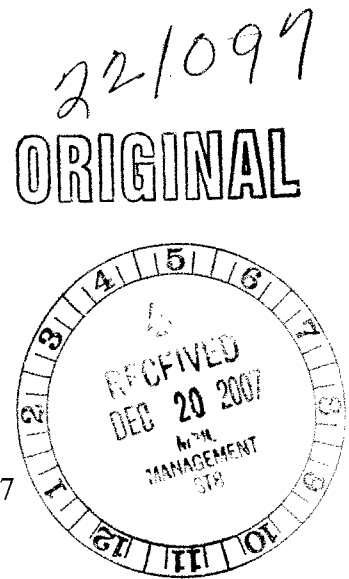


LAW OFFICES
FRITZ R. KAHN, P.C.
EIGHTH FLOOR
1920 N STREET, N.W.
WASHINGTON, D.C. 20036-1601

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



December 20, 2007

VIA HAND DELIVERY - RETURN COPY

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

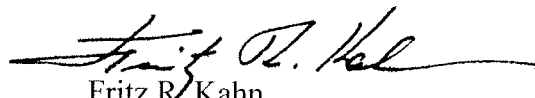
Dear Secretary Williams:

Enclosed for filing in STB Docket No. AB-1000 (Sub-No. 1X), Georgia Southwestern Railroad, Inc.--Abandonment and Discontinuance Exemption--In Harris and Meriwether Counties, GA, are the original and ten copies of the Offer of Financial Assistance of Kern Valley Railroad Company.

This firm's check for \$1,300 in payment of the filing fee is attached.

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

Sincerely yours,


Fritz R. Kahn

enc.

cc: Karl Morell, Esq.
Mr. Harvey D. Keepler
John M. Taylor, Esq.

FILED
DEC 20 2007
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TRANSPORTATION BOARD

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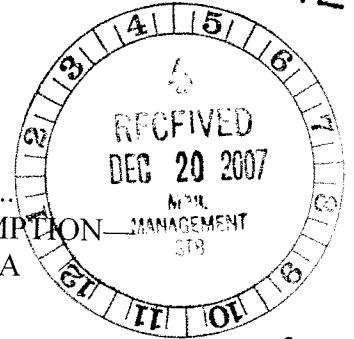
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Office of the Clerk
DEC 20 2007
Office of
Public Record

SURFACE TRANSPORTATION BOARD
WASHINGTON, DC

ORIGINAL

STB Docket No AB-1000 (Sub-No1X)

GEORGIA SOUTHWESTERN RAILROAD, INC..
--ABANDONMENT AND DISCONTINUANCE EXEMPTION
IN HARRIS AND MERIWETHER COUNTIES, GA



22/097

OFFER OF FINANCIAL ASSISTANCE

FEE RECEIVED

20

TRANSPORTATION BOARD

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DEC 20 2007

SURFACE
TRANSPORTATION BOARD

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

Attorney for

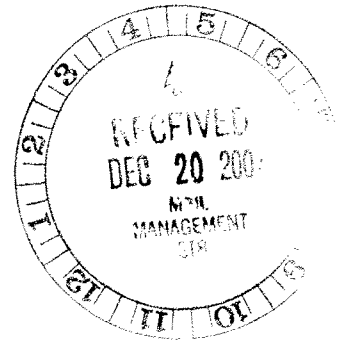
KERN VALLEY RAILROAD COMPANY

Due and dated: December 20, 2007

ENTERED
Office of Proceedings

DEC 20 2007

SURFACE TRANSPORTATION BOARD
WASHINGTON, DC



STB Docket No AB-1000 (Sub-No1X)

GEORGIA SOUTHWESTERN RAILROAD, INC..
--ABANDONMENT AND DISCONTINUANCE EXEMPTION—
IN HARRIS AND MERIWETHER COUNTIES, GA

OFFER OF FINANCIAL ASSISTANCE

Offeror, Kern Valley Railroad Company of Jansen, Colorado ("KVR")¹, pursuant to 49 U.S.C. 10904, 49 C.F.R. 1152.27 and the Decision of the Board, served December 10, 2007, offers to purchase the 43-mile railroad line proposed to be abandoned by Georgia Southwestern Railroad, Inc. ("GSWR").

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

¹ In its Reply, filed December 18, 2007, Georgia Southwestern Railroad, Inc. ("GSWR") incorrectly stated that KVR is a subsidiary of A&K Railroad Materials, Inc. It is not. See, the attached Statement of Kern W. Schumacher, Exhibit A. The Reply further was in error in stating that there were communications between Mr. Terry Small, President of GSWR, and Mr. Michael J. Van Wagenen, Vice President of A&K. Mr. Van Wagenen in his exchanges with Mr. Small clearly identified himself as the Vice President of KVR.

659X), CSX Transportation, Inc.—Abandonment Exemption—In Allegany County, MD, served October 26, 2005; STB Docket No. AB-290 (Sub-No. 260X), Tennessee Railway Company—Abandonment Exemption—In Scott County, TN, served June 30, 2005. KVR fully satisfies both requirements.

Financial responsibility.

KVR is a financially responsible person, within the meaning of 49 U.S.C. 10904 and 49 C.F.R. 1152.27(e)(2). Attached as Exhibit A is the Statement of Kern W. Schumacher, the owner of ninety percent of the outstanding common stock of KVR and the Chairman of the Board of Directors and Chief Executive Officer of KVR, dated December 19, 2007, as well as the statement of Mr. Troy Akagi, Relationship Manager, Commercial Banking Group, Wells Fargo Bank, Salt Lake City, Utah, dated December 18, 2007.

The statements establish that Mr. Schumacher and Ms. Rhonda L. Nicoloff, who owns the remaining ten percent of the stock of KVR, is a Director of KVR and its President, have access to a line of credit with Wells Fargo Bank of up to \$10 million to be used for the acquisition of short line railroads and related short term operating expenses of acquired railroads.

Mr. Schumacher declares that he is authorized to state that Ms. Nicoloff joins him in stating that they will guarantee the purchase price which KVR will need to pay through the OFA process for the GSWR's railroad line proposed for abandonment and to meet the shortfall, if any, in the railroad line's operating income to assure that the railroad line in question will continue to be available to provide railroad service for at least two years' time.

KVR disputes that the line proposed for abandonment by GSWR has a net liquidation value of \$5,555,185, as GSWR alleged in its Petition for Exemption, filed August 22, 2007. Assuming, however, that KVR were prepared to pay that amount for the railroad line and to absorb for at least two years' time the avoidable losses of \$348,098 which GSWR claimed in its Petition for Exemption it had sustained in 2006, the Wells Fargo Bank line of credit and the guarantees of Mr. Schumacher and Ms. Nicoloff would be more than ample to permit KVR to acquire of the railroad line and to continue to provide railroad service on it.

Rail and other track materials.

In its Petition for Exemption, at pages 13-14, GSWR lumped together all of the rail and other track materials, assigned them an average value per ton of \$450 and, after allowing for the cost of removal and transportation, came up with a net value of the rail and other track materials of \$2,922,205. Similarly it lumped together all of the cross and switch ties, assigned them an average value of \$6.40, and, after allowing for the cost of removal and transportation, came up with a net value of the cross and switch ties of \$506,700.

In sharp contrast, KVR engaged Mr. W. James Okroy, who has been an inspector/appraiser of railroad lines for 30 years, the last 25 years as a senior appraiser for A&K Railroad Materials, Inc. Mr. Okroy currently is the Vice President - Operations and Appraisal Services of A&K Railroad Materials, Inc. A&K Railroad Materials, Inc. is one of the Nation's largest purchasers of used track and sellers of refurbished and new track, primarily to short line railroads and operators of commuter services.

Attached as Exhibit B is Mr. Okroy's Appraisal Report of Railroad Track Materials. The data for Mr. Okroy's report were gathered during KVR's high-rail inspection of the railroad line proposed for abandonment, and the appraisal is virtually up-to-date, being dated November 14, 2007.

Section III of Mr. Okroy's report is a detailed inventory of the track by length date, weight, and condition, that is, relay, reroll or scrap, and of the joint bars, tie plates, anchors, turnouts, and ties.

The value assigned the reusable track was based on the delivered net ton price at the closest rerolling mill in Chicago Heights, as published in American Metal Market, included as Exhibit A of Mr. Okroy's report.

The value assigned the scrap track materials was based on the delivered net ton price at Birmingham, which is the best market for scrap track materials, as published in American Metal Market, included as Exhibit B of Mr. Okroy's report.

Relay softwood ties were valued by Mr. Okroy at \$12 per tie, #1 landscape quality ties at \$4 each, and #2 landscape ties at \$2.00 each. Disposal costs for disposing of the 57,517 scrap ties on the railroad line proposed for abandonment were estimated by Mr. Okroy to be \$4.75 per tie.

Mr. Okroy estimated the total freight costs to come to \$577,171.76, and the brokerage fee, calculated at 12%, to come to \$418,618.00.

Thus, the net liquidation value for the rail and other track materials totals \$1,699,497.66.

Real estate.

In its Petition for Exemption, GSWR without offering any sort of break-down or explanation, claims that the entire right-of-way of the line proposed for abandonment is primarily held in fee. That, however, is not altogether accurate. About a third of the right-of-way consists of easement grants, which are accorded no value in calculating the net liquidation value of a railroad line proposed for abandonment. Chicago and North Western Transp. Co. -- Abandonment, 363 I.C.C. 956, 959 (1981).

The valuation maps for the line which GSWR made available to KVR indicate that certain parcels comprising the right-of-way were marked as "fee" and others as "warranty" property.

Attached as Exhibit C is a Real Estate Appraisal prepared by Mr. George J. Ross of Sandy, Utah, a qualified and experienced real estate appraiser.

As he recites in his letter to Mr. Michael J. Van Wagenen, Vice President of KVR, Mr. Ross personally went to the offices of the recorder of deeds in the courthouses at the county seats of Harris and Meriwether Counties, and, using the valuation maps which the GSWR had made available to KVR, he sought to find the deeds conveying each of the parcels comprising the right-of-way of the line proposed for abandonment. He could not find all the deeds, because the information on the valuation maps was not accurate. He then sought to find the deeds by going through the Grantee and Grantor books, but he was unable to find deeds to some of the parcels in either of the books.

Most of the deeds he found for the properties in Harris County were very brief, not more than a page in length. Although labeled as conveyances in "fee," they only were grants of rights-of-way or easement grants, conveyed for a nominal consideration of

\$1.00. This reading of the deeds was confirmed by an Atlanta, Georgia, real estate attorney, Leon Adams, Jr., in an e-mail to Mr. Ross' attorney and a letter to Mr. Ross, dated December 17, 2007, a copy of which appears on the last pages of Mr. Ross' appraisal. The few parcels conveyed in fee in Harris County were identified as "warranty" properties.

Curiously, the practice in adjoining Meriwether County was otherwise. Most of the deeds Mr. Ross found for the properties in Meriwether County were lengthy, and, although identified as "warranty" properties, in fact conveyed fee titles. Those conveying easement grants appeared as "fee" properties.

On page 28 of his real estate appraisal, Mr. Ross summarizes that of the 107.38 acres comprising the right-of-way in Harris County, 71.90 acres were easement grants, and 37.48 acres were fee conveyances. On the following page, page 29, Mr. Ross summarizes that of the 371.377 acres comprising the right-of-way in Meriwether County, 47.367 acres were easement grants, and 224.01 acres were fee conveyances.

In its Petition for Exemption, at page 14, GSWR maintains:

GSWR has been informed by certain adjacent land owners along the Line tht the land values along the Line range from \$6,000 to \$10,000 per acre. GSWR is aware of one parcel of land adjacent to the Line that was offered for sale for \$20,000 per acre. For purposes of this filing, GSWR is utilizing an average per acre gross value of the real estate of \$8,000.

As already noted, GSWR erred in assigning any value to the parcels which were mere easement grants, and it grossly overstated the value of the remainder of the parcels underlying the right-of-way of the railroad line proposed for abandonment.

Mr. Ross took a high-rail trip of the entire railroad line, and his real estate appraisal includes 18 photographs of the railroad line and the land on either side through which it passes. Most of the line runs through undeveloped, largely wooded areas or parallels immediately adjacent country roads, in either case, in Mr. Ross' opinion, leaving the realty underlying the right-of-way with little or no commercial value. The line passes through Hamilton and Pine Mountain in Hamilton County and Greenville in Meriwether County but through no other incorporated city.

At pages 30-31 of this real estate appraisal, Mr. Ross states:

The subject property has been valued base [sic] on the across-the-fence (ATF) approach. That is, the value of the property that is adjacent to the right-of-way was evaluated to determine what the adjacent conditions are that could impact the price. The value of the "less than fee" land is zero. The value of the "fee" land is affected by several variables, including width of right-of-way, the use and value of adjacent land, the terrain, the degree cut and fill that was used to construct the railroad bed, the demand for the land, the number of potential buyers, and other considerations.

Mr. Ross determined that he could aggregate the parcels of land into eleven groups based upon their location, varying in value from \$2,000 per acre to \$5,000 per acre. The total estimated value of the realty came to \$725,225, which, when adjusted for the selling costs and the time required for the sales of the parcels, yielded a present value of the realty of \$400,000.

Total net liquidation value.

Based on the foregoing analyses, KVR believes the net liquidation value of the line proposed for abandonment is \$2,099,497.66.

Continued rail service.

KVR is well aware that the offeror must demonstrate that it can and will provide continued rail service for two years' time. See, Docket No. AB-167 (Sub-No. 493N),

Conrail Abandonment West 30th Street, NY, served January 13, 1987. In its Petition for Exemption, at pages 4-5, GSWR acknowledges that the line proposed for abandonment has been used to serve Georgia Pacific's plant at Durand, bringing in carloads of logs and transporting outbound shipments of plywood and veneer. In 2006 GSWR handled 322 carloads for Georgia Pacific, and during the first six months of 2007, 134 carloads. The plant required twice a week service by the GSWR.

KVR's Vice President, Mr. Michael J. Van Wagenen, spoke with Georgia Pacific's Vice President, Mr. Robert Pugh. They discussed the fact that Georgia Pacific's Durand plant has access to CSX Transportation, Inc. and that it is likely that it will divert its rail shipments to that railroad. KVR, however, will make every effort to regain the Georgia Pacific business, and, with CSX Transportation, Inc. experiencing as many service problems and raising its rates as greatly as it is, KVR is optimistic that it may be able to recapture the Georgia Pacific business.

KVR, moreover, will work with the Georgia Department of Transportation, which is on record in this proceeding in believing that, with the proper marketing of rail service, new industries and businesses can be attracted to the area and be served by the line proposed for abandonment. Indeed, attached as Exhibit D is a letter from Mr. David L. Smoot, GSWR's Vice President, dated October 15, 2007, which indicates that, while the railroad favors interim trails use for the property, GSWR does not rule out that a large manufacturing facility might locate in the area and need rail service.

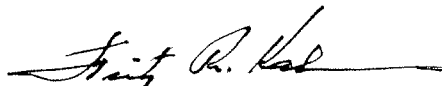
KVR has the means to keep operating the railroad line for at least two years' time, and it will endeavor to attract sufficient business to make the operations self-sustaining.

WHEREFORE, Kern Valley Railroad, Inc., asks that it be found to be a financially responsible person, that its offer to pay \$2,099,497.66 for the 43-mile line of railroad proposed to be abandoned is reasonable and that it has adequately explained the discrepancy between its calculation of the net liquidation value of the property and the \$5,555,185 which the Georgia Southwestern Railroad, Inc., contended in its Petition for Exemption, filed August 22, 2007, is the net worth of the property.

Respectfully submitted,

KERN VALLEY RAILROAD COMPANY

By its attorney,

A handwritten signature in black ink, appearing to read "Fritz R. Kahn", with a long horizontal flourish extending to the right.

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

Due and dated: December 20, 2007

EXHIBIT A

SURFACE TRANSPORTATION BOARD
WASHINGTON, DC

STB Docket No. AB-1000 (Sub-No. 1X)

GEORGIA SOUTHWESTERN RAILROAD, INC.
--ABANDONMENT AND DISCONTINUANCE OF TRackage RIGHTS
EXEMPTION--IN HARRIS AND MERIWETHER COUNTIES, GEORGIA

STATEMENT
OF
KERN W. SCHUMACHER

My name is Kern W. Schumacher, with an office address at 1505 South Redwood Road, Salt Lake City, Utah 84104.

I own ninety percent of the outstanding shares of common stock of Kern Valley Railroad of Jansen, Colorado ("KVR"), the balance of the being owned by Ms. Rhonda L. Nicoloff.

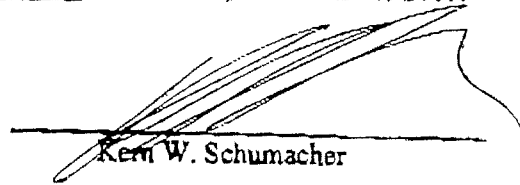
I am the Chairman of the Board of Directors and the Chief Executive Officer of KVR. Ms. Nicoloff is a Director and President of KVR.

As evidenced by the attached statement by Mr. Troy Akagi, Relationship Manager of the Commercial Banking Group of Wells Fargo Bank in Salt Lake City, dated December 18, 2007, Ms. Nicoloff and I have access to a line of credit of up to \$10 million for the acquisition of short line railroads and related short term operating expenses of acquired railroads.

I am authorized to state that Ms. Nicoloff joins me in stating that we will guarantee the purchase price which KVR will need to pay through the OFA process for

the railroad line of the Georgia Southwestern Railroad proposed for abandonment and to meet the shortfall, if any, in the railroad line's operating income to assure that the railroad line in question will continue to be available to provide railroad service for at least two years' time.

Dated at Phoenix, AZ this 19th day of December 2007.



Kew W. Schumacher



Commercial Banking Group
MAC U1228-09A
299 South Main, 9th Floor
Salt Lake City, UT 84111

December 18, 2007

To Whom It May Concern:

Kern W. Schumacher and Rhonda L. Nicoloff have access to a line of credit with Wells Fargo Bank of up to \$10,000,000.00. The line can be used for working capital in the ordinary course of Borrower's business, and for the acquisitions of short-line railroads and related short term operating expenses of acquired railroads. Based on the Bank's long-standing relationship with Mr. Schumacher and Ms. Nicoloff, if requested, the Bank would be willing to consider an additional commitment above \$10,000,000.00.

Should you have any questions or concerns, please feel free to contact me at 801-246-1634.

Sincerely,


Troy Akagi
Relationship Manager

EXHIBIT B

APPRAISAL REPORT
OF
RAILROAD TRACK MATERIALS

of the

Georgia Southwestern Railroad Line
Located in Harris and Meriwether Counties
in the State of Georgia

APPRAISED FOR:
Kern Valley Railroad Company
PO Box 26421
Salt Lake City, Utah 84126

APPRAISAL DATE:
November 14, 2007

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

SECTION I

GENERAL DATA

A. PURPOSE OF APPRAISAL

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

Net Liquidated Value, as used in this report is defined as: "The most probable price which the assets should bring, less salvage and reclamation costs, under all conditions, requisite to a fair sale, the buyer and seller, each acting prudently and knowledgeably and assuming the price is not affected by unique stimulus." Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and both acting in what they consider their own best interest;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

B. SCOPE OF APPRAISAL

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

C. PROPERTY RIGHTS APPRAISED

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

D. DATE OF APPRAISAL

The date of this appraisal is November 14, 2007. All data relied upon in this report are considered as adjusted to this point in time. This appraisal has been prepared during November 2007.

SECTION II

VALUATION OF
GEORGIA SOUTHWESTERN RAILROAD, INC.
ASSETS

A. INTRODUCTION

Kern Valley Railroad Company engaged A&K Railroad Materials, Inc. (A&K) to assess the condition and evaluate approximately 43 miles of rail line owned by Georgia Southwestern Railroad Company ("Georgia Rail"). A&K understands that this valuation is to be utilized in a Surface Transportation Board (STB) proceeding.

The objective of the valuation was to determine the Net Liquidation Value (NLV) of track assets as of November 14, 2007. This report presents findings as to the valuation and discusses the factors which influence the value of railroad rail, other track material (OTM), ties and ballast.

B. SCOPE OF APPRAISAL

The railroad line is located in Harris and Meriwether Counties, Georgia, commencing at milepost R-12.0, at Florida Rock, GA and milepost R-55.0 at Allie, GA. Included in the appraisal of the line segments is 1.7 miles of sidings.

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

C. NET LIQUIDATION VALUE

The NLV of the Georgia Rail assets is \$ 1,699,497.66, as of November 14, 2007, as shown in Section III. This value was determined by Jim Okroy, A&K's Vice President - Operations and Appraisal Services, through physical inspection of the property during November 8-9, 2007 via hi-rail trip and physical inspection. Market prices and typical removal costs were applied.

The line is comprised of approximately 1.1 miles of 70# to 85# rail, 34.8 miles of 90# rail, and 8.5 miles of various sections of rail between 100# and 136#.

The closest rerolling mill is at Chicago Heights where the gross ton price for rail was \$350/gross ton delivered. This is equivalent to \$312/net ton delivered. The freight cost to deliver the materials to Chicago is \$45/net ton. (Please refer to Exhibit A for the American Metal Market ("AMM") pricing for rerolling rail on November 14, 2007, at Chicago, Illinois.)

A&K found that Birmingham, Alabama is the best market for the scrap track materials at the delivered price of \$212/gross ton. This is equivalent to \$189/net ton delivered. The freight cost to deliver the materials to Birmingham is \$17/net ton. (Please refer to Exhibit B for the AMM pricing for Scrap No. 1 Railroad Heavy Melt.

Grading and valuation of the ties were determined by A&K inspectors who sampled 100 ties every few miles and graded those ties into relayable ties, #1 landscape, #2 landscape and scrap ties. A&K valued the relay softwood ties (primarily 6" x 8" x 8' with some 7"

x 8" x 8') at \$12.00 per tie. The #1 landscape quality ties were valued at \$4.00 each and the #2 landscape ties were \$2.00 each. A&K estimated a cost of \$4.75 per scrap tie for disposal costs for the 57,517 scrap ties on the rail line.

In summary, the appraisal performed by Tie Yard of Omaha has apparently highly overvalued the selling price of the track materials, underestimated the removal costs, ignored the scrap tie disposal cost and has not included any brokerage fee. The NLV provided herein is an accurate assessment of the Georgia Southwestern Railroad asset value of the railroad track materials.

Exhibit A

**AMERICAN METAL MARKET**

The AMM database was last updated on:
12/18/2007 at 03:12:19

For the requested range of date from:
11/14/2007 to 11/14/2007

Prices for this material last updated on 12/12/2007

Date	FERROUS SCRAP - CONSUMER, No. 1 R.R. heavy melt Location: Birmingham Unit of Measure: US (dollar) / Gross Ton
11/14/2007	212

If you wish to download this data in CSV format you must be an AMM plus subscriber. If you do not have AMMPlus subscription please contact us today to upgrade over the phone in minutes: Toll-free 877-638-2856 within the US or 212-224-3577 international or email subscribe@amm.com

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Exhibit B



The AMM database was last updated on:
12/18/2007 at 03:12:19

For the requested range of date from:
11/14/2007 to 11/14/2007

Prices for this material last updated on 09/06/2007

Date	FERROUS SCRAP - CONSUMER, rerolling rails Location: Chicago Unit of Measure: US (dollar) / Gross Ton
11/14/2007	350

If you wish to download this data in CSV format you must be an AMM plus subscriber. If you do not have AMMPlus subscription please contact us today to upgrade over the phone in minutes: Toll-free 877-638-2856 within the US or 212-224-3577 international or email subscribe@amm.com

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SECTION III

RAILROAD MATERIAL INVENTORY

NET LIQUIDATED VALUE

ASSET VALUE

Material	NT	Price/NT	Price
I. RAIL			
1.0 Miles			
70 AS Carnagie 1921			
30', 33' Lengths, Drilled 2x7"			
Scrap- 116 NT	116	\$ 189.00	\$ 21,924.00
.1 Miles			
85 AS Carnagie 1905			
30' and 33' Lengths, Drilled 3½x4"			
Scrap- 14 NT	14	\$ 189.00	\$ 2,646.00
.75 Miles			
90 RA Tenn 1920-1926			
39' Lengths, Drilled 2 3/4x5 1/2"			
Relay- 1/8-5/32" Top Wear, SF Flow, 118x39'-69 NT	69	\$ 380.00	\$ 26,220.00
Reroll- 19 NT	19	\$ 312.00	\$ 5,928.00
Scrap- 28 NT	28	\$ 189.00	\$ 5,292.00
10.6 Miles			
90RA Tenn 1943-51			
36' welds Lengths, Drilled CWR			
Relay- 1/8-5/32" Top Wear, SF Flow-1140 NT	1140	\$ 380.00	\$ 433,200.00
Relay- 5/32-3/16" Top Wear, DF Flow-301 NT	296	\$ 277.00	\$ 81,992.00
Relay- 1/8-5/32" Top Wear, 1/8" Side Wear-63 NT	60	\$ 277.00	\$ 16,620.00
Reroll- 142 NT	142	\$ 312.00	\$ 44,304.00
Scrap- 25 NT	25	\$ 189.00	\$ 4,725.00
23.45 Miles			
90 RA Tenn 1923-36			
36' welds Lengths, Drilled CWR			
Relay- 5/32-3/16" Top Wear, DF Flow-2194 NT	2460	\$ 312.00	\$ 767,520.00
Relay- 3/16" Top Wear, DF Flow, Pitted Base-396 NT			
Reroll- 1007 NT	1007	\$ 312.00	\$ 314,184.00
Scrap-74 NT	74	\$ 189.00	\$ 13,986.00
.4 Miles Siding			
100RE Tenn 1926			
36', 39' Lengths, Drilled 2 1/2x7x6"			
Relay-3/16" Top Wear, DF Flow-70 NT	70	\$ 450.00	\$ 31,500.00
7.46 Miles			
100 RE Tenn 1927-31, 1945			
36' welds Lengths, Drilled CWR			
Relay-1/8" Top Wear, SF Flow, CC Defects-246 NT	246	\$ 450.00	\$ 110,700.00
Relay-5/32-3/16" Top Wear, DF Flow, CC-176 NT	176	\$ 425.00	\$ 74,800.00
Relay-1/8" Top Wear, SF Flow, NCC-352 NT	352	\$ 425.00	\$ 149,600.00
Relay-3/16" Top Wear, DF Flow, NCC-176 NT	176	\$ 400.00	\$ 70,400.00
Relay-3/16" Top Wear, 1/8" Side Wear-158 NT	158	\$ 375.00	\$ 59,250.00
Reroll-185 NT	185	\$ 312.00	\$ 57,720.00
Scrap-9 NT	9	\$ 189.00	\$ 1,701.00
.35 Miles			
112/115 Tenn 1948, 1956			
39' Lengths, Drilled 2 1/2x6 1/2" (1948), 3 1/2x6x6" (1956)			
Relay only 115* 1/8" Top Wear SF Flow, 25x39-19 NT	19	\$ 600.00	\$ 11,400.00
Reroll-43 NT	43	\$ 312.00	\$ 13,416.00
Scrap-6 NT	6	\$ 189.00	\$ 1,134.00

Material	NT	Price/NT	Price
.26 Miles			
132RE III. 1981			
39' Lengths. Drilled 3 1/2x6x6"			
Relay-1/8" Top Wear. SF Flow. 9x39-8 NT	8	\$ 600.00	\$ 4,800.00
Reroll- 4 NT	4	\$ 312.00	\$ 1,248.00
Scrap- 44NT	44	\$ 189.00	\$ 8,316.00
.03 Miles			
136RE Stealton. 1995			
39' Lengths. Drilled 3 1/2x6x6"			
Relay- 1/8" Top Wear. SF Flow. 5x39-5 NT	5	\$ 600.00	\$ 3,000.00
Scrap- 2 NT	2	\$ 189.00	\$ 378.00
Total Rail Price			\$ 2,337,904.00

II. JOINT BARS			
70 AS			
24" Full Toe. 40#/Pair est.. Drilled 7x4x7"			
Scrap- 320 Pair = 6 NT	6	\$ 189.00	\$ 1,134.00
85 AS			
24" Full Toe. 50#/Pair est.. Drilled 4x7x4"			
Scrap- 32 Pair = 1 NT	1	\$ 189.00	\$ 189.00
90 RA			
24" Full Toe . 66#/Pair est.. Drilled 5 1/2x5 1/2x5 1/2"			
Relay- 460 Pair = 15 NT	15	\$ 300.00	\$ 4,500.00
100 RE			
36" Full Toe. 105#/Pair est.. Drilled 6x7x5x7x6"			
Relay- 210 Pair = 11 NT	11	\$ 400.00	\$ 4,400.00
115 RE			
36" Toeless. 94#/Pair est.. Drilled 6x6x7x6x6"			
Relay- 95 Pair = 4 NT	4	\$ 550.00	\$ 2,200.00
132 RE			
36" Toeless. 115#/Pair. Drilled 6x6x7x6x6"			
Relay- 70 Pair = 4 NT	4	\$ 550.00	\$ 2,200.00
136 RE			
36" Toeless. 115#/Pair. Drilled 6x6x7x6x6"			
Relay- 11 Pair = 1 NT	1	\$ 550.00	\$ 550.00
Total Joint Bar Price			\$ 15,173.00

III. TIE PLATES			
<u>SINGLE SHOULDER</u>			
7 1/2x9 1/2", rib. 4 5/8 base. 7 lbs.			
5760 Scrap= 20 NT	20	\$ 189.00	\$ 3,780.00
7x9", rib. 5 3/16 base. 6 lbs.			
576 Scrap= 2 NT	2	\$ 189.00	\$ 378.00
7 1/2x9, 7x10, 7 1/2x10, 7x11", rib. 5 1/8 base. 9 lbs.			
21456 Scrap=99 NT	99	\$ 189.00	\$ 18,711.00
7 1/2x11", rib. 5 1/8 base. 11 lbs.			
114416 Scrap=629.28 NT	629.28	\$ 189.00	\$ 118,933.92

Material	NT	Price/NT	Price
DOUBLE SHOULDER			
7 1/2x11", rib. 5 1/8 base. 3" c hole spacing. 10.5 lbs.			
29500 Relay= 155 NT	155	\$ 600.00	\$ 93,000.00
796 Scrap= 4 NT	4	\$ 189.00	\$ 756.00
7 1/2x11", flat. 5 1/2 base. offset hole spacing. 13 lbs.			
27000 Relay= 176 NT	176	\$ 600.00	\$ 105,600.00
718 Scrap= 5 NT	5	\$ 189.00	\$ 945.00
flat. 5 1/2 hole base. 12 lbs.			
28000 Relay=168 NT	168	\$ 600.00	\$ 100,800.00
2296 Scrap= 14 NT	14	\$ 189.00	\$ 2,646.00
7 3/4x8x12". flat. 5 3/8 base. 3 1/2x4 1/2 hole spacing . 15 lbs.			
47000 Relay=360 NT	360	\$ 600.00	\$ 216,000.00
1088 Scrap= 8 NT	8	\$ 189.00	\$ 1,512.00
7 3/4x8x12. flat. 5 3/8 base. 15 lbs.			
2000 Relay= 15 NT	15	\$ 600.00	\$ 9,000.00
304 Scrap= 2NT	2	\$ 189.00	\$ 378.00
7 3/4x13. 7 3/4x14". flat. 5 1/2 base. 19 lbs.			
2000 Relay= 19 NT	19	\$ 600.00	\$ 11,400.00
256 Scrap= 2 NT	2	\$ 189.00	\$ 378.00
7 3/4x14 3/4". flat. 6" base. 22 lbs.			
450 Relay= 5 NT	5	\$ 600.00	\$ 3,000.00
652 Scrap=7 NT	7	\$ 189.00	\$ 1,323.00
8x18". flat. 6"base. 30 lbs.			
768 Relay= 12 NT	12	\$ 400.00	\$ 4,800.00
Total Tie Plates Price			\$ 693,340.92

IV. ANCHORS			
90 RA. 5 1/8 base. 4 every other tie. Improved Fair			
52858 Relay= 40 NT	40	\$ 180.00	\$ 7,200.00
90 RA. 5 1/8 base. 4 every other tie. Woodings. Units			
166960 Relay= 125NT	125	\$ 180.00	\$ 22,500.00
100 RE. 5 3/8 base. 4 every other tie. Improved Fair			
12892 Relay= 13NT	13	\$ 180.00	\$ 2,340.00
100 RE. 5 3/8 base. 4 every other tie. Woodings. Other			
35196 Scrap= 35NT	35	\$ 180.00	\$ 6,300.00
Total Anchors Price			\$ 38,340.00

Material	NT	Price/NT	Price
V. TURNOUTS			
<u>FROGS</u>			
90 RA. #10. RBMI. 8 Relay	8 count	\$ 200.00	\$ 1,600.00
1 Scrap	1 count	\$ 100.00	\$ 100.00
100 RE. #10. Spring. 6 Scrap	6 count	\$ 100.00	\$ 600.00
132 RE. #10. Spring. 1 Scrap	1 count	\$ 100.00	\$ 100.00
136 RE. #10. Spring. 1 Scrap	1 count	\$ 100.00	\$ 100.00
<u>POINTS</u>			
90 RA. 15'-16'6" Length. Single Reinforced. 17 Relay			\$ 1,700.00
100 RE. 16'6" Length. Single Reinforced. 10 Relay. 2 Scrap			\$ 1,040.00
132 RE. 16'6" Length. Double Reinforced. 2 Relay			\$ 600.00
136 RE. 16'6" Length. Double Reinforced. 2 Relay			\$ 600.00
<u>SWITCHSTANDS</u>			
17 New Century Relay			\$ 1,000.00
<u>SPIKES AND BOLTS</u>			
225 NT	225	\$ 180.00	\$ 40,500.00
<u>BALLAST</u>			
42.7 miles. 2" Granite (74,000 yd/103,600 tons/@2.52/ton discounted 9%/3 yrs)			\$ 195,000.00
Total Turnouts Price			\$ 242,940.00

VI. TIES			
Ties per rail length Main Line: 22/36' length			
Ties per rail length Sidings: 18/33' length			
Ties per mile Main Line: 3223			
Ties per mile Sidings: 2880			
Size of Ties: 6x8x8'6". 7x9x8'6". hardwood			
Main: 137622			
Sidings: 4896			
Total Ties on Job: 142518			
Relay 8550	8550	\$ 12.00	\$ 102,600.00
#1 35650	35650	\$ 4.00	\$ 142,600.00
#2 30800	30800	\$ 2.00	\$ 61,600.00
Scrap 57518	57518	\$ (4.75)	\$ (273,210.50)
Total Ties Price			\$ 33,589.50

TOTAL ASSET VALUE	\$ 3,361,287.42
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LIQUIDATION COSTS:

Track Removal Costs: 44.4 Miles @ \$15000/mile			\$ 666,000.00
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Material	NT	Price/NT	Price
Freight Rates:			
Relay			
Rail	2419	\$ 40.00	\$ 96,760.00
Joint Bars	35	\$ 40.00	\$ 1,400.00
Tie Plates	910	\$ 40.00	\$ 36,400.00
Total	3349	\$ 40.00	\$ 134,560.00
Reroll			
Rail	4317	\$ 45.00	\$ 194,265.00
Total	4317	\$ 45.00	\$ 194,265.00
Scrap			
Rail	202	\$ 17.00	\$ 3,434.00
Joint Bars	7	\$ 17.00	\$ 119.00
Tie Plates	804.28	\$ 17.00	\$ 13,672.76
Anchors	213	\$ 17.00	\$ 3,621.00
Total	1219.28	\$ 17.00	\$ 20,846.76
Ties	75000 count	\$3.00/each	\$ 225,000.00
Turnouts & OTMs			\$ 2,500.00
Total Freight Costs:			\$ 577,171.76

Brokerage Fee (12%)			\$ 418,618.00
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TOTAL LIQUIDATION COSTS			\$ 1,661,789.76
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NET LIQUIDATION VALUE			\$ 1,699,497.66
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SECTION IV

CONTINGENT AND LIMITING CONDITIONS

A. CONTINGENT AND LIMITING CONDITIONS

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

1. The Appraiser assumes no responsibility for matters of a legal nature affecting the property appraised or the title thereto, not does the Appraiser render any opinion as to the title, which is assumed to be marketable. The property is appraised as though under responsible ownership.
2. Any sketch, photo, or map in this report may show approximate dimensions and is included to assist the reader in visualizing the property in question.
3. The Appraiser is not required to give testimony or appear in court because of having made this appraisal with reference to the property in question.
4. The Appraiser assumes that there are no hidden conditions of the property which would render it more or less valuable. The Appraiser assumes no responsibility for such conditions or for engineering which might be required to discover such factors.
5. Information, estimates, and opinions furnished to the Appraiser and contained in this report were obtained from sources considered reliable and believed to be true and correct.
6. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The Appraiser is not responsible for unauthorized use of this report.
7. The Appraiser has the appropriate knowledge and experience to complete this assignment competently. The Appraiser has been an inspector/appraiser for the past 30 years and has served as a senior appraiser for A&K Railroad Materials, during the past 25 years.

B. CERTIFICATION

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

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


W. James Okroy

November 14, 2007

PROFESSIONAL QUALIFICATIONS
W. JAMES OKROY
VICE-PRESIDENT – OPERATIONS AND APPRAISAL SERVICES
A&K RAILROAD MATERIALS, INC.

EXPERIENCE

Mr. Okroy has been employed with A&K Railroad Materials for more than thirty years. During this period of employment he has inspected more than 10,000 miles of railroad track. He currently serves as the Vice-President of Operations and Appraisal Services. His responsibilities include: inspection, review and technical appraisal of railroad track materials, bridges and support structures; supervision of associate appraisers; and the administration of track removal services. He has provided hundreds of appraisal reports for various railroads and material supply companies in the United States, Mexico and Canada. Many of these appraisals have been prepared for estimating net liquidation values for abandonment proceedings and the determination of market value for the sale of active railroad lines to shortline operators.

EDUCATION

BA Degree Weber State College Ogden, Utah

PROFESSIONAL MEMBERSHIP

National Railroad Construction & Maintenance Association

American Railway Engineering & Maintenance of Way Association (AREMA)

American Shortline and Regional Railroad Association

EXHIBIT C

REAL ESTATE APPRAISAL
A PORTION OF THE
GEORGIA SOUTHWESTERN RAILROAD

Mile Post 12 at Florida Rock, Harris County, Georgia
to Mile Post 55 at Allie, Meriwether County, Georgia.

For:

Kern Valley Railroad Company

Submitted By:

George J. Ross III
2460 High Mountain Drive
Sandy, Utah 84092

George J. Ross

2460 E. High Mountain Dr.

Sandy, UT 84092

(801) 971-4074

Mr. Michael Van Wagenen
Vice President
Kern Valley Railroad Company
P.O. Box 26421
Salt Lake City, UT 84126

Dear Mr. Van Wagenen:

Thank you for the opportunity of providing you an appraisal of the real estate for the Georgia Southwestern Railroad property located in Harris and Meriwether counties, Georgia. The appraisal is for the land only and does not include railroad materials such as track, bridges, crossings, depots, or any improvements.

It is my understanding that your purpose in getting this appraisal is to establish the Net Liquidated Value of the property that begins at mile post 12 in Harris County to mile post 55 at a point designated as Allie. The opinion of value is as of the date the subject property was inspected, November 15, 2007, and is intended for your use only.

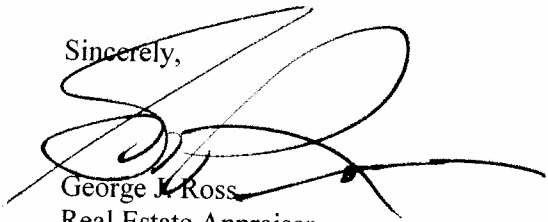
I personally investigated the title to the land at both Harris and Meriwether courthouses. I read all the recorded deeds for both counties that were available. I could not find all the deeds, for the information on the VAL maps was not accurate. When I could not find a deed in the deed books, I tried both the Grantee and Grantor books and some properties could not be found in either place. These were few in number and will not materially affect the appraised value. Although I am not an attorney and as such do not warrant the legality of my opinion or these deeds. However, I believe my experience will give you an accurate representation of the title to the land.

I do not have a financial interest in the property and there is no compensation paid to me based on the value stated in this report. This report does not deal in any way with environmental conditions of the subject property, including any hazardous waste that may exist.

The opinion of the current Market Value of the Fee Simple Interest and the Right-of-Way Property between Mile Post 12 at Florida Rock, Harris County, Georgia, and Mile Post 55 at Allie, Meriwether County, Georgia, is

Four Hundred Thousand Dollars
\$400,000.00

Sincerely,



George J. Ross
Real Estate Appraiser

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GENERAL INFORMATION FOR APPRAISAL

PURPOSE AND SCOPE OF APPRAISAL

This report is prepared for the exclusive use of Kern Valley Railroad to determine the Market Value of the land that is currently a railroad right-of-way. The appraisal is based on the track and track material being removed from the right-of-way and the land being sold to adjacent land owners or others interested in using the property for its highest and best use over a reasonable period of time. The appraiser has inspected the right-of-way, surrounding conditions and land uses, met with property owners in the towns through which the right-of-way passes, met with county assessors and secured demographic information for use in the analysis of the fair market value of the land. Kern Valley Railroad provided valuation maps as supplied to them by Georgia Southwestern Railroad to identify the subject property.

PROPERTY

The property that is the subject of this appraisal is a rail line that runs from just north of the city of Columbus, Georgia beginning at Mile Post 12 on the southern border of Harris County going in a northeasterly direction to a point designated on the VAL maps as Allie, Georgia at Mile Post 55 just north of Greenville, Georgia in Meriwether County, Georgia.

FEE PROPERTY

The fee property is that which is being appraised. The appraiser has no knowledge of any existing easements, deed restrictions, zoning, or other encumbrances that could have an impact on the appraised value. The adjacent land, for the most part is farm land or forest land.

MARKET VALUE

Market value is defined by the Appraisal Foundation as follows:

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 and 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 and well advised, and acting in what they consider their best interests;*
- 3) *Reasonable amount of time is allowed or 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 or sales concessions granted by anyone associated with the sale.*

TIME OF DISPOSITION

It is estimated that for the disposition of this property would be approximately five years.

HAZARDOUS WASTE

Although the inspection of the right-of-way showed no evidence of hazardous waste or spills, it may be possible that some environmental condition could exist being that a railroad operated on this land for over 100 years. Any purchaser or user of this land should make his own environmental assessment.

DATE OF INSPECTION

The property was inspected the week of November 12, 2007.

GENERAL PROPERTY DESCRIPTION

The subject property is located in the west central part of Georgia. The property begins just north of Columbus, Georgia and runs in a northeasterly direction thru Harris County and Meriwether County to a point approximately five miles north of Greenville, Georgia. The total distance is 43 miles.

To properly appraise the market value of the subject land, it is important to consider the size of the cities and towns through which it passes and the demographics of the immediate area. The right-of-way begins at mile post 12 which is located on the south border of Harris County. It travels in a northeasterly direction through the towns of Hamilton, Pine Mountain, and Greenville. It ends at mile post 55 in Allie. Allie is not a town. At one time it was likely a train station or an identification of a train stop. All of these towns are relatively small with little commercial business. Helpful information on each county is as follows:

	Harris County *	Meriwether County *
Population 2005	27,779	22,881
Population 2000	23,695	22,534
Population Growth 2000-2005	4,084	347
Average Growth 2000-2005	3.3%	.3%
Area	473 Square Miles	505 Square Miles
Population Density	51 per Square Mile	45 per Square Mile
County Seat	Hamilton	Greenville
Incorporated Cities on Right-of-Way	2	1
	Hamilton	Greenville
	Pine Mountain	
Per Capita Income	27,124	15,708
Population Below Poverty Line	8.2%	17.8%
Population K-12 Grades (2002)	4,177	3,846
Population K-12 Grades (1999)	<u>3,865</u>	<u>3,915</u>
Growth K-12 Grades	312	<69>
Average Annual Percentage Growth - 3 years	2.7%	<.58%>

*Source: Wikipedia

Except for the small towns mentioned above, the right-of-way runs thru rural farm land and forests.

The surrounding area is beautiful. There is a resort near Pine Mountain called Callaway. There is a golf course that is close by, and the Callaway Gardens are nearby, both of which are on the west side of Highway 1 and 27. The right-of-way is on the east side of the same highway and runs parallel to the highway. The FDR national park is also nearby with spectacular views.

SITE DESCRIPTION

Harris County:

Mile Post 12-23 - See Photographs # 1-6.

The right-of-way appears to be 25 feet wide for the most part. There was a lot of cut and fill that took place to build the road bed. Much of the ROW in this segment is parallel to the highway; in some cases 12.5 feet from the center line to the edge of the asphalt road. In addition to the 25 ft width there are a few parcels that are wider than the 25 ft. The 25 ft right-of-way totals 33.33 acres. The parts of the right-of-way wider than 25 feet and land adjacent to the right-of-way total 7.85 acres. There are no cities or towns through the segment except "Cataula, Georgia, located on Highway 27." A small business is located there. The photographs are intended to show the conditions that would limit the marketability of the property, which are: Proximity to highway; lack of set-backs; cut and fill; potential re-use difficult to determine.

Mile Post 23-25 - See Photographs #7-9.

The right-of-way through this segment is in the city of Hamilton, the county seat of Harris County. The width is 25 ft with some portion being 50 ft. The city street is on one side of the right-of-way and the other side is residential. There are 18.36 acres in this two-mile segment. The VAL maps indicate the right-of-way is 25 feet and 50 feet wide in Hamilton.

Mile Post 25-32 - See Photograph 10

The right-of-way runs parallel and adjacent to the highway for several miles. Where it veers off from the highway, it was built with cut and fill and is not as flat.

Mile Post 32-33 - See Photographs 11-14.

Pine Mountain is beautiful. Callaway Resort and Callaway Gardens are located here. Right-of-way runs through the center of town. However, it is very narrow and difficult to measure from the VAL maps; but physical inspection would indicate approximately 25' wide.

Mile Post 33-49 – See Photographs 15-16.

Beginning at Mile Post 33, the right-of-way widens from 25 feet to 100 feet to 120 feet wide in different areas in this segment. Mile Post 33.5 is the dividing line between Harris and Meriwether Counties. Although the terrain in this segment is somewhat more level than the right-of-way south of Pine Valley in Harris County, cut and fill was still necessary.

Mile Post 49-50 – See Photographs 17-18.

This is in the city of Greenville, Georgia. There is a 'Y' in the city that at one time served local industry. The industry no longer exists. Parts of the ROW in the city are 120 feet wide. Greenville is the county seat in Meriwether County.

Mile Post 50-55

This segment is all 100 feet wide. Cut and fill was necessary, but less than previous as this is relatively flat.



Photograph 1

Approximately Mile Post 12

Note wooded areas on each side of right-of-way

No commercial value

Right-of-way would not likely add value to adjacent land.



Photograph 2

Photo taken at Cataula. Only business is small business to right of highway. Note close proximity of right-of-way to Highways 1 and 27.

No commercial value.

Set-back requirements from highway would not allow commercial use.



Photograph 3

Photo taken north of Cataula – relatively flat.
Not typical – most areas have more cut and fill.



Photograph 4

Photo taken 4 miles south of Hamilton in Harris County.

Note wooded area.

Only likely potential buyer would be adjacent land owner.

Question: Would ROW add value to adjacent land owner's property?

Would he buy it?



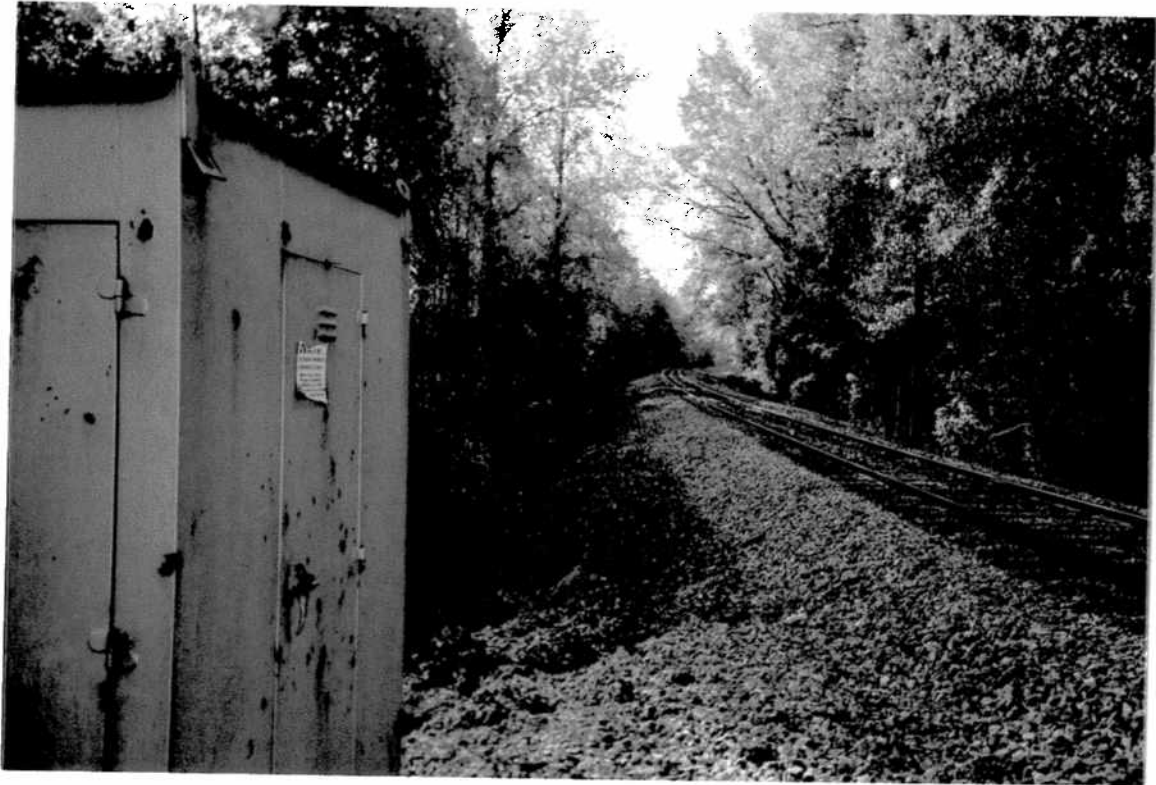
Photograph 5

Note closeness of right-of-way to highway – $12\frac{1}{2}$ feet from centerline of right-of-way to edge of asphalt. This condition at this point runs for approximately 2 or more miles.

No commercial value – Set-back requirements of county or municipality would require a minimum of 30 feet.

Only potential use would be the widening of the highway.

Trail use may be dangerous this close to a highway.



Photograph 6

This photo is to illustrate the typical “cut and fill” condition of many segments of the right-of-way. Note wooded area on both sides.

Corridor use is highest and best use.

No commercial value.

Not likely to add value to adjacent land owners.



Photograph 7

Photograph taken in city of Hamilton, Georgia, looking south. Right-of-way between mile post 23 and 24 is 50 feet wide, bordered by a city street on the east and residential housing on the west.



Photograph 8

Taken in Hamilton, looking north.

Although the VAL maps show the right-of-way being 25 feet wide, the street and the housing may encroach on the right-of-way.



Photograph 9

Photo taken north end of city of Hamilton.

Cannot determine actual width of right-of-way. Likely less than 25 feet as shown on maps.



Photograph 10

Photo taken north of Hamilton.

Note proximity to highway. This condition exists for several miles – relatively flat. Roads on both sides of right-of-way in this photograph.



Photograph 11

This photograph taken near mile post 32, looking south.

Right-of-way next to highway.

This is the southern end of Pine Mountain, Georgia.

Highest and best use would be to widen the highway if ever needed.

No commercial value, as there is not room for any required set-backs.



Photograph 12

Photo taken at same point as photo #11, except this is looking north.

Note right-of-way is between two roads.

Width of right-of-way is difficult to determine from VAL maps – no boundary line shown.



Photograph 13

Pine Valley

Note narrow width of right-of-way.

Road on west side.

Public parking east side.

Highest and best use would be to potentially widen highway.



Photograph 14

North end of Pine Mountain.



Photograph 15

Photograph taken northeast of Pine Mountain.

Relatively flat.



Photograph 16

Photograph taken from a bridge between Pine Mountain and Greenville, Georgia.

Note the cut and fill necessary to build the road bed.



Photograph 17

Photograph taken in the city of Greenville, Georgia.



Photograph 18

Photograph taken in Greenville, Georgia.

DEED ANALYSIS

As part of the appraisal process, the deeds were examined in Harris and Meriwether Counties.

HARRIS COUNTY:

The subject property runs from mile post 12 to mile post 33.5 in Harris County, a distance of 21.5 miles. Using the VAL maps that were provided by client, every available deed was read from the time the land was first acquired for railroad purposes which began in 1871 and ran through 1906.

Although the railroad VAL maps show the "kind of conveyance" was fee simple, on examination of the deeds, language suggests the conveyance was a "right-of-way." The deed language for the deeds marked "fee simple" on the VAL maps was forwarded to two attorneys to get their opinions of whether these were really "fee simple" or right-of-way deeds. I quote from an e-mail message that was forwarded from one attorney in Atlanta, Georgia, to my attorney in Salt Lake City: "based on the deed language that was provided by Mr. Ross, I would take the conservative position that the instrument probably conveyed only an easement, with the underlying fee remaining in the abutting land owner(s). I believe that easement was the favored construction, historically, because courts feared that a finding of fee title in the railroad could result in a lot of unusable strips of questionable ownership upon cessation of use. They would rather have the possession revert to the abutting owner(s). I note that the deed language recites a nominal consideration of \$1.00, and more significantly, there is no language identifying this as a fee. A finding of easement, of course, would mean that all the railroad rights in the strip of land evaporated upon abandonment by the railroad, and the railroad would not be in a position to sell it.

This should not be characterized as an opinion of title, of course. It might well be that there is sufficient language in the deeds in the chain of title to establish this strip as a fee simple title in Georgia Southwestern Railroad, Inc. Even if we had those deeds in front of us, we might not be able to make the determination, for the reasons cited in Mr. Pindar's legal treatise. My suggestion is that if Kern Valley Railroad put the property under contract. It should expressly condition the closing on the ability to obtain title insurance for the fee simple title." A copy of Mr. Pindar's legal treatise is attached for reference as Exhibit A.

Based on my opinion and supported by the two attorneys, the fee land in Harris County is 37.48 acres. The less than fee land is 71.90 acres as shown in the following table:

Harris County Summary

	<u>Fee Land</u> (Acres)		<u>Less than</u> <u>Fee Land</u> (Acres)
Mile Post 12-14	3.67		5.14
14-16	1.72	Triangle	6.06
	.06	(20' x 130')	
16-18	.55	(20' x 100')	4.72
18-20			6.06
20-22			6.06
22-23	5.5	(100' x 2400')	1.65
23-24 Hamilton	1.88		4.36
24-25	.77		11.35
25-26	1.72	(100' x 750')	3.03
26-27	3.67		2.11
27-28			4.87
28-30	5.05		6.06
30-32 Pine Mountain	0.5		4.6
32-33	0.92		5.83
33-33.5	<u>11.47</u>		
	37.48 Acres		<u>71.90</u> Acres

MERIWETHER COUNTY:

The subject property runs from mile post 33.5 to mile post 55 at Allie. Unlike Harris County, the majority of the deeds appear to be Warranty Deeds and are valued as fee property in this appraisal. The fee and less than fee acreage is shown on the following table:

Meriwether County Summary

	<u>Fee Land</u> (Acres)	<u>Less than</u> <u>Fee Land</u> (Acres)
Mile Post 33.5-34	3.9	
34-35	11.93	5.960
35-36		12.120
36-37	12.12	
37-39	31.85	
39-41	4.87 (531' x 400')	
41-43	31.85	
43-45	31.85	
45-46	14.54	
46-47		14.540
47-48	1.10	14.540
48-49	20.61	
	1.01	
49-50 Greenville	26.12	
50-51	12.17	
51-52	12.12	
52-53	12.12	
53-54	12.12	
54 to Allie	<u>3.44</u>	.207
	224.01 Acres	<u>47.367</u> Acres

VALUATION

The goal is to establish the highest and best use of the property. Highest and Best Use is the use of the property that will produce the highest net return over a period of time and that yield the highest present value.

The highest and best use would be for the right-of-way to be used as a corridor, for it would be extremely expensive to acquire land for that purpose. There is a question, however, if there is a need for an additional corridor over this area. Much of the right-of-way runs parallel to the existing highway. If the highway needed to be widened in the future, taking the right-of-way would be the logical and most economical way to do that. However, the existing road seems to adequately and safely handle the traffic. Realistically, to put the subject land for highway purposes is purely speculative.

The subject land could possibly be used for a biking, hiking or walking trail. This could be a beautiful trail. The scenery is spectacular as the right-of-way weaves its way through heavily wooded areas. This, too, would be purely speculative.

The most accurate approach is to use the across-the-fence (ATF) method of the Comparable Sales Approach to establishing current Market Value.

There are three approaches to establishing Market Value of the land that is the subject of the report: Cost Approach, Income Approach, and the Comparable Sales Approach. Since the land was acquired for railroad purposes in the late 1800's and early 1900's the cost approach is not practical to arrive at the current Market Value. There is no income from the property, per se, so the income approach, capitalizing the income, is also not practical to use.

The Sales Comparison approach is based on locating current sales of comparable properties or comparable properties that are currently for sale. This approach assumes a buyer will pay no more than comparable properties have sold for in the immediate past. All sales are not exactly comparable, so the appraiser needs to adjust the recent sales by adding or subtracting the advantages or disadvantages of the sold properties to the subject property for the purpose of making them comparable.

The subject property has been valued base on the across-the-fence (ATF) approach. That is, the value of the property that is adjacent to the right-of-way. Each segment of the right-of-way was evaluated to determine what the adjacent conditions are that could impact the price.

The value of the “less than fee” land is zero. The value of the “fee” land is affected by several variables, including the width of the right-of-way, the use and value of adjacent land, the terrain, the degree cut and fill that was used to construct the railroad bed, the demand for the land, the number of potential buyers, and other considerations.

Summary and Values by Segment

<u>Location</u>	<u>Fee Land</u>	<u>Estimated Value</u>
MP 12-23	11.50 Acres	28,7500
MP 23-25	2.65 Acres	13,250
MP 25-32	10.94 Acres	21,880
MP 32-33.5	12.39 Acres	61,950
MP 33.5-49	165.63 Acres	414,075
MP 49-50	26.12 Acres	104,480
MP 50-55	53.92 Acres	<u>107,840</u>
Total Estimated Value		752,225

The values are adjusted for selling costs and the selling price was discounted for the time necessary to sell the land. The selling costs are estimated to be 15% of the selling price due to the relatively small amount of each sale. It is estimated that it would take five years to sell the land with one-third of the sales taking place in years three, four, and five.

<u>Year</u>	<u>Sales Price</u>	<u>Selling Costs</u>	<u>Net Selling Price</u>	<u>Present Value</u>
3	250,741	37,611	213,130	151,701
4	250,741	37,611	213,130	135,448
5	250,741	37,611	213,130	<u>120,935</u>
				\$408,084
Rounded:				\$400,000

QUALIFICATIONS OF GEORGE J. ROSS III

Professional Affiliations

Member, CCIM (Certified Commercial Investment Member – National Board of Realtors)

Member, NAIOP (National Association of Industrial and Office Parks)

Education

University of Utah – B.S. Marketing

Certified Commercial Investment Real Estate Course

Employment

President – Redman Warehousing Corporation
Operating public warehouses in Utah, Illinois, and California

Regional Vice President – Trammel Crow
Distribution Corporation – Responsible for operations west of Chicago, Illinois

Real Estate Development

Developed and managed industrial real estate
Utah: 5 million square feet – Industrial buildings
Arizona: 500,000 square feet – Office buildings
California: 588 acres – Mixed use development

Appraisal Experience

Industrial: Ninigret Industrial Park – Salt Lake City, Utah
 8 Buildings; 1,242,000 square feet
 Hewson Industrial Building – West Valley City, Utah
 367,000 square feet
 McGillis Industrial Park – West Valley City, Utah
 4 Buildings; 288,000 square feet
 Freeport West Industrial Park – Clearfield, Utah
 10 Buildings; 120,000 square feet

Office: 2200 E. Camelback Road, Phoenix, Arizona
2141 E. Camelback Road, Phoenix, Arizona
3344 E. Camelback Road, Phoenix, Arizona
4040 E. Camelback Road, Phoenix, Arizona
5080 N. 40th Street, Phoenix, Arizona
7250 N. 16th Street, Phoenix, Arizona
1811 S. Alma School Road, Mesa, Arizona
1745 S. Alma School Road, Mesa, Arizona
3923 S. McClintock Dr. – Tempe, Arizona
3933 S. McClintock Dr. – Tempe, Arizona
4015 S. McClintock Dr. – Tempe, Arizona
4025 S. McClintock Dr. – Tempe, Arizona
4044 S. McClintock Dr. – Tempe, Arizona
120 N. 44th Street, Phoenix, Arizona
4747 N. 22nd Street, Phoenix, Arizona

Vacant Land: 145 Acres Vacant Land – Salt Lake City, Utah
160 Acres Vacant Land – Salt Lake City, Utah
18 Acres Vacant Land – West Valley City, Utah

Railroad Real Estate Appraisals

142 Miles – Fresno to Bakersfield, California
125 Miles – Abilene to Wichita Falls, Texas
30 Miles – Minnesota
25 Miles – Louisiana
20 Miles – Louisiana
30 Miles – Florida
17 Miles – Colorado
23 Miles – Michigan
10 Miles – Ohio
90 Miles – Pennsylvania
18 Miles – Prescott, Arizona
27 Miles – Iowa
3 Miles – Ellis County, Texas
105 Miles – Mount Pleasant, Texas
35 Miles – Moscow, Idaho
5 Miles – Dallas, Texas
8 Miles – Visalia, California
7 Miles – Tulare, California
32 Miles – New Mexico

FACTS, ASSUMPTIONS AND LIMITING CONDITIONS OF THE REPORT

All estimates of value are presented as our opinion based upon the facts and data appearing in the report. We assume no responsibility for changes in market conditions or for the inability of the owner to locate a purchase at the appraised value.

No legal responsibility is assumed neither for the description, size of parcels, title matters. Title to the property is assumed to be good and marketable unless otherwise stated.

We assume that there are no hidden or unexpected conditions of the property.

This report is intended for use by the addressee only and shall not be conveyed to the public.

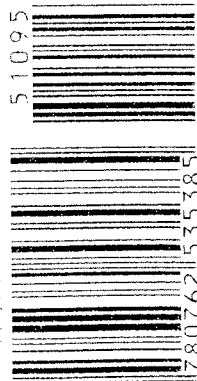
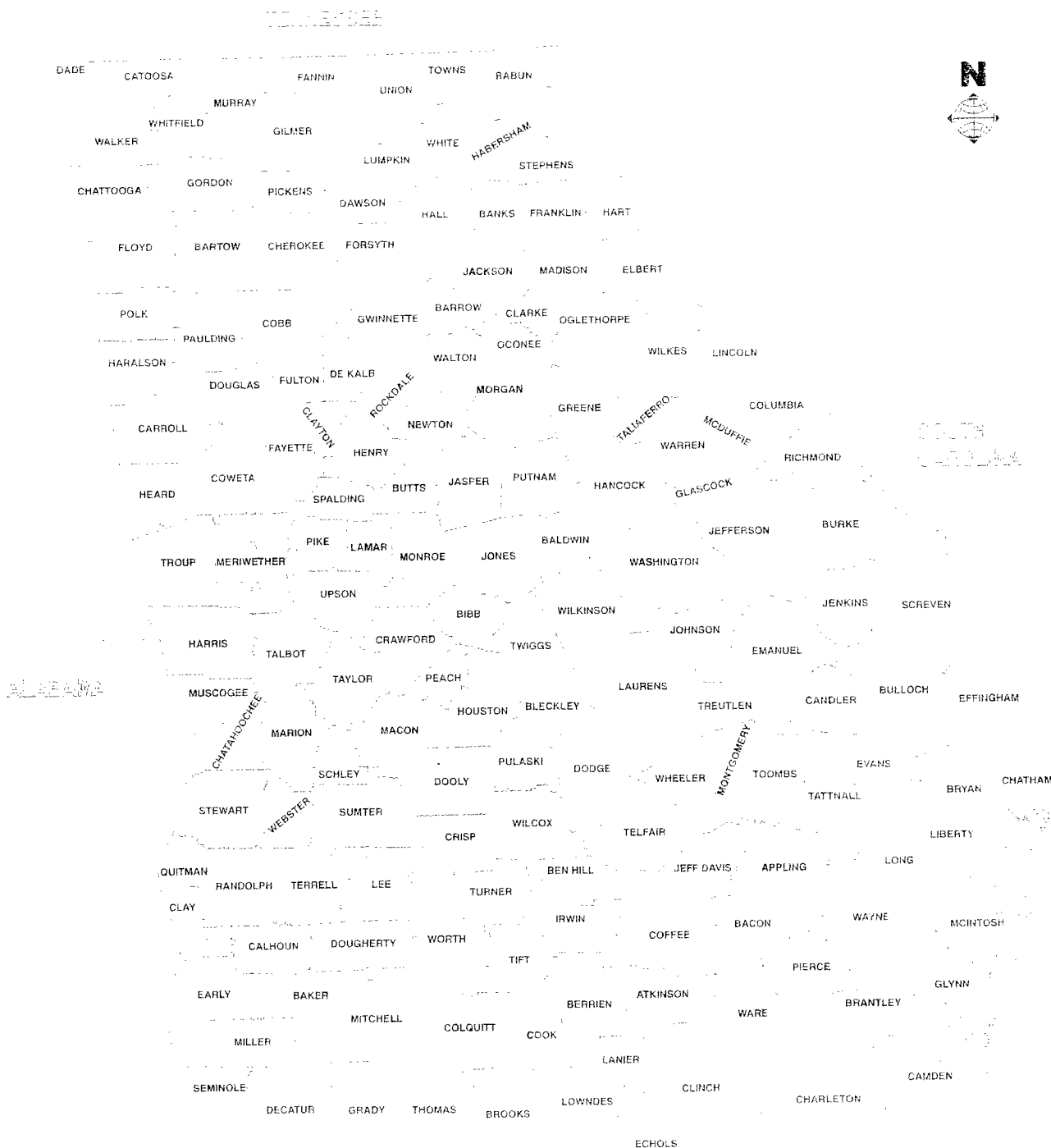
Any required testimony or appearance in court is outside the scope of our engagement but will be provided at our then rate of compensation.

Any values concluded in this report anticipate that the property is free of toxic or hazardous waste which may or may not be present. It is recommended that an environmental assessment be made of the property.

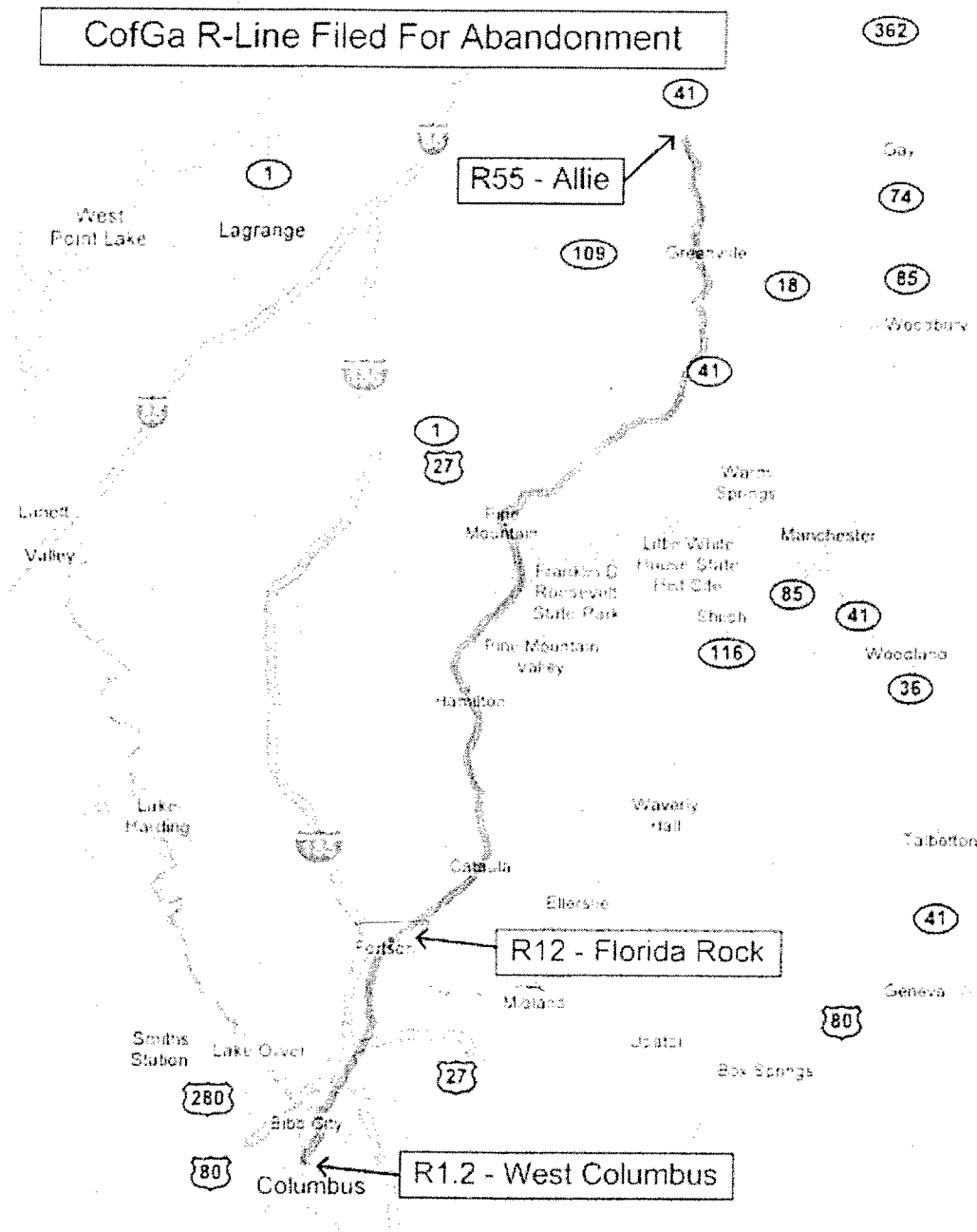
The property is appraised free and clear of any encumbrances unless otherwise stated and sold for cash.

The acreage is believed to be reasonably accurate. However, the VAL maps provided and the deeds reviewed, in some areas do not clearly define the width of the right-of-way.

MAP PAGE LOCATOR



GEORGIA		
LEGEND		
INTERCHANGE / EXIT NO. CONTROLLED ACCESS HWY TOLL HIGHWAY DIVIDED HIGHWAY PRIMARY ROAD SECONDARY ROAD OTHER ROAD UNDER CONSTRUCTION STATE BOUNDARY COUNTY BOUNDARY TIME ZONE BOUNDARY TRAIL	INTERSTATE HIGHWAY U.S. HIGHWAY OTHER NUMBERED HIGHWAY STATE CAPITAL COUNTY SEAT CITY/TOWN AIRPORT MOUNTAIN PEAK POINT OF INTEREST	INCORPORATED AREA FOREST PARK MILITARY RESERVE APPROXIMATE ATLAS SCALE 0 1 2 3 4 5 MILES 0 1 2 3 4 5 KILOMETERS UniversalMAP Publisher & Distributor of Quality Travel Products P.O. Box 15 • Wilmington, MI 48090



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1201 West Peachtree Street
Atlanta, GA 30309-3424

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Fax: 404-881-7777
www.alston.com

Leon Adams, Jr.

Direct Dial: 404-881-7382

E-mail: leon.adams@alston.com

December 17, 2007

VIA FACSIMILE

Mr. George J. Ross
2460 High Mountain Drive
Sandy, UT 84092

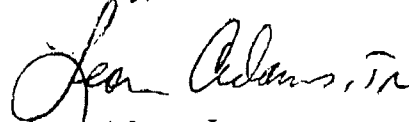
Re: Railroad Titles in Harris and Meriwether Counties, Georgia

Dear Mr. Ross:

Based simply on the excerpted deed language that you provided for our review (which appears on the page enclosed herewith), I would have to take the conservative position that the instrument probably conveyed only an easement, with the underlying fee remaining in the abutting land owner(s). I believe that easement was the favored construction, historically, because courts feared that a finding of fee title in the railroad could result in a lot of unusable strips of questionable ownership upon cessation of use. They would rather have the possession revert to the abutting owner(s). I note that the deed language recites a nominal consideration of \$1.00, and more significantly, there is no language identifying this as a fee. A finding of easement, of course, would mean that all the railroad rights in the strip of land evaporated upon abandonment by the railroad, and the railroad would not be in a position to sell it.

Please let me know if you have any additional questions.

Sincerely,


Leon Adams, Jr.

LA:la

LEGAL02/30640399v1

Mr. George J. Ross
December 17, 2007
Page 2

The language below is from a form of deed in use in Harris County, Georgia, during the period 1870 -1905[±].

For the purposes of encouraging and securing the building of the North & South Railroad from the City of Columbus to the City of Rome, Georgia, [and in consideration of \$1, etc.] the undersigned give, grant and convey to the said railroad company the right of way over and through my land in said county, provided the Company locates their rail road on my land and furnishes proper stopgaps at fences, together with the right and privilege of entering on said land to locate and construct said road free of further costs and charges to said company.

2. Easements Distinguished from Other Rights

§ 8-6 Fee simple title

It is often very difficult to differentiate between the grant of an easement and a conveyance of fee simple title,¹ and this is especially true of railroad or highway rights-of-way, where the point must be determined in order to say whether the land reverts to the former owner upon abandonment of the easement or remains in the grantee as a fee.² The use of the term "in fee simple" is not always controlling;³ nor the fact that the instrument contains a warranty of title and a habendum in fee;⁴ nor that the area granted is referred to as a "right-of-way."⁵ Where language is used appropriate to a conveyance, the fact that it is granted "for railroad purposes" or for other specified purposes is not sufficient to convert it into a mere easement.⁶ That the grant is made for a nominal consideration may have some bearing as negating the intention of parting with the entire title,⁷ but the fact that the strip is not definitely described has little weight.⁸ The effect of reservations of the right to cultivate has been to sway the court away from a fee simple construction,⁹ although such a conclusion renders the reservation superfluous.¹⁰ The crucial test is the intention of the parties, and in arriving at the intention, the court must look to the whole deed, not merely upon disjointed parts of it, considering the recitals, the subject matter, the object, purpose, the nature of restrictions or limitations, and the attendant facts and circumstances of the parties at the time of making the instrument.¹¹ Most railroad rights-of-way have been held to be easements only.¹² Some have been held to be conveyances in fee,¹³ and the same is true of highway deeds.¹⁴

1. "It has often been pointed out that the question of whether the interest conveyed was an easement or title to the land was always a difficult one, and that each case was dependent upon its own particular facts and circumstances." Wyatt, P. J., in *Jackson v. Sorrells*, 212 Ga. 333, 92 S. E. 2d 513 (1956).

Conditional limitation distinguished from easement. 10 Ga. B. J. 335 — 338.

2. The marketability of the title is usually involved in such cases. *Zeagler v. Willis*, 212 Ga. 286, 92 S. E. 2d 108 (1956).

3. *Ga. & Fla. Ry. v. Swain*, 145 Ga. 817, 90 S. E. 44 (1916). "The words 'in fee simple' are descriptive of the extent of duration of the easement conveyed." Sutton, C. J., in *Tompkins v. A. C. L. R. Co.*, 89 Ga. App. 171, 176, 79 S. E. 2d 41 (1953). But Hawkins, J., pointed out that "such words are 'potent' when considered in connection with the other terms of the instrument." *Jackson v. Rogers*, 205 Ga. 581, 587, 54 S. E. 2d 132 (1949).

4. *Bale v. Todd*, 123 Ga. 99, 50 S. E. 990 (1905).

5. "The words have a two-fold significance. They are sometimes used to mean the mere intangible privilege of crossing, and sometimes used to indicate that strip of land which the railroad company appropriates for its use and upon which it builds its roadbed or track." George, J., in *A. B. & A. R. Co. v. Coffee County*, 152 Ga. 432, 110 S. E. 214 (1921).

"Right of way" for road. Exception in title policy for a 100-foot "right-of-way easement" rendered the title company liable where the 100-foot strip was vested in an adjoining owner in fee simple. *Black v. Pioneer National Title Ins. Co.*, 138 Ga. App. 138, 225 S. E. 2d 689 (1976).

6. *Jackson v. Rogers*, 205 Ga. 581, 589, 54 S. E. 2d 132 (1949). But this factor was given some weight in *Jackson v. Sorrells*, 212 Ga. 333, 92 S. E. 2d 513 (1956).

7. *Jackson v. Rogers*, 205 Ga. 581, 54 S. E. 2d 132 (1949).

8. *Jackson v. Rogers*, 205 Ga. 581, 54 S. E. 2d 132 (1949).

9. *Jackson v. Sorrells*, 212 Ga. 333, 92 S. E. 2d 513 (1956); *Rogers v. Pitchford*, 181 Ga. 845, 184 S. E. 623 (1936); *Byrd v. Goodman*, 195 Ga. 621, 25 S. E. 2d 34 (1943).

10. It was said that the reservation of the right to cultivate did not destroy the implied reservation of all other rights in the land not expressly granted. *Ga. Power Co. v. Leonard*, 187 Ga. 608, 1 S. E. 2d 579 (1939).

11. *Rogers v. Pitchford*, 181 Ga. 845, 184 S. E. 623 (1936).

Reservations of the use of existing structures, and all land not necessary for grantee's purposes and other uses not inconsistent with grantee's right to use the property for the generation and transmission of electricity, did not convert a fee simple conveyance, for a price named of \$100,000, into a mere easement for power lines. *Daniel v. Ga. Power Co.*, 146 Ga. App. 596, 247 S. E. 2d 139 (1978).

Section cited in *Barber v. Southern Ry. Co.*, 247 Ga. 84, 274 S. E. 2d 336 (1981). The court passed on two right-of-way deeds, one undistinguishable from *Jackson v. Sorrells*, 212 Ga. 333, 92 S. E. 2d 513 (1956), note 9, supra, and the other undistinguishable from *Jackson v. Rogers*, 205 Ga. 581, 589, 54 S. E. 2d 132 (1949). Under the one like the *Sorrells* deed, a mere easement passed to the railway company; and under the other, a fee simple title.

12. See note 11, supra; *Byrd v. Goodman*, 195 Ga. 621, 25 S. E. 2d 34 (1943); *Jackson v. Sorrells*, 212 Ga. 333, 92 S. E. 2d 513 (1956); *Askew v. Spence*, 210 Ga. 279, 79 S. E. 2d 531 (1954); *Ga. & Fla. Ry. v. Swain*, 145 Ga. 817, 90 S. E. 44 (1916); *Gaston v. Gainesville & Dahlonega Elec. Ry. Co.*, 120 Ga. 516, 48 S. E. 188 (1904).

13. *Jackson v. Rogers*, 205 Ga. 581, 54 S. E. 2d 132 (1949), and cases cited.

14. *Danielsville & Comer Tel. Co. v. Sanders*, 209 Ga. 144, 71 S. E. 2d 226 (1952). But the usual dedication or gift of land for road purposes is a mere easement, and carries with it no right to the minerals or other products of the soil. *Smith v. City of Rome*, 19 Ga. 89 (1855).

EXHIBIT D



Georgia Southwestern Railroad, Inc.

78 Pulpwood Road
Dawson, Georgia 39842

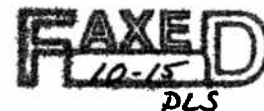
PHONE: (229) 698-2000 FAX: (229) 698-2030



October 15, 2007

via fax 706-628-4396

Martha F M Chewning, LLC
Attorney at Law
PO Box 354
Hamilton, GA 31811



Re.: Eloise Adams

Dear Ms. Chewning:

I am writing in reply to your letter of this date on behalf of Eloise Adams.

First, it appears that the lease document governing this property did not accurately reflect the property being leased to Ms. Adams; this is not an issue at present time but was our source for preparing the initial offer.

The Railroad has no issue with selling the entire parcel to Ms. Adams, and we are willing to substitute a revision in the initial offer letter to reflect the larger amount of real estate (still subject to a survey, which we estimate to be closer to 1.1 acres. Given the larger size of the parcel we will offer the ground based on the same terms as stated in my letter dated October 9th, 2007, at 94 cents per square foot (based on legal description and survey); the minimum price to be paid is established at Forty-five Thousand Dollars (\$ 45,000.00).

If Ms. Adams desires to purchase only the property on the east side of Knowles Road (thereby connecting the house with the road), the price per square foot of property (based on survey) will be \$ 1.00 per square foot.

Regardless of which purchase Ms. Adams desires to pursue all will be subject to the conditions presented in my letter dated October 9th, 2007.

With respect to those specific issues you raise in your letter dated today:

- Our preference would be to sell the parcel Ms. Adams is currently utilizing and paying the property tax; this would eliminate any issues with the County.
- If Ms. Adams decides to purchase only that portion of the real estate that presently holds the house we are agreeable to have easement rights inserted in the closing documentation to preserve driveway and utility access to the property.

Martha F M Chewning, LLC
October 15, 2007
Page 2

- Typical right of way easement for rail operations is no less than 25 feet of space in each direction from the nearest track, obviously the railroad operation can survive with less as is the present case. The house in this case was initially constructed for use by the Railroad and explains its close proximity to the track. The GSW Railroad is presently requesting the authority of the U.S. Surface Transportation Board to abandon the rail operations on this track; in conjunction with this petition to abandon we are working closely with local representatives to sell the right of way for its continued preservation for future rail service to the area should it become necessary (examples would include a large manufacturing facility locating to the area and needing rail, or it might be for passenger-commuter type operations), in the interim the right of way will likely become a trail. If the abandonment application is denied the track continues to be utilized for rail service.
 - We cannot guarantee that the house would never have to be moved from the 25 foot easement area; however the need to be moved is probably very minimal.
 - The GSW Railroad would be agreeable to language in the closing document making Ms. Adams responsible for any cost, expense, or other liability associated with the rail lines operation should Ms. Adams want to build within the 25 foot easement area. Under this language if any activity of the Railroad requires the house to be relocated or if any part of the house is damaged by the Railroad's operations the expense, cost, or liability would remain with Ms. Adams (presently under the lease agreement Ms. Adams assumes certain similar liabilities).

Please let us know at your earliest convenience the manner in which Ms. Adams wishes to progress. Similar to the closing we handled with another of your clients (Peter Brochu) Ms. Adams will be responsible to provide us with a land survey and plat, and all closing documents, including a Quit Claim Deed.

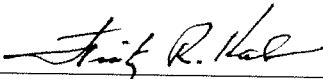
Respectfully,
Georgia Southwestern Railroad, Inc.
By David L. Smoot its Vice President



CERTIFICATE OF SERVICE

I certify that I this day have served the foregoing Offer of Financial Assistance on Georgia Southwestern Railroad, Inc., by hand delivering a copy to its representative, Karl Morell, Esq., and on Georgia Department of Transportation and Harris County by sending copies via UPS Next Day Air to their representatives, Mr. Harvey D. Keepler, and John M. Taylor, Esq., respectively.

Dated at Washington, DC, this 20th day of December 2007.



Fritz R. Kahn