Business Administration, an agency of the U.S. G.

Recorded: May 15, 1997 instrument number 97005518, Official Records

A request that a copy of any Notice of Default and of any Notice of Sale under the above deed of trust be mailed to:

Party: Sprint Communications Company L.P.
Address: 6100 Sprint Parkway
Attn: Manager, Network Real Estate-Facilities
Mailstop: KSOPHK021-2A718
Ref: PRN#155080
Overland Park Kansas 66251

Recorded: October 23, 2000 instrument number 2000102313287 Official Records

A Substitution of Trustee under said deed of trust which names as the substituted trustee, the following

Substituted Trustee: Mt. Shasta Title & Escrow Company, a California Corporation
Recorded: December 01, 2000 as Instrument No. 2000120115907, Official Records

An agreement to modify the terms and provisions of said deed of trust as therein provided

Recorded: 12012000 instrument number 200012010115908, Official Records

32. A financing statement filed in the Office of the County Recorder, showing

Debtor: 4 Rails, Inc.
Secured Party: Interbay Funding, L.L.C
Recorded: November 27, 2002 instrument number 02-0018748, Official Records

33. The fact that the land described herein differs from the Right of Way shown on various assessor's maps as follows:

The right of way as described herein in Sections 18 and 19, Township 40 North, Range 2 East, differs from the right of way shown on assessors parcel map 027-170

The right of way as described herein in Section 10, Township 40 North, Range 2 East differs from the right of way shown on assessors parcel map 027-150

End Of Items

Notes

1. There are NO deeds affecting said land, recorded within twenty-four (24) months of the date of this report.
2. Section 12413.1, California Insurance Code became effective January 1, 1990. This legislation deals with the disbursement of funds deposited with any title entity acting in an escrow or subescrow capacity. The law requires that all funds be deposited and collected by the title entity's escrow and/or subescrow account prior to disbursement of any funds. Some methods of funding may subject funds to a holding period which must expire before any funds may be disbursed. In order to avoid any such delays, all fundings should be done through wire transfer, certified check or checks drawn on California financial institutions.
3. California Revenue and Taxation Code Section 18662, effective January 1, 1994 and by amendment effective January 1, 2003, provides that the buyer in all sales of California Real Estate may be required to withhold 3 and 1/3% of the total sales price as California State Income Tax, subject to the various provisions of the law as therein contained.
4. The charge where an order is cancelled after the issuance of the report of title, will be that amount which in the opinion of the Company is proper compensation for the services rendered or the purpose for which the report is used, but in no event shall said charge be less than the minimum amount required under Section 12404.1 of the Insurance Code of the State of California. If the report cannot be cancelled "no fee" pursuant to the provisions of said Insurance Code, then the minimum cancellation fee shall be that permitted by law.

End Of Notes

Exhibit A (Rev. 10/17/98)

AMERICAN LAND TITLE ASSOCIATION RESIDENTIAL TITLE INSURANCE POLICY (6-1-87) EXCLUSIONS

In addition to the Exceptions in Schedule B, you are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of any law or governmental regulation. This includes building and zoning ordinances and also laws and regulations concerning:

- * land use
- * improvements on the land
- * land division
- * environmental protection

This exclusion does not apply to violations or the enforcement of these matters which appear in the public records at Policy Date. This exclusion does not limit the zoning coverage described in Items 12 and 13 of Covered Title Risks.

2. The right to take the land by condemning it, unless:

- * a notice of exercising the right appears in the public records on the Policy Date
- * the taking happened prior to the Policy Date and is binding on you if you bought the land without knowing of the taking.

3. Title Risks:

- * that are created, allowed, or agreed to by you
- * that are known to you, but not to us, on the Policy Date -- unless they appeared in the public records
- * that result in no loss to you
- * that first affect your title after the Policy Date -- this does not limit the labor and material lien coverage in Item 8 of Covered Title Risks

4. Failure to pay value for your title.

5. Lack of a right:

- * to any land outside the area specifically described and referred to in Item 3 of Schedule A

OR

- * in streets, alleys, or waterways that touch your land

This exclusion does not limit the access coverage in Item 5 of Covered Title Risks.

SCHEDULE B EXCEPTIONS

In addition to the Exclusions, you are not insured against loss, costs, attorney's fees, and expenses resulting from:

1. Any rights, interests, or claims or parties in possession of the land not shown by the public records.
2. Any easements or liens not shown by the public records. This does not limit the lien coverage in Item 8 of Covered Title Risks.

3. Any facts about the land which a correct survey would disclose and which are not shown by the public records. This does not limit the forced removal coverage in Item 12 of Covered Title Risks.

4. Any water rights or claims or title to water in or under the land, whether or not shown by the public records.

CALIFORNIA LAND TITLE ASSOCIATION STANDARD COVERAGE POLICY - 1990 EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building or zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien, or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:

(a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;

(b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;

(c) resulting in no loss or damage to the insured claimant;

(d) attaching or created subsequent to Date of Policy; or

(e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage or for the estate or interest insured by this policy.

4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with the applicable doing business laws of the state in which the land is situated.

5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.

6. Any claim, which arises out of the transaction vesting in the insured the estate of interest insured by this policy or the transaction creating the interest of the insured lender, by reason of the operation of federal bankruptcy, state insolvency or similar creditors' rights laws.

EXCEPTIONS FROM COVERAGE - SCHEDULE B, PART I

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records. Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of the land which may be asserted by persons in possession thereof.

3. Easements, liens or encumbrances, or claims thereof, which are not shown by the public records.

4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.

5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.

AMERICAN LAND TITLE ASSOCIATION LOAN POLICY (10-17-92) WITH ALTA ENDORSEMENT-FORM 1 COVERAGE and AMERICAN LAND TITLE ASSOCIATION LEASEHOLD LOAN POLICY (10-17-92) WITH ALTA ENDORSEMENT-FORM 1 COVERAGE EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any

violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.

(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.

2. Rights of eminent domain unless notice of the exercise thereof has been recorded in

the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.

3. Defects, liens, encumbrances, adverse claims or other matters:
 - (a) created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy (except to the extent that this policy insures the priority of the lien of the insured mortgage over any statutory lien for services, labor or material or to the extent insurance is afforded herein as to assessments for street improvements under construction or completed at Date of Policy); or
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof.

AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY (10-17-92) and AMERICAN LAND TITLE ASSOCIATION LEASEHOLD OWNER'S POLICY (10-17-92) EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.

The above policy forms may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage Policy will also include the following General Instructions:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records. Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of the land or by making inquiry of persons

which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.

6. Any statutory lien for services, labor or materials (or the claim of priority of any statutory lien for services, labor or materials over the lien of the insured mortgage) arising from an improvement or work related to the land which is contracted for and commenced subsequent to Date of Policy and is not financed in whole or in part by proceeds of the indebtedness secured by the insured mortgage which at Date of Policy the insured has advanced or is obligated to advance.
7. Any claim, which arises out of the transaction creating the interest of the mortgagee insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
 - (i) the transaction creating the interest of the insured mortgagee being deemed a fraudulent conveyance or fraudulent transfer; or
 - (ii) the subordination of the interest of the insured mortgagee as a result of the application of the doctrine of equitable subordination; or
 - (iii) the transaction creating the interest of the insured mortgagee being deemed a preferential transfer except where the preferential transfer results from the failure:
 - (a) to timely record the instrument of transfer; or
 - (b) of such recordation to impart notice to a purchaser for value or a judgement or lien creditor.

3. Defects, liens, encumbrances, adverse claims or other matters:
 - (a) created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy; or
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.
4. Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
 - (i) the transaction creating the estate or interest insured by this policy being deemed a fraudulent conveyance or fraudulent transfer; or
 - (ii) the transaction creating the estate or interest insured by this policy being deemed a preferential transfer except where the preferential transfer results from the failure:
 - (a) to timely record the instrument of transfer; or
 - (b) of such recordation to impart notice to a purchaser for value or a judgement or lien creditor.

CLTA HOMEOWNER'S POLICY OF TITLE INSURANCE (6/2/98) ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE (10/17/98) EXCLUSIONS

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of any law or government regulation. This includes ordinances, laws and regulations concerning:
 - a. building
 - b. zoning
 - c. Land use
 - d. improvements on Land
 - e. Land division
 - f. environmental protection

This Exclusion does not apply to violations or the enforcement of these matters if notice of the violation or enforcement appears in the Public Records at the Policy Date. This Exclusion does not limit the coverage described in Covered Risk 14, 15, 16, 17, or 24.

2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not apply to violations of building codes if notice of the violation appears in the Public Records at the Policy Date.

in possession thereof.

3. Easements, liens or encumbrances, or claims thereof, which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.

3. The right to take the Land by condemning it, unless:
 - a. notice of exercising the right appears in the Public Records at the Policy Date; or
 - b. the taking happened before the Policy Date and is binding on You if You bought the Land without Knowing of the taking.
 4. Risks:
 - a. that are created, allowed, or agreed to by You, whether or not they appear in the Public Records;
 - b. that are Known to You at the Policy Date, but not to Us, unless they appear in the Public Records at the Policy Date;
 - c. that result in no loss to You; or
 - d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8, d, 22, 23, 24 or 25.
 5. Failure to pay value for Your Title.
 6. Lack of a right:
 - a. to any Land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
 - b. in streets, alleys, or waterways that touch the Land.
- This Exclusion does not limit the coverage described in Covered Risk 11 or 18.

Stewart Title Guaranty Company, Stewart Title Insurance Company, Stewart Title Insurance Company of Oregon, National Land Title Insurance Company, Arkansas Title Insurance Company, Charter Land Title Insurance Company
Privacy Policy Notice

PURPOSE OF THIS NOTICE

Title V of the Gramm-Leach-Bliley Act (GLBA) generally prohibits any financial institution, directly or through its affiliates, from sharing nonpublic personal information about you with a nonaffiliated third party unless the institution provides you with a notice of its privacy policies and practices, such as the type of information that it collects about you and the categories of persons or entities to whom it may be disclosed. In compliance with the GLBA, we are providing you with this document, which notifies you of the privacy policies and practices of **Stewart Title Guaranty Company, Stewart Title Insurance Company, Stewart Title Insurance Company of Oregon, National Land Title Insurance Company, Arkansas Title Insurance Company, Charter Land Title Insurance Company**.

We may collect nonpublic personal information about you from the following sources:

- Information we receive from you, such as on applications or other forms.
- Information about your transactions we secure from our files, or from our affiliates or others.
- Information we receive from a consumer reporting agency.
- Information that we receive from others involved in your transaction, such as the real estate agent or lender.

Unless it is specifically stated otherwise in an amended Privacy Policy Notice, no additional nonpublic personal information will be collected about you.

We may disclose any of the above information that we collect about our customers or former customers to our affiliates or to nonaffiliated third parties as permitted by law.

We also may disclose this information about our customers or former customers to the following types of nonaffiliated companies that perform marketing services on our behalf or with whom we have joint marketing agreements:

- Financial service providers such as companies engaged in banking, consumer finance, securities and insurance.
- Non-financial companies such as envelope stuffers and other fulfillment service providers.

WE DO NOT DISCLOSE ANY NONPUBLIC PERSONAL INFORMATION ABOUT YOU WITH ANYONE FOR ANY PURPOSE THAT IS NOT SPECIFICALLY PERMITTED BY LAW.

We restrict access to nonpublic personal information about you to those employees who need to know that information in order to provide products or services to you. We maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

Fidelity National Financial Group of Companies' Privacy Statement
July 1, 2001

We recognize and respect the privacy expectations of today's consumers and the requirements of applicable federal and state privacy laws. We believe that making you aware of how we use your non-public personal information ("Personal Information"), and to whom it is disclosed, will form the basis for a relationship of trust between us and the public that we serve. This Privacy Statement provides that explanation. We reserve the right to change this Privacy Statement from time to time consistent with applicable privacy laws.

In the course of our business, we may collect Personal Information about you from the following sources:

- From applications or other forms we receive from you or your authorized representative;
- From your transactions with, or from the services being performed by, us, our affiliates, or others;
- From our internet web sites;
- From the public records maintained by governmental entities that we either obtain directly from those entities, or from our affiliates or others; and
- From consumer or other reporting agencies.

Our Policies Regarding the Protection of the Confidentiality and Security of Your Personal Information

We maintain physical, electronic and procedural safeguards to protect your Personal Information from unauthorized access or intrusion. We limit access to the Personal Information only to those employees who need such access in connection with providing products or services to you or for other legitimate business purposes.

Our Policies and Practices Regarding the Sharing of Your Personal Information

We may share your Personal Information with our affiliates, such as insurance companies, agents, and other real estate settlement service providers. We also may disclose your Personal Information:

- to agents, brokers or representatives to provide you with services you have requested;
- to third-party contractors or service providers who provide services or perform marketing or other functions on our behalf; and
- to others with whom we enter into joint marketing agreements for products or services that we believe you may find of interest.

In addition, we will disclose your Personal Information when you direct or give us permission, when we are required by law to do so, or when we suspect fraudulent or criminal activities. We also may disclose your Personal Information when otherwise permitted by applicable privacy laws such as, for example, when disclosure is needed to enforce our rights arising out of any agreement, transaction or relationship with you.

One of the important responsibilities of some of our affiliated companies is to record documents in the public domain. Such documents may contain your Personal Information.

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Certain states afford you the right to access your Personal Information and, under certain circumstances, to find out to whom your Personal Information has been disclosed. Also, certain states afford you the right to request correction, amendment or deletion of your Personal Information. We reserve the right, where permitted by law, to charge a reasonable fee to cover the costs incurred in responding to such requests.

All requests must be made in writing to the following address: Privacy Compliance Officer
Fidelity National Financial, Inc.
4050 Calle Real, Suite 220
Santa Barbara, CA 93110

Multiple Products or Services

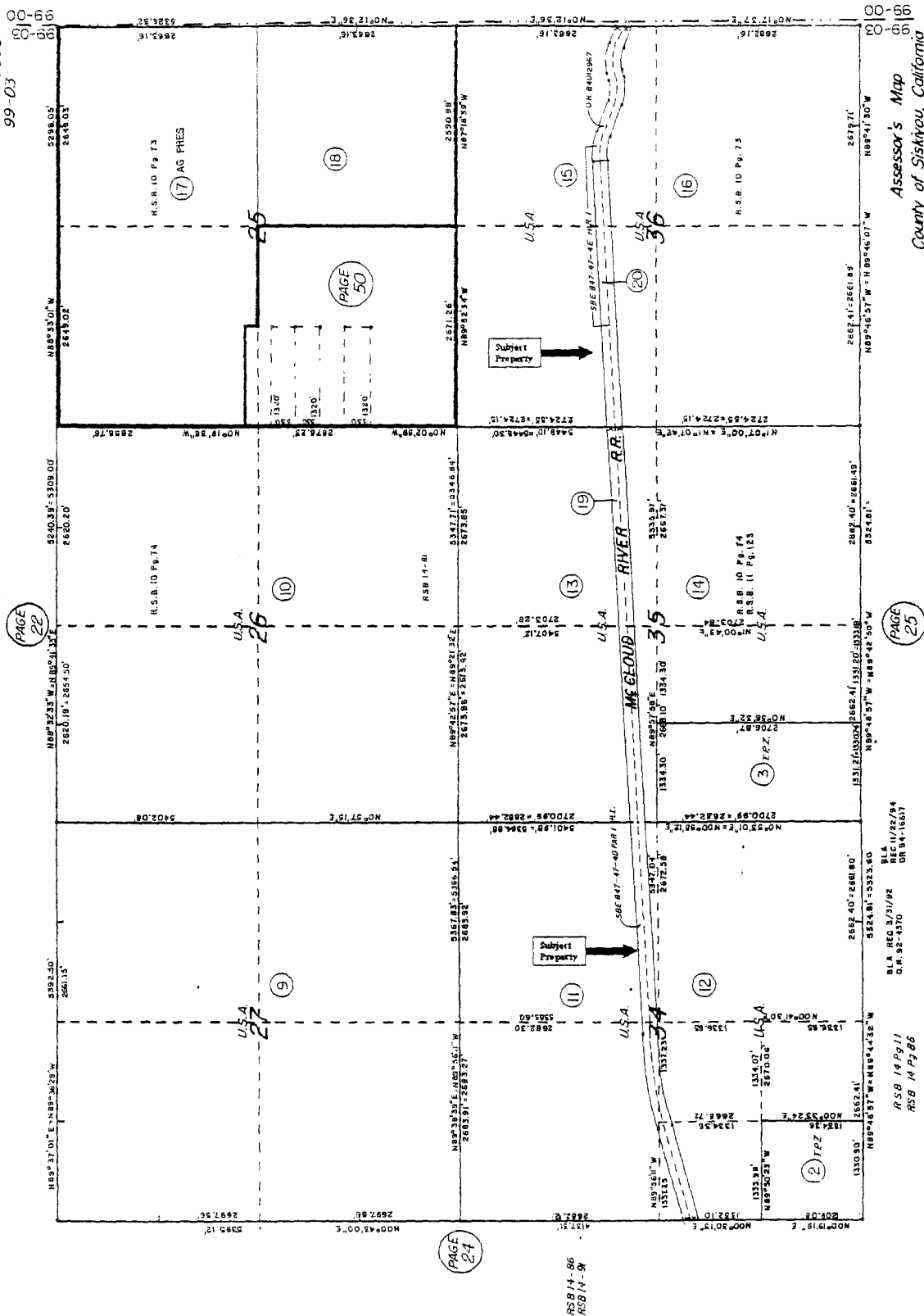
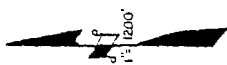
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T 40 N R 2 W

Tax Area Code
99-03

28 - 23



Assessor's Map
County of Siskiyou, California

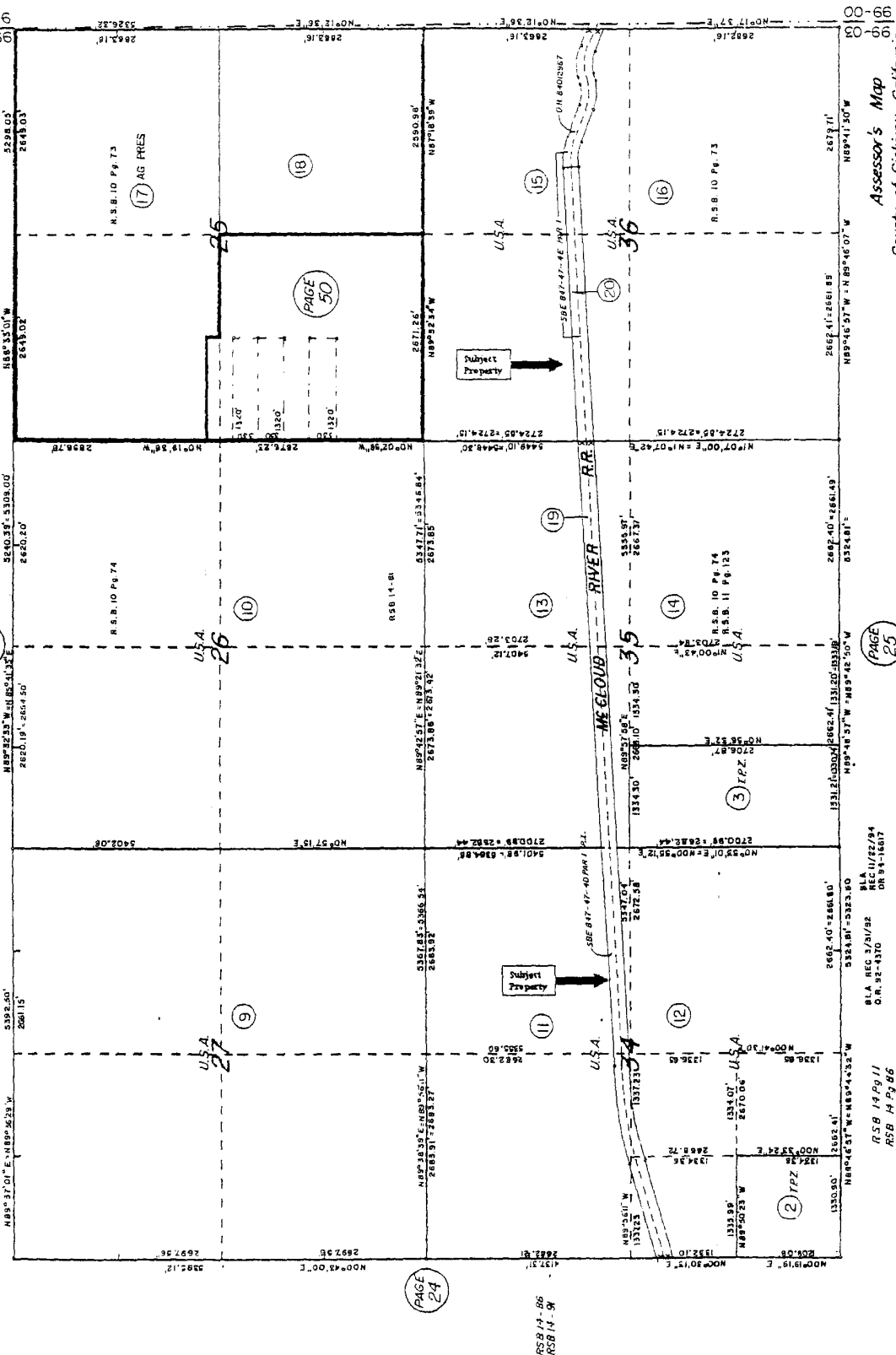
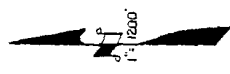
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T 40 N R 2 W

Tax Area Code
99-03

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Assessor's Map
County of Siskiyou, California

BLA REC 3/31/92
O.R. 92-4370

RSB 14 Pg 11
RSB 14 Pg 86

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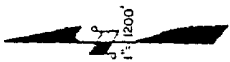
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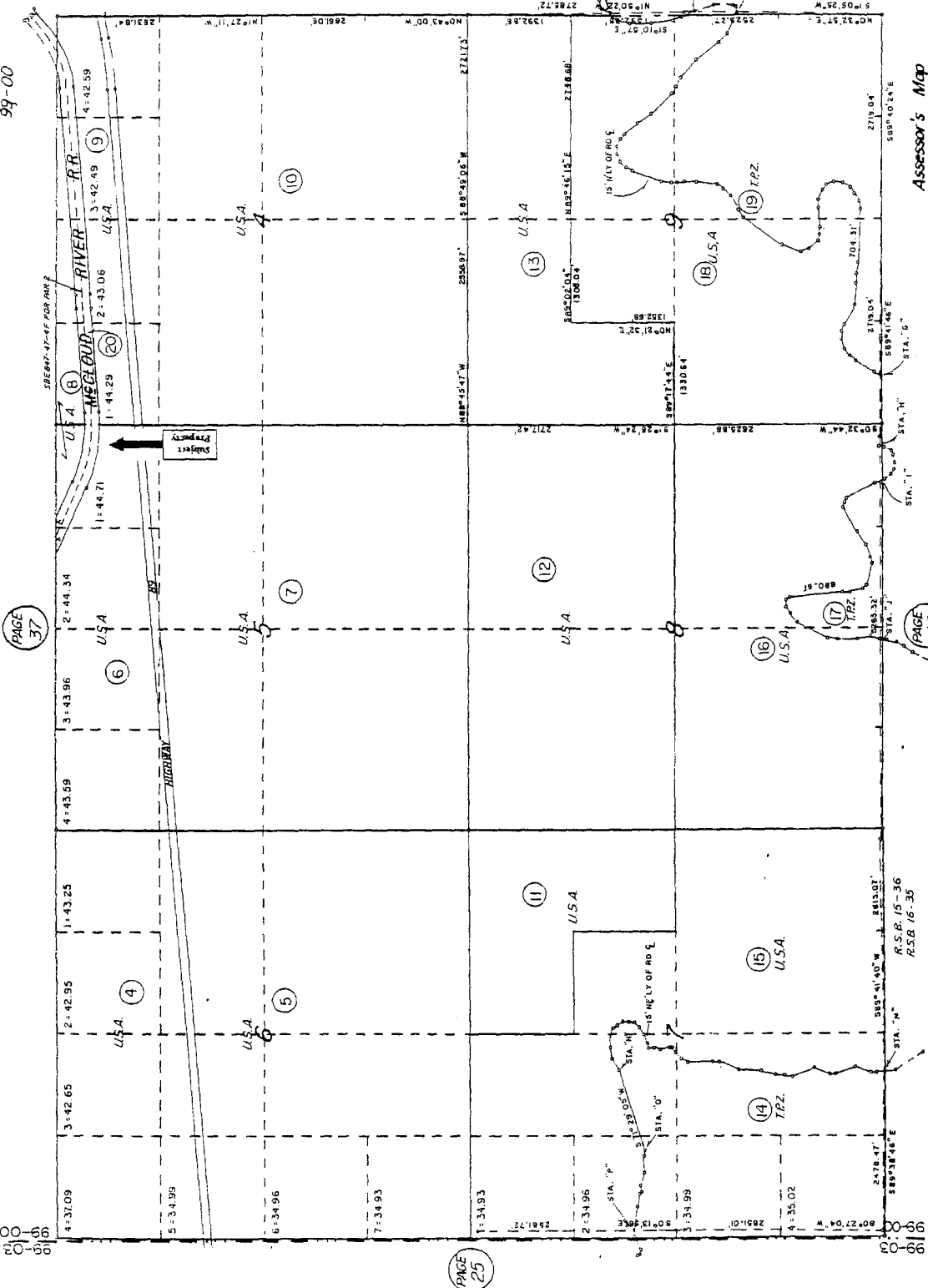
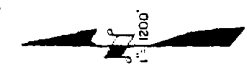
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County of Siskiyou, California

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County of Siskiyou, California

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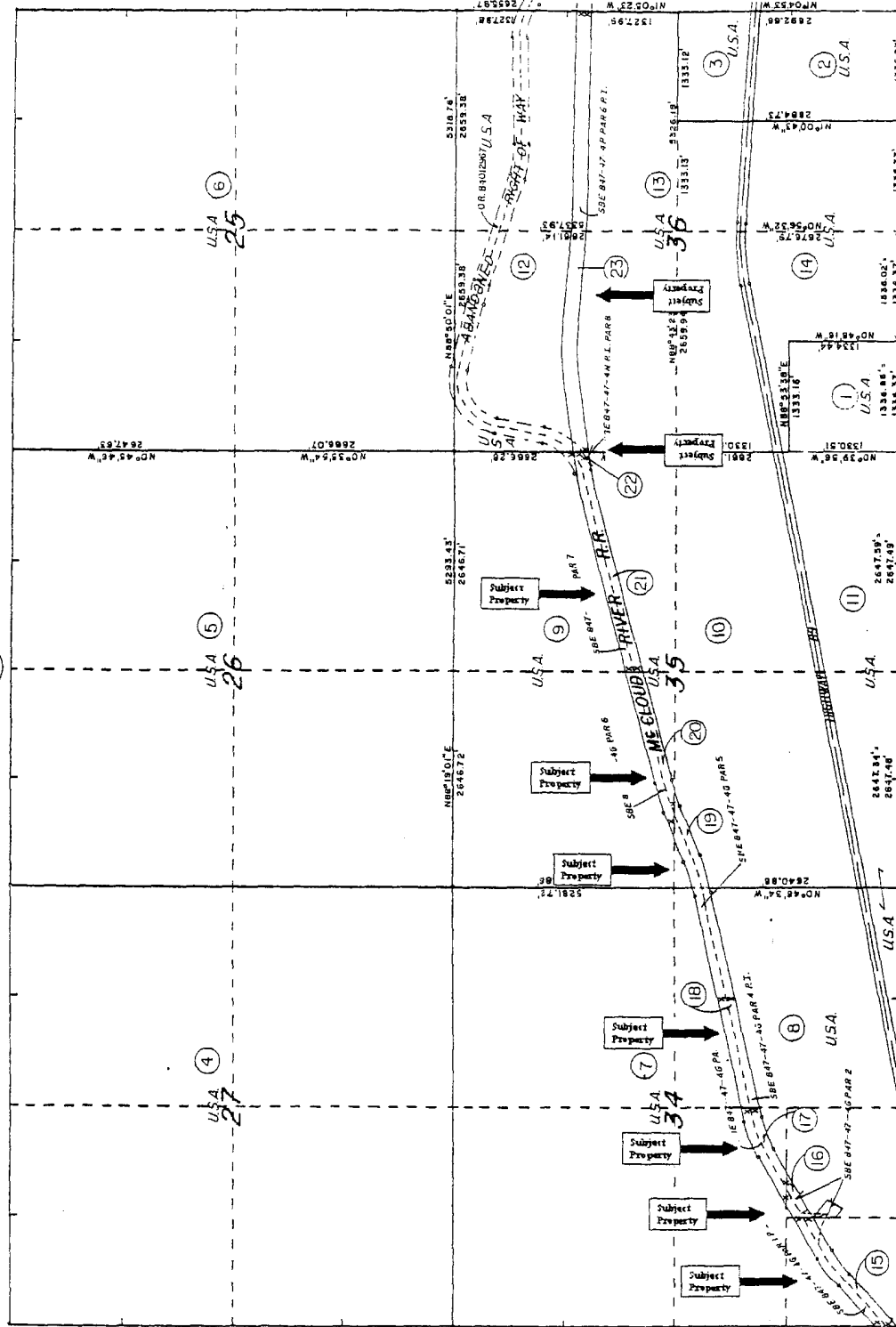
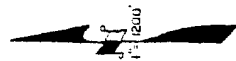
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T40 N R / W

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Tax Area Code
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R.S.B. 15-192

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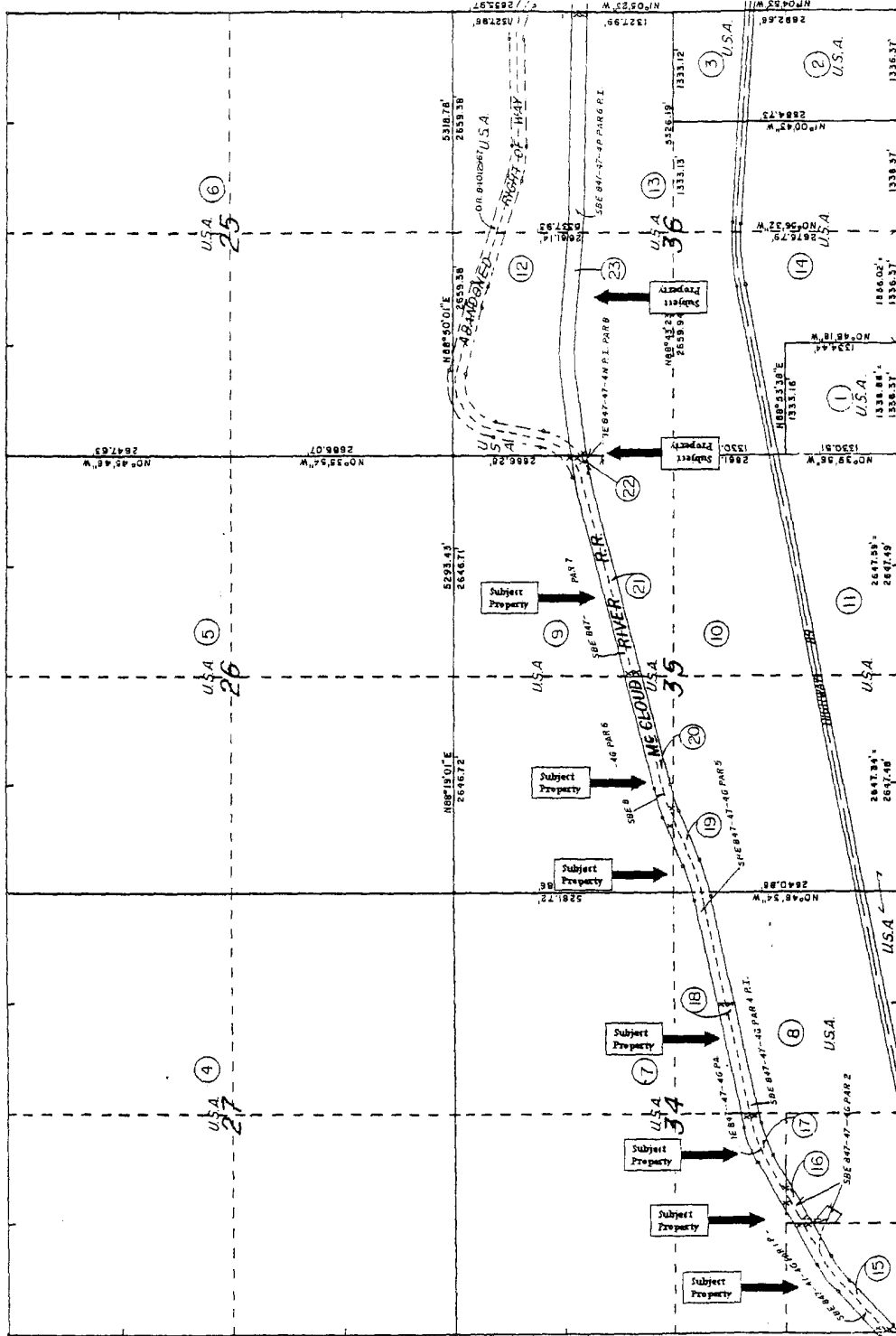
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R.S.B. 12, Pg. 103
R.S.B. 13-152

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Assessor's Map
County of Siskiyou, California

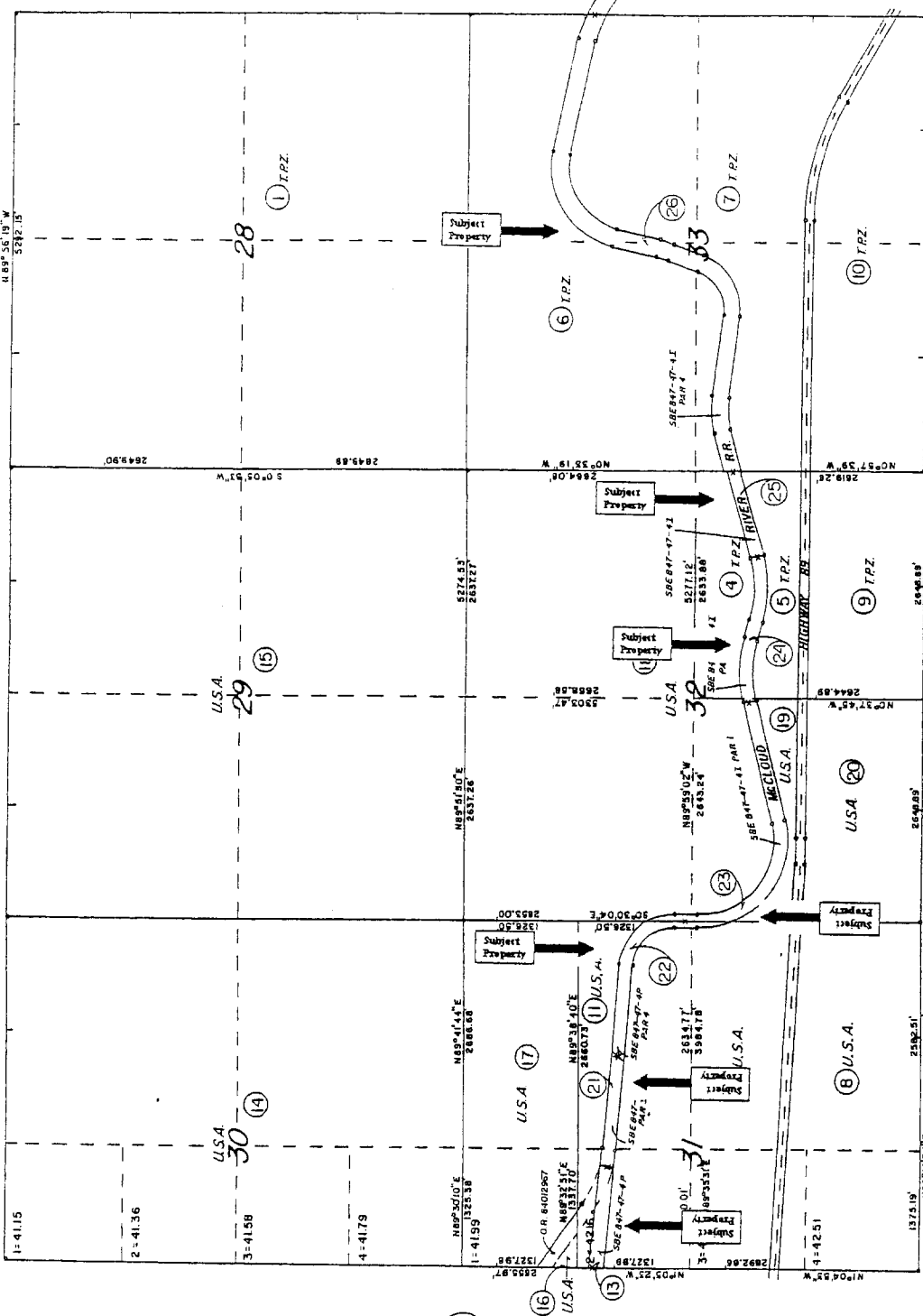
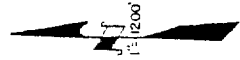
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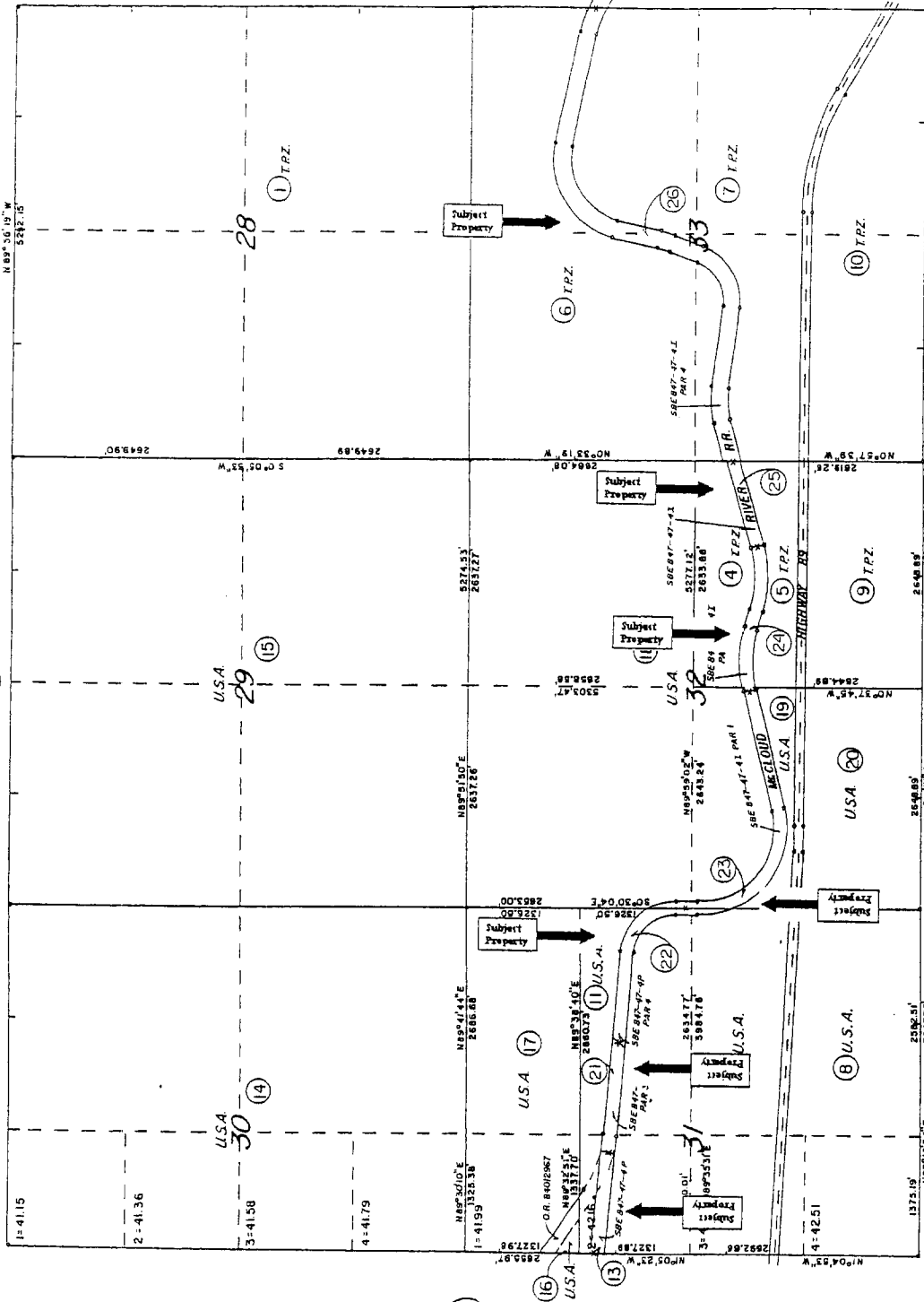
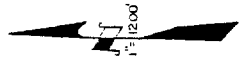
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Tax Area Code
99-00

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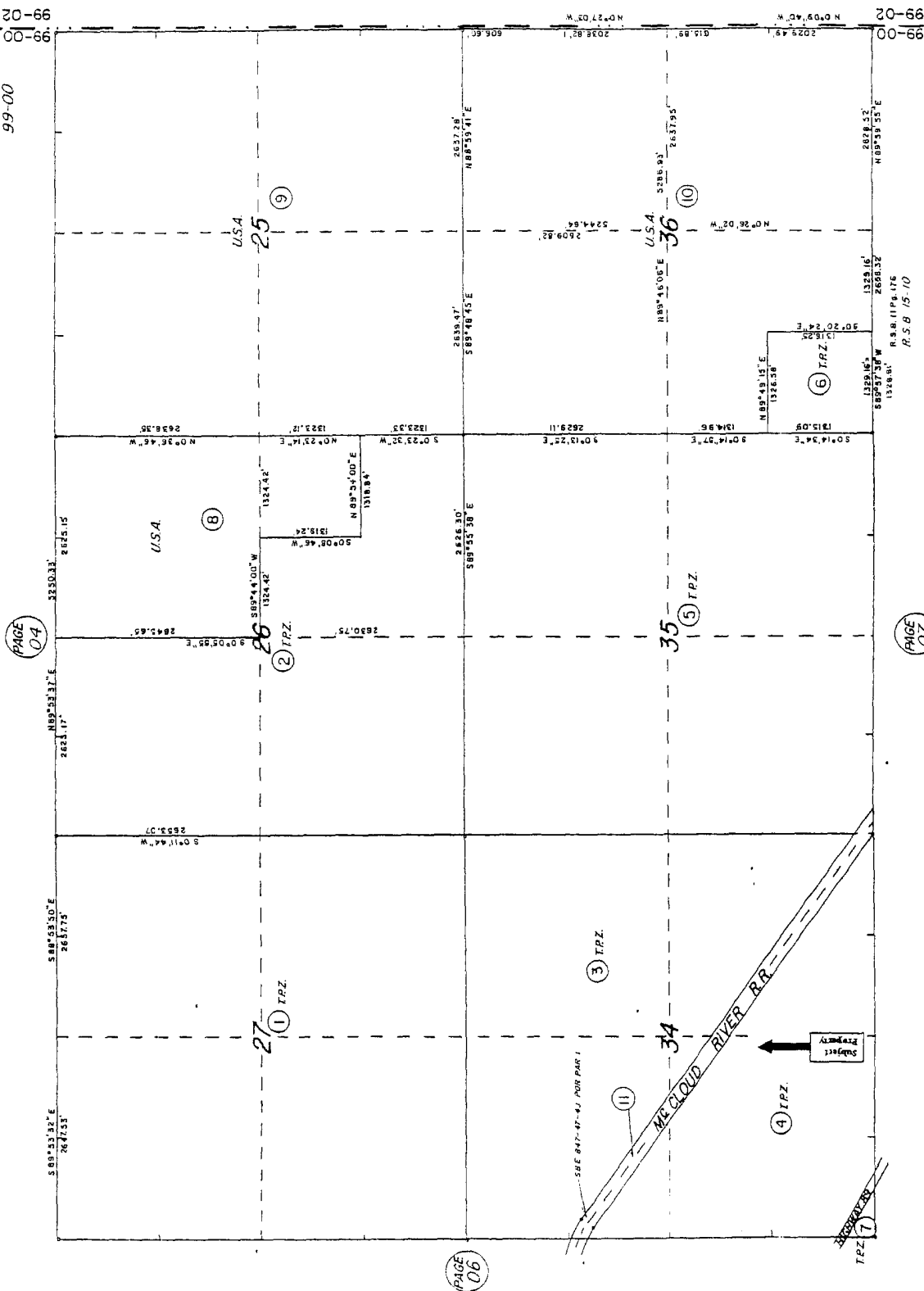
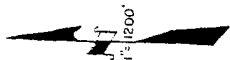
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R.S.B. 16-35

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T 40 N R 1 E

Tax Area Code
99-00

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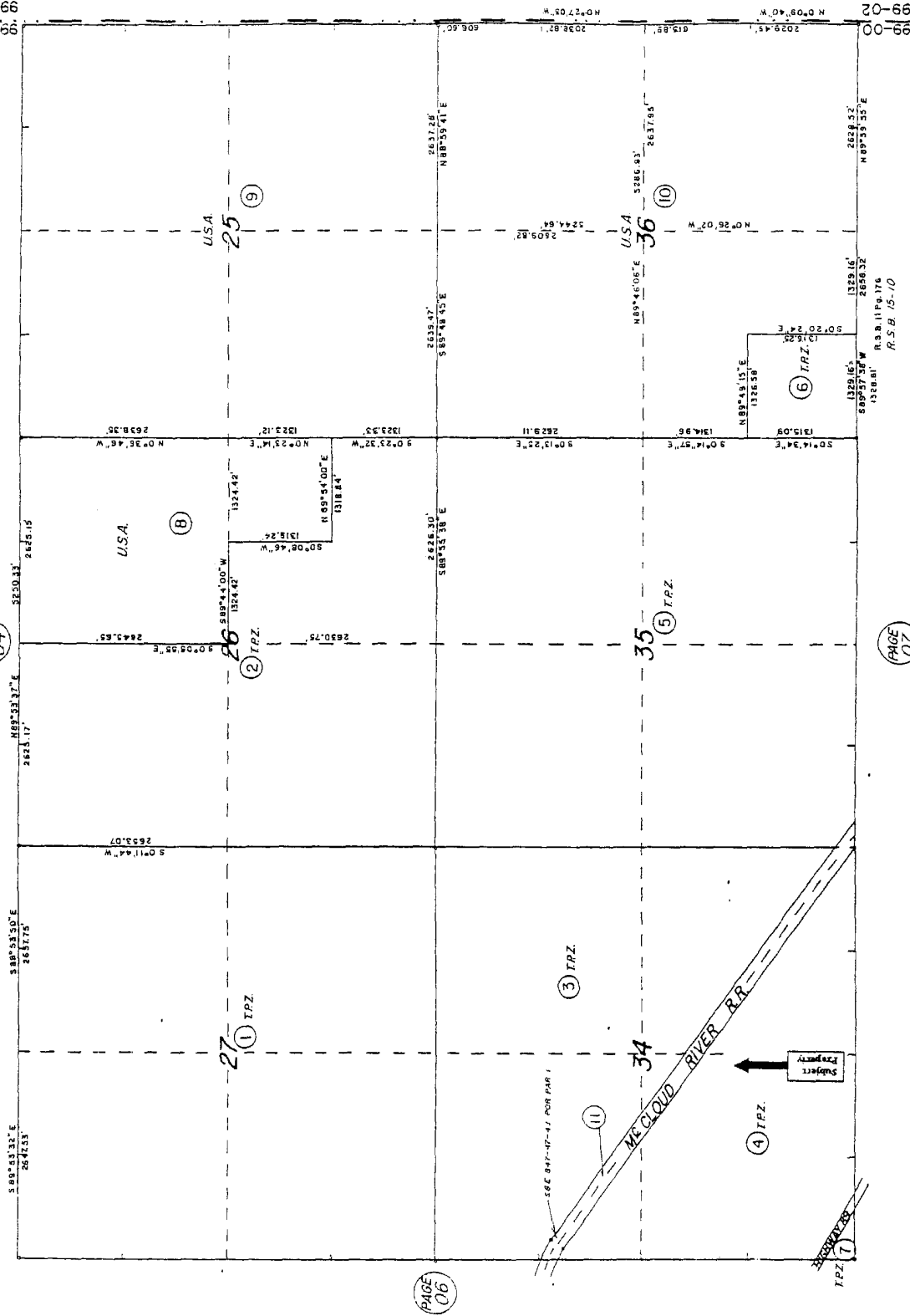
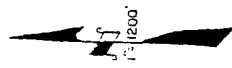
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Tax Area Code
99-00

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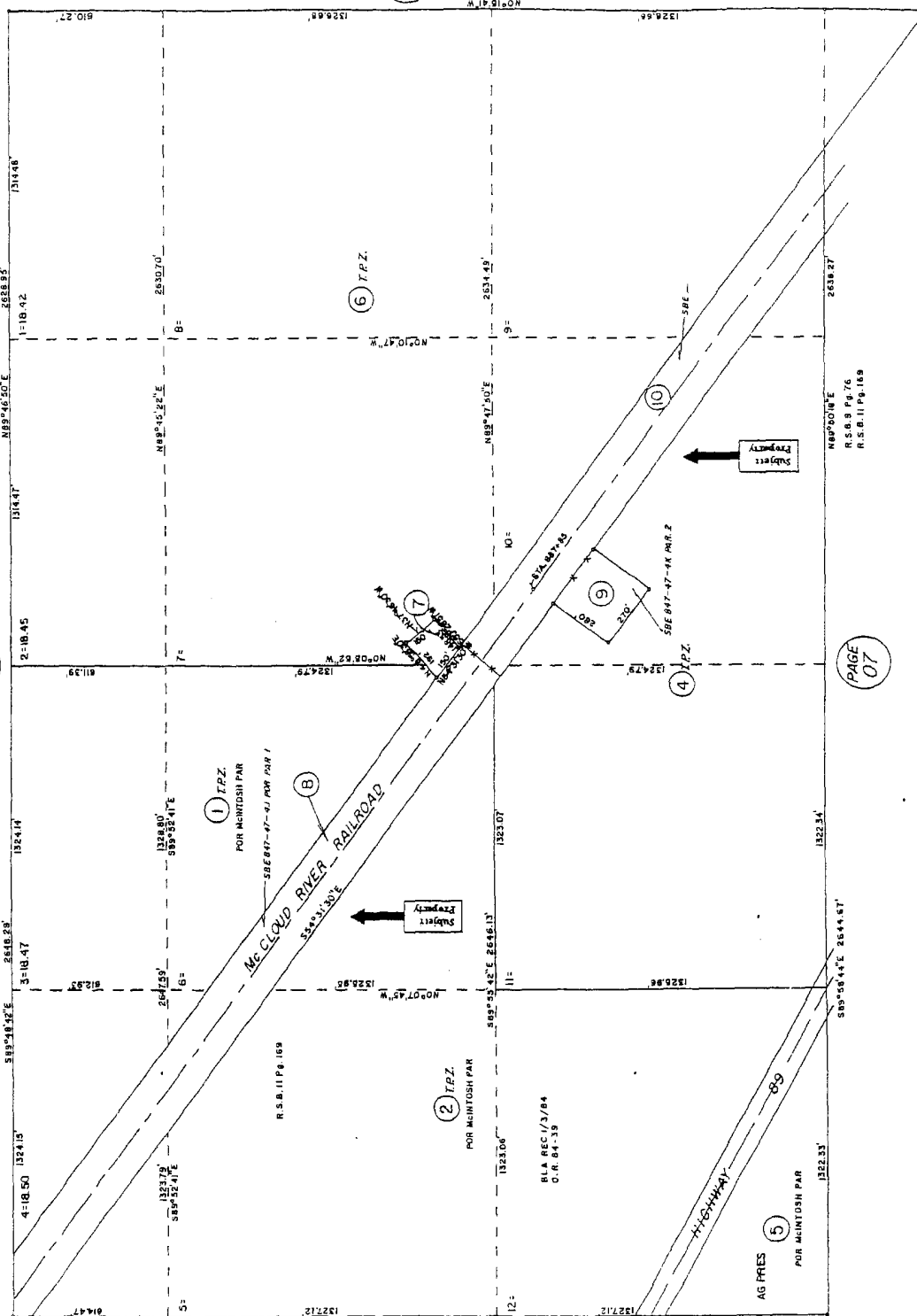
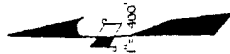
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Por. of Sec. 2 T 39N R 1E

Tax Area Code
99-00

27-48

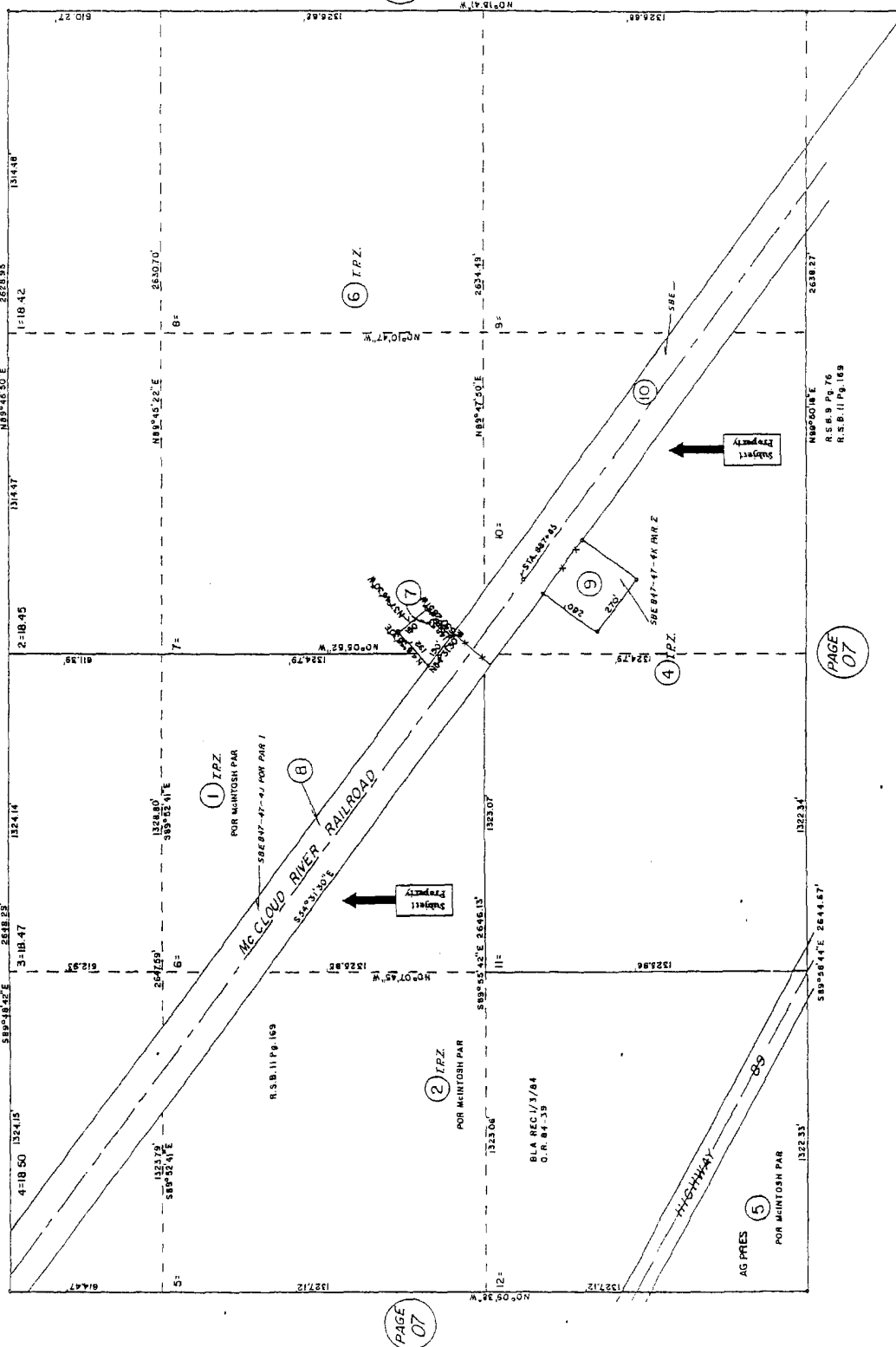
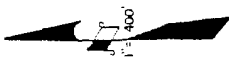
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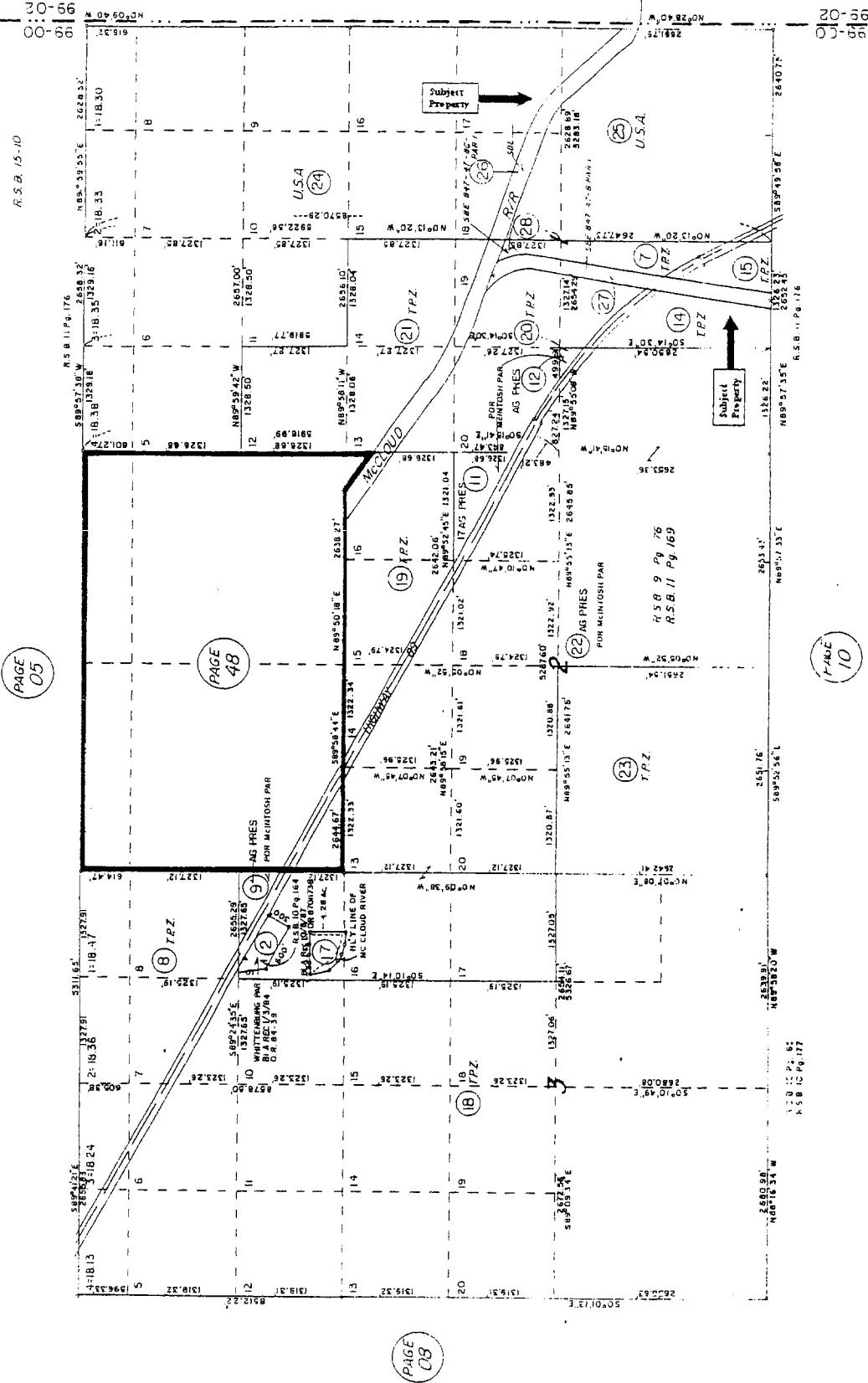
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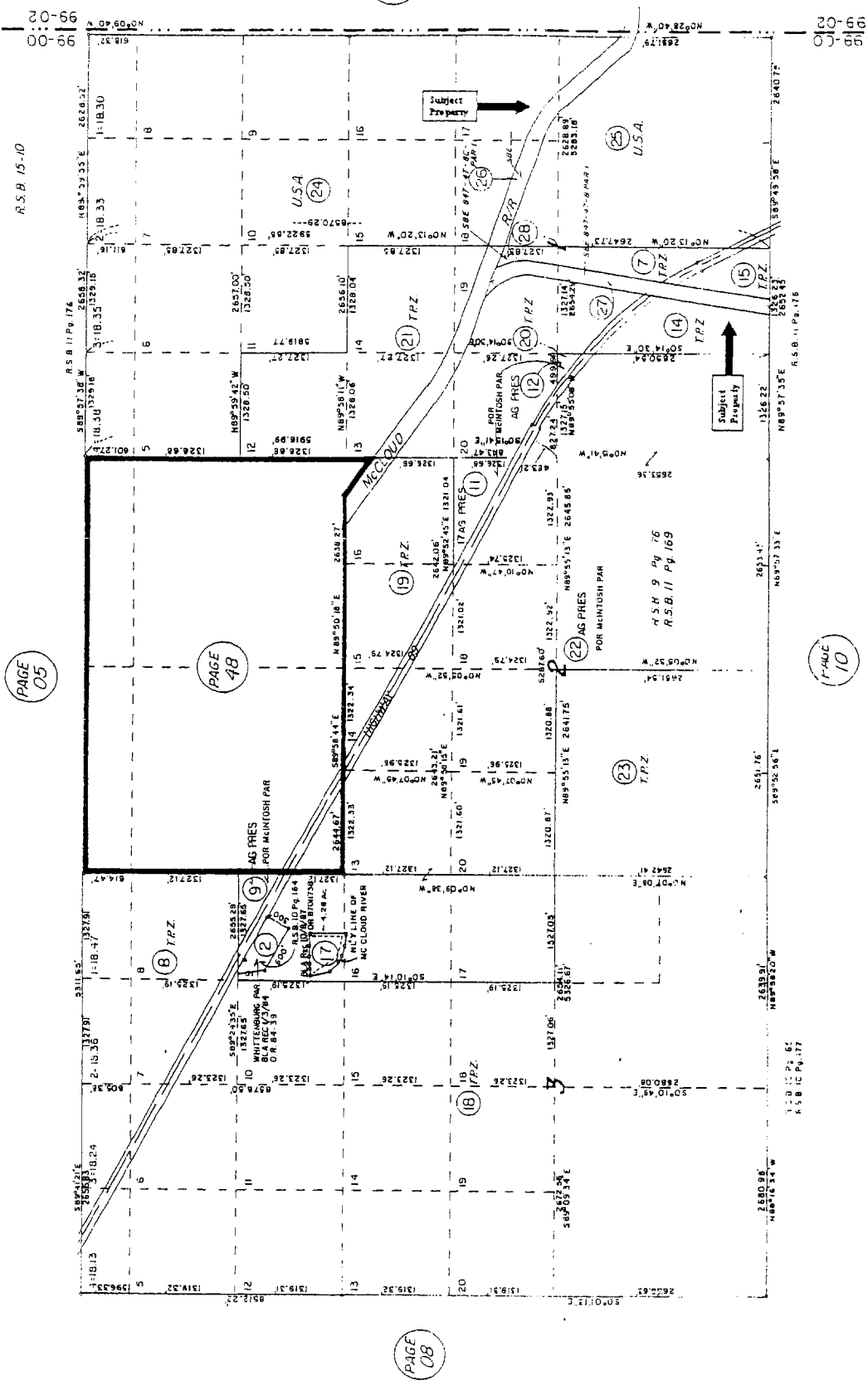


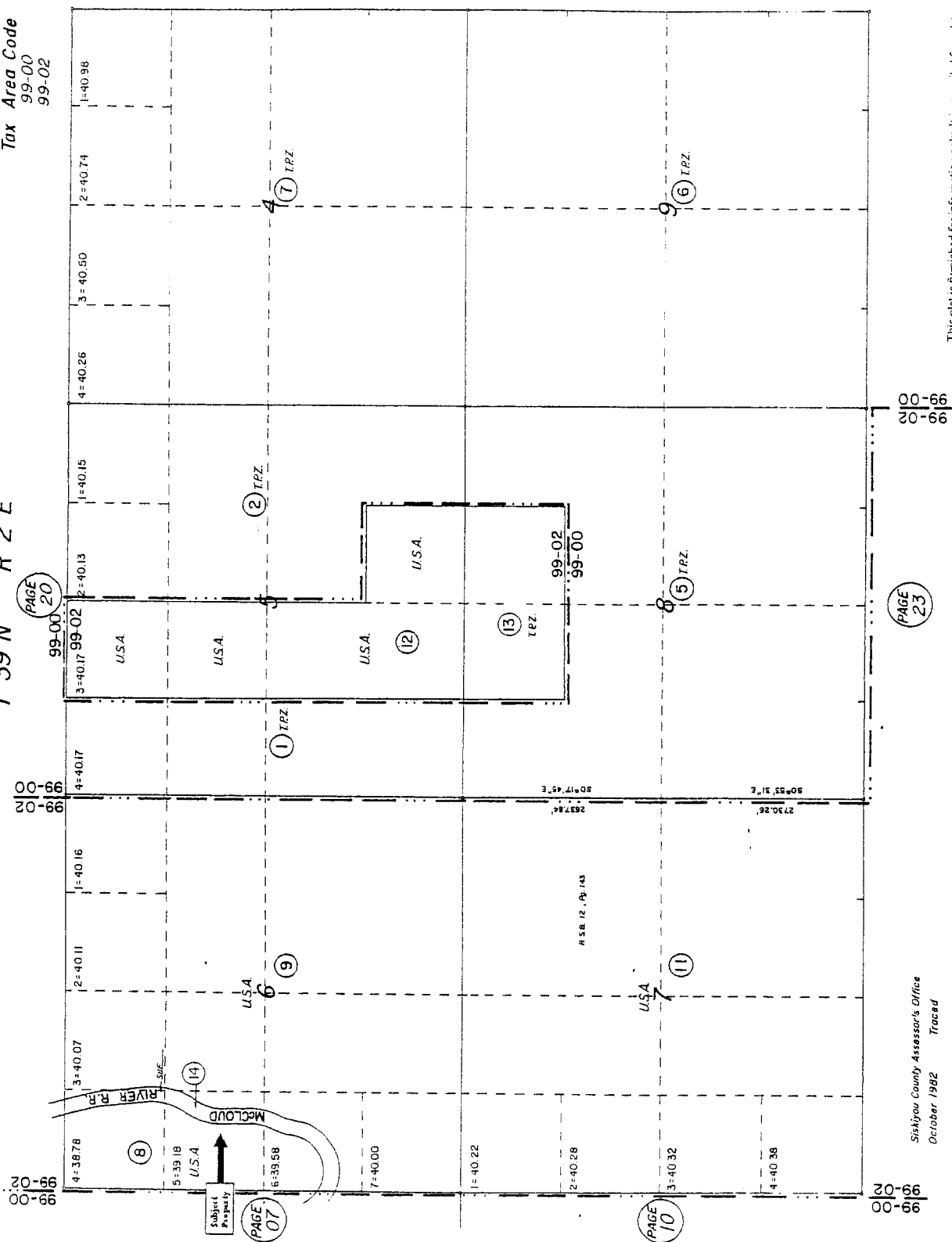
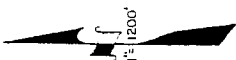
Sec's 1, 2 & 3 T39N R1E

Tax Area Code
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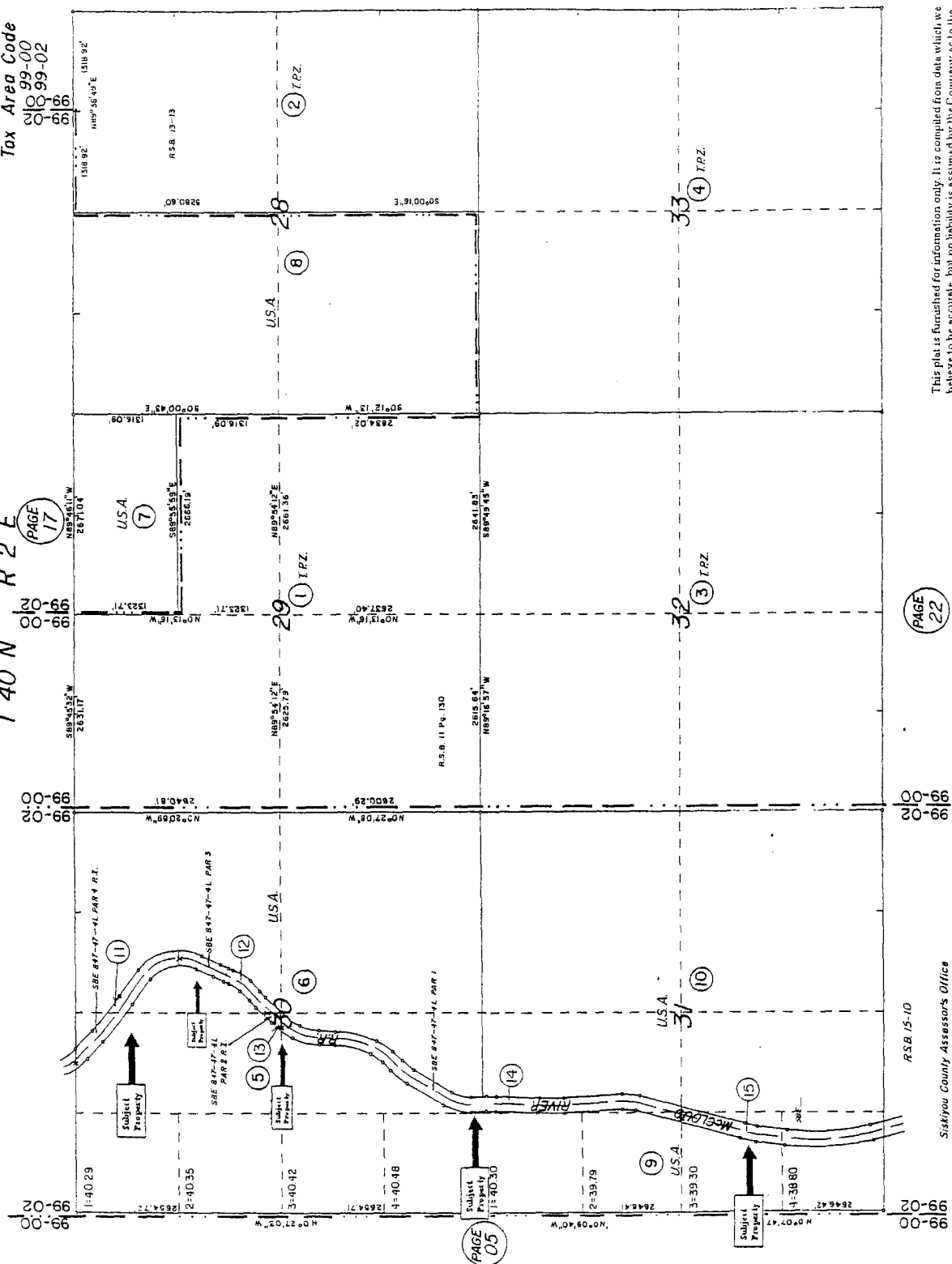
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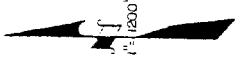
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111
R.S.B. 15-10
Siskiyou County Assessor's Office
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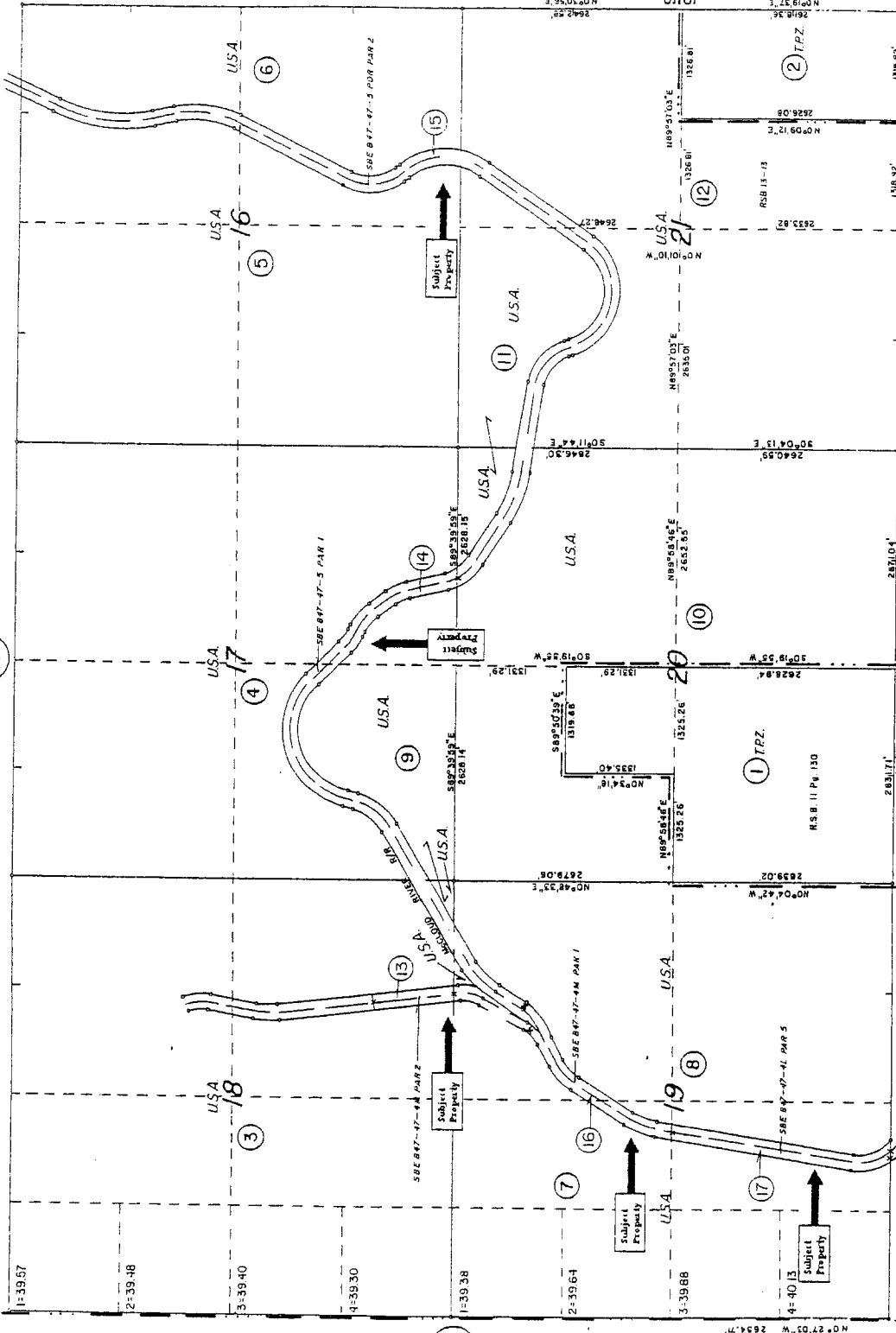
T 40 N R 2 E

Tax Area Code
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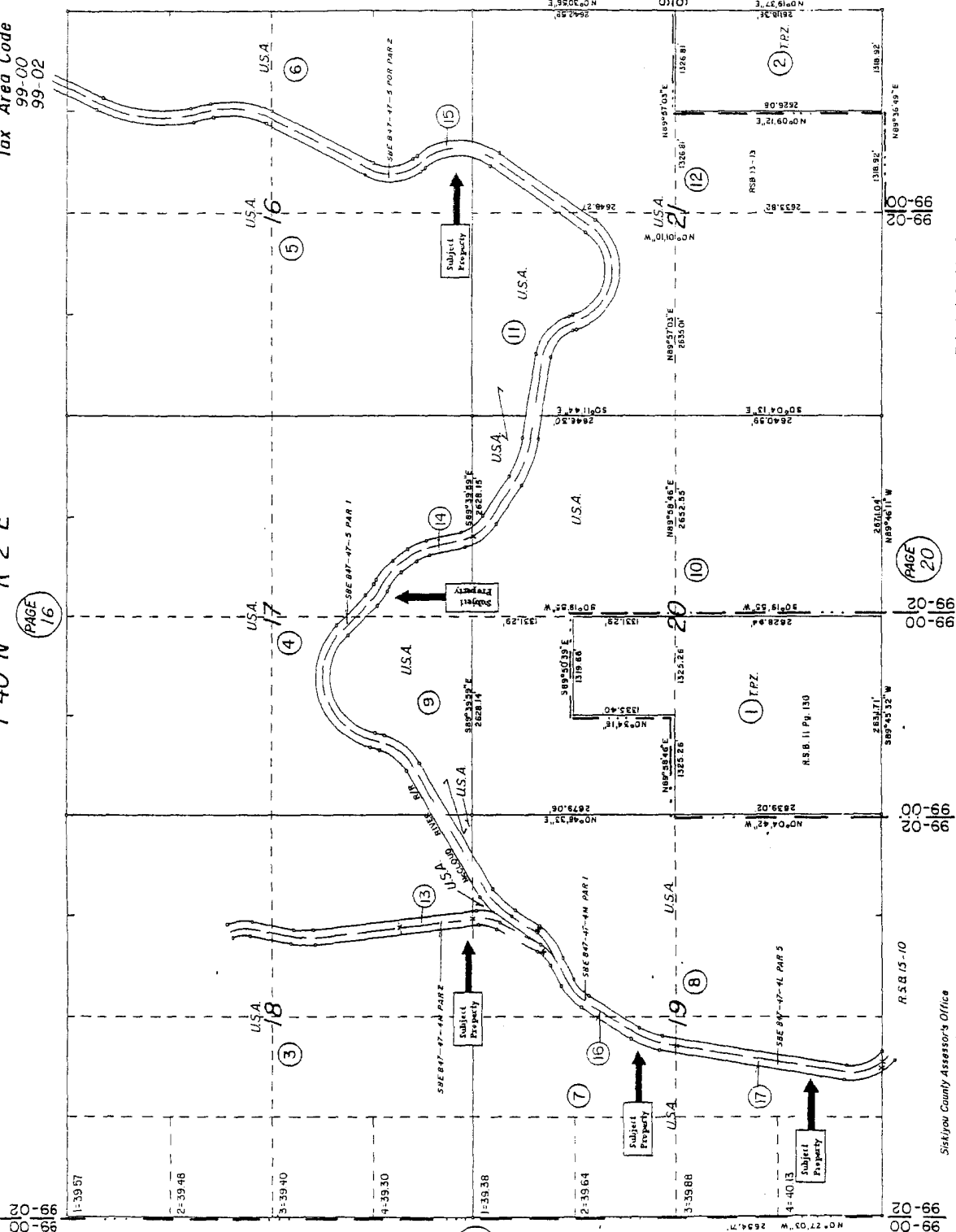
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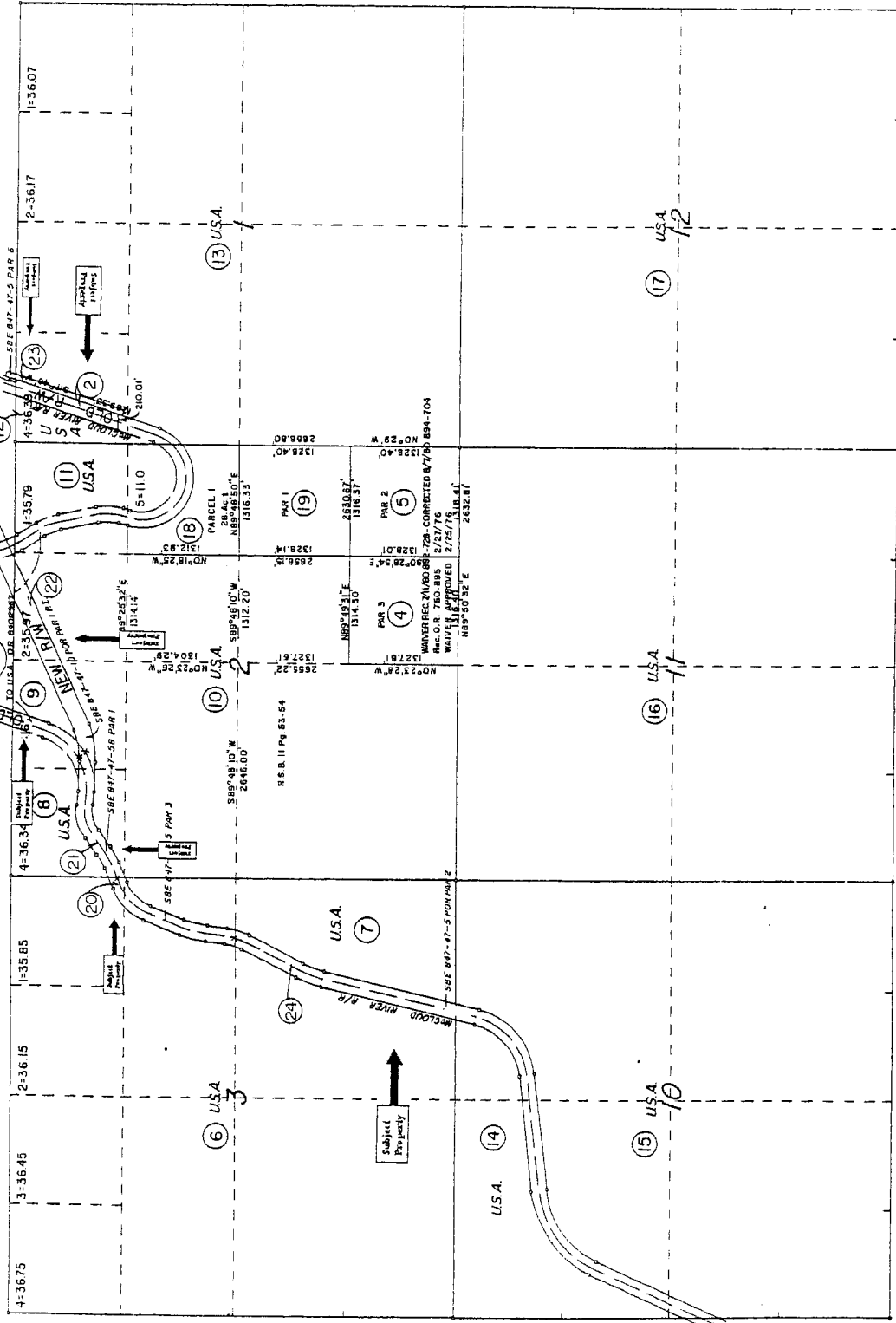
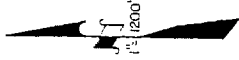
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Siskiyou County Assessor's Office
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Tracad

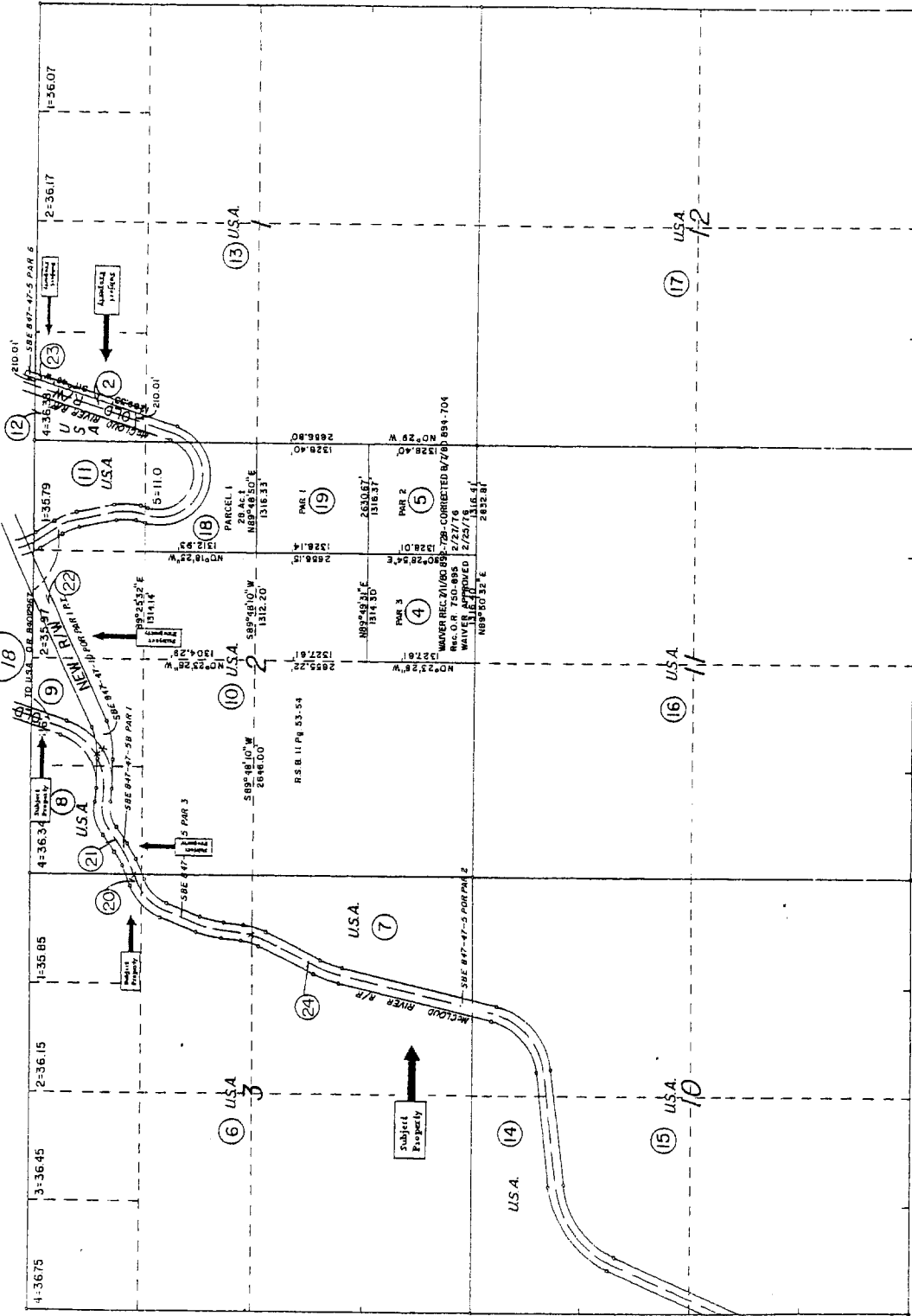
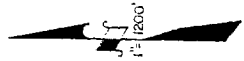
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Tax Area Code
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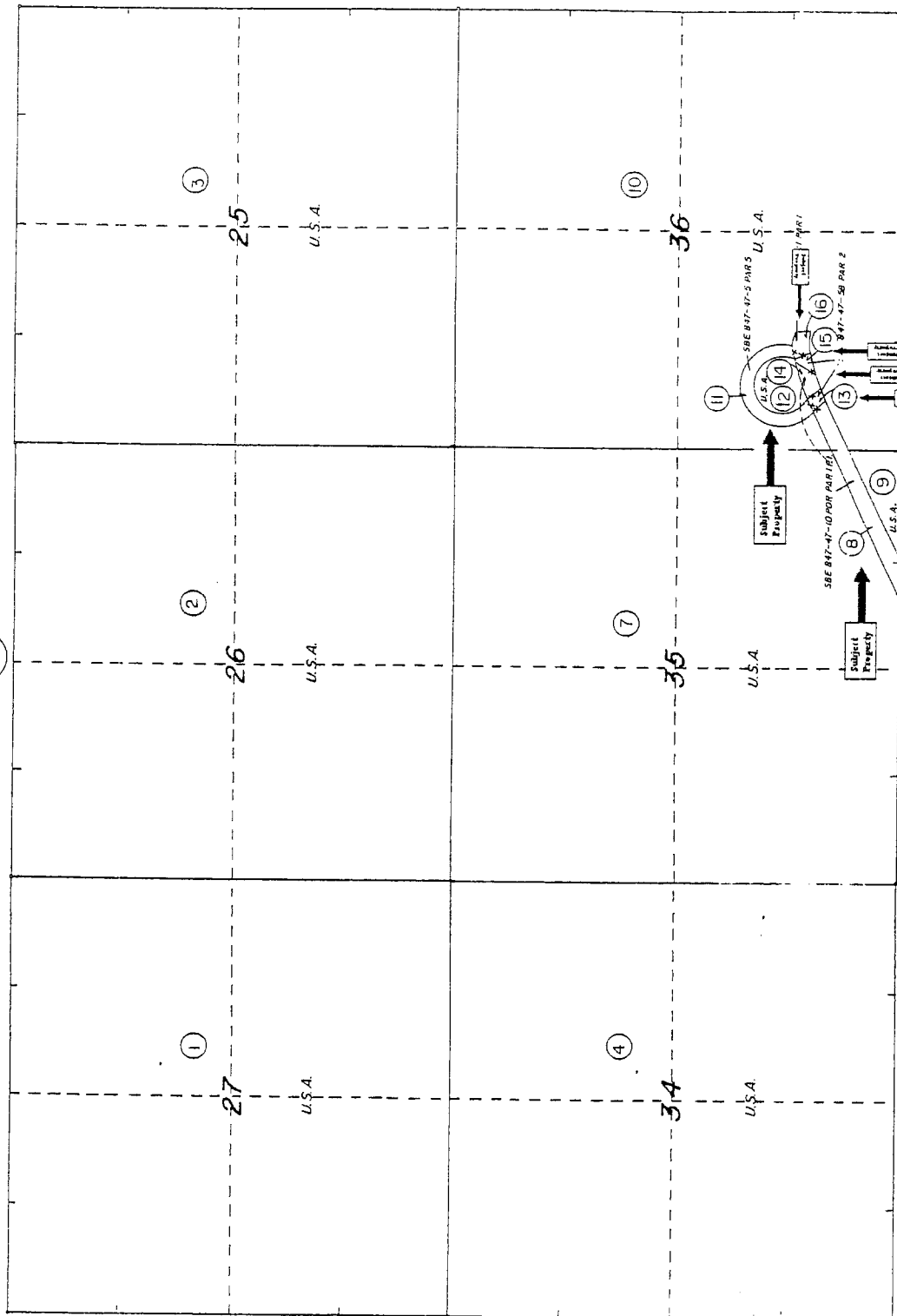
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T 41 N R 2 E

Tax Area Code
99-02

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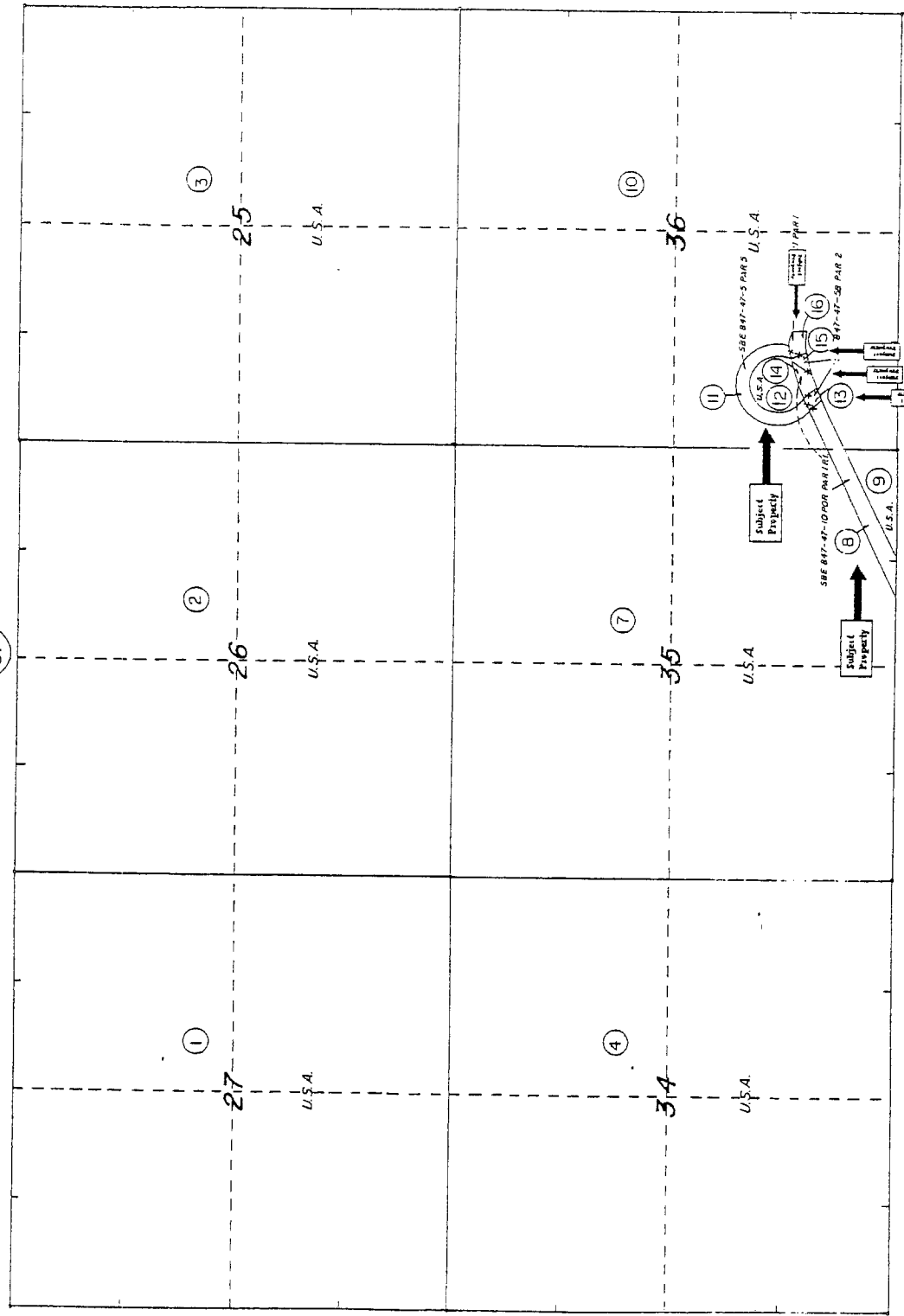
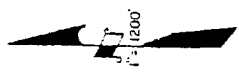
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T 41 N R 2 E

Tax Area Code
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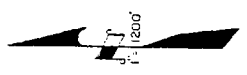
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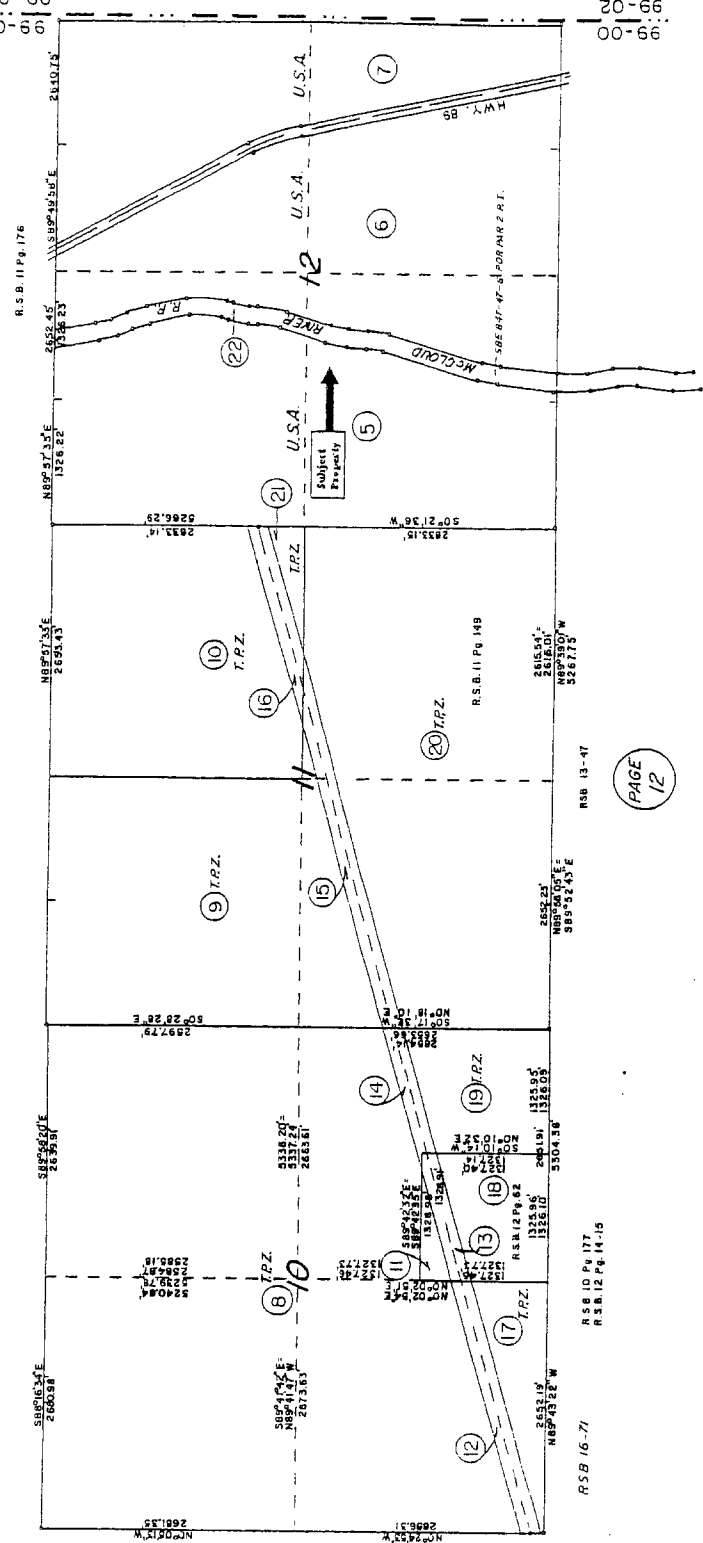
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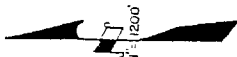
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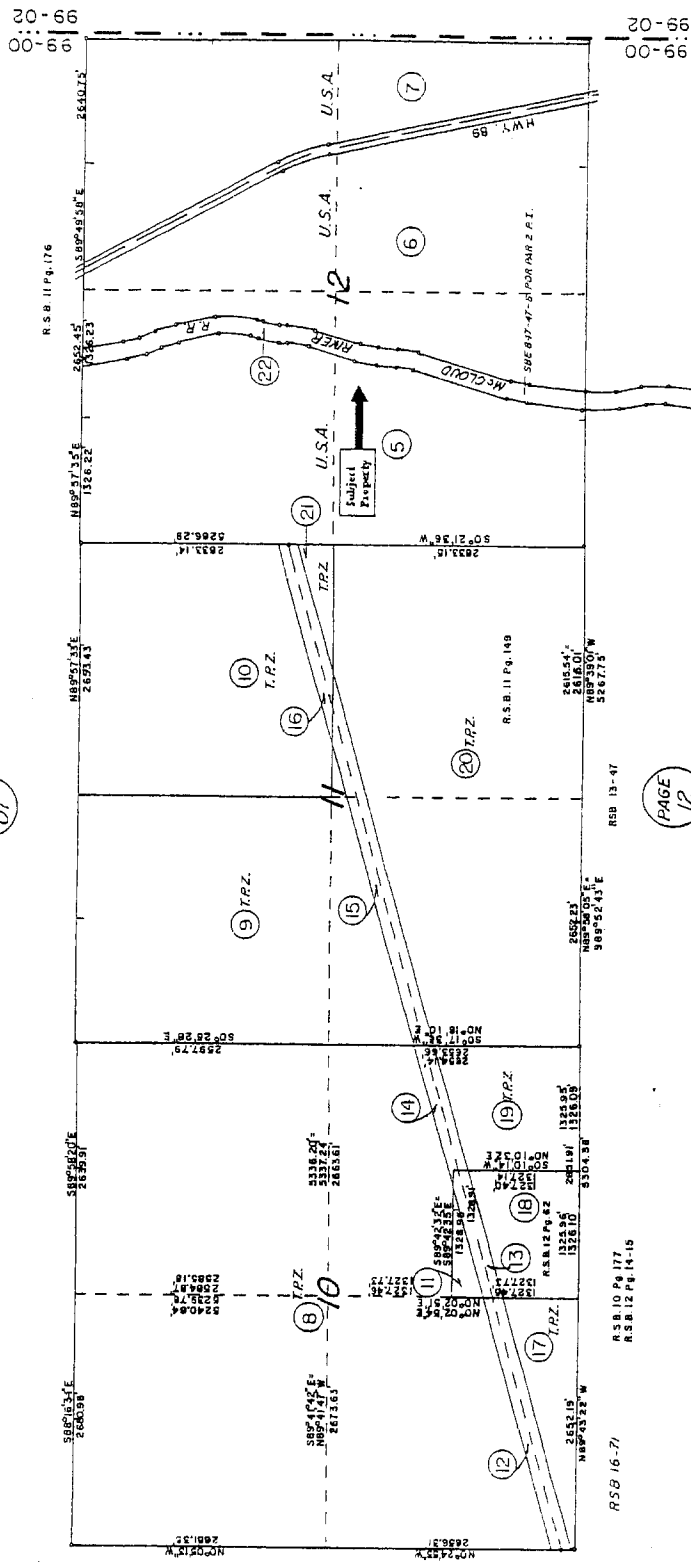
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Tax Area Code
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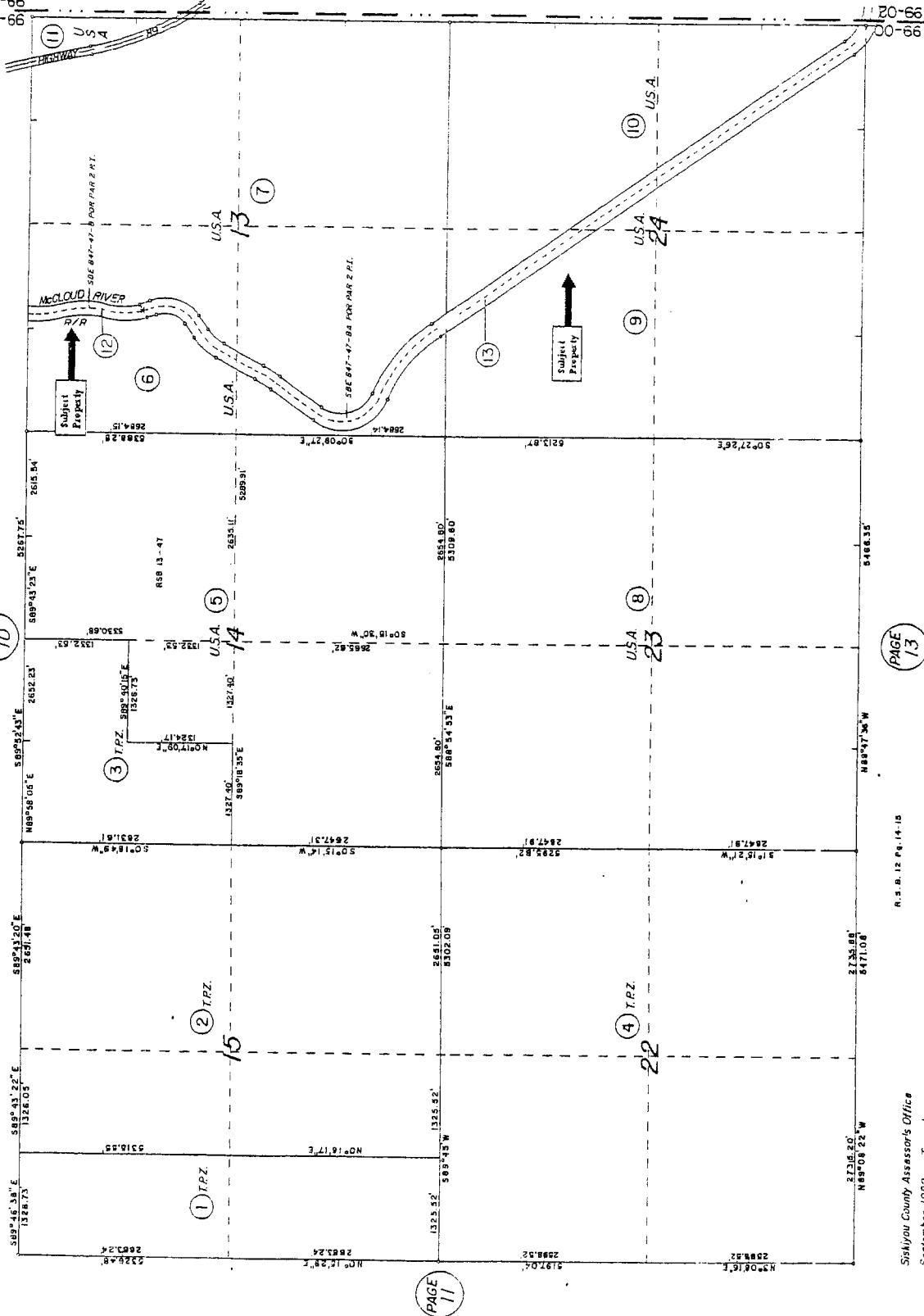
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R. S. B. 12 Pg. 14-15

T 39 N R 1 E

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PAGE 13

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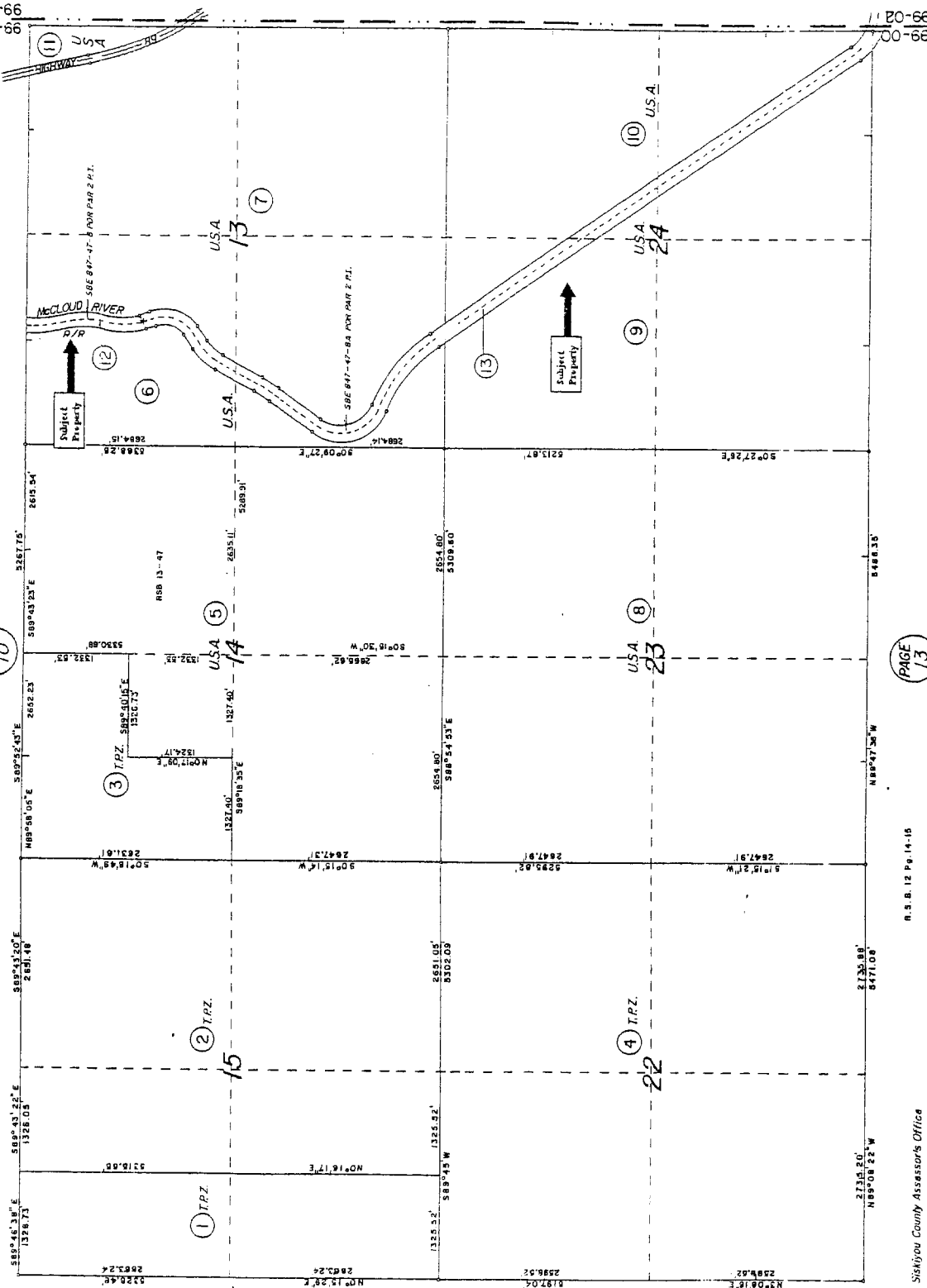
T 39 N R 1 E

Tax Area Code 99-00

27-12

R.S.B. 12 Pg. 14-15

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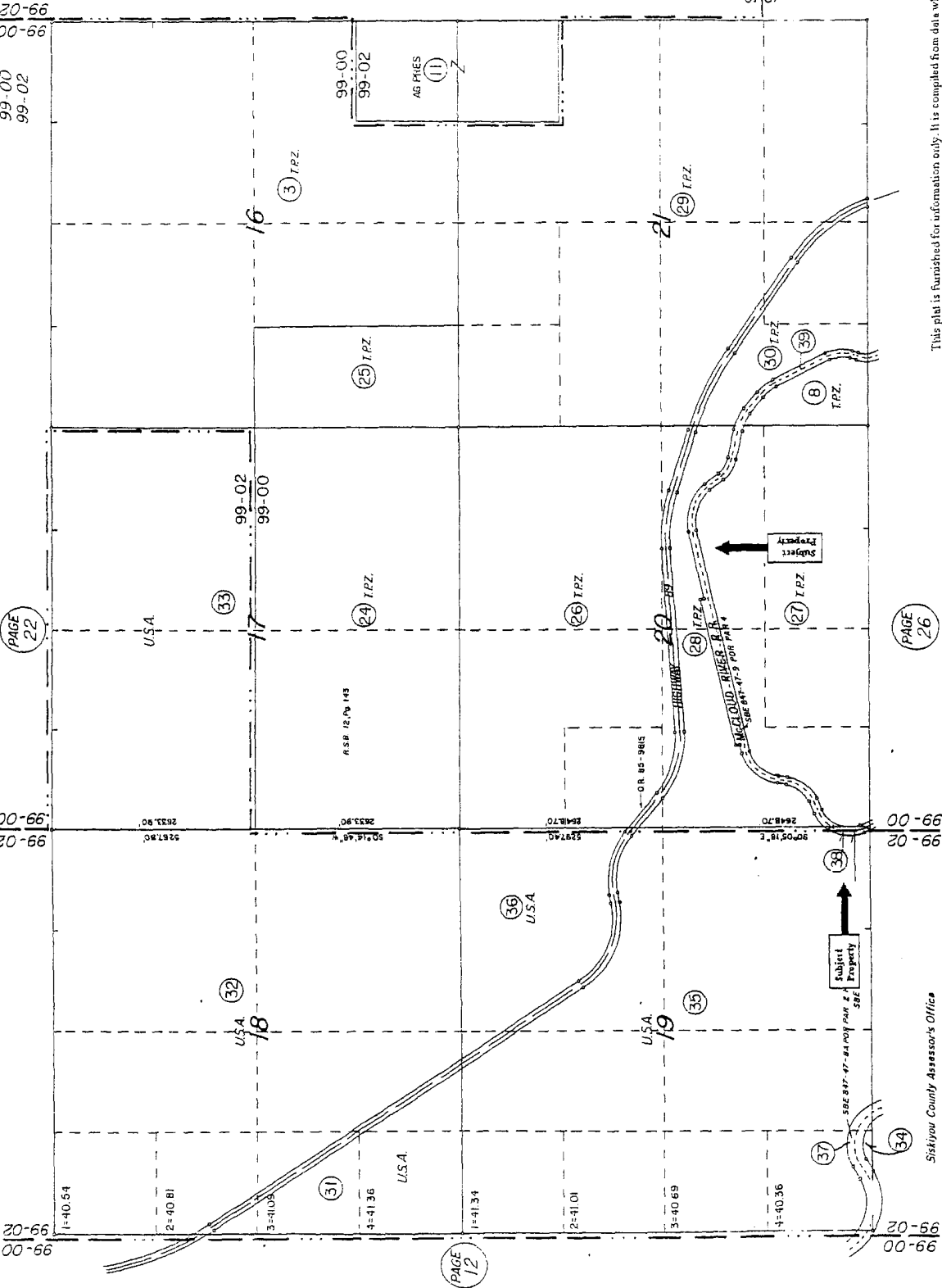
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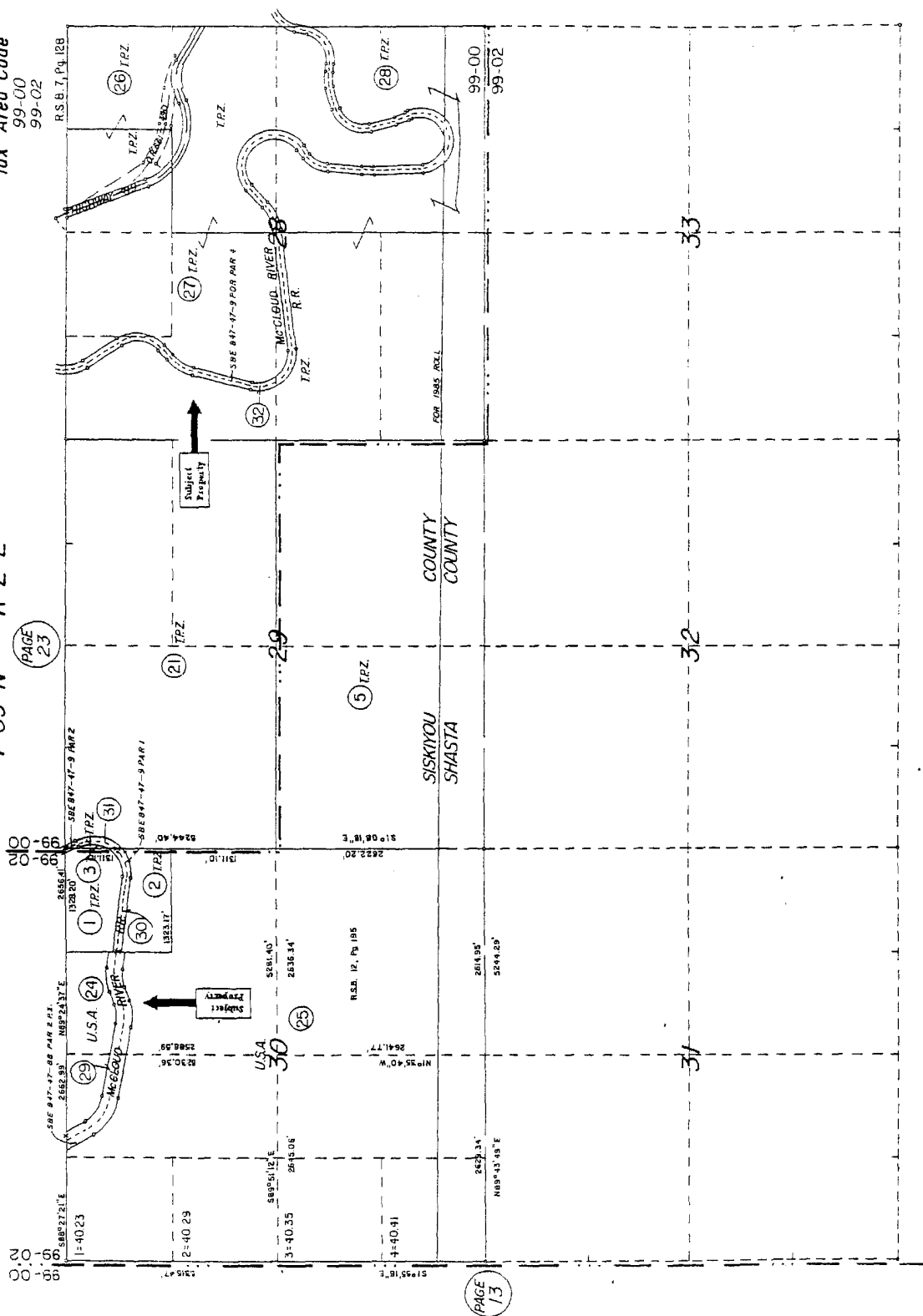
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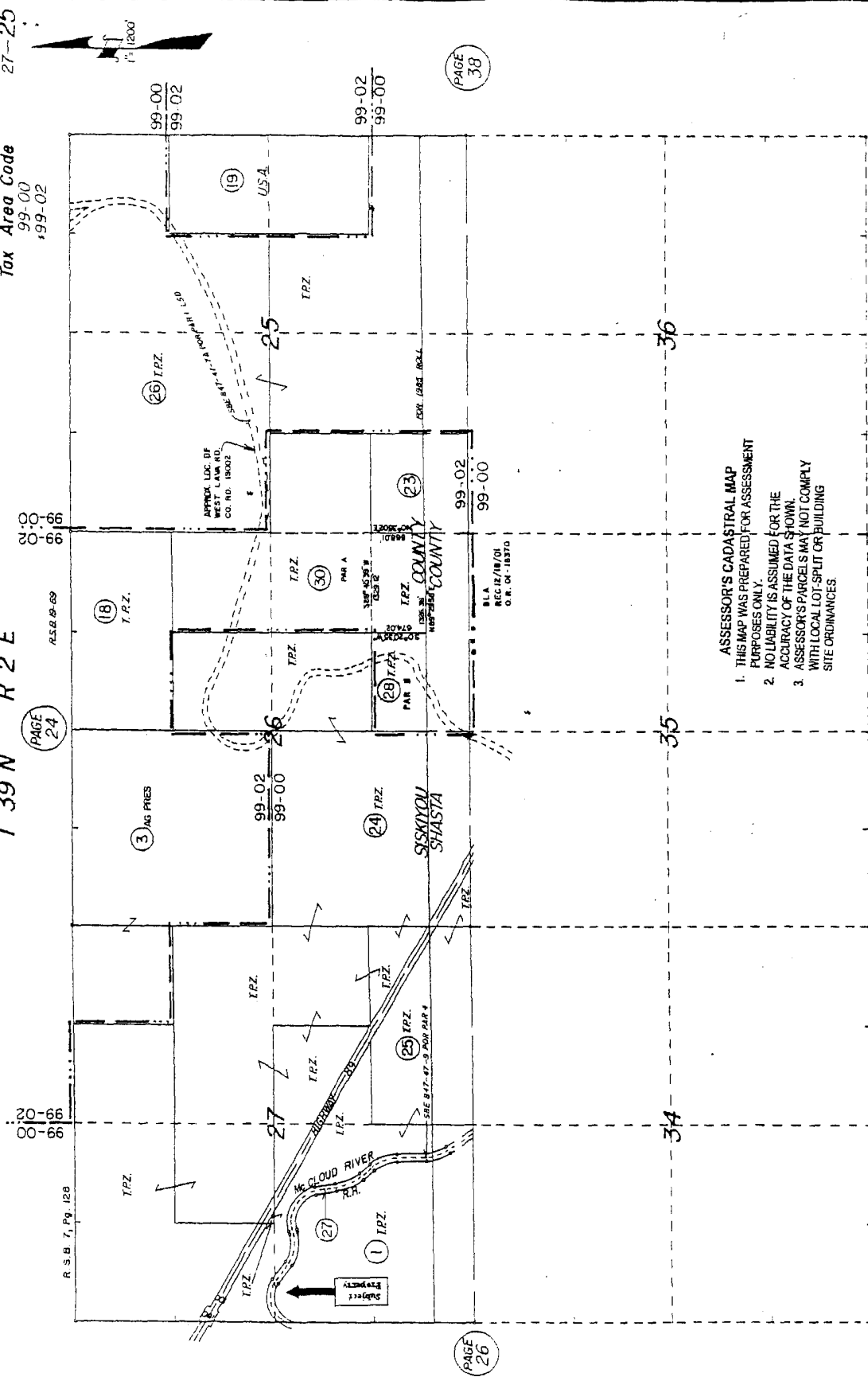
Tax Area Code
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99-02



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T 39 N R 2 E

Tax Area Code

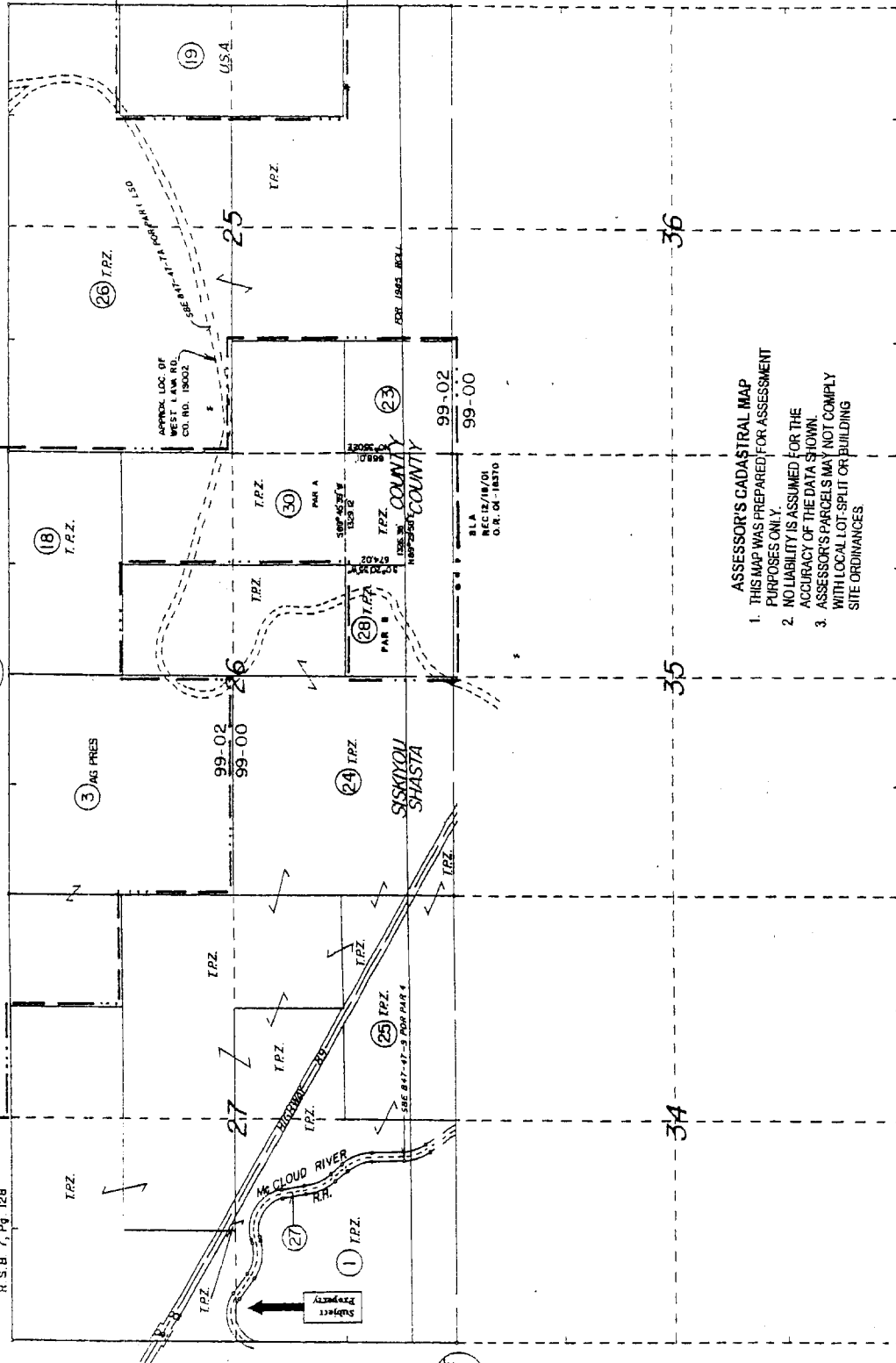
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R.S.B. 19-69

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R.S.B. 7, Pg 128



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APPENDIX 3

McCloud Railway Company Abandonment Land Appraisal

Owned in fee (reversionary and non fee excluded) lands in abandonment proceedings

Siskiyou County

Map	Parcel	Acreage	Assessed Value	FMV
47014	1	9.83	\$12,625.00	\$15,150.00
47015	1	6.26	\$8,045.00	\$9,654.00
47016	1	6.50	\$3,250.00	\$3,900.00
47016	2	7.44	\$3,720.00	\$4,464.00
47017	1	24.68	\$12,340.00	\$14,808.00
47017	3	1.99	\$995.00	\$1,194.00
47017	5	56.26	\$3,130.00	\$3,756.00
47018	1	25.24	\$12,620.00	\$15,144.00
47019	1	37.02	\$18,510.00	\$22,212.00
47020	1	60.12	\$30,060.00	\$36,072.00
47021	1	59.84	\$29,070.00	\$34,884.00
47022	1	51.13	\$15,339.00	\$18,406.80
47023	1	6.47	\$1,941.00	\$2,329.20
47023	3	5.17	\$1,551.00	\$1,861.20
47023	5	27.17	\$8,151.00	\$9,781.20
47023	6	4.63	\$1,389.00	\$1,666.80
47023	7	7.04	\$2,112.00	\$2,534.40
47024	1	80.08	\$24,024.00	\$28,828.80
47025	1	57.58	\$17,274.00	\$20,728.80
47026	1	5.75	\$1,725.00	\$2,070.00
47026	4	4.93	\$1,479.00	\$1,774.80
47026	5	1.49	\$447.00	\$536.40
47026	6	0.61	\$183.00	\$219.60
47027	1,3	16.69	\$8,345.00	\$10,014.00
47029	2	3.14	\$1,256.00	\$1,507.20
47029	4	30.34	\$12,136.00	\$14,563.20
47030	1	12.48	\$4,992.00	\$5,990.40
47030	2	15.35	\$6,140.00	\$7,368.00
Totals		625.23	\$242,849.00	\$291,418.80

Shasta County

All Properties Reversionary or Use Only