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301403

ENTERED
Office of Proceedings
December 29, 2020
Part of
Public Record

28 December 2020

For E-Filing on or by 30 Dec. 2020

(some colorized exhibits)

Ms. Cynthia T. Brown
Chief, Section of Administration
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

Re: Michael Williams – Control Exemption – McCloud Railway,
F.D. 36474.

Dear Ms. Brown:

This is a cover letter on behalf of Michael Williams, an individual non-carrier, in respect to F.D. 36474, an after-the-fact notice of exemption for control of McCloud Railway Company. The Notice in F.D. 36474 is for the purposes of remedying a deficiency identified in Mr. William's Verified Statement tendered coterminously in F.D. 36460, which is a separate control proceeding relating to continuation in control of S&S Shortline Leasing, LLC, upon acquisition of a line of railroad by S&S.

Thank you for your assistance in this matter.

FEE RECEIVED
December 29, 2020
SURFACE
TRANSPORTATION BOARD

FILED
December 29, 2020
SURFACE TRANSPORTATION
BOARD

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Charles Montange', with a stylized flourish at the end.

Charles Montange
Counsel for Michael Williams and
S&S Shortline Leasing, LLC

Attachment:

FD 36474 – NOE Control

BEFORE THE SURFACE TRANSPORTATION BOARD
FINANCE DOCKET No. 36474

MICHAEL WILLIAMS
VERIFIED NOTICE OF EXEMPTION –
ACQUISITION AND CONTROL EXEMPTION –
McCLOUD RAILWAY COMPANY

VERIFIED NOTICE OF EXEMPTION
FOR CONTINUED CONTROL
PURSUANT TO 49 C.F.R. 1180.2(d)

Michael Williams (“Williams”), a non-carrier, hereby files this notice of exemption under 49 C.F.R. 1180.2(d) for authorization for continuation in control upon acquisition of the shares of McCloud Railway Company (“MRC”), a California corporation, which leases a 19.6-mile line from 4 Rail, Inc. extending from point of connection with Union Pacific Railroad Company at MP 16.3 at or near Mt. Shasta, CA, and MP 3.3 east of McCloud, CA (hereinafter “the line”). At the time of acquisition, MRC was owned by Jeff Forbis, now deceased (May 13, 2016). Mr. Forbis also owned 4 Rail, Inc. at the time of acquisition.

Mr. Williams owns or controls several additional railroads or railroad lines. However, none of the other railroads or railroad lines owned or controlled by Mr.

Williams are in California and thus none connect with the line leased by MRC. This proposed transaction is not part of a series of anticipated transactions that would result in any additional connection. All the other railroads owned or controlled by Mr. Williams are Class III carriers. This proposed transaction does not involve a Class I carrier. Williams' continuation in control of MRC is thus exempt under 49 C.F.R. 1180.2(d)(2). Mr. Williams accordingly seeks an exemption for continued control pursuant to 49 U.S.C. 11323.

In accordance with the requirements of 49 C.F.R. 1180.4(g), Williams submits the following information:

Description of Proposed transaction: 49 C.F.R. 1180.6(a)(1)(i)

Michael Williams acquired the stock of MRC sometime in October 2011, by contract dated October 3, 2011. The line did not have shippers at the time of acquisition and has not had shippers since that time. At the time of acquisition, MRC had received authority to discontinue service its trackage rights over a BNSF rail line, and to abandon approximately 80 miles of its rail line in Siskiyou and Shasta Counties, CA.¹ The subsequent history is complicated. An "offer of financial assistance" ("OFA") was filed, and terms and conditions were set and accepted.² The OFA was subsequently withdrawn and the abandonment authorization

¹ McCloud Railway Company – Abandonment and Disc. of Service Ex. – in Siskiyou, Shasta and Modoc Counties, CA, AB 914X, served July 15, 2005.

² Id., decision served Sept. 12, 2006 (authorizing OFA acquisition).

reinstated.³ However, instead of abandoning the 80 miles, MRC “railbanked” the real estate initially with Save Burney Falls,⁴ then with Shasta Land Trust,⁵ and finally with The Great Shasta Rail Trail Association.⁶ The railbanked property is now The Great Shasta Rail Trail. MRC leases the right of way real estate under a Lease with Option [to buy real estate]”, and is in discussions to purchase the leased property with the heirs of Jeff Forbis (specifically Mr. Troy Forbis). MRC anticipates resumption of actual common carrier operations on that trackage.

The railroads owned or controlled by Mr. Williams (other than MRC) are summarized below:

- A. BG & CM Railroad. See BG & CM Railroad – Acquisition and Operation Exemption – Great Northwest Railroad, Inc., F.D. 34713, served July 6, 2005 (76.2 miles of rail line in Nez Perce, Clearwater and Lewis Counties, ID); BG & CM Railroad – Exemption from 49 U.S.C. Subtitle IV, F.D. 34299, served Oct. 17, 2003, clarified Camas Prairie Railnet, Inc. – Abandonment – in Lewis, Nez Perce, and Idaho Counties, ID, AB 564, served May 3, 2004 (contract, not common, carrier operations on an additional 65.8 miles); BG & CM Railroad – Acq. & Op. Exemption – Rail

³ Id., decision served Nov. 20, 2006 (terminates OFA process).

⁴ Id., decision served Dec. 29, 2009 and decision served Oct. 4, 2011 (replacement NITU).

⁵ Id., decision served June 18, 2012 (replacement NITU).

⁶ Id., decision served April 29, 2016 (replacement NITU).

- Line of Great Northwest Railroad, Inc., F.D. 36098, served March 1, 2017
(27.5 mile “Jaype” line, all in Clearwater County, Idaho).
- B. Ozark Valley Railroad. See Ozark Valley Railroad Acquisition and Operation Exemption – The Kansas City Southern Railway Co., F.D. 34989, served June 8, 2007 (purchase of 21.99 miles, lease of 3 miles, for total operation of 24.99 miles, plus approximately 8 miles of overhead and incidental trackage rights located in Audrain and Callaway Counties, MO).
- C. St. Maries River Railroad. See Michael Williams – Control Exemption – St. Maries River RR, F.D. 35365, served April 28, 2010. Approx. 71 miles from Plummer to St. Maries in Idaho.
- D. SDR Holding Company/Dakota Southern Railway. Williams -Control Exemption -SDR Holding Company, F.D. 35957, served Dec. 15, 2015; Dakota Southern Railway Company – Notice of Modified Certificate of Public Convenience and Necessity, F.D. 36086 filed Dec. 29, 2016 (operating rights over approximately 54.4 miles of line owned by State of South Dakota).
- E. Boot Hill & Western Railway Holding Company/Boot Hill & Western Railway Co., LLC. See Williams — Continuance in Control Exemption – Boot Hill & W. Ry. Holding Co, F.D. 35925, served June 3, 2015; Boot Hill & W. Ry. Holding Co., Inc. – Acq. & Op. Exemption – Boot Hill &

W. Ry., F.D. 35924, served May 8. 2015 (acquisition of 10.2 miles of line and right to reactivate service over 15.8 miles of contiguous railbanked line all in Ford County, KS).

F. S & S Shortline Leasing, LLC. Application for notices of exemption are pending in Michael Williams – Control Exemption – S & S Shortline Leasing, LLC, F.D. 36460, filed Nov. 13, 2020, and S & S -- Acquisition and Operation Exemption – City of Ely, et al., F.D. 36461, filed Nov. 13, 2020 (acquisition of 107 miles of line from MP 0 at Cobre in Elko County, NV, to MP 127.0 at or near McGill Junction in White Pine County, NV).

No significant changes in rail service currently provided over the line (MP 16.3 at or near Mt. Shasta, CA, and MP 3.3 east of McCloud, CA) are anticipated as a result of this control exemption. Mr. Williams plans to maintain the line intact and to use it for rail purposes.

The full name and address of the applicant is:

Michael Williams
P.O. Box 612
Richmond, MO 64085

Any questions concerning this Notice should be sent to Mr. Williams' representative at the following address:

Charles Montange
Law Offices of Charles Montange
426 NW 162d St.
Seattle, WA 98177

(206) 546-1936

Proposed Schedule for Consummation: 49 C.F.R. 1180.6(a)(1)(ii)

MRC seeks authorization for an acquisition that occurred in October 2011.

Purpose Sought to Be Accomplished: 49 C.F.R. 1180.6(a)(1)(iii)

The exemption sought herein will allow Mr. Williams to continue in control of MRC pursuant to the purchase of all shares of MRC from prior owner Mr. Forbis (deceased). Authorization of control will facilitate preservation of the line for future service to shippers. Mr. Williams and MRC intend to pursue common carrier rail service on the line.

States in Which Property of Applicant Is Located: 49 C.F.R. 1180.6(a)(5)

Mr. Williams is a non-carrier and does not directly own rail property (only stock in companies that do). Mr. Williams controls other railroads through stock ownership in the States of Idaho, Missouri, South Dakota, Kansas and Nevada.

Map-Exhibit 1: 49 C.F.R. 1180.6(a)(6)

A map showing the line and its relation to Great Shasta Trail is attached hereto as Exhibit A.

Agreement- Exhibit 2: 49 C.F.R. 1180.6(a)(7)(ii)

The Stock Purchase Agreement between Mr. Williams and Mr. Forbis is attached as Exhibit B.

Interchange commitments: 49 C.F.R. 1180.4(g)(4)

This transaction will not impose any new interchange commitments.

Labor Protective Conditions: 49 C.F.R. 1180.4(g)(1)(I)

Pursuant to 49 U.S.C. 11326(c), no employee protective conditions may be imposed on this transaction. MRC will be, and all existing Williams' controlled railroads are, Class III rail carriers.

Environmental and Historic Preservation Materials: 49 C.F.R. 1180.4(g)(3)

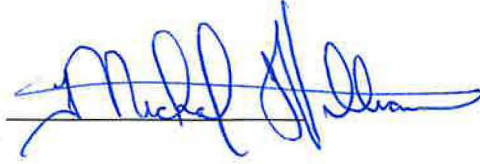
Under 49 C.F.R. 1105.6(c)(2)(i), the proposed control transaction is exempt from environmental reporting requirements. Mr. Williams' continuation in control of MRC will not result in significant changes in carrier operations, i.e., changes that exceed the thresholds established in 49 C.F.R. 1105.7(e)(4) or (5). Under 49 C.F.R. 1105.8(b)(3), Mr. Williams' proposed continuation in control of MRC is also exempt from historic preservation reporting requirements. The continuation in control will not substantially change the level of maintenance of any railroad property.

Respectfully submitted,

s/ Chas. Montange

Charles H. Montange
Law Offices of Charles H. Montange
426 NW 162d St.
Seattle, WA 98177
(206) 546-1936
Attorney for McCloud Railway Company
and Michael Williams

I, Michael Williams, declare under penalty of perjury pursuant to 28 U.S.C. 1746 that I am the President of McCloud Railway Company, and that the foregoing is true and correct to the best of my knowledge, information and belief.

A handwritten signature in blue ink, appearing to read "Michael Williams", written over a horizontal line.

Executed on: Dec 28, 2020

Attachments: Exhibit A (map)
Exhibit B (sale agreement)

Exhibit A
Map

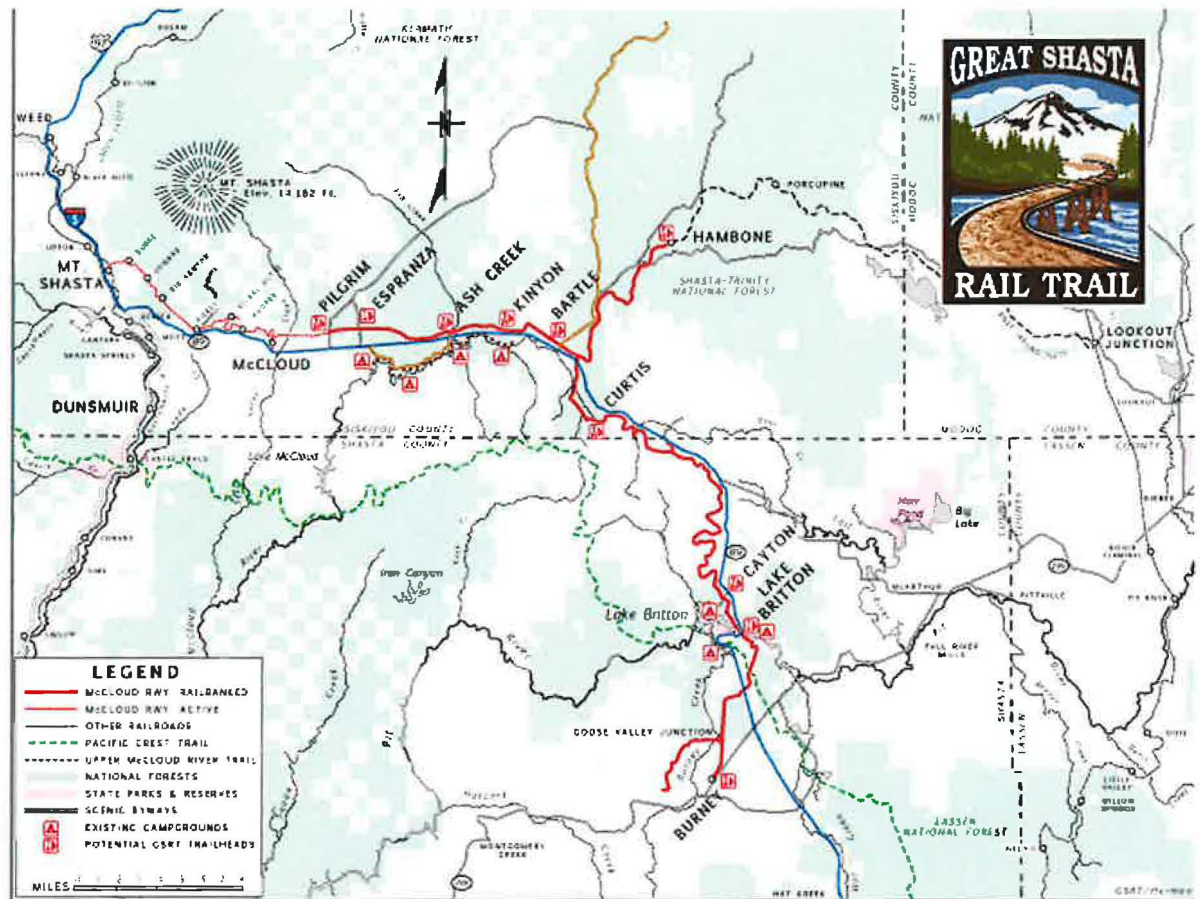


Exhibit B

Stock Purchase Agreement

STOCK PURCHASE AGREEMENT

DATE: 10-3, 2011

PARTIES:

[REDACTED]
JEFF E. FORBIS ("Seller")
618 Michele Dr.
Mt. Shasta, CA 96067 [REDACTED]

SHASTA SUNSET CORPORATION, ("SSC")
a California corporation
PO Box 1199
McCloud, CA 96057-1199

MCCLOUD RAILWAY COMPANY, ("MRC")
a California corporation
PO Box 1500
McCloud, CA 96057-1199

MICHAEL W. WILLIAMS ("Buyer")
PO Box 612
Richmond, MO 64085 [REDACTED]

RECITALS

- A. For the purposes of this Agreement SSC and MRC shall be independently referred to as "Company" and collectively referred to as the "Companies."
- B. The Seller owns 10,000 shares of Common Stock of the SSC (the "SSC Shares"); the SSC Shares are the only issued and outstanding capital stock of the SSC.
- C. The Seller owns 10,000 shares of Common Stock of the MRC (the "MRC Shares"); the MRC Shares are the only issued and outstanding capital stock of the MRC.
- D. The Buyer desires to purchase from the Seller and the Seller desires to sell to the Buyer all the SSC Shares and MRC Shares on the terms and subject to the conditions set forth in this Agreement.

E. The transactions contemplated in this Agreement are referred to as the "Purchase."

AGREEMENT

The parties agree as follows:

SECTION 1. PURCHASE OF SHARES AND RELATED MATTERS

1.1 Purchase of Shares. Subject to the terms and conditions set forth in this Agreement, at the Closing the Seller will sell all the SSC Shares and MRC Shares to the Buyer and the Buyer will purchase all the SSC Shares and MRC Shares from the Seller. The SSC Shares and MRC Shares constitute all the issued and outstanding capital stock of the Companies at the time of the Closing. The Seller will transfer the Shares to the Buyer free and clear of all liens, security interests, encumbrances, pledges, charges, claims, and restrictions on transfer of any nature whatsoever.

1.2 Purchase Price. The Buyer will pay to Seller two million seven hundred fifty thousand dollars (\$2,750,000) for the SSC Shares and MRC Shares, payable in cash as set forth in Section 1.3 (the "Purchase Price").

1.2.1 Allocation of Purchase Price. For purposes of this Agreement the purchase price will be allocated as follows:

1.2.1.1 The purchase price for the SSC Shares shall be five hundred thousand dollars (\$500,000).

1.2.1.2 The purchase price for the MRC Shares shall be two million two hundred fifty thousand dollars (\$2,250,000).

This allocation is merely referenced for tax purposes. This purchase is contingent on Buyer purchasing both SSC Shares and MRC Shares, the shares cannot be purchased individually.

1.3 Payment of Purchase Price. The Purchase Price will be paid to the Seller as follows:

1.3.1 The Purchase Price in the amount of two million seven hundred fifty thousand dollars (\$2,750,000) will be paid pursuant to a secured promissory note delivered by the Buyer to the Seller in the form attached as Exhibit "A" ("Note").

1.3.2 The Note will be secured by the assets of both MRC and SSC. The form of the security agreement for each company is attached as Exhibit "B" ("Security Agreement").

SECTION 2. REPRESENTATIONS AND WARRANTIES OF THE SELLER AND THE COMPANIES

Except for the express representations and warranties in this Agreement, Seller and the Companies expressly exclude all warranties with respect to the Purchase, express and implied. Seller and the Companies represent and warrant to Buyer as follows:

2.1 Organization and Corporate Power. The Companies are corporations duly incorporated and legally existing under the laws of the state of California.

2.2 Capital Stock and Related Matters.

2.2.1 Shasta Sunset Corporation. The authorized capitalization of SSC consists of 10,000 shares of common stock, without par value, of which 10,000 shares are validly issued and outstanding, fully paid, and nonassessable. Other than as described in Section 2.2.1., Shasta Sunset Corporation, SSR does not have authorized or outstanding any stock or securities, or any options, warrants, convertible securities, or other rights to purchase or convert any obligations into stock or securities of SSR, nor is SSR obligated to issue any stock, securities, options, warrants, or other such rights.

2.2.1 McCloud Railroad Company. The authorized capitalization of MRC consists of 10,000 shares of common stock, without par value, of which 10,000 shares are validly issued and outstanding, fully paid, and nonassessable. Other than as described in Section 2.2.1., McCloud Railroad Company, MRC does not have authorized or outstanding any stock or securities, or any options, warrants, convertible securities, or other rights to purchase or convert any obligations into stock or securities of MRC, nor is MRC obligated to issue any stock, securities, options, warrants, or other such rights.

2.3 Authorization. The execution, delivery, and performance of this Agreement and all other agreements contemplated by this Agreement to which the Seller or the Companies are a party have been duly authorized by the Seller and the respective Company, as the case may be. This Agreement and each other agreement contemplated by this Agreement, when executed and delivered by the parties thereto, will constitute the legal, valid, and binding obligation of the Seller or the Companies or all, as the case may be, enforceable against the Seller or the Companies, as the case may be, in accordance with its terms except as the enforceability thereof may be limited by

the application of bankruptcy, insolvency, moratorium, or similar laws affecting the rights of creditors generally or judicial limits on equitable remedies.

2.4 No Conflict with Other Instruments or Agreements. The Seller and the Companies' execution, delivery, and performance of this Agreement and all other agreements contemplated by this Agreement to which the Seller or either Company is a party will not result in a breach or violation of, or constitute a default under, the Companies' Articles of Incorporation or Bylaws or any material agreement to which the Seller or either Company is a party or by which the Seller or either Company is bound.

2.5 Litigation. No action, suit, proceeding, or governmental investigation or inquiry is pending or, to the Seller or either Companies' knowledge, threatened against the Seller, or either Company or their properties, assets, operations, or businesses that might delay, prevent, or hinder the consummation of the Purchase.

2.6 Ownership of Stock. Seller has good and marketable title to the SSC Shares and the MRC Shares, free and clear of all liens, claims, equities, encumbrances, and restrictions of every kind, and has full, complete, and unrestricted legal right, power, and authority to assign, transfer, and deliver such pursuant to this Agreement.

2.7 Compliance with Laws. To each Company's knowledge each respective Company is in material compliance with all laws, statutes, ordinances, regulations, orders, judgments, or decrees applicable to them.

2.8 Equipment/Inventory. The parties agree as of Closing, the equipment and inventory of each respective Company shall be all equipment and inventory described on Exhibit "C" attached. The respective Company has good and marketable title, free and clear of all liens, charges, and encumbrances, to all assets listed Exhibit "C".

2.8.1 The Parties acknowledge Steam Locomotive #25 is not included in the sale as an asset of either Company. Steam Locomotive #25 is currently owned by 4 Rails, Inc.

2.8.2 The parties agree that the company has various computer records, archived corporate records, minute book, stock book, historical accounting records, tax returns, payroll and personnel records, QuickBooks data files and other records, and that all of these records are presently considered to be corporate property and shall remain property of the corporation as owned by the buyer following closing. Buyer agrees to grant Seller access as needed in order to defend himself from any future litigation or audits by tax authorities.

2.9 Taxes.

2.9.1 All required federal, state, and local tax returns of Companies have been duly and timely filed, and all federal, state, and local taxes required to be paid with respect to the periods covered by such returns have been paid. To the respective Company's knowledge no tax deficiency is proposed or assessed against either Company, and neither Company has executed any waiver of any statute of limitations on the assessment or collection of any tax.

2.9.2 Seller shall be responsible for reporting all taxable income from January 1, 2011 through and including the date of Closing. Buyer shall cause to be issued to the Seller a Form 1120-S Schedule K-1 for the Seller's share of his 2011 taxable income.

2.9.3 Seller agrees not to take any action that would jeopardize or void the present sub chapter S election currently made with the Internal Revenue Service. Seller understands that the voiding of this election would have significant negative tax consequences to the buyer.

2.10 Accuracy of Representations and Warranties. Neither this Agreement nor any of the schedules, attachments, certificates, or other items prepared or supplied to the Buyer by or on behalf of either Company or the Seller with respect to the Purchase contain any untrue statement of a material fact or omit a material fact necessary to make each statement contained herein or therein not misleading.

SECTION 3. REPRESENTATIONS AND WARRANTIES OF THE BUYER

Except for the express representations and warranties in this Agreement, Buyer expressly excludes all warranties with respect to the Transaction, express and implied. Buyer represents to Seller as follows:

3.1 Authorization. The Buyer's execution, delivery, and performance of this Agreement and all other agreements contemplated by this Agreement to which the Buyer is a party have been duly and validly authorized by all necessary corporate action

of the Buyer, and this Agreement and each such other agreement, when executed and delivered by the parties thereto, will constitute the legal, valid, and binding obligation of the Buyer enforceable against it in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, and similar statutes affecting creditors' rights generally and judicial limits on equitable remedies.

3.2 No Conflict with Other Instruments or Agreements. The Buyer's execution, delivery, and performance of this Agreement and all other agreements contemplated by this Agreement to which the Buyer is a party will not result in a breach or violation of, or constitute a default under, the Buyer's Articles of Incorporation or Bylaws or any material agreement to which the Buyer is a party or by which the Buyer is bound.

3.3 Litigation. No action, suit, proceeding, or governmental investigation or inquiry is pending or, to the Buyer's knowledge, threatened against the Buyer or its properties, assets, operations, or businesses that might delay, prevent, or hinder the consummation of the Purchase.

3.4 Investment Representations.

3.4.1 Investment Purposes. The Buyer is acquiring the SSC Shares and MRC Shares for its own account with the intention of holding such securities for purposes of investment, and the Buyer has no intention of selling such securities in a public distribution in violation of the United States securities laws or any applicable state securities laws. During the course of the negotiation of this Agreement, the Buyer has had the opportunity to ask questions of and to receive answers from representatives of the Seller and each respective Company concerning each Company, the SSC Shares, the MRC Shares, and the Purchase.

3.4.2 Shares Have Not Been Registered. The Buyer understands that the SSR Shares and MRC Shares have not been registered under the Securities Act of 1933 as amended (the "Securities Act") or applicable state securities laws, by reason of specific exemptions from the registration provisions of those laws that depend on, among other things, the bona fide nature of the investment intent as expressed in this Agreement.

3.5 Due Diligence. Buyer acknowledges that the Companies are currently not conducting business and Buyer is purchasing the shares based on its analysis of the worth of the assets of the Companies. Buyer represents Buyer has conducted all due diligence relating to each Company, the SSC Shares and the MRC Shares.

3.6 Accuracy of Representations and Warranties. None of the representations or warranties of the Buyer contain any untrue statement of a material fact or omit or will omit or misstate a material fact necessary to make the statements contained in this Agreement not misleading.

SECTION 4. CONDITIONS PRECEDENT TO THE BUYER'S OBLIGATIONS

Each and every obligation of the Buyer under this Agreement is subject to the satisfaction, at or before the Closing, of each of the following conditions:

4.1 Representations and Warranties; Performance. Seller shall have performed all acts required by this Agreement to be performed by Seller prior to closing. The representations and warranties of Seller contained in this Agreement shall be true at and as of the Closing Date as though such representations and warranties were made at and as of the Closing Date.

4.2 No Proceeding or Litigation. No action, suit, or proceeding before any court or any governmental or regulatory authority will have been commenced and be continuing, and no investigation by any governmental or regulatory authority will have been commenced and be continuing, and no action, investigation, suit, or proceeding will be threatened at the time of the Closing, against the Seller, the Companies, or the Buyer or any of their affiliates, associates, officers, or directors, seeking to restrain, prevent, or change the Purchase, questioning the validity or legality of the Purchase, or seeking damages in connection with the Purchase.

4.3 Material Change. After the date of this Agreement and through the date of the Closing, neither Company will have suffered any Material Adverse Change in its assets or liabilities (absolute, accrued, contingent, or otherwise).

4.4 Corporate Action. The Seller will have furnished to the Buyer a copy each Companies' resolution authorizing the execution, delivery, and performance of this Agreement.

4.5 Certificate of Good Standing. Within 15 days of execution of this Agreement, Seller shall provide buyer a Certificate of Good Standing or similar documents from the California Secretary of State indicating that the Companies are in good standing.

SECTION 5. CONDITIONS PRECEDENT TO THE SELLER'S OBLIGATIONS

Each and every obligation of the Seller under this Agreement is subject to the satisfaction, at or before the Closing, of each of the following conditions:

5.1 Representations and Warranties; Performance. Buyer shall have performed all acts required by this Agreement to be performed by Buyer prior to closing. The representations and warranties of Buyer contained in this Agreement shall be true at and as of the Closing Date as though such representations and warranties were made at and as of the Closing Date.

5.2 No Proceeding or Litigation. No action, suit, or proceeding before any court or any governmental or regulatory authority will have been commenced and be continuing, and no investigation by any governmental or regulatory authority will have been commenced and be continuing, and no action, investigation, suit, or proceeding will be threatened at the time of the Closing, against the Seller, the Companies, or the Buyer or any of their affiliates, associates, officers, or directors, seeking to restrain, prevent, or change the Purchase, questioning the validity or legality of the Purchase, or seeking damages in connection with the Purchase.

SECTION 6. CLOSING

6.1 Time, Place, and Manner of Closing. The closing of the Purchase (the "Closing") will be held at the offices of Francis Hansen & Martin LLP in Bend, Oregon, at ____ on _____, 20__, or at such other time and place as the parties may agree.

6.2 Events of Closing. At the Closing, the following events will occur:

6.2.1 The Buyer will purchase the Shares from the Seller;

6.2.2 The Seller will transfer the Shares to the Buyer, free of any liens, encumbrances, or restrictions, by executing a stock power in the form agreed to by the parties and the Seller will deliver stock certificates for the Shares to the Buyer;

6.2.3 The Buyer will execute and deliver to Seller the Note and Security Agreements.

6.2.4 The Seller will deliver to the Buyer the letters of resignation of the directors of the each Company effective as of the Closing Date.

6.2.5 Williams will execute and deliver a lease for certain real property owned by 4 Rail, Inc.

SECTION 7. INDEMNIFICATION

7.1 Seller's Indemnification. Seller shall indemnify and hold harmless the Buyer, their successors and assigns from:

7.1.1 All liabilities of Seller of any nature, whether accrued, absolute, contingent, or otherwise, existing at closing.

7.1.2 Any damage or deficiency resulting from any misrepresentation, breach of warranty, or nonfulfillment of any agreement on the part of the Sellers, or any of them, under this Agreement, or from any misrepresentation in or omission from any certificate or other instrument furnished or to be furnished to the Buyers hereunder.

7.1.3 All actions, suits, proceedings, demands, assessments, judgments, costs and expenses incident to any of the foregoing.

7.2 Buyer's Indemnification. Buyer agrees to defend, indemnify, and hold harmless Seller from and against:

7.2.1 Any and all claims, liabilities, and obligations of every kind and description arising out of or related to the Companies or the operation of the business following closing or arising out of Buyer's failure to perform obligations of Seller assumed by Buyer pursuant to this Agreement.

7.2.2 Any and all damage or deficiency resulting from any material misrepresentation, breach of warranty or covenant, or nonfulfillment of any agreement on the part of Buyer under this Agreement.

7.2.3 All actions, suits, proceedings, demands, assessments, judgments, costs and expenses incident to any of the foregoing.

SECTION 8. SURVIVAL

8.1 Survival of Representations, Warranties, etc. All representations, warranties, covenants, and agreements made in this Agreement or in any exhibit, schedule, certificate, or agreement delivered in accordance with this Agreement (collectively, the "Related Documents") will survive any investigation by or on behalf of

any party, the execution and delivery of this Agreement, and the consummation of the Purchase.

SECTION 9. MISCELLANEOUS PROVISIONS

9.1 Binding Effect. This Agreement is binding on and inures to the benefit of the parties and their respective heirs, personal representatives, successors, and assigns.

9.2 Assignment. Neither this Agreement nor any of the rights, interests, or obligations under this Agreement may be assigned by any party without the prior written consent of the other parties.

9.3 No Third-Party Beneficiaries. Nothing in this Agreement, express or implied, is intended or may be construed to confer on any person, other than the parties to this Agreement, any right, remedy, or claim under or with respect to this Agreement.

9.4 Notices. All notices and other communications under this Agreement must be in writing and will be deemed to have been given if delivered personally, sent by facsimile (with confirmation), mailed by certified mail, or delivered by an overnight delivery service (with confirmation) to the parties at the addresses or facsimile numbers listed on page one (1) (or at such other address or facsimile number as a party may designate by like notice to the other parties). Any notice or other communication will be deemed to be given (a) on the date of personal delivery, (b) at the expiration of the 3 day after the date of deposit in the United States mail, or (c) on the date of confirmed delivery by facsimile or overnight delivery service.

9.5 Amendments. This Agreement may be amended only by an instrument in writing executed by all the parties.

9.6 Construction. The captions used in this Agreement are provided for convenience only and will not affect the meaning or interpretation of any provision of this Agreement. All references in this Agreement to "Section" or "Sections" without additional identification refer to the Section or Sections of this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Whenever the words "include" or "including" are used in this Agreement, they will be deemed to be followed by the words "without limitation."

9.7 Counterparts. This Agreement may be executed in counterparts, each of which will be considered an original and all of which together will constitute one and the same agreement.

9.8 Facsimile Signatures. Facsimile transmission of any signed original document, and retransmission of any signed facsimile transmission, will be the same as delivery of an original. At the request of any party, the parties will confirm facsimile transmitted signatures by signing an original document.

9.9 Further Assurances. Each party agrees to execute and deliver such other documents and to do and perform such other acts and things as any other party may reasonably request to carry out the intent and accomplish the purposes of this Agreement.

9.10 Time of Essence. Time is of the essence with respect to all dates and time periods set forth or referred to in this Agreement.

9.11 Waiver. Any provision or condition of this Agreement may be waived at any time, in writing, by the party entitled to the benefit of such provision or condition. Waiver of any breach of any provision will not be a waiver of any succeeding breach of the provision or a waiver of the provision itself or any other provision.

9.12 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the state of California, without regard to conflict-of-laws principles.

9.13 Attorney Fees. If any arbitration, suit, or action is instituted to interpret or enforce the provisions of this Agreement, to rescind this Agreement, or otherwise with respect to the subject matter of this Agreement, the party prevailing on an issue will be entitled to recover with respect to such issue, in addition to costs, reasonable attorney fees incurred in the preparation, prosecution, or defense of such arbitration, suit, or action as determined by the arbitrator or trial court, and, if any appeal is taken from such decision, reasonable attorney fees as determined on appeal.

9.14 Injunctive and Other Equitable Relief. The parties agree that the remedy at law for any breach or threatened breach by a party may, by its nature, be inadequate, and that in addition to damages, the other parties will be entitled to a restraining order, temporary and permanent injunctive relief, specific performance, and other appropriate equitable relief, without showing or proving that any monetary damage has been sustained.

9.15 Venue. Any action or proceeding seeking to enforce any provision of this Agreement or based on any right arising out of this Agreement must be brought against any of the parties in Siskiyou County Circuit Court of the State of California or, subject to applicable jurisdictional requirements, in the United States District Court for the District of California, and each of the parties consents to the jurisdiction of such courts (and of

the appropriate appellate courts) in any such action or proceeding and waives any objection to such venue.

9.16 Exhibits. The exhibits referenced in this Agreement are part of this Agreement as if fully set forth in this Agreement.

9.17 Severability. If any provision of this Agreement is deemed to be invalid or unenforceable in any respect for any reason, the validity and enforceability of such provision in any other respect and of the remaining provisions of this Agreement will not be impaired in any way.

9.18 Entire Agreement. This Agreement (including the documents and instruments referred to in this Agreement) constitutes the entire agreement and understanding of the parties with respect to the subject matter of this Agreement and supersedes all prior understandings and agreements, whether written or oral, among the parties with respect to such subject matter.

DATED this 3 day of Oct, 2011.

BUYER:
MICHAEL W. WILLIAMS



Michael W. Williams

SELLER:
JEFF E. FORBIS

Jeff E. Forbis

SHASTA SUNSET CORPORATION:

Jeff E. Forbis, President

McCLOUD RAILWAY COMPANY:

Jeff E. Forbis, President

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DATED this 3 day of Oct, 2011.

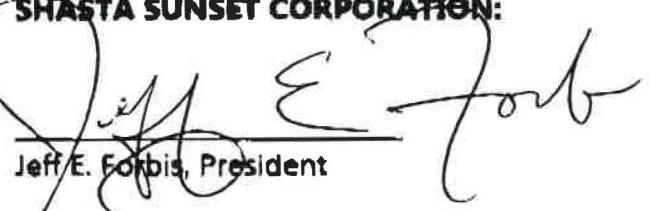
BUYER:
MICHAEL W. WILLIAMS


Michael W. Williams

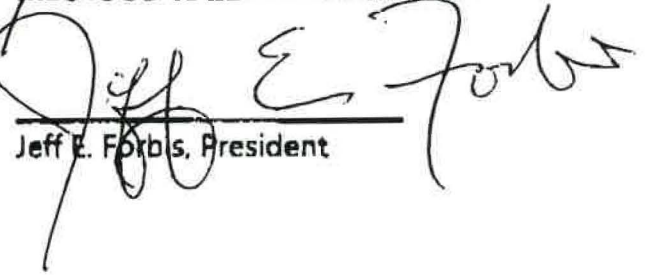
SELLER:
JEFF E. FORBIS


Jeff E. Forbis

SHASTA SUNSET CORPORATION:


Jeff E. Forbis, President

McCLOUD RAILWAY COMPANY:


Jeff E. Forbis, President

Security Agreement
Exhibit "B"

Shasta Sunset Corp Asset List (1 of 1)

- 1 TRAIN EQUIPMENT 4/30/96 39
- 2 PASSENGER CAR #2838 4/30/96
- 3 PASSENGER CAR #2819 4/30/96
- 4 COMPUTER 8/22/96
- 5 EQUIPMENT 7/01/97
- 6 PASSENGER CAR #2990 11/30/97
- 7 PASSENGER CAR #2801 12/31/97
- 8 TWO DECK OPEN CAR 5/31/97
- 9 RAIL CAR 2801 IMPROVEMENT 1/31/98
- 10 RAIL CAR 5743 IMPROVEMENT 3/31/98
- 11 RAIL CAR 5743 IMPROVEMENT 3/31/98
- 12 EQUIPMENT 1/31/98
- 13 RAIL CAR 2801 IMPROVEMENT 4/30/98
- 14 COMPUTER 3/31/98
- 15 MR 826 IMPROVEMENTS 4/30/98
- ~~16 RAIL CAR 6/30/98~~
- 17 DEPOT CAR IMPROVEMENTS 9/30/98
- 18 CASH REGISTER 6/30/98
- 19 CASH REGISTER 6/30/98
- 20 TRINITY CAR DISHES 3/31/99
- 21 SPENO CAR IMPROVEMENTS 5/01/99
- 22 DEPOT CAR IMPROVEMENTS 5/01/99
- 23 DEPOT LOT IMPROVEMENTS 6/30/99
- 24 ICE BOX 7/01/99
- 25 TRINITY CAR IMPROVEMENTS 9/30/99
- ~~26 LASSEN CAR DISHWASHER 12/31/99~~
- 27 STEREO SYSTEM 12/31/99
- 28 ICE BOX ADD'L 1/31/00
- 29 TCB FURNITURE 7/24/00
- 30 TRINITY CAR IMPROVEMENTS 1/31/00
- 31 SPENO CAR IMPROVEMENTS 1/31/00
- 32 PORTABLE DECK 7/24/00
- 33 OFFICE EQUIPMENT 2/15/01
- 34 COMPUTER RESERVATION SYS 10/31/01
- 35 KITCHEN REBUILD 8/31/02
- 36 2 OVENS 8/31/02
- 37 2 REFRIGERATORS 8/31/02
- 38 ANSUL FIRE SYSTEM 8/31/02
- 39 MR 2901 DANCE CAR Improv 2/28/02
- 40 ADD'L COMPUTER RESERVE SY 6/30/02
- 41 DELL COMPUTERS 4/30/05

McCloud Railway Asset List (1 of 2)

1 7 YEAR PROPERTY 7/01/92
2 PASSENGER COACH 5742 8/19/97
3 PASSENGER COACH 5743 8/19/97
4 PASSENGER CAR 2838 7/19/95
5 PASSENGER CAR 7/19/95
6 ATCO KITCHEN UNIT 8/31/96
7 ACTO KITCH UNIT IMPORVE 7/01/97
8 ATCO BUNK UNITS 8/31/96
9 COACH NN84 9/20/96
10 COACH NN85 9/20/96
11 CREW BUNK SRBX 11 9/20/96
12 COACH CAR 1/01/98
13 COACH CAR 1/01/98
14 COACH CAR 7/01/98
15 COACH CAR 2840 1/01/98
16 COACH CAR 2903 1/01/98
17 COACH CAR 2901 1/01/98
~~18 COACH CAR 5742 3/01/98~~
~~19 COACH CAR 5743 3/01/98~~
20 FORKLIFT 9/30/98
21 FORKLIFT 9/30/98
~~22 ROLL CLAMPS 9/30/98~~
23 SCRX 6203 PASSANGER CAR 7/08/99
~~24 SIDE DUMP GONDOLA 12/31/99~~
~~25 SIDE DUMP DONDOLA 12/31/99~~
~~26 SIDE DUMP GONDOLA ADDL 8/31/00~~
~~27 SIDE DUMP GONDOLA ADDL 8/31/00~~
~~28 40 FT MANLIFT 12/31/00~~
29 COMPUTERS 7/01/92
30 20 YEAR PROPERTY LHI 7/01/92
31 5 YEAR PROPERTY 3/01/93
32 7 YEAR PROPERTY 3/01/93
33 1993 FORD 9/18/93
~~34 1978 DOZER #26123 3/18/94~~
35 1988 FORD F350 4X4 3/22/94
36 1993 FORD F250 4X4 1/20/94
37 FLAT CAR WC36375 4/06/95
38 LOCOMOTIVE # 30 8/01/96
39 1994 FORD EXPLORER 2/25/96
40 1980 FORD F800 2/21/96
41 NETWORK SERVER 6/30/96
42 COMPUTER UPGRADE 8/31/96
~~43 7 YEAR PROPERTY 7/01/92~~
~~44 20 YEAR PROPERTY 7/01/92~~
45 IMPROVEMENTS RAIL CARS 12/31/97
~~46 RAIL CARS 1/01/97~~

McCloud Railway Asset List Continued (2 of 2)

47 PHOTOCOPIER 1/29/98
48 LOCO 30 ADDS 2/24/98
49 1999 FORD F350 3/30/98
50 GPS EQUIPMENT 4/30/98
51 GENERATOR 8/14/98
52 SPENO IMPROVEMENTS 1/01/99
53 COMPUTER NETWORK UPDATE 2/28/99
54 AIR COMPRESSOR 5/31/99
~~55 USED IRON WORKER 11/30/99~~
~~56 CN639876 9/30/00~~
57 1998 GMC TRUCK 9/30/00
58 COMPUTER UPDATE 7/31/00
59 1 GENERATOR FOR VIA CARS 1/31/01
~~60 STANLEY HYDROLIC TOOL 1/18/02~~
61 MAS 90 SOFTWARE 4/30/02
62 BRUSH CUTTER 10/30/03
63 SHARP COPIER 6/30/04
64 2001 FORD F250 4X4 HIRAIL 3/31/05
~~65 2009 CHEVROLET TAHOE 1/12/09 6/01/10~~
66 2009 TRACK REVITALIZATION 1/12/09

Additions

67 25 Miles of rail and fastening in ground rail
68 14 railcars-scrap
69 22 trunk assemblies
70 13 car bodies (trucks)
71 Lamond lethe
72 Full axel set lethe
73 floor drill press
Inch drill press
Rail tamper
Ballast regulator
Scarifier
Tie handler
Adzdr
Spike puller
Jordan spreader
Snow plow
Heavy on track crane with lfer
4 bottom dump ballast cars
One side dump ballast car FOR Scrap
Hand tools
Misc inventory

1253
500