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LAW OFFICES  
FRITZ R. KAHN, P.C.  
EIGHTH FLOOR  
1920 N STREET, N.W.  
WASHINGTON, D.C. 20036-1601

(202) 263-4152  
FAX (202) 331-8330  
e-mail: xiccgc@worldnet.att.net

ORIGINAL

August 4, 2006

VIA HAND DELIVERY - RETURN COPY

Hon. Vernon A. Williams  
Secretary  
Surface Transportation Board  
1925 K Street, N.W. (7<sup>th</sup> fl)  
Washington, D.C. 20423-0001

ENTERED  
Office of Proceedings

AUG 4 - 2006

Part of  
Public Record



Dear Secretary Williams:

Enclosed for filing in STB Docket No. AB-914X, McCloud Railway Company-  
Abandonment and Discontinuance of Service Exemption-In Siskiyou, Shasta and Modoc  
Counties, CA, are the original and ten copies of the Petition for Leave to File a Reply and the  
Rebuttal of Seaside Holdings, Inc.

Additional copies of this letter, Petition, and Rebuttal are enclosed for you to stamp to  
acknowledge your receipt of them and to return to me via the messenger.

If you have any question concerning the foregoing or if I otherwise can be of assistance,  
please let me know.

Sincerely yours,

  
Fritz R. Kahn

enc.

cc: Thomas F. McFarland, Esq.

BEFORE THE  
SURFACE TRANSPORTATION BOARD  
WASHINGTON, D.C.

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STB Docket No. AB-914X

**ORIGINAL**

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

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PETITION FOR LEAVE TO FILE A REPLY

**ORIGINAL**

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

Attorney for

SEASIDE HOLDINGS, INC.

Dated: August 4, 2006

BEFORE THE  
SURFACE TRANSPORTATION BOARD  
WASHINGTON, D.C.

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STB Docket No. AB-914X

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

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PETITION FOR LEAVE TO FILE A REPLY

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Seaside Holdings, Inc. ("Seaside"), pursuant to 49 C.F.R. 1117.1, seeks leave to file the attached Reply to the Reply of McCloud Railway Company ("MCR"), filed July 31, 2006, to Seaside's Request To Set Terms and Conditions Pursuant to 49 U.S.C. 10904(c) and 49 C.F.R. 1152(g)(1).

Seaside is mindful of the general rule of 49 C.F.R. 1104.13(c) that a reply to a reply is not permitted and of the specific requirement of 49 C. F. R 1152.27(h)(3) that no submission of evidence is permitted in rebuttal of a reply to an offeror's request that the Board set the conditions and compensation for its purchase of the railroad line authorized for abandonment. MCR had ten days, pursuant to 49 C.F.R. 1011.2(a)(7), to appeal from the Board's June 28, 2006, acceptance of Seaside's OFA. It did not do so. Instead, MCR chose to await the 23<sup>rd</sup> hour of this proceeding to level its baseless and irresponsible charges against Seaside. MCR, without

a thread of evidence to support it, charges owners of Seaside with acting as straw men for A&K Railroad Material, Inc. ("A&K"), intent on discontinuing to render service on the lines authorized for abandonment. To be sure, Seaside engaged A&K's principal appraiser, Mr. Jim Okroy, to provide it with the estimate of the net liquidation value of the lines authorized for abandonment, just as MCR employed Mr. Mike Williams, President and owner of Railroad Materials Salvage, Inc., to provide it with its estimate of the lines' net liquidation value. That does not establish that Seaside is fronting for A&K any more than Railroad Materials Salvage, Inc., controls or has the power to control MCR. The affidavits attached to the tendered Reply squarely contradict MCR's unfounded and unsubstantiated assertions.. In the circumstances, acceptance of the tendered Reply would be altogether fitting to correct MCR's reckless misrepresentations. As the Board said in its Decision in STB Finance Docket No. 34048,

Reading Blue Mountain and Northern Railroad Company—Lease and Operation

Exemption—Norfolk Southern Railway Company and Pennsylvania Lines LLC, served August 1, 2001, "In appropriate circumstances, we construe our rules liberally to allow pleadings where they will contribute to a complete record without prejudicing any party or delaying the proceeding" Accord, STB Finance Docket No. 34425, City of Lincoln – Petition for Declaratory Order, served December 8, 2003; Finance Docket No. 30186, Tongue River Railroad Co.—Construction and Operation—Western Alignment, served March 11, 2003; STB Finance Docket No. 33388, CSX Corporation, et al. – Control and Operating Leases/Agreements – Conrail, Inc., et al., served May 20, 1999; STB Finance Docket No. 33323, Chicago Rail Link, L.L.C.—Lease and Operation Exemption—Union Pacific Railroad Company, served September 2, 1997.

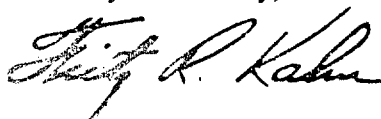
Allowing Seaside to file the attached brief Reply with its attachments will permit the Board to have an accurate and complete record upon which to render its decision, will not prejudice MCR and will not delay the proceeding.

WHEREFORE, Seaside Holdings, Inc., asks the Board to receive the attached Reply.

Respectfully submitted,

SEASIDE HOLDINGS, INC.

By its attorney,



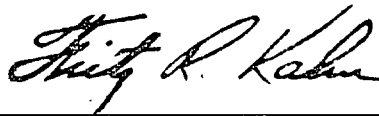
Fritz R. Kahn  
Fritz R. Kahn, P.C.  
1920 N Street, NW (8<sup>th</sup> fl.)  
Washington, DC 20036-1601  
Tel.: (202) 263-4152

Dated: August 4, 2006

#### CERTIFICATE OF SERVICE

I certify that I this day have served a copy of the foregoing Petition and attached tendered Reply upon McCloud Railway Company by facsimile transmitting and mailing by first class mail copies thereof to its attorney, Thomas F. McFarland, Esq.

Dated at Washington, DC, this 4<sup>th</sup> day of August, 2006.



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Fritz R. Kahn