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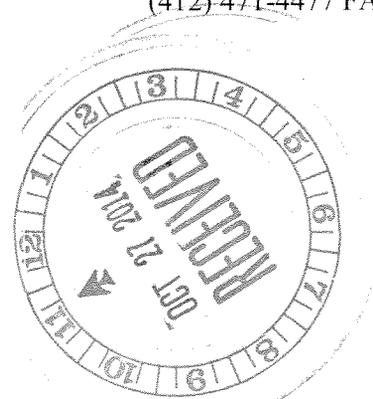
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October 23, 2014

Ms. Cynthia T. Brown, Chief
Section of Administration
Surface Transportation Board
395 E Street, S.W.
Washington, DC 20423-0001



Re: STB Docket No. 35869; Delaware Lackawaxen and Stourbridge Railroad
Company-Operation Exemption – Stourbridge Railroad Company

Dear Ms. Brown:

Enclosed for filing please find the original and ten copies of a Verified Notice of Exemption under 49 C.F.R. §1150.41 and a check made payable to the Surface Transportation Board covering the \$1,800.00 filing fee.

Please time stamp the additional copy of this letter as proof of filing and return it to the undersigned in the self addressed, stamped envelope provided for that purpose.

If you have any questions, please do not hesitate to contact me.

236907

Very truly yours,

RICHARD R. WILSON, P.C.

Richard R. Wilson, Esq.
Attorney for Lackawaxen – Honesdale Shipper
Association and Delaware, Lackawaxen and
Stourbridge Railroad Company

ENTERED
Office of Proceedings
October 27, 2014
Part of
Public Record

RRW/bab
Enclosure

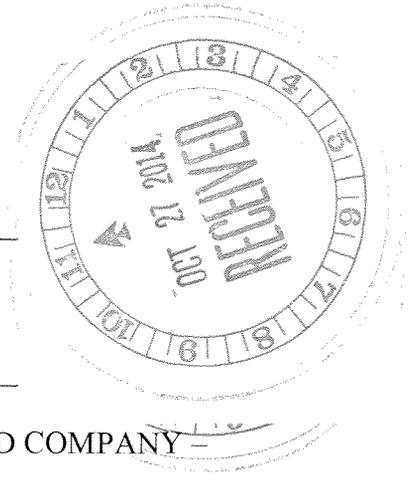
xc: Paul Brancato
John K. Fiorella, Esq.

FEE RECEIVED
October 27, 2014
SURFACE
TRANSPORTATION BOARD

FILED
October 27, 2014
SURFACE
TRANSPORTATION BOARD

Before the
SURFACE TRANSPORTATION BOARD

STB Finance Docket No. 35869



DELAWARE LACKAWAXEN & STOURBRIDGE RAILROAD COMPANY
- OPERAION EXEMPTION -
STOURBRIDGE RAILROAD COMPANY

VERIFIED NOTICE OF EXEMPTION
Pursuant to 49 C.F.R. §1150.41 et seq.

RICHARD R. WILSON, P.C.
Richard R. Wilson, Esq.
Attorney for Delaware, Lackawaxen
& Stourbridge Railroad Company
518 N. Center Street, Ste. 1
Ebensburg, PA 159361
(814) 419-8152
(814) 419-8156 – Fax

Dated: October 23, 2014

Before the
SURFACE TRANSPORTATION BOARD

STB Finance Docket No. 35869

DELAWARE LACKAWAXEN & STOURBRIDGE RAILROAD COMPANY –
- OPERAION EXEMPTION –
STOURBRIDGE RAILROAD COMPANY

VERIFIED NOTICE OF EXEMPTION
Pursuant to 49 C.F.R. §1150.41 et seq.

Delaware Laxawaxen & Stourbridge Railroad Company, a Pennsylvania Corporation (“DL&S”), files this Notice of Exemption pursuant to 49 C.F.R. Part 1150, Subpart D – Exempt Transactions to permit DL&S to operate a common carrier rail line located in Wayne and Pike Counties, Pennsylvania. The track is owned by the Stourbridge Railroad Company (“SBRR”), a Class III rail carrier and totals approximately 24.80 miles in length between milepost 0.0 at Lackawaxen, Pike County, PA to milepost 24.8 at Honesdale, Wayne County, PA. SBRR has entered into a Railroad Operating Agreement with DL&S to be the exclusive passenger and common carrier freight operator on the line.

In support of this Notice of Exemption, DL&S submits the following information as required by 49 C.F.R. §1150.43.

(a) Name and address of Class III applicant

Delaware Laxawaxen & Stourbridge Railroad Company
100 Fourth Street, Suite 33
Honesdale, PA 18431

(b) Applicant's Representative

Richard R. Wilson, Esq.
518 N. Center Street, Ste. 1
Ebensburg, PA 159361

(c) Statement of Agreement

DL&S has reached an agreement with SBRR to operate the line of railroad from milepost 0.0 Lackawaxen, Pike County, PA to milepost 24.8 Honesdale, Wayne County, PA. The agreement provides that DL&S will have exclusive passenger and common carrier freight rights over the tracks owned by SBRR. A copy of the agreement reached between the parties is attached hereto as Exhibit A. SBRR will interchange freight with the Central New York Railroad Company ("CNYR") at Milepost 0.0 at Lackawaxen, PA¹.

(d) Operator of the Property

The DL&S would become operator of the property as soon as this application is approved by the Board.

(e) Brief Summary of Transaction

(1) The railroad which is transferring its operating rights to the applicant is:

Morristown & Erie Railway, Inc.
P.O. Box 2206
Morristown, NJ 07962-2206

(2) The rights would be transferred upon approval by the Board.

(3) The operating rights will be transferred between milepost 0.0 Lackawaxen, PA and milepost 24.8 Honesdale, PA.

(4) Operating rights being obtained are over 24.8 route miles.

(f) The map of the line to be operated with stations is attached as Exhibit B.

(g) Certificate of Carrier Classification

Pursuant to 49 C.F.R. §1150.43(g), D&LS certifies that its projected revenues will not exceed that which would qualify it as a Class III carrier, and that this transaction will

¹ The former operator of this line, Morristown and Erie Railway Inc. by Paragraph 9 of the Stipulation of Resolution dated July 11, 2014 and executed on September 30, 2014 has agreed to this change of operator on the SBRR line. See Motion to Withdraw Exemption and Discontinuance Proceeding, STB. Docket No. AB-1110.

not result in the creation of a Class I or Class II carrier. D&LS's projected annual operating revenues will not exceed \$5,000,000.00

Labor Protective Conditions

Pursuant to 49 U.S.C. §10902, labor protective conditions do not apply and will not be imposed.

Caption Summary

A Caption Summary in the prescribed form is attached as to this Notice.

Environmental and Historic Preservation Matters

DL&S will commence operations on the rail line as a result of this transaction. Further board approval is required for DL&S to discontinue any service and there are no plans to dispose of or alter properties subject to Board jurisdiction that are 50 years old or older. Hence this Notice of Exemption does not require an historic report under 49 C.F.R. 1105.8 (b)(1).

DL&S's operation of the rail line will not result in significant changes in carrier operations. There will not be a diversion of (1) more than 1,000 car loads a year to motor carriage, or (2) an average of 50 carloads per mile per year for any part of this line to motor carriage. This transaction will not result in (1) an increase in rail traffic of at least 100 per cent or an increase of at least eight trains a day on any segment of the line; (2) an increase in rail yard activity of at least 100 percent; or (3) an average increase in truck traffic of more than 10 percent of the average daily traffic or 50 vehicles a day. DL&S's operation of the rail lines will not affect a Class I or nonattainment area under the Clean Air Act. In any event, the thresholds of 49 C.F.R. §1105.7(e)(5)(ii) will not be exceeded. Finally, the transportation of ozone depleting materials is not contemplated. Therefore, no environmental documentation is required under 49 C.F.R. §1105.6 (c)(2).

This action will not significantly affect either the quality of the human environment or energy conservation.

Respectfully submitted,



Richard R. Wilson, Esq.
Attorney for Lackawaxen & Honesdale
Shipper Association and Delaware,
Lackawaxen & Stourbridge Railroad
Company
518 N. Center Street, Ste. 1
Ebensburg, PA 159361
(814) 419-8152

VERIFICATION

I, Tom Shepstone, President of the Petitioner hereby certifies that I have read the foregoing Notice of Exemption and am knowledgeable of facts stated therein, and that the same are true as stated to the best of my knowledge. I am aware that if any of the foregoing statements are willfully false, that I am subject to punishment.

October 23, 2014



A handwritten signature in black ink, appearing to read "Tom Shepstone", is written above a horizontal line.

EXHIBIT A
RAILROAD OPERATING AGREEMENT

OPERATING AGREEMENT

THIS AGREEMENT is made and entered into as of this 23rd day of April, 2013, by and between STOURBRIDGE RAILROAD COMPANY, a Pennsylvania corporation, with its principle office at 106-43 157th Street, Jamaica, NY 11433, hereinafter known as "SRC" and DELAWARE LACKAWAXEN & STOURBRIDGE RAILROAD COMPANY, a Pennsylvania corporation with its principle office at 100 Fourth Street, Ste. 33, Honesdale, PA 18431, hereinafter known as "DL&S".

WITNESSETH

WHEREAS, SRC is the owner of a railroad line in Wayne and Pike Counties, Pennsylvania described on Exhibit "A" attached hereto and incorporated herein by reference (the "Railroad Premises"); and

WHEREAS, SRC desires to secure a qualified railroad operator for the rail line; and

WHEREAS, SRC desires to create rail service that will connect shippers served by the rail line to the national rail transportation network; and

WHEREAS, DL&S has represented to SRC its ability to perform in accordance with qualifications set forth in DL&S's Proposal for Rail Management and Operations; and

WHEREAS, all of the Railroad Premises will be made available for DL&S to operate under the terms of this Agreement;

NOW THEREFORE, the parties intending to be legally bound agree as follows:

1. Description of Railroad Premises

The Railroad Premises is all that certain property of SRC, being a line of railroad situate in Wayne and Pike Counties, Pennsylvania, all as indicated on Exhibit A and being further described as beginning at approximately Railroad Milepost 0.0 at Lackawaxen, PA and extending to Railroad Milepost 24.8 at Honesdale, PA.

2. Use of Rail Premises

SRC hereby agrees to accord DL&S, access to and use of the Railroad Premises which shall include, but not be limited to all of the property of every kind and description, real, personal and mixed, including the right of way, roadbed, tracks, track materials, poles, wire lines, signals and other facilities, buildings and appurtenances. DL&S shall have the right to use the Railroad Premises for railroad service to establish,

operate and maintain common carrier freight rail service and tourist train service thereon during the term of this Agreement, or any extension or renewal thereof, subject to the terms and conditions hereinafter contained. This Agreement shall not be construed as conveying any ownership interest in the Railroad Premises to DL&S.

3. Term

The term of this Operating Agreement shall commence on April 23, 2013, and continue for a period of five (5) years, through April 22, 2018, unless terminated prior thereto in accordance with Sections 14 or 15 of this Agreement.

This Agreement shall renew for an additional three (3) year term, if and only if, both parties to this agreement voluntarily—in each party's sole discretion, sign and execute an extension to this Operating Agreement no less than 180 days prior to the expiration of the original five (5) year term which expires April 22, 2018. There shall be no renewal of this Agreement or this Agreement will terminate during any term if DL&S is in default under the provisions of the Agreement which has not been cured by DL&S within the cure period.

4. Operating Fee

In consideration for the franchise granted herein DL&S shall be obligated to pay SRC an Operating Fee for the use of the Railroad Premises from the date hereof as determined as follows:

(a) DL&S shall be entitled to 100% of the first \$250,000 of Net Interline Revenue.

(b) After the first \$250,000 in Net Interline Revenue is earned, DL&S will share a 50% portion of its Net Interline Revenue with SRC.

(c) DL&S shall pay SRC the Revenue sharing fees within 60 days of the end of each calendar quarter.

(d) DL&S shall be entitled to keep any payments for fuel surcharges received from its connecting carrier.

(e) DL&S shall provide all reasonable access to its books and records as may be requested by SRC to verify compliance with this Section 4 and any other terms of this Operating Agreement.

“Net Interline Revenue” is defined as all net revenues received by DL&S related in any way to the operation of the line, except revenues described in Section 8(s) below,

less any reasonable expenses associated with the operation of the Railroad Premises. It is further agreed that DL&S will take all reasonable measure and use its best efforts in maximizing the Net Interline Revenue.

5. Condition of Railroad Premises

(a) DL&S has inspected the Railroad Premises and accepts the same "AS IS." SRC makes no representation or warranty as to the physical condition of the Railroad Premises or the condition of the legal title (other than for railroad purposes). Upon termination of this Agreement, DL&S shall return the Railroad Premises to SRC in the same condition which existed when DL&S received it from SRC or as later rehabilitated by DL&S, except for normal wear and tear, provided, however, said Railroad Premises shall at no time be maintained by DL&S in condition that does not minimally comply with FRA Standards.

(b) SRC shall be responsible to pay for any major repairs or extraordinary capital expenditures for the track and right of way due to catastrophic damage from natural causes or for work requested by SRC. There are no such conditions existing at the time of the execution of this Operating Agreement. In addition, SRC will fund all matching contributions necessary for rail improvement projects for which SRC and DL&S jointly decide in each party's sole discretion to apply for and which are granted by any governmental agency or private entity. SRC will not, however, be obligated to make repairs where the cost would exceed the likely or reasonably and fair expected financial return on the cost of the repair—as determined by an independent CPA or other railroad expert retained by SRC to study the matter based upon reasonably available data.

6. Provision of Additional Equipment and Facilities

DL&S shall be responsible for providing all equipment and facilities required for operation of the Railroad Premises and not part of the premises provided hereunder. Such equipment and facilities shall include, but not be limited to, locomotives, rolling stock, maintenance equipment, office space, and such other equipment and facilities as may be required to provide rail freight or passenger service over the line.

7. DL&S Obligations upon execution of the Agreement.

- (a) Within 30 days file with the STB to operate the Railway line.
- (b) Within 60 days enter into a interline agreement with the current connecting carrier.
- (c) Within 60 days subscribe to the required AAR Interchange Rules and other related tariffs.
- (d) Within 60 days provide a 3 year capital plan, identifying any public monies.
- (e) Within 60 days notify the FRA of intention to begin operation.

- (f) Within 120 days, move locomotive (s) to the property and establish operations.

8. DL&S Obligations during the term of the Agreement.

DL&S agrees that it will at all times during the continuance of this Agreement:

- (a) Pay all charges herein requested to be paid by SRC under Paragraph 4 at such time as the same are due and payable, which charges may be recovered by SRC in the same manner as any charge due or in arrears.
- (b) Operate freight service in accordance with all applicable federal, state and local requirements and be responsible for obtaining all governmental approvals, authorizations, franchises, licenses and permits as may be prerequisite to the rendering of such service;
- (c) Observe and comply with any and all requirements of the constituted public authorities and with all applicable Federal, State and local statutes, ordinances, regulations and standards applicable to DL&S or its use of the Railroad Premises;
- (d) Maintain and operate at its own expense the Railroad Premises, including any buildings used by or subleased by DL&S thereon in good operating condition and repair in a manner consistent with sound, accepted engineering principles and maintain the track to meet or exceed minimum FRA standards. DL&S will take all reasonable measures and use its best efforts in maximizing the Interline Revenue.
- (e) Upon request, DL&S will provide to SRC, or its engineer, copies of all FRA and state track inspector reports as they are received. DL&S will also make available to SRC regular track inspection reports as performed by its employers or subcontractors.
- (f) Repair or replace at its own expense, any rails, ties and other items of track or signaling equipment as may be necessary to keep Railroad Premises in good operating condition. In the event any such replacement is made at the expense of DL&S the new property shall become the property of the owner of the Railroad Premises and the removed property shall become the property of owner regardless of whether such removed property is sold or retained by the owner as materials and supplies:
- (g) DL&S shall operate round trip trains between on line customers and the connecting carrier interchange provided sufficient traffic is delivered to DL&S to reasonably justify such operations.
- (h) Fully indemnify, defend (including pay for competent, independent counsel and all fees and expenses of any litigation) and hold harmless SRC, its officers,

agents, employees, successors and assigns and Ideal Steel Supply Corp., from and against all claims, actions, suits, regulatory actions, or matters of any kind based upon or arising out of damage or injuries to persons or property caused by the negligence of DL&S, or its agents, employees, guests, invitees, contractors, suppliers of materials, or furnishers of service in the use and occupancy of the Railroad Premises by the DL&S; except that this provision shall not apply to contractors hired by SRC;

(h1) Fully indemnify, defend (including pay for competent, independent counsel and all fees and expenses of any litigation) and hold harmless SRC, its officers, agents, employees, successors and assigns and Ideal Steel Supply Corp., from and against all claims, actions, suits, regulatory actions or matters of any kind filed by Morristown & Erie Railway, Inc., "Stourbridge Railway" or any of their affiliates, successors, assigns, or any party claiming rights under them where the claims, actions, suits, regulatory actions or matters of any kind are related in any way to the permission to allow DL&S to operate on the Railroad Premises granted in this Operating Agreement. (i) Be liable, defend and indemnify SRC for any damages, harm or injury to the Railroad Premises caused by the negligence of the DL&S, its agents or employees.

(j) Maintain a policy or policies of liability insurance with insurance companies authorized to do business in Pennsylvania to insure itself against liability for injury or damage to persons and property, which policies will be in the minimum amounts set forth below:

	<u>Type</u>	<u>Limits</u>
	(i) Comprehensive Railroad Liability Insuring against claims for	For all claims \$5,000,000 per occurrence
	(a) Bodily Injury	Covered by blanket policy noted in (i)
	(b) Property Damage	\$1,000,000 Covered by blanket policy noted
in (i)		
	(ii) Federal Employers Liability Act	Covered by blanket policy noted in (i)
	(iii) Cargo Legal Liability	Covered by blanket policy noted in (i)
	(iv) Foreign Rolling Stock	Covered by blanket policy noted in (i)

(v)	Railroad Accident Pollution	Covered by blanket policy noted in (i)
(vi)	Automobile Liability	\$1,000,000

(k) Cause DL&S and SRC to be named as additional insured under each such policy (other than Employer's Liability) and furnish DL&S and SRC appropriate certificates of such insurance which shall specifically contain endorsement for railroad operations, state that the insurance company shall furnish to DL&S and SRC at least thirty (30) days notice of any lapse or material changes in such insurance, and waive subrogation.

(l) SRC may perform its own inspection of the Railroad Premises at any time but will not be obligated to do so. If any inspection will in any way obstruct or delay railroad operations, a flagman and/or a pilot will be required to be supplied by DL&S and to be paid for by DL&S.

(m) Peacefully deliver up and surrender possession of the Railroad Premises to SRC at the expiration or other termination of this Agreement and seek discontinuance of its operating authority from the Surface Transportation Board.

(n) DL&S, upon written request by SRC, shall also pay and discharge, on or before the last day on which payment may be made without penalty or interest, any tax (including real property tax and utility taxes), assessment charges for public utilities, excise, license and permit fee and other governmental impositions and charges which shall or may during the term hereof be charged, laid, assessed, imposed, become due and payable, or a lien upon, or arising in connection with the use or operation of the Railroad Premises for freight service. DL&S shall have the right to contest any such taxes or other charges by appropriate legal proceedings, conducted at its own expense, provided that DL&S shall furnish to SRC sufficient funds to cover the amount of the contested item or items, with interest and penalty for the period which such proceedings may be expected to take.

(o) DL&S will negotiate and manage all carload demurrage arrangements with rail shippers or receivers.

(p) DL&S shall provide a list of third party contractors who will work on the property to the SRC whose approval of said list shall be assumed unless approval of a specific contractor is denied by SRC for a specific and reasonable cause which will be stated to DL&S. Said denial shall be made by the SRC within seven days of the submission of the list containing the contractor names to SRC. DL&S will supplement the list from time to time as new contractors are hired and SRC shall have seven days

from the submission of said supplemental lists to specifically give cause to why a newly named contractor shall not be approved.

(q) DL&S shall keep the public area of the right of way free from snow, ice, debris or any other dangerous or potentially injurious conditions.

(r) DL&S shall provide qualified forklift service for unloading of steel products to SRC at fair market value. SRC will provide a forklift during that period for this purpose with DL&S reimbursing the SRC for the fair value of the forklift for any days the forklift is used.

(s) DL&S will manage and collect or cause to be collected any and all payments for easements (also known as a right-of-entry), or leases for an encroachment onto, under or over railroad property and remit the same to SRC withholding 20% of the funds for providing the service.

Any collections made by or caused to be made by DL&S of "back rent/ lease" payments will result in the DL&S withholding 30% of the funds due to SRC for providing the service.

DL&S will actively seek to obtain and thereafter manage any new easements and or leases and will withhold 30% of the funds due to SRC for the first 12 months and 20% thereafter for providing this service.

DL&S will take all reasonable measures to maximize the total revenues received under this section. SRC will have final authority with respect to any decisions regarding leases, licenses, encroachments or any similar property rights. SRC shall not be precluded by entering into its own agreements for easements, leases, encroachments, etc. of the Railroad Premises, provided they do not substantially interfere with freight and passenger operations. Any such revenue that SRC directly and solely generates shall not be subject to the DL&S withholdings noted in this Section 8(s).

(t) DL&S will be responsible to pay all real estate and Pennsylvania Utility Reality Taxes during the term of this agreement. DL&S will provide regular reporting and proof of payment for said taxes and its full compliance with any such obligations to SRC.

9. Restrictions

DL&S further agrees that it will not:

(a) Occupy the Railroad Premises in any way or for any purposes unrelated to the operations of the Railroad Premises;

(b) Assign, mortgage, pledge or encumber the Railroad Premises or any part thereof or assign its obligation under this Agreement without the prior written consent of SRC;

(c) Handle hazardous commodities without requisite insurance, Federal Certificate, Security Plan and employee training.

10. Special Conditions

(a) DL&S agrees not to remove or relocate any SRC owned equipment or railroad property on the Railroad Premises without the express written consent of the owner.

(b) DL&S agrees to provide confidential annual financial reports which represent total period revenues, total period expenses and total cash on hand and a yearly financial statement prepared by DL&S's accountant.

(c) DL&S will cooperate with any request for information by SRC in regard to any audit being performed at the direction and approval of SRC and will agree to make available all information and records relating to activities under this Agreement.

(d) SRC will have the right to plan and operate special rail events on the line and only pay the "out of pocket" costs that the DL&S incurs to operate the event. Any such events may not interfere with any scheduled passenger trains or freight operations. A minimum of 10 days notice must be given to DL&S for a proposed event.

e) Any phone numbers, trademarks, logos or other intellectual property connected with DL&S train operations will be transferred to the SRC upon termination of this lease.

11. Relationship between DL&S and SRC

(a) DL&S shall effectively market the availability of DL&S rail service to any prospective customer that approaches either party.

(b) The DL&S and SRC shall meet at least quarterly to review and discuss market opportunities, operations, service issues and capital expenditure planning. DL&S shall inform SRC and affected shippers of any major action or event related to the Railroad Premises which may affect rail freight service to those shippers as soon as such action or event is known to DL&S. SRC will inform DL&S of any issues or concerns

related to the rail freight service. DL&S is an independent contractor and is not an agent of SRC.

12. Road Crossings

During the term of this Agreement or any renewal thereof, DL&S shall assume and be responsible for any obligation flowing to SRC as a result of obligations which may be imposed under the provisions of Pennsylvania laws and any orders issued thereunder with respect to crossing of the Railroad Premises by public highways or utilities.

13. Condemnation of Railroad Premises

If the Railroad Premises, or any portion thereof, are condemned or taken by any competent authority for public use, the award for payment of damages resulting therefrom, or any amount paid in settlement thereof, shall be paid to and retained by SRC except as hereinafter provided. If the entire Railroad Premises are so taken or such substantial part thereof as shall materially impair or interfere with DL&S's proper use and enjoyment thereof, this Agreement shall automatically terminate as of the date of the taking and DL&S shall be entitled to the Financial Settlement detailed in Paragraph 15. If only such portion of the Railroad Premises are taken and shall not materially impair or interfere with the Railroad's proper use and enjoyment thereof, this Agreement shall continue in full force and effect, and all proceeds of the condemnation award or payment shall first be used by SRC as may be required for the restoration of the Railroad Premises in such a manner as will enable the continuing operation thereof by the DL&S as hereinabove provided.

14. Default

If during the term of this Agreement there shall occur any of the following events ("Events of Default"):

(a) DL&S shall fail to pay any operating fee provided for in this Agreement within thirty (30) days of the due date thereof, unless such items are disputed in good faith by DL&S;

(b) DL&S shall fail to perform any other of its obligations hereunder, and shall not cure such default within thirty (30) days after written notice thereof shall have been given to DL&S by SRC, or if such default cannot be cured within such period, or shall not commence to cure within such period and thereafter diligently proceed to complete the same;

(c) DL&S makes an assignment for the benefit of creditors or files a voluntary petition under any bankruptcy or insolvency law or is adjudicated as bankrupt or

insolvent in voluntary or involuntary proceedings or seeks reorganization or receivership, or similar relief; or

(d) A proceeding against DL&S seeking reorganization or receivership or similar relief is not dismissed or vacated or stayed on appeal within sixty (60) days;

(e) DL&S fails to maintain the railroad track in accordance with the terms of this Agreement or fails to conduct its operations in a manner consistent with generally accepted railroad safety practices;

(f) Any conduct of its operations in such a manner so as to commit intentional waste of its rail properties;

(g) Fail to discharge any claims or liens for materials and services for which DL&S becomes obligated while providing freight rail transportation services under this Agreement;

(h) Fails to abide by any pre-existing agreement (i.e. sidetrack agreement, etc.) of which it is advised by SRC, then and at any time thereafter while such Event of Default is continuing and has not been cured by DL&S within ninety (90) days after notification by SRC of such event;

(i) Fails to interact with connecting carrier resulting in denied access; or

(j) Fails to correct a pattern of violations, although said violations have been cured within the cure period but the violations continue, DL&S will be in default of this Agreement.

If an Event of Default shall occur, DL&S shall cure such default within sixty (60) days of written notice of such default or if such default cannot be cured within sixty (60) days, DL&S shall begin immediately and diligently proceed to cure such default as soon as is reasonably possible. However, in the case of 15(j), a continuing pattern of violations shall be a cause of termination.

SRC may in addition to its other remedies at law or equity or as provided for in this Agreement, by notice to DL&S specifying the Event of Default and providing the required cure period, terminate this Agreement.

All of the remedies given to SRC by this Agreement and all rights and remedies given to it by law or equity shall be cumulative and concurrent. No termination of this Agreement or recovery of the Railroad Premises shall deprive SRC of any of its remedies or actions against DL&S for rent and all other sums due at the time of termination of this Agreement, nor shall any action for operating fees, breach of covenant or resort to any other remedies for recovery of operating fees be deemed or construed a waiver of the right to obtain possession of the Railroad Premises.

15. Failure to Cure Default

If DL&S shall fail to perform any of its obligations hereunder and shall fail to cure any default upon the giving of written notice and upon the time period specified in this Agreement or if DL&S shall not commence to comply within such period and thereafter complete with due diligence, SRC shall have the right, but not the obligation and in addition to all other remedies it may have hereunder, upon twenty-four (24) hour written notice to DL&S to undertake the performance of such obligations, including the right to enter the Railroad Premises in the performance thereof.

16. Financial Settlement on Termination and Termination Costs

In the event that this Agreement is terminated under Section 14 due to condemnation, there shall be a financial settlement as follows:

(i) DL&S and SRC shall conduct a final accounting and settlement of all DL&S accounts as of the termination date. All receivables, income, credits or money due or accrued and all payables, disbursements, debts or money owed or accrued on the termination date shall be charged to SRC. SRC shall remit to DL&S any positive cash balance due DL&S as of the termination date based on the final accounting and settlement hereunder.

(ii) SRC shall also pay to DL&S the reasonable and necessary costs specifically relating to and resulting from termination of service on the line. DL&S warrants that its termination costs exclusive of those under subparagraph (i) hereof, will not exceed \$50,000.00. In the event of the settlement under subparagraph (i) above results in a negative cash balance, that balance shall reduce the amount due to DL&S on a dollar-for-dollar basis relative to this Section 17, subparagraph (iii).

17. Waiver

Any waiver by either party under this Agreement or any breach by any other party shall not affect similar rights subsequently arising or operate as a waiver of subsequent breaches of the same or similar kinds nor as a waiver of the clause or condition under which said right arose or said breach occurred.

18. Notice

Notice provided for herein shall be sufficient if sent by Federal Express and Email, as follows:

To DL&S:

Thomas Shepstone
Delaware Lackawaxen & Stourbridge Railroad Company
100 Fourth Street, Ste. 33
Honesdale, PA 18431
tom@shepstone.net

To SRC:

Paul Branacto
Stourbridge Railroad Company
106-43 157th Street
Jamaica, NY 11433
paul@idealsteelnny.com

or to such other address as either party may, from time to time, designate to the other in writing.

19. Regulatory Agency

(a) This Agreement is subject to the orders, rules and regulations as appropriate regulatory authorities having jurisdiction over DL&S.

(b) If any portion of this Agreement is determined to be unduly burdensome by such authority, the parties shall make such modifications as may be necessary or reasonable.

20. Access to Records

(a) DL&S agrees to maintain sufficient records and reports to permit SRC to fully verify statements of traffic, revenue, and expenditures furnished by DL&S and DL&S will agree to make such records available for any audit that may be performed including any audit conducted by auditors or outside auditors.

(b) SRC shall have full access to these records and reports during normal business hours upon five (5) business days' written notice, duly given to DL&S.

21. Force Majeure

Neither party hereto shall be held responsible or liable, either directly or indirectly, or be deemed in default or breach of this Agreement for any loss, damage, injury, delay, failure or inability to meet all or any portion of its commitments hereunder caused by or arising from any cause which is unavoidable or beyond its reasonable control, including without limitation, war, hostilities, invasion, insurrection, riot, the

order of any competent civil or military government, explosion, fire, strikes, lockouts, AAR service orders, actions of other carriers which materially affects DL&S's operations, labor disputes, perils of water including floods, ice, breakdowns, Acts of God including earthquakes, volcanic eruptions, solar disturbances or other intrusions from space, storms or other adverse weather conditions, derailments, washouts, wrecks or other causes of a similar or dissimilar nature which wholly or partially prevent the Parties or either of them from carrying out the terms of this Agreement; provided that the Party experiencing such force majeure or partial force majeure promptly gives to the other party written notice that the disabling effect of such force majeure shall be eliminated as soon as to the extent reasonably possible and that each Party shall have the right to determine and settle any strike, lockout and labor dispute in which that Party may be involved in its sole discretion. In the event that one Party's performance is suspended in whole or in part by force majeure, the other Party's obligation to perform hereunder shall be suspended or commensurately reduced for the duration of the force majeure and for such additional reasonable period as may be required because of the existence of the force majeure. In the event that one party's performance hereunder is suspended by force majeure and cannot be resumed within a reasonable period of time, either party shall have the right to terminate this Agreement.

22. Track Maintenance and Capital Improvements

(a) Track Maintenance. DL&S shall be solely responsible for maintaining the Railroad Premises to appropriate FRA Standards. Without limiting the foregoing, the parties further agree as follows:

(i) On or before January 1 of each year, DL&S shall prepare and submit to SRC a program (hereinafter referred to as the "Maintenance Program") setting forth the maintenance items to be performed during SRC's fiscal year to ensure that the Railroad Premises are maintained in accordance with the Minimum Standards.

(ii) Promptly thereafter, DL&S will review the Maintenance Program with SRC. DL&S shall at its own cost be responsible for maintaining the Railroad Premises in accordance with the Minimum Maintenance Standards as set forth in the Maintenance Program approved by SRC's engineer.

23. Section: Not Used

24. Successors and Assigns

This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns. However, this provision shall not be construed to confer on DL&S any right or authority to assign all or any part of this Agreement without SRC's prior written consent.

25. Change in Corporate Structure

If fifty-one (51%) percent or more of the ownership of DL&S is sold, SRC reserves the right to terminate this Operating Agreement. Notwithstanding the foregoing, SRC shall give DL&S six months after the change of ownership to provide assurances that the management team of DL&S is capable of performing the duties of DL&S under this Agreement.

26. Right of First Refusal

In the event that SRC owns and receives a bona fide written offer, which offer (in its sole discretion) SRC intends upon accepting, from a third party to purchase all or part of the real property comprising the Railroad Premises, SRC shall convey the terms of that offer to purchase to DL&S. DL&S shall have fifteen (15) days to accept such offer in writing and deliver an immediate 3% of the purchase price binder, and shall have ninety(90) days thereafter to close on the purchase of the Railroad Premises. If DL&S does not accept or close within these time periods and on the stated terms, then SRC shall be free to accept the initial third party offer and complete the sale to that initial third party offer or: DL&S, in that event, shall forfeit its 3% binder and any other down payment received during the failed purchase effort. This right of first refusal shall expire upon the termination of this Operating Agreement by its term ending or by other early termination for default. If an offer is received for purchase of real property that is part of the Railroad Premises which SRC does not intend to accept or actually accepts, there is no obligation to notify DL&S of said offer(s).

27. Entire Agreement

This Agreement contains the entire understanding of the parties with respect to its subject matter. No oral statement or prior written matter shall have any force or effect. The parties hereby acknowledge that they are not relying on any representations or agreements other than those contained in this Agreement. This Agreement shall not be modified except by a written instrument subscribed by both parties hereto. SRC and its officers or agents have made no material representations to DL&S and DL&S specifically states that it has and will not rely on any representations of SRC in entering this Operating Agreement.

28. Severability

If any term, covenant, condition or provision (or party thereof) of this Agreement or the application thereof to any person or circumstances shall, at any time or to any extent, be invalid or unenforceable, the remainder of this Agreement or the application of such term or provision (or remainder thereof) to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and

each term, covenant, condition and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

29. Applicable Law

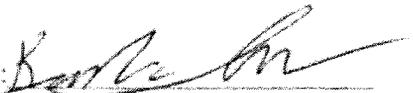
This Agreement shall be construed in accordance with the laws of the State of New York. Any disputes or litigation shall be resolved in a Court physically located within New York City in the State of New York.

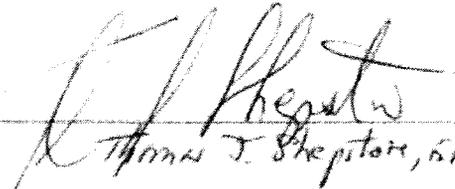
IN WITNESS WHEREOF, the parties hereto have caused this Operating Agreement to be executed by themselves or by their respective duly authorized officers as of the day and year first above written.

Dated: April 23, 2013

ATTEST:

DELAWARE LACKAWAXEN &
STOURBRIDGE RAILROAD COMPANY

By: 
KENNETH C. SMITH

By: 
Thomas J. Shepstone, Ex Director

ATTEST:

STOURBRIDGE RAILROAD COMPANY

By: 
GIACOMO BRANCATO

By: 
PAUL BRANCATO, PRES.

EXHIBIT B

MAP

Before the
SURFACE TRANSPORTATION BOARD

STB Finance Docket No. 35869

DELAWARE LACKAWAXEN & STOURBRIDGE RAILROAD COMPANY –
- OPERAION EXEMPTION –
STOURBRIDGE RAILROAD COMPANY

VERIFIED NOTICE OF EXEMPTION
Pursuant to 49 C.F.R. §1150.41 et seq.

NOTICE OF OPERATION OF RAILL LINE
INFORMATION REQUIRED BY 49 C.F.R. 1150.44

DL&S, a Pennsylvania Corporation has filed a Verified Notice of Exemption under 49 C.F.R. §1150.41 to operate as a common carrier 24.8 miles of railroad and appurtenant property owned by the Stourbridge Railroad Company, a Class III carrier between Lackawaxen, Pike County and Honesdale, Wayne County, in the Commonwealth of Pennsylvania.

This transaction is related to STB Docket No. AB-1110.

Any comments must be filed with the Surface Transportation Board and served on Richard R. Wilson, Esq., 518 N. Center Street, Ste. 1, Ebensburg, PA 159361.

This notice is filed under 49 C.F.R. §1150.41. If the notice contains false or misleading information, the exemption is void ab initio. Petitions to revoke the exemption under 49 U.S.C. §10502(d) may be filed at any time. The filing of a Petition to revoke will not automatically stay the transaction.

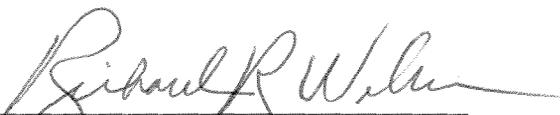
CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 23rd day of 2014, I have caused copies of the foregoing to be served via class mail, postage prepaid, upon counsel for Morristown & Erie Railway, Inc. and the Stourbridge Railway Company:

Thomas Shepstone
Lackawaxen – Honesdale Shippers Association
Delaware Lackawaxen and Stourbridge Railroad Co.
100 Fourth Street, Suite 33
Honesdale, PA 18431

Paul Brancato
Stourbridge Railroad Company
106-43 157th Street
Jamaica, NY 11433

John K. Fiorella, Esq.
Capehart Scatchard
8000 Midlantic Drive, Suite 300 S
Mount Laurel, N.J. 08054


Richard R. Wilson, Esq.