

4-276A020

LORD, BISSELL & BROOK

115 SOUTH LASALLE STREET  
CHICAGO, ILLINOIS 60603

No.  
Date ... OCT 2 1984  
Fee \$ 12.00

(312) 443-0700  
CABLE: LOWIRCO CGO  
TELEX: 25-3070

LOS ANGELES OFFICE  
3250 WILSHIRE BOULEVARD  
LOS ANGELES, CALIFORNIA 90010  
(213) 487-7064  
TELEX: 18-1135

JOHN N. OEST  
(312) 443-0434

ICC Washington, D. C.

September 28, 1984

James H. Bayne, Secretary  
Interstate Commerce Commission  
Washington, D.C. 20423

14433  
RECORDATION NO. .... Filed 1425

OCT 2 1984 - 1 55 PM  
INTERSTATE COMMERCE COMMISSION

ICC OFFICE OF  
THE SECRETARY  
OCT 2 1 46 PM '84  
MOTOR OPERATORS UNIT

Dear Mr. Bayne:

I have enclosed an original and one copy of the document described below to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

This document is a mortgage, a primary document, dated September 28, 1984.

The names and addresses of the parties to the document are as follows:

Mortgagor: Chicago South Shore and South Bend  
Railroad Company, an Indiana  
corporation, and the Indiana and  
Kensington Railroad, an Illinois railroad  
corporation  
North Carroll Ave.  
Michigan City, Indiana 46360  
Mortgagee: American National Bank & Trust  
33 North LaSalle Street  
Chicago, Illinois 60603

A description of the equipment covered by the document follows:

Included in the property covered by the aforesaid mortgage are the railroad cars, locomotives, and rolling stock owned by Chicago South Shore and South Bend Railroad Company, an Indiana corporation, or the Indiana and Kensington Railroad, an Illinois railroad corporation, described in Exhibit A as attached, plus all such equipment hereafter acquired by them or their successors as owners of the lines of railroad covered by the mortgage.

*Handwritten signature*

*Handwritten signature*

LORD, BISSELL & BROOK

James H. Bayne, Secretary  
September 28, 1984  
Page Two

A fee of \$100.00 is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to:

Jack Oest  
Lord, Bissell & Brook  
115 South LaSalle Street  
Chicago, Illinois 60603

A short summary of the document to appear in the index follows: *Mortgage of locomotives, rolling stock & freight cars.*

A Mortgage between:

Mortgagor: Chicago South Shore and South Bend  
Railroad Company, an Indiana corporation,  
and the Indiana and Kensington Railroad,  
an Illinois railroad corporation  
North Carroll Avenue  
Michigan City, Indiana 46360

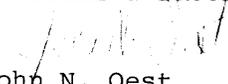
Mortgagee: American National Bank & Trust  
33 North LaSalle Street  
Chicago, Illinois 60603

Dated, September 28, 1984 covering:

Locomotives CSS 2000-2009 (10 units); Freight  
Train Cars CSS 319, 327, 329, 345, 1202, 1205,  
1210, 1225, 1226, 1228-1236, 1301-1304, 1375,  
1376, 1432, 1501-1504, 503, 1100, 1128, 1134,  
1135, 1137, 1138, 1150, 1151, 1401, 1413, 1414,  
1453, 1457 (43 units) now owned by the Chicago  
South Shore and South Bend Railroad Company,  
an Indiana corporation, or the Indiana and  
Kensington Railroad, an Illinois railroad  
corporation, and all railroad cars, locomotives,  
and rolling stock hereafter acquired by them or their  
successors as owners of the lines of railroad  
covered by the mortgage.

Very truly yours,

LORD, BISSELL & BROOK

By:   
John N. Oest  
Attorney for American  
National Bank & Trust

JNO/dlm  
Enclosures

EXHIBIT A

EQUIPMENT

<u>TYPE</u>	<u>RUNNING NUMBER (CSS)</u>	<u>YEAR BUILT</u>	<u>DESCRIPTION</u>
Locomotives	2000	1981	GP-38-7
	2001	"	"
	2002	"	"
	2003	"	"
	2004	"	"
	2005	"	"
	2006	"	"
	2007	"	"
	2008	"	"
	2009	"	"
	10 Units		
Freight Train Cars	319	1949	Caboose
	327	"	"
	329	"	"
	345	"	"
	1202	1916	Flat
	1205	1916	Flat
	1210	1959	Gondola
	1225	"	"
	1226	"	"
	1228	"	"
	1229	"	"
	1230	"	"
	1231	"	"
	1232	"	"
	1233	"	"
	1234	"	"
	1235	"	"
	1236	"	"
	1301	1949	Cov'd Hopper
	1302	"	"
	1303	"	"
	1304	"	"
	1375	1962	"
	1376	1962	"
	1432	1954	Flat
	1501	1964	Refr. Box
	1502	"	"
	1503	"	"
	1504	"	"
	29 Units		

Work Equipment	503	1941	Express Car
	1100	1947	Line Motor Car
	1128	1928	Rail Loader
	1134	1948	Reel Car
	1135	1948	Flat Car
	1137	1959	"
	1138	1957	"
	1150	1957	Wreck Crane
	1151	1954	Wreck Car
	1401	1925	Flat Car
	1413	1951	"
	1414	1951	"
	1453	1927	"
	1457	1957	"

14 Units

Interstate Commerce Commission  
Washington, D.C. 20423

10/2/84

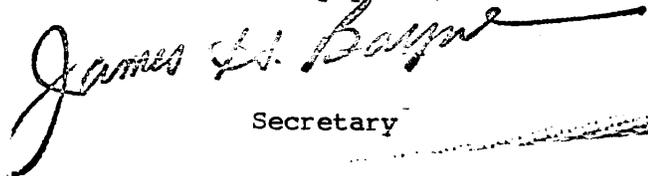
OFFICE OF THE SECRETARY

John N. Oest Atty.  
Lord, Bissell & Brook  
115 S. LaSalle St  
Chicago, Illinois 60603

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 10/2/84 at 1:55pm and assigned re-  
recording number(s). 14439

Sincerely yours,

  
Secretary

Enclosure(s)

SE-30  
(7/79)

14439

RECORDATION NO. .... Filed 1425

OCT 2 1984 1 55 PM

MORTGAGE

INTERSTATE COMMERCE COMMISSION

This Mortgage ("Mortgage") and Security Agreement dated as of September 28, 1984 by and between Chicago South Shore and South Bend Railroad an Indiana corporation ("South Shore") and Indiana and Kensington Railroad Company, an Illinois railroad corporation ("I&K") (collectively the "Company") and American National Bank and Trust Company of Chicago, a national banking association ("Mortgagee").

WITNESSETH:

WHEREAS, South Shore owns or leases and operates line of railroads in Illinois and Indiana;

WHEREAS, I&K, a wholly owned subsidiary of South Shore, owns and leases a railroad line in Illinois;

WHEREAS, Venango River Corporation, an Illinois corporation ("Venango"), South Shore and I&K are justly indebted to Mortgagee in the principal sum of Twenty Million and no/100 Dollars (\$20,000,000) evidenced by a certain term loan promissory note of even date herewith (the "Note") made payable to the order of and delivered to Mortgagee, in and by which Note Venango and Venango Acquisition Corp., an Indiana corporation ("VAC") promise to pay the principal sum and interest thereon at the rate and in installments as provided in the Note, with the final payment of the balance due no later than December 31, 1991;

WHEREAS, the obligation of payment of the Note has been assumed by the Company and I&K;

WHEREAS, the indebtedness evidenced by the Note, including the principal thereof and interest thereon, (including all extensions and renewals thereof) and any and all other sums which may be at any other time due or owing or required to be paid hereunder or as provided in the Note is sometimes referred to as the "Indebtedness Secured Hereby";

WHEREAS, Venango formed VAC for the purpose of merging VAC into South Shore, whereby South Shore would become a wholly owned subsidiary of Venango;

WHEREAS, simultaneously with the merger of VAC into South Shore, the Company has pledged and entered into this Mortgage and pledged and encumbered such other tangible and intangible property and rights, title and interests therein as additional collateral for the Indebtedness Secured Hereby;

WHEREAS, Venango has pledged and assigned all of its stock in South Shore to Mortgagee pursuant to that certain Stock Pledge Agreement of even date as additional security for the Indebtedness Secured Hereby;

WHEREAS, Venango and VAC entered into a certain Loan Agreement of even date with Mortgagee;

WHEREAS, South Shore, by operation of law pursuant to its merger with VAC, and the Company pursuant to its expressed assumption has assumed all obligations of VAC to Mortgagee, including but not limited to VAC's obligations under the Loan Agreement.

Granting Clauses

NOW THEREFORE, for good and valuable consideration, including the indebtedness herein recited and all other benefits received by the Company, to secure the performance and observance of all the covenants and conditions contained herein and in the Loan Instruments (hereinafter defined), the Company has hereby irrevocably mortgaged, warranted, pledged, granted, sold, remised, aliened, released, transferred and set over to Mortgagee and its successors and assigns, subject to the terms and conditions hereinafter set forth, its entire interest in the property located in the states of Illinois and Indiana as are specifically set forth and described on Exhibit A attached hereto ("Property") subject to those matters set forth in Exhibit B ("Permitted Exceptions") and except such property which is hereinafter specified and defined in Exhibit C as "Excepted Properties".

Together with all the estate, right, title and interest of the Company, now owned, leased or hereafter acquired, in and to any real property which the Company now owns, leases or shall hereafter acquire, or in or to which it has, or shall acquire, any right, title, claim or interest, and all improvements, now existing or hereafter made, on any such real property.

Together with any and all rights of way, lands, fixtures, structures, improvements, tenements and hereditaments of whatever kind or description and wherever situated, now owned by, or at any time hereafter acquired by or for, the Company and contiguous or appurtenant to any of the Company's lines of railroad subject to the lien hereof, any and all main, branch, spur, industrial, switch, connecting, storage, yard or terminal tracks, trackage rights of way, easements, estates, superstructures, road beds, bridges, trestles, culverts, viaducts, electrical catenary, buildings, depots, stations, stock yards, warehouses, elevators, car houses, engine houses, freight houses, machine shops and other shops, turntables, fuel stations, water stations, signals, interlocking plants, telegraph and telephone lines, fences, docks, structures and fixtures, and all other things of whatsoever kind and in any way or at any time belonging or appurtenant to, or used in connection with, any of the Company's lines of railroad or other real property at any time subject to this Mortgage.

Together with any and all leases, leasehold rights, joint facility and other operating or trackage contracts, rights and privileges and amendments, renewals and extensions thereof, now held or hereafter acquired by the Company for use in connection with or belonging or appertaining to any of the Company's lines of railroad now or hereafter subject to the lien of this

Mortgage, or relating to the ownership, use or operation of any terminals or other stations situated along, or at the terminus of, any of such lines of railroad.

Together with all the estate, right, title and interest of every name and nature of the Company in and to all Equipment (as hereinafter defined), machinery, tools, implements, furniture, work equipment and other chattels now owned or hereafter acquired by the Company or the title to which is now, or hereafter shall be, vested in the Company, including all the estate, right, title and interest now or hereafter vested in the Company in and to any and all Equipment, under any Equipment Agreement, other than the Excepted Properties as herein defined.

Together with, any and all additions, betterments and improvements to Equipment now or at any time hereafter subject to the lien of this Mortgage, and any and all additions, betterments and improvements hereafter acquired or constructed to or upon or in connection with any of the Company's lines of railroad or to or upon or in connection with any of the telegraph and telephone and other communication lines, or to or upon or in connection with any other property, real or personal, now or at any time hereafter subject to the lien of this Mortgage,

Together with any and all corporate rights, powers, franchises, privileges and immunities now or hereafter owned or possessed by the Company which now or at any time hereafter may be necessary for or appurtenant to the use, operation, management, maintenance, renewal, alteration or improvement of the Company's lines of railroad or any other property now or hereafter subject to the lien of this Mortgage.

Together with any and all telegraph, telephone or other communication lines, or wireless facilities, owned by the Company; and the right to the use of any and all telegraph, telephone or other communication lines, or wireless facilities, along the Company's lines of railroad, as they may be used from time to time or may be subject to use by the Company.

Together with all the rents, issues, tolls, profits and other income from the premises and property herein or hereafter mortgaged and conveyed or assigned or intended so to be.

Together with any and all property of every kind and description (including railroads, leases of railroads, stocks, bonds, or other property of any kind) which at any time hereafter, by Mortgage supplemental hereto, or by writing of any kind, for the purposes herein, may be expressly conveyed, assigned, transferred, mortgaged, pledged, hypothecated, affected or delivered, to the Mortgagee hereunder by the Company or by a successor corporation, or, with its consent by any one on its behalf, as and for additional security.

Together with any and all property wherever located, whether now or hereafter acquired, together with all replacements therefor, products and

proceeds (including, but without limitation, insurance proceeds) thereof, and the Company's reversionary rights therein, including, but not limited to, all Accounts, Chattel Paper, Contracts, Contract Rights, Documents, Equipment, Fixtures, General Intangibles, Instruments, Inventory, rights as seller of Goods and rights to returned or repossessed Goods.

#### Rules of Construction

The provisions of this Mortgage shall be construed, and the lien of this Mortgage at any time shall be determined, in conformity with the following rules of construction, which shall prevail over any other provisions of this Mortgage in the event of any inconsistency therewith:

1. Nothing in this Mortgage, expressed or implied, is intended or shall be construed to limit the right or power of the Company, which is hereby expressly reserved to acquire any property, or any estate, right, title or interest therein, subject to liens or charges existing at the time of the acquisition thereof, or to create any purchase money mortgage or other prior lien or charge on such property in order to finance the cost thereof, or to extend the term of or to refund any such lien or purchase money mortgage.

2. Nothing in this Mortgage, expressed or implied, is intended or shall be construed to limit the right or power of the Company, which is hereby expressly reserved, to subject to an Equipment Agreement any Equipment constructed or acquired by the Company, if such Equipment Agreement shall have been created prior to such acquisition or construction, or shall be created not later than eighteen months after the acquisition or the completion of construction of any of such Equipment, and if such Equipment Agreement is created for the purpose of providing for, or reimbursing, in whole or in part, the cost of the acquisition or construction of such Equipment. The lien of this Mortgage shall attach to any such Equipment or to any interest or equity of the Company in or to any such Equipment, subject only to any such Equipment Agreement.

3. It is hereby declared that all property, except any property defined as "Fixed Facilities" in the NICTD Agreement (hereinafter defined), owned affixed upon or appurtenant to or used in the operation of or in connection with any Property or immovables, except as set forth in Article IV hereof, at any time subject to the lien hereof shall be deemed for all purposes of this Mortgage to be part and parcel of the real estate on which it is placed or located and all such property and renewals thereof and additions thereto shall be and become immovable by designation.

TO HAVE AND TO HOLD all such Property, real, personal and mixed, rights, title and interests hereby granted, bargained, sold, aliened, remised, released, conveyed, confirmed, assigned, transferred, mortgaged, pledged, hypothecated and set over by the Company in the granting clauses aforesaid or intended so to be, (hereinafter sometime called the "Premises") unto the Mortgagee and its successors and assigns forever, for the purpose of securing:

1. Payment of indebtedness with interest thereon, evidenced by the Note which has been delivered to and is payable to the order of Mortgagee and which by this reference is hereby made a part hereof, and any and all modifications, extensions, amendments, revisions, restatements and renewals thereof.

2. Performance of all obligations of the Company, Venango and VAC under the Loan Agreement of even date herewith, including any and all amendments, revisions, modifications and extensions made thereto and any Loan Instrument.

3. Payment of all sums advanced by Mortgagee to protect the Premises, with interest thereon at the Default Rate specified in the Note ("Default Rate").

4. Performance of all obligations of the Company, Venango and VAC contained in this Mortgage, the Note, the Loan Agreement, or Loan Instruments.

This Mortgage, the Note, the Loan Agreement, and Loan Instruments are given in addition to other collateral which has or may be given by the Company, Venango and VAC or other parties to secure the payment of the Indebtedness Secured Hereby and the performance of other obligations secured hereby.

TO PROTECT THE SECURITY OF THIS MORTGAGE, MORTGAGOR HEREBY COVENANTS AND AGREES AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.01 The terms defined in this Section 1.01, whenever used in this Mortgage, shall, unless the context shall otherwise require, have the respective meanings hereinafter in this Section 1.01 specified:

"Accounting Rules" means the Uniform System of Accounts for Railroads prescribed by the Interstate Commerce Commission, as in effect at the time in question and to the extent applicable to the Company under I.C.C. regulations, or, to the extent not determined thereby or in case there be no such Uniform System of Accounts in effect at such time, generally accepted accounting principles.

"Accounts" means as it is defined in the Uniform Commercial Code.

"Chattel Paper" means as it is defined in the Uniform Commercial Code.

"Company" means Chicago South Shore and South Bend Railroad and Indiana and Kensington Railroad Company, their successors and assigns.

"Contracts" mean as it is defined in the Uniform Commercial Code.

"Contract rights" mean as it is defined in the Uniform Commercial Code.

"Default Rate" means the default rate as defined in the Note.

"Documents" mean as it is defined in the Uniform Commercial Code.

"Equipment" means all property at the time in question classified as "equipment" in the Accounting Rules and all vehicles, whether or not so classified, which may be used for the transportation of freight or for the carriage of passengers.

"Equipment Agreement" means any equipment trust agreement and lease or any conditional sale agreement, chattel mortgage or lease pertaining only to Equipment.

"Events of Default" mean the events specified in Section 5.01 hereof.

"Excepted Properties" means the premises described in Exhibit C.

"Federal Railroad Administration" means that section of the Department of Transportation which has jurisdiction over and may promulgate rules and regulations governing and controlling operation of railroads.

"Fixtures" mean as it is defined in the Uniform Commercial Code.

"I & K" means the Indiana & Kensington Railroad Company, a wholly owned subsidiary of South Shore, its successors and assigns.

"General Intangibles" mean as it is defined in the Uniform Commercial Code.

"Goods" mean as it is defined in the Uniform Commercial Code.

"Indebtedness Secured Hereby" means the indebtedness evidenced by the Note, including the principal thereof and interest thereon, (including all Note extensions and renewals) and any and all other sums which may be at any other time due or owing or required to be paid under this Mortgage as provided in the Note.

"Instruments" mean as it is defined in the Uniform Commercial Code.

"Interstate Commerce Commission" includes any Federal governmental authority which shall at the time exercise powers in regard to railroads similar to those now exercised by the Interstate Commerce Commission.

"Inventory" means as it is defined in the Uniform Commercial Code.

"Loan Agreement" means that certain Term Loan Agreement of even date herewith by and among Venango, VAC and Mortgagee, either as originally executed or as the same may from time to time be supplemented, modified or amended, as subsequently assumed by The Company.

"Loan Instruments" means all agreements, instruments, pledges and guaranties referred to in the Loan Agreement as "Loan Supporting Documents" including but not limited to the Note and Loan Agreement, either as originally executed or as the same may from time to time be supplemented, modified or amended.

"Mortgage" means this Mortgage, either as originally executed or as the same may from time to time be supplemented, modified or amended by any supplemental mortgage or indenture entered into pursuant to any of the provisions hereof.

"Mortgagee" means American National Bank and Trust Company of Chicago, a national banking association, its successors and assigns.

"NICTD Agreement" means that certain agreement dated January 27, 1983 by and between South Shore and Northern Indiana Commuter Transportation District, either as originally executed or as the same may be from time to time supplemented, modified or amended.

"Note" means the note of even date herewith from Venango and VAC in the original principal amount of \$20,000,000, either as originally executed or as the same may from time to time be extended or modified.

Ownership, however expressed herein, of any item mortgaged or pledged hereunder shall be construed to mean and include all realty or equipment leased or used on any basis whatever, it being the express intent of the Company to create a valid security interest in all its assets whether leased or owned in fee simple except to the extent provided in Exhibit C.

"Permitted Exceptions" are those matters to which title to the Premises may be subjected as may be specifically set forth on Exhibit B hereto:

"Premises" means all property, including but not limited to the Property, real, personal and mixed, whether owned by the Company as of the date of this Mortgage or hereafter acquired, other than the Excepted Properties.

"Property" means the real property owned, leased or occupied pursuant to other contracts or easements located in the states of Indiana and Illinois and set forth on Exhibit A hereto, whether now owned or hereafter acquired.

"South Shore" means the Chicago South Shore and South Bend Railroad, an Indiana corporation, its successors and assigns.

"Subsidiary" means and includes any corporation organized for the purpose of engaging in transportation by railroad, 50% or more of the stock of which is entitled to vote for the election of directors under ordinary circumstances and is owned or controlled by South Shore and/or by one or more other Subsidiaries.

"VAC" means Venango Acquisition Corp., an Indiana corporation, a wholly owned subsidiary of Venango, its successors and assigns.

"Venango" means Venango River Corporation, an Illinois corporation, its successors and assigns.

## ARTICLE II

### COVENANTS AND AGREEMENTS OF THE COMPANY

The Company covenants, represents and agrees that:

Section 2.01. Title. It is the owner, lessee, grantee, licensee or interest holder, as the case may be, and lawfully possessed of all the Property and Premises subject only to the Permitted Exceptions; and that it has good right and lawful authority to grant, bargain, sell, alien, remise, release, convey, confirm, assign, transfer, pledge, mortgage, hypothecate and set over all of the Premises, as provided in and by this Mortgage.

Section 2.02 Payment. It will duly and punctually pay the principal and interest at the places, the dates and in the manner mentioned in the Note, charges, fees and all other sums as provided in the Loan Instruments.

Section 2.03. Premises Subject to Lien. All railroads, franchises, and other property of every kind, by this Mortgage covenanted to be conveyed or pledged or assigned to Mortgagee hereunder and any property at any time acquired by the Company and provided by this Mortgage to become subject hereto, shall, immediately upon the acquisition thereof by the Company and without any further conveyance or assignments, become and be subject to the

lien of this Mortgage as fully and completely as though now owned by the Company and specifically described herein. In addition, whenever required by the Mortgage, the Company will grant, convey, confirm, assign, transfer and set over unto the Mortgagee the estate, right, title and interest of the Company in and to all real and personal property, estates, rights and franchises which the Company may hereafter acquire and which by the provisions hereof are, or are intended to be, subjected to the lien hereof, and the Company will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, all and every such further acts, deeds, conveyances, transfers and assurances, for the better assuring, conveying, assigning and confirming unto the Mortgagee all and singular the hereditaments and premises, estates and property hereby conveyed or assigned, or intended so to be, or which the Company may be, or hereafter become, bound to convey or assign to the Mortgagee, as the Mortgagee shall reasonably require.

Section 2.04 Preservation of Lien. It will maintain and preserve the lien of this Mortgage on all the mortgaged and pledged Premises described herein so long as the Note is outstanding. All of the mortgaged and pledged Premises are, and, unless released from the lien hereof as herein provided, will be maintained so long as the Note is outstanding, free and clear of any deed of trust, mortgage, lien, charge or encumbrance thereon or affecting the title thereto prior to this Mortgage, except as otherwise herein expressly stated and except for Permitted Exceptions and Equipment Agreements.

Section 2.05 Prohibition of Liens. It will not voluntarily create or suffer any prior liens to be hereafter created upon the mortgaged and pledged property, or any part thereof, or the income therefrom, except (a) prior liens on any property hereafter acquired by the Company which may exist on the date of such acquisition, (b) vendor's liens or purchase money mortgages created concurrently with or within eighteen months after the acquisition of any property hereafter acquired by the Company, (c) Equipment Agreements, and (d) Permitted Exceptions.

The Company shall pay and promptly discharge, at the Company's cost and expense, all liens, encumbrances and charges upon the Premises, or any part thereof or interest therein; provided that the existence of any mechanic's, laborer's, materialman's, supplier's or vendor's lien or right thereto shall not constitute a violation of this Section if payment is not yet due under the contract which is the foundation thereof. The Company shall have the right to contest in good faith the validity of any such lien, encumbrance or charge, provided the Company shall first deposit with Mortgagee a bond or other security satisfactory to Mortgagee in such amounts as Mortgagee shall reasonably require, and provided further that the Company shall thereafter diligently proceed to cause such lien, encumbrance or charge to be removed and discharged. If the Company shall fail to discharge any such lien, encumbrance or charge, or provide such reasonable security, then, in addition to any other right or remedy of Mortgagee, Mortgagee may, but shall not be obligated to, discharge the same, either by paying the amount claimed to be due, or by procuring the discharge of such lien by depositing in court a bond for the amount claimed or otherwise giving security for such claim, or in such manner as is or may be prescribed by law.

Section 2.06 Taxes, Assessments. It will pay or cause to be paid when the same shall become due all taxes, assessments or governmental charges lawfully levied or assessed upon the mortgaged and pledged Premises, or upon any part thereof, or upon the income therefrom, or upon any property or franchise demised to the Company by any lease subject to the lien of this Mortgage and will duly observe and conform to all valid requirements of any governmental authority relative to any of the mortgaged and pledged Premises and to any property or franchise demised to the Company by any lease subject to the lien of this Mortgage, and all covenants, terms and conditions upon or under which any of the mortgaged and pledged Premises, is held.

Notwithstanding the foregoing the Company shall not be required to pay any such taxes, assessments, or governmental charges so long as, in good faith, the validity thereof or the amount thereof shall be contested by appropriate legal proceedings, unless thereby the security afforded by this Mortgage will be materially impaired or endangered; and provided further, that the Company shall not be required to pay any such taxes, assessments or governmental charges on property it has abandoned if the property abandoned is no longer necessary for the maintenance or operation of the lines of railroad subject to the lien of this Mortgage.

Section 2.07 Preservation of Premises. To the extent required in the Loan Agreement, the Company and each Subsidiary shall and will diligently preserve all the rights and franchises to it granted and upon it conferred and shall and will, at all times, maintain, preserve and keep the railroads and other properties subject to this Mortgage and every part and parcel thereof, in good repair, working order and condition, and will, at all times, keep or cause to be kept the railroad, Property and Premises subject to this Mortgage supplied with all necessary motive power, rolling stock and Equipment, and will, from time to time, thereto make all needful and proper repairs, renewals, replacements, additions, betterments and improvements. The Company and each Subsidiary will, at all times, preserve, extend and renew its corporate existence for all the purposes of this Mortgage.

Section 2.08 Insurance.

(a) It will at all times provide and maintain insurance with responsible and reputable insurance companies or associations in such amounts, with such deductibles and endorsements naming Mortgagee as an additional insured thereunder, and covering such risks as is commonly maintained by companies similarly situated, or as may reasonably be required by the Mortgagee, including but not limited to comprehensive general liability insurance and furnish to the Mortgagee certificates of insured or copies of insurance policies evidencing compliance with this provision

(b) That all policies of insurance shall be issued by companies and in amounts in each company satisfactory to Mortgagee. All policies of insurance shall have attached thereto a lender's loss payable endorsement for the benefit of Mortgagee in form satisfactory to Mortgagee. The Company shall furnish Mortgagee with an original copy of all policies of required

insurance. If the Company provides any of the required insurance through blanket policies carried by the Company and covering more than one location, then the Company shall furnish Mortgagee with a certificate of insurance for each such policy setting forth the coverage, the limits of liability, the name of the carrier, the policy number, and the expiration date. At least thirty (30) days prior to the expiration of each such policy, the Company shall furnish Mortgagee with evidence satisfactory to Mortgagee of the payment of premium and the reissuance of a policy continuing insurance in force as required by this Mortgage. All such policies shall contain a provision that such policies will not be cancelled or materially amended, which term shall include any reduction in the scope or limits of coverage, without at least thirty (30) days prior written notice to Mortgagee. In the event the Company fails to provide, maintain, keep in force or deliver and furnish to Mortgagee the policies of insurance required by this Section Mortgagee may procure such insurance for such risks covering Mortgagee's interest and the Company will pay all premiums thereon promptly upon demand by Mortgagee and until such payment is made by the Company the amount of all such premiums together with interest thereon at the default rate shall be secured by this Mortgage.

(c) That after the happening of any casualty to the premises or any part thereof, the Company shall give prompt written notice thereof to Mortgagee.

1. In the event of any damage or destruction of the Premises, the Company shall have the option (unless there has been an event of default hereunder or under the Loan Instruments or any event which might mature into an event of default upon the lapse of time or otherwise as specified therein, in which event, Mortgagee shall have the option) in its sole discretion of applying all or part of the insurance proceeds (i) to any Indebtedness Secured Hereby and in such order as Mortgagee may determine, or (ii) to the restoration of the Premises.

2. In the event of loss or damage, all proceeds of insurance shall be payable to Mortgagee, and Mortgagee is hereby authorized and empowered by the Company to settle, adjust or compromise any claims for loss, damage or destruction under any policies of insurance. Notwithstanding the above, the Company may adjust all claims less than \$20,000 and receive the proceeds therefrom so long as the Company is not in default hereunder. To effectuate the preceding sentence, the Mortgagee will, upon reasonable request, execute appropriate releases.

3. Except to the extent that insurance proceeds are received by Mortgagee and applied to the Indebtedness Secured Hereby, nothing herein contained shall be deemed to excuse the Company from repairing or maintaining the Premises as provided in Section 2.07 hereof or restoring all damage or destruction to the Premises, regardless of whether or not there are insurance proceeds available or whether any such proceeds are sufficient in amount, and the application or release by Mortgagee of any insurance proceeds shall not cure or waive any default or notice of default under this Mortgage or invalidate any act done pursuant to such notice.

(d) In the event of foreclosure of this Mortgage or other transfer of title or assignment of the Premises in extinguishment, in whole or in part, of the Indebtedness Secured Hereby, all right, title and interest of the Company in and to all policies of insurance required by this Mortgage shall inure to the benefit of and pass to the successor in interest to the Company or the purchaser or grantee of the Premises.

Section 2.09 Leases and Other Agreements. Except where specifically permitted by the Loan Agreement, the Company will not suffer or permit any default whereby any lessor, grantor or licensor may terminate any lease, license, or operating agreement or any default whereby any trackage rights, or rights of use and operation, which are or may be enjoyed by the Company, or any agreement under or in pursuance of which such rights have been acquired. The Company shall pay when due all rents and other payments and perform all covenants and agreements continued in any lease, license, easement, operating agreement, trackage agreement or any other agreement which is necessary for the operation, and maintenance of the Premises or which may constitute a portion of or an interest in the Premises. The Company shall not assign, surrender, transfer, encumber, sublease or convey any such agreement or the Company's interest therein, or take any other action which would effect or permit the termination of any such agreement. The Company agrees, within 14 days after Mortgagee's request, to furnish receipts or other evidence satisfactory to Mortgagee evidencing the payments due under such agreements.

Section 2.10 Transfer. Except as in this Mortgage expressly authorized, or as permitted in the Loan Agreement, the Company will not suffer or permit any Subsidiary to sell, mortgage, pledge, transfer, lease, grant, convey, assign or encumber or otherwise dispose of the premises or any part thereof except to the Company or to some other Subsidiary. The Company reserves the right to grant easements, licenses, rights-of-way, trackage rights and similar interests in the ordinary course of its business notwithstanding any provision herein to the contrary.

Section 2.11 Recording. Forthwith upon the execution and delivery of this Mortgage, and thereafter from time to time, the Company will cause this Mortgage and every supplemental mortgage to be filed, registered and recorded and re-filed, re-registered and re-recorded in such manner and in such places as may be required by any present or future law in order fully to protect the lien hereof upon, including any filing with the Interstate Commerce Commission, and the title of the Mortgagee to the mortgaged and pledged Premises as the same shall be constituted from time to time, and, from time to time, will perform or cause to be performed any other act as provided by law, and will execute or cause to be executed any and all further instruments that may be requested by the Mortgagee for such protection.

Section 2.12 Indemnity.

(a) If Mortgagee is made a party defendant in its capacity as Mortgagee hereunder to any litigation concerning this Mortgage, the Premises or any part thereof or therein, or the construction, operation or occupancy thereof by the

Company, then the Company shall indemnify, defend and hold Mortgagee harmless from all liability by reason of said litigation, including reasonable attorneys' fees and expenses incurred by Mortgagee in any such litigation, whether or not any such litigation is prosecuted to judgment. If there is an Event of Default and Mortgagee commences an action against the Company to enforce any of the terms hereof or for the recovery of any sum secured hereby, the Company shall pay to Mortgagee reasonable attorneys' fees and expenses incurred by Mortgagee in any such litigation, whether or not any such litigation is prosecuted to judgment. If the Company breaches any term of this Mortgage, Mortgagee may employ an attorney or attorneys to protect its rights hereunder, and in the event of such employment following any breach by the Company, the Company shall pay Mortgagee reasonable attorneys' fees and expenses incurred by Mortgagee, whether or not an action is actually commenced against the Company by reason of breach.

(b) The Company waives any and all right to claim or recover against Mortgagee, its officers, employees, agents and representatives, for loss of or damage to the Company, the Premises, the Company's property or the property of others and under the Company's control from any cause insured against or required to be insured against by the provisions of this Mortgage.

(c) All sums payable by the Company hereunder shall be paid without notice, demand, counterclaim, setoff, deduction or defense and without abatement, suspension, deferment, diminution or reduction, and the obligations and liabilities of the Company hereunder shall in no way be released, discharged or otherwise affected (except as expressly provided herein) by reason of: (i) any damage to or destruction of or any condemnation or similar taking of the premises or any part thereof; (ii) any restriction or prevention of or interference with any use of the Premises or any part thereof; (iii) any title defect or encumbrance or any eviction from the Premises or any part thereof by title paramount or otherwise; (iv) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to Mortgagee or any action taken with respect to this Mortgage by any trustee or receiver of Mortgagee, or by any court, in any such proceeding; (v) any claim which the Company has or might have against Mortgagee; (vi) any default or failure on the part of Mortgagee to perform or comply with any of the terms hereof or of any other agreement with the Company; or (vii) any other occurrence whatsoever, whether similar or dissimilar to the foregoing; whether or not the Company shall have notice or knowledge of any of the foregoing. Except as expressly provided herein, the Company waives all rights now or hereafter conferred by statute or otherwise to any abatement, suspension, deferment, diminution or reduction of any sum secured hereby and payable by the Company.

Section 2.13 Utilities. To pay when due all utility charges which are incurred by the Company for the benefit of the Premises or which may become a charge or lien against the Premises for gas, electricity, water or sewer services furnished to the Premises and all other assessments or charges of a similar nature, whether public or private, affecting the Premises or any portion thereof, whether or not such taxes, assessments or charges are liens thereon.

Section 2.14 Actions Affecting Premises. The Company shall appear in and contest any action or proceeding purporting to affect the security hereof or the rights or powers of Mortgagee.

Section 2.15 Actions by Mortgagee to Preserve Premises. Should the Company fail to make any payment or to do any act as and in the manner provided in any of the Loan Instruments, Mortgagee in its own discretion, without obligation so to do and without notice to or demand upon the Company and without releasing the Company from any obligation, may make or do the same in such manner and to such extent as Mortgagee may deem necessary to protect the security hereof. In connection therewith (without limiting their general powers), Mortgagee shall have and is hereby given the right, but not the obligation, (i) to enter upon and take possession of the Premises; (ii) to make additions, alterations, repairs and improvements to the Premises which it may consider necessary or proper to keep the Premises in good condition and repair; (iii) to appear and participate in any action or proceeding affecting or which may affect the security hereof or the rights or powers of Mortgagee; (iv) to pay, purchase, contest or compromise any encumbrance, claim, charge, lien or debt which in the judgment of Mortgagee may affect or reasonably appears to affect the security of this Mortgage or be prior or superior hereto; and (v) in exercising such powers to pay necessary expenses, including employment of counsel or other necessary or desirable consultants. The Company shall immediately upon demand therefor by Mortgagee, pay all costs and expenses incurred by Mortgagee in connection with the exercise by Mortgagee of the foregoing rights, including without limitation costs of evidence of title, court costs, appraisals, surveys and attorney's fees.

Section 2.16 Survival of Warranties. The Company shall fully and faithfully satisfy and perform all of its obligations and the obligations of VAC contained in the Loan Instruments, and all representations, warranties and covenants of the Company and VAC contained therein or incorporated by reference shall survive the closing and funding of the loan evidenced by the Note and shall remain continuing obligations, warranties and representations of the Company during any time when any portion of the obligations secured by this Mortgage remain outstanding.

Section 2.17 Eminent Domain. Should the Premises, or any part thereof or interest therein, be taken or damaged by reason of any public improvement or condemnation proceeding, or in any other manner or should the Company receive any notice of other information regarding such proceeding, then the Company shall give prompt written notice thereof to Mortgagee.

(a) Mortgagee shall be entitled to all compensation, awards and other payments or relief therefor, and shall be entitled at its option to commence, appear in and prosecute in its own name any action or proceedings. The Company shall be entitled to make any compromise or settlement in connection with such taking or damage which does not materially effect the Company or its operation. All such compensation, awards, damages, rights of action and proceeds awarded to the Company are hereby assigned to Mortgagee and the Company agrees to execute such further assignments of the proceeds as Mortgagee may require.

(b) Notwithstanding subparagraph (a) above, in the event any portion of the Premises is so taken or damaged, the Company shall have the option in its sole and absolute discretion, to apply all proceeds, after deducting therefrom all costs and expenses (regardless of the particular nature thereof and whether incurred with or without suit), including attorneys' fees, upon any Indebtedness Secured Hereby and in such order as Mortgagee may determine, or to apply all such proceeds, after such deductions, to the restoration of the Premises upon such conditions as Company may determine or acquisition of additional property in replacement of the portion of the Premises which was taken.

Section 2.18 Additional Security. That in the event Mortgagee at any time holds additional security for any of the obligations secured hereby, it may enforce the sale thereof or otherwise realize upon the same, at its option, either before or concurrently herewith or after a sale is made hereunder.

Section 2.19 Inspections. That Mortgagee, or its agents, representatives or workmen, are authorized to enter at any reasonable time upon or in any part of the Premises for the purpose of inspecting the same and for the purpose of performing any of the acts it is authorized to perform under the terms of any of the Loan Instruments.

Section 2.20 Mortgagee's Powers. Without affecting the liability of any other person liable for the payment of any obligation herein mentioned, and without affecting the lien or charge of this Mortgage upon any portion of the Premises not then or theretofore released as security for the full amount of all unpaid obligations, Mortgagee may, from time to time and without notice (i) release any person so liable, (ii) extend the maturity or alter any of the terms of any such obligation, (iii) grant other indulgences, (iv) release or convey, or cause to be released or reconveyed at any time at Mortgagee's option, any parcel, portion or all of the Premises, (v) take or release any other or additional security for any obligation herein mentioned, (vi) make compositions or other arrangements with debtors in relation thereto, or (vii) advance additional funds to protect the security hereof and pay or discharge the obligations of the Company hereunder or under the Loan Instruments, and all amounts so advanced, with interest thereon at the rate set forth in the Note, shall be secured hereby.

### ARTICLE III

#### ASSIGNMENT OF RENTS, ISSUES AND PROFITS

Section 3.01 Assignment of Rents. The Company hereby assigns and transfers to Mortgagee all the rents, issues and profits of the Premises, and hereby gives to and confers upon Mortgagee the right, power and authority to collect such rents, issues and profits. The Company irrevocably appoints Mortgagee its true and lawful attorney-in-fact, at the option of Mortgagee at any time and from time to time, to demand, receive and enforce payment, to

give receipts, releases and satisfactions, and to sue, in the name of the Company or Mortgagee, for all such rents, issues and profits and apply the same to the indebtedness secured hereby; provided, however, that the Company shall have the right to collect such rents, issues and profits (but not more than three months in advance of the date due) prior to or at any time there is not an event of default under any of the Loan Instruments. The rents, issues and profits are hereby assigned absolutely by the Company to Mortgagee but the Company shall have the right to receive such rents, issues and profits until the occurrence of an event of default under any of the Loan Instruments.

Section 3.02 Collection Upon Default. Upon any event of default under any of the Loan Instruments, Mortgagee may, at any time without notice, either in person, by agent or by a receiver appointed by a court, and without regard to the adequacy of any security for the Indebtedness Hereby Secured, enter upon and take possession of the Premises, or any part thereof, in its own name sue for or otherwise collect such rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including attorneys' fees, upon any indebtedness secured hereby, and in such order as Mortgagee may determine. The collection of such rents, issues and profits, or the entering upon and taking possession of the Premises, or the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done in response to such default or pursuant to such notice of default.

Section 3.03 Assignment of Leases. The Company agrees to assign and transfer to Mortgagee as additional security for payment of the Indebtedness Secured Hereby, its interests as Lessor in all present and future leases upon all or any part of the Premises and to execute and deliver, at the request of Mortgagee, all such further assurances and assignments in the Premises as Mortgagee shall from time to time require. The Company expressly covenants and agrees that if the Company, as lessor under any material lease or leases, if any, so assigned shall not perform and fulfill any material term, covenant, condition or provision in said lease or leases, or any of them, on its part to be performed or fulfilled, at the times and in the manner in said lease or leases provided, or if the Company shall suffer or permit to occur any material breach or default under the provisions of any such assignment of any material lease or leases and such default shall continue beyond the cure period, if any, set forth therein, then and in any such event, such breach or default shall constitute an event of default hereunder as such term is defined in Article V hereof.

Section 3.04 Mortgagee's Right of Possession in Case of Default. In any case in which under the provisions of this Mortgage, Mortgagee has a right to institute foreclosure proceedings, whether before or after the whole principal sum secured hereby is declared to be immediately due, or whether before or after the institution of legal proceedings to foreclose the lien hereof or before or after sale thereunder, forthwith, upon demand of Mortgagee, the Company shall surrender to Mortgagee and Mortgagee shall be entitled to take actual possession of the Premises or any part thereof personally, or by its agent or attorneys, as for condition broken. In such event Mortgagee in its

discretion may, with or without force and with or without process of law, enter upon and take and maintain possession of all or any part of the Premises, together with all documents, books, records, papers and accounts of the Company or then owner of the Premises relating thereto, and may exclude the Company, its agents or servants, wholly therefrom and may as attorney in fact or agent of the Company, or in its own name as Mortgagee and under the powers herein granted, hold, operate, manage and control the Premises and conduct the business, if any, thereof, either personally or by its agents, and with full power to use such measures, legal or equitable, as in its discretion or in the discretion of its successors or assigns, may be deemed proper or necessary to enforce the payment or security of the avails, rents, issues, and profits of the Premises, including actions for the recovery of rent, actions in forcible detainer and actions in distress for rent, and with full power: (a) to cancel or terminate any lease or sublease for any cause or on any ground which would entitle the Company to cancel the same; (b) to elect to disaffirm any lease or sublease which is then subordinate to the lien hereof; (c) to extend or modify any then existing leases and to make new leases, which extensions, modifications and new lease may provide for terms to expire, or for options to lessees to extend or renew terms to expire, beyond the maturity date of the indebtedness hereunder and beyond the date of the issuance of a deed or deeds to a purchaser or purchasers at a foreclosure sale, it being understood and agreed that any such leases, and the options or other such provisions to be contained therein, shall be binding upon the Company and all persons whose interests in the Premises are subject to the lien hereof and upon the purchaser or purchasers at any foreclosure sale, notwithstanding any redemption from sale, discharge of the mortgage indebtedness, satisfaction of any foreclosure decree, or issuance of any certificate of sale or deed to any purchaser; (d) to make all necessary or proper repairs, decorating, renewals, replacements, alterations, additions, betterments and improvements to the Premises as to it may seem judicious; (e) to insure and reinsure the same and all risks incidental to Mortgagee's possession, operation and management thereof; and (f) to receive all of such avails, rents, issues and profits, hereby granting full power and authority to exercise each and every of the rights, privileges and powers herein granted at any and all times hereafter, without notice to the Company.

Mortgagee shall not be obligated to perform or discharge, any obligation, duty or liability under any leases. The Company shall and does hereby agree to indemnify and hold Mortgagee harmless of and from any and all liability, loss or damage which it may or might incur under said leases or under or by reason of the assignment thereof and of and from any and all claims and demands whatsoever which may be asserted against it by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants or agreements contained in said leases. Should Mortgagee incur any such liability, loss or damage, under said leases or under or by reason of the assignment thereof, or in the defense of any claims or demands, the amount thereof, including costs, expenses and reasonable attorneys' fees, shall be secured hereby, and the Company shall reimburse Mortgagee therefor immediately upon demand.

Section 3.05 Application of Income Received by Mortgagee. Mortgagee, in the exercise of the rights and powers hereinabove conferred upon it shall have full power to use and apply the avails, rents, issues and profits of the Premises to the payment of or on account of the following, in such order as Mortgagee may determine:

(a) to the payment of the operating expenses of the Premises, including cost of management and leasing thereof (which shall include reasonable compensation to Mortgagee and its agent or agents, if management be delegated to an agent or agents, and shall also include lease commissions and other compensation and expenses of seeking and procuring tenants and entering into leases), established claims for damages, if any, and premiums on insurance hereinabove authorized.

(b) to the payment of taxes and special assessments now due or which may hereafter become due on the Premises and, if this is a leasehold mortgage, of all rents due or which may become hereafter due under the underlying lease;

(c) to the payment of all repairs, decorating, renewals, replacements, alterations, additions, betterments, and improvements of the Premises;

(d) to the payment of any Indebtedness Secured Hereby or any deficiency which may result from any foreclosure sale.

#### ARTICLE IV

##### SECURITY AGREEMENT

Section 4.01 Creation of Security Interest. The Company hereby grants and assigns to Mortgagee a security interest in all the personal property located on, at, or comprising the Property, whether now owned or hereafter acquired, together with all replacements therefor, products and proceeds (including, but without limitation, insurance proceeds) thereof and the Company's reversionary rights therein including without limitations, Accounts, Chattel Paper, Contracts, Contract Rights, Documents, Equipment, Fixtures, Furniture, General Intangibles, Instruments, Inventory, pledged stock, rights as seller of Goods and rights to returned or repossessed Goods, all records pertaining to any other collateral, all right, title and interest of the Company in the property specifically described on Exhibit D, ties, rails, ballasts, bridges, trestles, (the preceding five categories and similar items which for the purpose of this agreement shall be considered personal property) and any and all property of similar type or kind hereafter located on or at the Premises for the purpose of securing all obligations of the Company contained in any of the Loan Instruments.

Section 4.02 Warranties, Representations and Covenants of the Company or Its Beneficiaries. The Company does hereby warrant, represent and covenant as follows:

(a) Except for the security interest granted hereby, the Company is, and as to portions of the personal property to be acquired after the date hereof will be, the sole owner of the personal property, free from any adverse lien, security interest, encumbrance or adverse claims thereon of any kind whatsoever except Permitted Exceptions. The Company will notify Mortgagee of, and will defend the personal property against, all claims and demands of all persons at any time claiming the same or any interest therein.

(b) The Company will not lease, sell, convey or in any manner transfer the personal property without the prior written consent of Mortgagee except as may be permitted in the Loan Agreement.

(c) At the request of Mortgagee, the Company will join Mortgagee in executing one or more financing statements and renewals and amendments thereof pursuant to the Uniform Commercial Code of the applicable jurisdiction in a form satisfactory to Mortgagee, and will pay the cost of filing the same in all public offices wherever filing is deemed by Mortgagee to be necessary or desirable.

(d) All covenants and obligations of the Company contained herein relating to the Premises shall be deemed to apply to the personal property whether or not expressly referred to herein.

#### ARTICLE V

##### REMEDIES UPON DEFAULT

Section 5.01 Events of Default. Any one or more of the following events shall be deemed a default hereunder ("Events of Default"):

(a) If the Company or Venango defaults in the timely payment (whether the same shall be due and payable by the terms of said Note or as otherwise herein provided) of any installment of principal of the Note or any part thereof for more than five (5) days after the due date thereof, or if the Company or Venango defaults in the timely payment (whether the same shall be due and payable by the terms of said Note or as otherwise herein provided) of any installment of interest on the Note for more than five (5) days after the due date thereof;

(b) If any Constituent Corporation (as such term is defined in the Loan Agreement) defaults in any payment of any installment of principal or interest on any other permitted obligation, whether direct or indirect, for borrowed money, beyond any period of grace provided with respect thereto, or in the performance of any other term, condition or covenant contained in any material permitted agreement (including but not limited to an agreement in connection with the acquisition of capital equipment on a title retention or net lease basis) under which any such obligation is created, the effect of which default is to cause or permit the holder of such obligation to cause such obligation to become due prior to its stated maturity (unless such holder agrees in writing to the Bank not to cause such acceleration);

(c) If the Company, Venango, or any of the Guarantors shall fail to timely observe or perform any covenant, condition, agreement or provision of this Mortgage, the Loan Agreement or the Loan Instrument and such failure shall continue, without being remedied to the Bank's reasonable satisfaction, for a period of 30 days after the giving of written notice of such failure to the Company (of if such default is nonmonetary and by its nature cannot be remedied in 30 days, appropriate remedial action is not begun within such time and diligently pursued to completion), or forthwith upon the giving of such notice if it shall waive such lapse of time;

(d) If any material representation or warranty made by any of the Guarantors in writing in connection with or in this Mortgage, the Loan Agreement or the Loan Instruments or any of the Loan Supporting Documents, shall prove to have been false when made or deemed made;

(e) If any Constituent Corporation shall generally not pay its debts as they become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors or shall institute any proceeding or voluntary case seeking to adjudicate it a bankrupt or insolvent or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or protection of debtors or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property; or any Constituent Corporation shall take any corporate or other action to authorize any of the actions described in this subparagraph; or

(f) If any proceeding shall be instituted against any Constituent Corporation seeking to adjudicate it a bankrupt or insolvent or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property, and either (1) such proceeding shall remain undismissed or unstayed for a period of 60 days or (2) such party shall file any answer admitting or consenting to the jurisdiction of the court and the material allegations of any petition filed in connection with any such proceeding; or (3) any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property) shall occur;

(g) If any state or any officer thereof shall institute any extraordinary legal proceeding seeking a forfeiture of the Articles of Incorporation of any Constituent Corporation or a forfeiture of its license or franchise to transact business in any state, and such corporation shall fail to vacate any order entered in such proceeding within 30 days;

(h) If there shall be entered against any Constituent Corporation, directly or indirectly, one or more judgments, injunctions or decrees by any arbitrator(s), arbitration board or panel, federal, state, municipal or other governmental court tribunal, department, commission, board or other administrative agency, domestic or foreign, involving in the aggregate, a liability of \$50,000 or more, which is not covered by insurance or indemnification by the C&O or adequately reserved on the Company's books as of July 31, 1984 by a Liability Reserve as defined in the Acquisition Agreement described in the Loan Agreement, or enjoining any train operations and all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 45 days from the entry thereof;

(i) If the Guarantors own beneficially or of record in the aggregate less than 28% of the shares of the capital stock of Venango;

(j) If any of the following events occur with respect to any Constituent Corporation or any ERISA Affiliate:

(a) A Reportable Event shall have occurred with respect to a Plan which could in the opinion of the Bank, have a material adverse effect on the financial condition of the Company.

(b) The filing of a notice of intent to terminate a Plan under §4041 of ERISA which could, in the opinion of the Bank, have a material adverse effect on the financial condition of the Company.

(c) The receipt of a notice by the Plan administrator of a Plan that the PBGC has instituted proceedings to terminate a Plan or appoint a trustee to administer a Plan.

(d) Any other event or condition exists which might, in the reasonable opinion of the Bank, constitute grounds under §4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan.

(e) The Company or any ERISA Affiliate shall have withdrawn from a Multiemployer Plan and the Bank shall have determined that such withdrawal could have a material adverse effect on the financial condition of the Company.

(h) An event of default under the Pledge Agreement, Venango's Subordinated Debenture or the Company's Preferred Stock;

Section 5.02 Acceleration Upon Default, Additional Remedies. In the event of default, Mortgagee may declare all Indebtedness Secured Hereby to be

due and payable and the same shall thereupon become due and payable without any presentment, demand, protest or notice of any kind. Thereafter Mortgagee may:

(a) Either in person by agent, with or without bringing any action or proceeding, enter upon and take possession of the Premises, or any part thereof, in its own name, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Premises, or part thereof or interest therein, increase the income therefrom or protect the security thereof and, with or without taking possession of the Premises, sue for or otherwise collect the rents, issues and profits thereof, including those past due and unpaid, and apply the same in accordance herewith. The entering upon and taking possession of the Premises, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done in response to such default or pursuant to such notice of default and, notwithstanding the continuance in possession of the Premises or the collection, receipt and application of rents, issues or profits, Mortgagee shall be entitled to exercise every right provided for in any of the Loan Instruments or by law upon occurrence of any event of default.

(b) Commence an action to foreclose this Mortgage, appoint a receiver, or specifically enforce any of the covenants hereof;

(c) Exercise any or all of the remedies available to secured party under the applicable state's Uniform Commercial Code, including, but not limited to:

1. Either personally or by means of a court appointed receiver, take possession of all or any of the personal property and exclude therefrom the Company and all others claiming under the Company, and thereafter hold, store, use, operate, manage, maintain and control, make repairs, replacements, alterations, additions and improvements to and exercise all rights and powers of the Company in respect to the personal property or any part thereof. In the event Mortgagee demands or attempts to take possession of the personal property in the exercise of any rights under any of the Loan Instruments, the Company promises and agrees to promptly turn over and deliver complete possession thereof to Mortgagee;

2. Without notice to or demand upon the Company, make such payments and do such acts as Mortgagee may deem necessary to protect its security interest in the personal property, including without limitation, paying, purchasing, contesting, or compromising any encumbrance, charge or lien which is prior to or superior to the security interest granted hereunder, and in exercising any such powers or authority to pay all expenses incurred in connection therewith;

3. Require the Company to assemble the personal property or any portion thereof, at a place designated by Mortgagee and reasonably convenient to both parties, and promptly to deliver such personal property to Mortgagee, or an agent or representative designated by it. Mortgagee, and its agents and representatives shall have the right to enter upon any or all of the Company's Premises to exercise Mortgagee's rights hereunder;

4. Sell, lease or otherwise dispose of the personal property at public sale, with or without having the personal property at the place of sale, and upon such terms and in such manner as Mortgagee may determine. Mortgagee may be a purchaser at any such sale;

5. Unless the personal property is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Mortgagee shall give the Company at least ten (10) days prior written notice of the time and place of any public sale of the personal property or other intended disposition thereof. Such notice may be mailed to the Company at the address set forth at the beginning of this Mortgage.

(d) Enter into and upon all or any part of the railroads, Premises, lands, rights, interests, and franchises hereby conveyed, or intended so to be, and each and every part thereof, and may exclude the Company, their agents and servants wholly therefrom; and, having and holding the same, may use, operate, manage, and control said railroads and other Premises, regulate the tolls for the transportation of passengers and freight thereon, and conduct the business thereof, either personally or by its superintendents, managers, receivers, agents, and servants or attorneys; and upon every such entry the Mortgagee, at the expense of the Company, from time to time, either by purchase, repairs or construction, may maintain and restore, and may insure or keep insured, the tools and machinery and other property, buildings, bridges and structures erected or provided for use in connection with said railroads and other Premises, whereof it shall become possessed, as aforesaid, in the same manner and to the same extent as is usual with railroad companies; and likewise, from time to time, at the expense of the Company may make all necessary or proper repairs, renewals, replacements, additions, betterments and improvements thereto and thereon, as to the Mortgagee may seem judicious; and in such case the Mortgagee shall have the right to manage the mortgaged railroads and property and to carry on the business and exercise all rights and powers of the Company, in the name of the Company. The Mortgagee shall be entitled to collect and receive all tolls, earnings, income, rents, issues and profits of the same and every part thereof, and also the income from bonds or obligations subject to this Mortgage. After deducting the expenses of operating said railroads and other Premises, and of conducting the business thereof and of all repairs, maintenance, renewals, replacements, additions, betterments and improvements, and all payments which may be made for taxes, assessments, insurance, and prior or other proper charges upon the Premises, any part thereof, as well as reasonable compensation to the Mortgagee, its attorneys and agents, and all expenses, liabilities and advances made or incurred by the Mortgagee, its attorneys and agents.

(e) The Company, upon demand of the Mortgagee, shall forthwith surrender to the Mortgagee the actual possession of, and it shall be lawful for the Mortgagee, by such officer or agent as it may appoint, to take possession of, all the mortgaged and pledged property (with the books, papers and accounts of the Company), to exclude the Company, its agents and servants, wholly therefrom, and to hold, operate and manage the same, regulate the tolls for the transportation of passengers and freight thereon, conduct the business

thereof for the benefit of Mortgagee, and from time to time to make all needful repairs, renewals and replacements and such alterations, additions, betterments and improvements as to the Mortgagee shall seem wise, and purchase or otherwise secure the use of additional Equipment, tools and machinery for use thereon; and to collect and receive the tolls, rents, income, issues and profits thereof, and out of the same, including reasonable compensation to, and the expenses and disbursements of, the Mortgagee, its agents and counsel, and any taxes and assessments and other charges prior to the lien of this Mortgage which the Mortgagee may deem it wise to pay, and all expenses of such repairs, renewals, replacements, alterations, additions, betterments, improvements and purchases, and to apply the remainder of the moneys so received by the Mortgagee, first, to the payment of the instalments of interest which are due and unpaid, second, if the principal of the Note is due, to the payment of the principal.

Section 5.03 Foreclosure; Expense of Litigation. When the Indebtedness Hereby Secured, or any part thereof, shall become due, whether by acceleration or otherwise, Mortgagee shall have the right to foreclose the lien hereof for such indebtedness or part thereof. In any suit to foreclose the lien hereof or enforce any other remedy of Mortgagee under this Mortgage or the Note, there shall be allowed and included as additional indebtedness in the decree for sale or other judgment or decree all expenditures and expenses which may be paid or incurred by or on behalf of Mortgagee for attorneys' fees, appraiser's fees, outlays for documentary and expert evidence, stenographers' charges, publication costs, and costs (which may be estimated as to items to be expended after entry of the decree) of procuring all such abstracts of title, title searches and examinations, title insurance policies, Torrens certificates, and similar data and assurances with respect to title as Mortgagee may deem reasonably necessary either to prosecute such suit or to evidence to bidders at any sale which may be had pursuant to such decree the true condition of the title to or the value of the Premises. All expenditures and expenses of the nature in this paragraph mentioned, and such expenses and fees as may be incurred in the protection of the Premises and maintenance of the lien of this Mortgage, including the fees of any attorney employed by Mortgagee in any litigation or proceeding affecting this Mortgage, the Note or the Premises, including probate and bankruptcy proceedings, or in preparations for the commencement or defense of any proceeding or threatened suit or proceeding, shall be immediately due and payable by the Company, with interest thereon at the post maturity rate and shall be secured by this Mortgage.

Section 5.04 Application of Proceeds of Foreclosure Sale. The proceeds of any foreclosure sale of the Premises shall be distributed and applied in the following order of priority: First, on account of all costs and expenses incident to the foreclosure proceedings, including all such items as are mentioned in the preceding paragraph hereof; second, all other items which under the terms hereof constitute secured indebtedness additional to that evidenced by the Note, with interest thereon as herein provided; third, all principal and interest remaining unpaid on the Note; fourth, any overplus to the Company, its successors or assigns, as their rights may appear.

Section 5.05 Appointment of Receiver. Upon, or at any time after the filing of a complaint to foreclose this Mortgage, the court in which such complaint is filed may appoint a receiver of the Premises. Such appointment may be either before or after sale, without notice, without regard to the solvency or insolvency of the Company at the time of application for such receiver and without regard to the then value of the Premises or whether the same shall be then occupied as a homestead or not and Mortgagee hereunder or any Holders may be appointed as such receiver. Such receiver shall have power: (a) to collect the rents, issues and profits of the Premises during the pendency of such foreclosure suit and, in case of a sale and a deficiency, during the full statutory period of redemption, whether there be redemption or not, as well as during any further times when the Company, except for the intervention of such receiver, would be entitled to collect such rents, issues and profits; (b) to extend or modify any then existing leases and to make new leases, which extensions, modifications and new leases may provide for terms to expire, or for options to lessees to extend or renew terms to expire, beyond the maturity date of the indebtedness hereunder and beyond the date of the issuance of a deed or deeds to a purchaser or purchasers at a foreclosure sale, it being understood and agreed that any such leases, and the options or other such provisions to be contained therein, shall be binding upon the Company and all persons whose interest in the Premises are subject to the lien hereof and upon the purchaser or purchasers at any foreclosure sale, notwithstanding any redemption from sale, discharge of mortgage indebtedness, satisfaction of any foreclosure decree, or issuance of any certificate of sale or deed to any purchaser; and (c) all other powers which may be necessary or are usual in such cases for the protection, possession, control, management and operation of the Premises during the whole of said period. The court from time to time may authorize the receiver to apply the net income in his hands in payment in whole or in part of: (a) the indebtedness secured hereby, or by any decree foreclosing this mortgage, or any tax, special assessment or other lien which may be or become superior to the lien hereof or of such decree, provided such application is made prior to foreclosure sale; (b) and if this is a leasehold mortgage, all rents due or which may become due under the underlying lease; (c) the deficiency in case of a sale and deficiency.

Section 5.06 Remedies Not Exclusive. Mortgagee shall be entitled to enforce payment and performance of any indebtedness or obligations secured hereby and to exercise all rights and powers under this Mortgage or under any Loan Instrument or other agreement or any laws now or hereafter in force, notwithstanding some or all of the said indebtedness and obligations secured hereby may now or hereafter be otherwise secured, whether by mortgage, deed of trust, pledge, lien, assignment or otherwise. Neither the acceptance of this Mortgage nor its enforcement whether by court action or other powers herein contained, shall prejudice or in any manner affect Mortgagee's right to realize upon or enforce any other security now or hereafter held by Mortgagee, it being agreed that Mortgagee shall be entitled to enforce this Mortgage and any other security now or hereafter held by Mortgagee in such order and manner as it may in its absolute discretion determine. No remedy herein conferred upon or reserved to Mortgagee is intended to be exclusive of any other remedy herein or by law provided or permitted, but each shall be cumulative and shall

be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. Every power or remedy given by any of the Loan Instruments to Mortgagee or to which it may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as it may be deemed expedient by Mortgagee and Mortgagee may pursue inconsistent remedies.

Section 5.07 Waiver of Rights. The Company waives the benefit of all laws now existing or that hereafter may be enacted providing for (i) any appraisalment before sale of any portion of the Premises, and (ii) the benefit of all laws that may be hereafter enacted in any way extending the time for the enforcement of the collection of the Note or the debt evidenced thereby or creating or extending a period of redemption from any sale made in collecting paid debt. To the full extent the Company may do so, the Company agrees that the Company will not at any time insist upon, plead, claim or take the benefit or advantage of any law now or hereafter in force providing for any appraisalment, valuation, stay, extension or redemption, and the Company, for the Company's heirs, devisees, representatives, successors and assigns, and for any and all persons ever claiming any interest in the Premises, to the extent permitted by law, hereby waives and releases all rights of redemption, valuation, appraisalment, stay of execution, notice of election to mature or declare due the whole of the Indebtedness Secured Hereby and marshalling in the event of foreclosure of the liens hereby created. If any law referred to in this Section and now in force, of which the Company, the Company's heirs, devisees, representatives, successors and assigns or other person may take advantage despite this Section, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to preclude the application of this Section. The Company expressly waives and relinquishes any and all rights and remedies which the Company may have or be able to assert by reason of the laws of the applicable jurisdiction pertaining to the rights and remedies of sureties. The Company further waives any and all rights to have its assets marshalled in the event of default.

## ARTICLE VI

### MISCELLANEOUS

Section 6.01. Governing Law. This Mortgage shall be governed by the laws of the State of Illinois. To the extent the security interests created hereunder shall be governed by the laws of another jurisdiction by reason of the location of the Premises, such laws shall apply. In the event that any provision or clause of any of the Loan Instruments conflicts with applicable laws, such conflicts shall not affect other provisions of such Loan Instruments which can be given effect without the conflicting provision, and to this end the provisions of the Loan Instruments are declared to be severable. This instrument cannot be waived, changed, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcements of any waiver, change, discharge, or termination is sought.

Section 6.02. Captions. The captions or headings at the beginning of each Section hereof are for the convenience of the parties and are not a part of this Mortgage.

Section 6.03. Invalidity of Certain Provisions. If the lien of this Mortgage is invalid or unenforceable as to any part of the Indebtedness Secured Hereby, or if the lien is invalid or unenforceable as to any part of the Premises, the unsecured or partially secured portion of the debt shall be completely paid prior to the payment of the remaining and secured or partially secured portion of the debt, and all payments made on the debt, whether voluntary or under foreclosure or other enforcement action or procedure, shall be considered to have been first paid on and applied to the full payment of that portion of the debt which is not secured or fully secured by the lien of this Mortgage.

Section 6.04. No Merger. If both the lessors's and lessee's estates under any lease or any portion thereof which constitutes a part of the Premises or any grantor and grantees rights under any easement, right of way, license, trackage agreement, operating agreement or any such other similar agreement shall at any time become vested in one owner, this Mortgage and lien created hereby shall not be destroyed or terminated by application of the doctrine of merger and, in such event, Mortgagee shall continue to have and enjoy all of the rights and privileges of Mortgagee as to the separate estates. In addition, upon the foreclosure of the lien created by this Mortgage on the Premises pursuant to the provisions hereof, any leases, subleases, easements, rights of way, licenses, trackage agreements, operating agreements or any such other similar agreements then existing and created by Mortgagor shall not be destroyed or terminated by application of the law of merger or as a matter of law or as a result of such foreclosure unless Mortgagee or any purchaser at any such foreclosure sale shall so elect. No act by or on behalf of Mortgagee or any such purchaser shall constitute a termination of any lease, sublease, easement, right of way, license, trackage agreement, operating agreement or any such other similar agreement unless Mortgagee or such purchaser shall give written notice thereof to such tenant, subtenant, grantee or licensee.

Section 6.05. I.C.C. Compliance. The Company covenants that the railroad, railroad lines, Equipment and Premises will be operated, used and maintained in accordance with the applicable Interstate Commerce Commission and Federal Railroad Administration rules and regulations and in the use of said railroad by the Company, its successors and assigns and in case the Company, its successors and assigns are served with notice of violation by the I.C.C. or the Federal Railroad Administration that it will immediately cure such violations and abate whatever violation is claimed or alleged to exist. The Company shall have the right to contest in good faith any such matter provided that Mortgagee is reasonably satisfied that the immediate cure is not reasonably necessary.

Section 6.06. Performance of Obligations under Loan Agreement. Concurrently with the execution of this Mortgage, Venango and VAC have

executed and delivered a certain Loan Agreement of even date herewith, the terms and provisions of which are incorporated herein by express and specific reference and the Company has expressly assumed all obligations of Venango and VAC thereunder. It is a proviso hereof that Venango, VAC and the Company shall faithfully perform each and all of the obligations and covenants set forth in said Loan Agreement with the understanding that a default under said Loan Agreement shall be and constitute a default under this Mortgage, and, in consequence thereof, the Mortgagee may avail itself of any remedy reserved hereunder for breach of condition or default, and Mortgagee may in any such case avail itself of any right to remedy available under the law as such case made and provided. Whenever in this Mortgage there appears a covenant or provision that is inconsistent or in conflict with a comparable provision in the Loan Agreement, the provision in said Loan Agreement shall prevail and shall govern the rights, duties and obligations of the parties hereto as to the subject matter covered thereby. An executed copy of the Loan Agreement is available for inspection by any interested party during normal business hours at the offices of John S. Shapira, Lord, Bissell and Brook, 115 South LaSalle Street, Chicago, Illinois 60603.

Section 6.07. Successors and Assigns. All the covenants, stipulations, promises and agreements in this Mortgage contained by or on behalf of the Company, shall bind its successors and assigns, whether so expressed or not.

Section 6.08. Notice. Except as herein otherwise provided, any notice or demand which by any provisions of this Mortgage is required or permitted to be sufficiently given or served on the Company or the Mortgagee shall be deemed to have been sufficiently given and served for all purposes by being deposited postage prepaid in the United States mail (unless another address has been filed by the party addressed with the other party to this Mortgage in which case the address so filed shall be used), addressed as follows: The Company at: Chicago South Shore and South Bend Railroad; North Carroll Avenue, Michigan City Indiana 46360; the Mortgagee at: American National Bank and Trust Company of Chicago, 33 North LaSalle Street, Chicago, Illinois 60690, Attention: Bruce Hague.

Section 6.09. Recording. In order to facilitate the recording of this Mortgage, the same may be simultaneously executed in several counterparts, each which so executed shall be deemed to be an original; and such counterparts, or so many thereof as the Company and the Mortgagee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 6.10. Merger of Consolidation. None of the Constituent Corporations (as such term is defined in the Loan Agreement) shall, directly or indirectly without the prior written consent of the Mortgagee, during the term of this Mortgage merge or consolidate with an individual, corporation, joint venture, firm or other entity.

IN WITNESS WHEREOF, Chicago South Shore and South Bend Railroad Company and the Indiana and Kensington Railroad Company have each caused this Mortgage

to be signed in its corporate name and acknowledged by its President, or a Vice President, and its corporate seal to be hereunto affixed and attested by its Secretary or an Assistant Secretary, and American National Bank and Trust Company of Chicago, as Mortgagee, has caused this Mortgage to be signed in its corporate name and acknowledged by a Vice President or an Assistant Vice President, and its corporate seal to be hereunto affixed by an Assistant Secretary, all as of the date first above written.

Attest

Chicago South Shore and South  
Bend Railroad Company

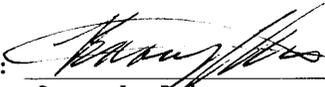
By:   
Timothy R. Jorgenson  
Its Secretary

By:   
Barry L. Prince  
Its President

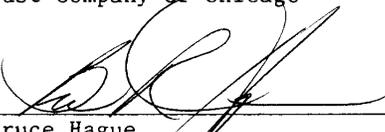
Attest

Indiana and Kensington  
Railroad Company

By:   
Timothy R. Jorgenson  
Its Secretary

By:   
Barry L. Prince  
Its President

American National Bank  
and Trust Company of Chicago

By:   
Bruce Hague  
Its Vice President

This instrument prepared by:  
Lawrence A. Gray  
LORD, BISSELL & BROOK  
115 South LaSalle Street  
Chicago, Illinois 60603

Mail to: Above Preparer.







EXHIBIT A

Parcel A

ALL PROPERTY OF THE CHICAGO SOUTH SHORE AND SOUTH BEND RAILROAD AND OF THE INDIANA AND KENSINGTON RAILROAD COMPANY, WHETHER REAL OR PERSONAL, WHETHER OWNED OR LEASED, WHEREVER SITUATED IN COOK COUNTY, ILLINOIS; LAKE COUNTY, INDIANA; PORTER COUNTY, INDIANA; LaPORTE COUNTY, INDIANA; OR ST. JOSEPH COUNTY, INDIANA including but not limited to any and all rights in trackage agreements, leases, rights-of-way, railroad tracks, easements, licenses, grants or any interests of any kind or sort whether such interests are now owned are hereafter acquired, it being the intent of the Mortgagors hereunder to grant to the Mortgagee herein a first and prior lien on any and all property of the Mortgagors (except only for those items specifically enumerated in Exhibit C hereof) in those five counties set forth above, including but not limited to all rights, title and interest of the Chicago South Shore and South Bend Railroad and of the Indiana and Kensington Railroad Company in and to the entire existing railroad line (together with all track, rights-of-way, equipment, catenaries, rights of easement, licenses, leasehold interests, trackage agreements, and any and all rights appurtenant to or in any way related to the operation of said railroad line) from the Randolph Street station in Chicago, Illinois southerly to the railroad station at 115th Street in Kensington, Illinois, further southeasterly to the Illinois-Indiana state line and continuing generally easterly to the South Bend station in St. Joseph County, Indiana.

Without limiting the generality of the foregoing grant, the following particularly described tracts are encumbered by the lien of this mortgage and are as set forth in parcels A-1 through A-5 inclusive.

PARCEL A-1

PARCEL 1:

LOTS 22 TO 47 AND THE WEST 9 FEET OF LOT 48 AND THAT PART OF 51 LYING WEST AND NORTHEASTERLY OF THE FOLLOWING DESCRIBED LINE: BEGINNING AT A POINT IN THE COMMON RIGHT OF WAY LINE OF THE CHICAGO SOUTH SHORE AND SOUTH BEND RAILROAD AND THE INDIANA HARBOR BELT RAILROAD, 66.00 FEET WEST OF THE INDIANA-ILLINOIS STATE LINE AND 29.58 FEET SOUTH OF THE INTERSECTION OF THE SOUTH LINE OF GOSTLIN STREET (PRODUCED) AND SAID RIGHT OF WAY LINE, SAID POINT ALSO BEING 39.20 FEET WEST OF THE CENTER LINE OF MAIN TRACT OF THE INDIANA HARBOR BELT RAILROAD; THENCE WITH THE

SAID RIGHT OF WAY LINE, 66.00 FEET FROM AND PARALLEL TO SAID STATE LINE, DUE SOUTH 184.27 FEET TO THE CHICAGO AND WESTERN INDIANA RAILROAD RIGHT OF WAY LINE; THENCE ALONG THE CHICAGO AND WESTERN INDIANA RAILROAD RIGHT OF WAY LINE NORTH 59 DEGREES 00 MINUTES WEST, 146.80 FEET TO THE NORTH WEST CORNER OF SAID LOT 51 ALL IN J. WILLIAM ESCHENBERG'S STATE LINE ADDITION TO HEGEWISCH IN THE SOUTH 1/2 OF THE SOUTH EAST FRACTIONAL 1/4 OF SECTION 5, TOWNSHIP 36 NORTH, RANGE 15 EAST OF THE THIRD PRINCIPAL MERIDIAN, LYING NORTH EAST OF THE CHICAGO AND WESTERN INDIANA RAILROAD, IN COOK COUNTY, ILLINOIS.

PARCEL 2:

THE SOUTH AND SOUTHWESTERLY 1/2 OF VACATED HOWARD AVENUE LYING NORTH AND NORTHEASTERLY OF AND ADJOINING LOTS 22 TO 47 AND THE WEST 9 FEET OF LOT 48 IN J. WILLIAM ESCHENBERG'S STATE LINE ADDITION TO HEGEWISCH IN THE SOUTH 1/2 OF THE SOUTH EAST FRACTIONAL 1/4 LYING NORTH EAST OF THE CHICAGO AND WESTERN INDIANA RAILROAD, IN COOK COUNTY, ILLINOIS (EXCEPT THE PART THEREOF FALLING WITHIN THE SOUTHWESTERLY 50 FEET OF LOTS 37 AND 38 AFORESAID) AND (EXCEPT THE PART THEREOF FALLING WITHIN THE REAR 16 FEET OF LOTS 42 AND 43 AFORESAID)

PARCEL A-2

PARCEL 1: That part of the Northeast Quarter of Section 2, Township 36 North, Range 9 West of the 2nd P.M., lying Northerly of the Southerly right of way line of the Chicago, South Shore and South Bend Railroad conveyed to said railroad by deed recorded on July 28, 1911 in Deed Record 172, page 100, and Southerly of the Southerly line of the property falling in the Northeast Quarter of said Section 2, Township 36 North, Range 9 West of the 2nd P.M., conveyed to the State of Indiana by deed recorded January 10, 1979 as Document No. 512013, and West of the West line of the alley East of Fairbanks Street, Alley No. 67 West, as shown on the Plat of Gary Estates Seventh Addition, shown in Plat Book 18, page 8), projected North, excepting from all of the above, that part thereof described as Parcel 5, in the deed to the State of Indiana recorded February 16, 1983 as Document No. 697417, in Lake County, Indiana.

PARCEL 2: That part of the East Half of Section 2, Township 36 North, Range 9 West of the 2nd P.M., in Lake County, Indiana, described as follows: Beginning at the point of intersection of the North line of West Fifth Avenue, as marked and laid down on the recorded plat of Gary City Estates Seventh Addition to the City of Gary, as recorded in Plat Book 18, page 8, in the Office of the Recorder of Lake County, Indiana, with the East Right of Way line of the Elgin, Joliet and Eastern Railroad, thence North along the East Right of Way line of said railroad to the point of its intersection with the South Right of Way line of the Chicago, South Shore and South Bend Railroad, thence in a Southeasterly direction along the South Right of Way line of the Chicago, South Shore and South Bend Railroad to a point on said Right of Way line where the West line of Alley No. 67 West, as marked and laid down on said recorded plat, would intersect said Right of Way if extended; thence South along the West line of alley No. 67 West to a point where it intersects the North line of West Fourth Avenue; thence West along the North line of West Fourth Avenue to a point where it intersects the West line of Fairbanks Street; thence South along the West line of Fairbanks Street to a point where it intersects the North line of West Fifth Avenue; thence West along the North line of West Fifth Avenue to the place of beginning, excepting therefrom that part conveyed to Northern Indiana Public Service Company by deed recorded February 21, 1958 in Deed Record 1081, page 95. (Key No. 40-95-7)

PARCEL A-3

PARCEL I: All that part of the Southeast Quarter of Section 33, Township 37 North, Range 9 West of the 2nd P.M., in Lake County, Indiana, lying Northerly of the Northerly line of Indiana Toll Road described in the deed recorded January 18, 1979 as Document No. 511999 and lying East of the East line of Kennedy Avenue (as it presently exists), and Southerly and Southwesterly of the Southerly line of Grand Calumet River EXCEPTING from all of the above that part thereof conveyed to Harbison-Walker Refractories Co., a corporation, conveyed in the deed recorded in Deed Record 1037, page 515, on August 17, 1956 and in Deed recorded in Deed Record 1059, page 553, on May 14, 1957.

PARCEL II: All that part of the Southwest Quarter of Section 34, Township 37 North, Range 9 West of the 2nd P.M., in Lake County, Indiana, lying Northerly of the Northerly line of Indiana Toll Road described in deed recorded January 18, 1979, as Document No. 511999, and lying Southerly and Southwesterly of the center line of the channel of Grand Calumet River (as it presently exists and as relocated, as shown in deed from Indiana Toll Road Commission to the Chicago South Shore and South Bend Railroad, recorded February 20, 1975, as Document No. 289056) EXCEPTING from all of the above that part of the Southwest quarter in said Section 34 conveyed to George J. Beemsterboer, Inc., an Indiana Corporation, by Parcel I of deed recorded January 4, 1982 as Document No. 655197.

PARCEL A-4

All that part of the West Half (W 1/2) of the Southeast Quarter (SE 1/4) of Section Twenty-five (25), Township Thirty-eight (38) North, Range Four (4) West, that lies South of the right-of-way of the Chicago, South Shore and South Bend Railway Company, EXCEPTING Thirty (30) acres off the South end thereof; ALSO EXCEPTING therefrom, so much of said real estate, upon the Western side thereof as was taken for the purpose of constructing U.S. Route No. 212, containing Forty (40) acres, more or less, in LaPorte County, Indiana.

ALSO EXCEPT:

A Two and Sixty-six thousandths (2.066) acre tract in the Southeast Quarter (SE 1/4) of Section Twenty-five (25), Township Thirty-eight (38) North, Range Four (4) West, LaPorte County, Indiana, more fully described as follows: Commencing at the South Quarter (S 1/4) corner of said Section Twenty-five (25); thence North One degree Fourteen minutes West (N 1° 14' W) along the North and South centerline of said Section Twenty-five (25), a distance of Nine Hundred Ninety (990) feet; thence South Eighty-nine degrees Nineteen minutes East (S 89° 19' E) a distance of Forty-eight and Thirty-five hundredths (48.35) feet to the place of beginning for the following description; thence North One degree Twenty-three minutes West (N 1° 23' W) a distance of Three Hundred (300) feet; thence South Eighty-nine degrees Nineteen minutes East (S 89° 19' E) a distance of Three Hundred (300) feet; thence South One degree Twenty-three minutes East (S 1° 23' E) a distance of Three Hundred (300) feet; thence North Eighty-nine degrees Nineteen minutes West (N 89° 19' W) a distance of Three Hundred (300) feet to the place of beginning.

ALSO EXCEPT:

A tract in the Southeast Quarter (SE 1/4) of Section Twenty-five (25), Township Thirty-eight (38) North, Range Four (4) West, LaPorte County, Indiana, more fully described as follows: Commencing at the South Quarter (S 1/4) corner of said Section Twenty-five (25); thence North One degree Fourteen minutes West (N 1° 14' W) along the North and South centerline of said Section Twenty-five (25) a distance of Nine Hundred Ninety (990) feet; thence South Eighty-nine degrees Nineteen minutes East (S 89° 19' E) a distance of Three Hundred Forty-eight and Thirty-five hundredths (348.35) feet; thence North One degree Twenty-three minutes West (N 1° 23' W) a distance of Fifty (50) feet to the place of beginning for the following description; thence North One degree Twenty-three minutes West (N 1° 23' W) a distance of Two Hundred Fifty (250) feet; thence South Eighty-nine degrees Nineteen minutes East (S 89° 19' E) a distance of Sixty (60) feet; thence South One degree Twenty-three minutes East (S 1° 23' E) a distance of Two Hundred Fifty (250) feet; thence North Eighty-nine degrees Nineteen minutes West (N 89° 19' W) a distance of Sixty (60) feet to the place of beginning, containing Three Hundred Forty-four thousandths (0.344) acres, more or less.

ALSO EXCEPT:

That part of the West Half (W 1/2) of the Southeast Quarter (SE 1/4)

PARCEL A-4  
(continued)

of Section Twenty-five (25), Township Thirty-eight (38) North, Range Four (4) West, LaPorte County, Indiana, bounded and described as follows: Commencing at the South Quarter corner of said Section; thence North One degree Fourteen minutes West (N 1° 14' W) on the North and South centerline of said Section a distance of Nine Hundred Ninety (990.00) feet; thence South Eighty-nine degrees Nineteen minutes East (S 89° 19' E) a distance of Six Hundred Ninety-seven and Twelve hundredths (697.12) feet to the principal point of beginning of this description; from said principal point of beginning thence North Zero degrees Forty-six minutes West (N 0° 46' W) a distance of Two Hundred Eighty-eight and Forty-four hundredths (288.44) feet to a point on a curve; thence Northeasterly on a curve to the left having a radius of Four Hundred Thirty-five and Twenty-eight hundredths (435.28) feet (the long chord of which lies North Twenty-seven degrees Five minutes Fifty-seven and Five tenths seconds East (N 27° 5' 57.5" E) Four Hundred Six and Ninety hundredths (406.90) feet) a distance of Four Hundred Thirty-two and Eleven hundredths (432.11) feet; thence North Zero degrees Forty-six minutes West (N 0° 46' W) a distance of Four Hundred Twenty (420.00) feet to a point of curve; thence Northeasterly on a curve to the right having a radius of Four Hundred Fifty-three and Thirty-four hundredths (453.34) feet (the long chord of which lies North Seventeen degrees Fifty-two minutes Fifty and Five tenths seconds East (N 17° 52' 50.5" E) Two Hundred Eighty-nine and Ninety hundredths (289.90) feet) a distance of Two Hundred Ninety-five and Nine hundredths (295.09) feet; thence South Eighty-nine degrees Nineteen minutes East (S 89° 19' E) a distance of Three Hundred Forty-two and Three hundredths (342.03) feet to the East line of the West Half (W 1/2) of the Southeast Quarter (SE 1/4) of said Section; thence South Zero degrees Forty-six minutes East (S 0° 46' E) on said East line a distance of One Thousand Three Hundred Fifty (1350.00) feet; thence North Eighty-nine degrees Nineteen minutes West (N 89° 19' W) a distance of Six Hundred Twenty-five (625.00) feet to the principal point of beginning, containing Fourteen and Seven Hundred Sixty-two thousandths (14.762) acres, more or less.

ALSO EXCEPT:

That part of the West Half (W 1/2) of the Southeast Quarter (SE 1/4) of Section Twenty-five (25), Township Thirty-eight (38) North, Range Four (4) West, LaPorte County, Indiana, bounded and described as follows: Commencing at the South Quarter corner of said Section; thence North One degree Fourteen minutes West (N 1° 14' W) on the North and South centerline of said Section, a distance of Nine Hundred Ninety (990.00) feet; thence South Eighty-nine degrees Nineteen minutes East (S 89° 19' E) a distance of Forty-eight and Thirty-five hundredths (48.35) feet to the principal point of beginning of this description; from said principal point of beginning, thence North One degree Twenty-three minutes West (N 1° 23' W) a distance of Fifty (50) feet; thence South Eighty-nine degrees Nineteen minutes East (S 89° 19' E) a distance of Six Hundred Forty-nine and Thirty-one hundredths (649.31) feet; thence South Zero degrees Forty-six minutes East (S 0° 46' E) a distance of Fifty (50) feet; thence North Eighty-nine degrees Nineteen minutes West (N 89° 19' W) a distance of Six Hundred Forty-eight and Seventy-seven hundredths (648.77) feet to the principal point of beginning, containing Seventy-five hundredths (0.75) acre, more or less.

PARCEL A-5

Parcels of land situate in the Southwest Quarter (SW 1/4) of Section Twenty-seven (27), Township Thirty-eight (38) North, Range Four (4) West, in the City of Michigan City, LaPorte County, Indiana, more particularly described as follows:

A part of the Northeast Quarter (NE 1/4) of the Southwest Quarter (SW 1/4) of Section Twenty-seven (27), Township Thirty-eight (38) North, Range Four (4) West, being a strip of land Eighty (80) feet in width taken from South side of lands of grantors, and bounded and described as follows: Beginning at the Southwest corner of the Northeast Quarter (NE 1/4) of the Southwest Quarter (SW 1/4) of said Section; thence East on the South line of said Quarter-Quarter Section a distance of Ten Hundred Twenty-six (1026) feet; thence North Eighty (80) feet; thence West parallel to the South line of said Quarter-Quarter Section a distance of Ten Hundred Twenty-six (1026) feet to the West line of said Quarter-Quarter Section; thence South Eighty (80) feet to the place of beginning, EXCEPTING therefrom the right of way of the Lake Erie and Western Railroad, and ALSO EXCEPTING all of said strip lying Westerly of the Lake Erie and Western Railroad Company right of way.

ALSO:

All that portion of the Northwest Quarter (NW 1/4) of the Southeast Quarter (SE 1/4) of the Southwest Quarter (SW 1/4) lying North of the Northeasterly right of way line of the Lake Erie & Western Railway, containing Seventeen hundredths (.17) acre, more or less.

ALSO:

A part of the Northeast Quarter (NE 1/4) of the Southwest Quarter (SW 1/4) of Section Twenty-seven (27), Township Thirty-eight (38) North of Range Four (4) West, being a strip Eighty (80) feet in width off of the South end of grantors land; said strip lies immediately North of and adjacent to the East and West Eighty (80) rod line in the Southwest Quarter (SW 1/4) of said Section Twenty-seven (27) and contains Sixty hundredths (.60) acre, more or less.

ALSO:

A strip of land Three Hundred (300) feet in width through a part of the Northeast Quarter (NE 1/4) of the Southwest Quarter (SW 1/4) of Section Twenty-seven, Township Thirty-eight (38) North, Range Four (4) West, said part being bounded as follows: Beginning at the Northeast corner of said tract and running thence South Eighty (80) rods; thence West Twenty (20) rods; thence North Eighty (80) rods; thence East to the place of beginning, said strip being the North Three Hundred (300) feet in width off of the South Three Hundred Sixty-six (366) feet taken off of and from the South side of said described part.

ALSO:

A parcel of land in the Northeast Quarter (NE 1/4) of the Southwest Quarter (SW 1/4) of Section Twenty-seven (27), Township Thirty-eight (38) North, Range Four (4) West, described as follows: Beginning at the Southeast corner of said Northeast Quarter (NE 1/4) of the Southwest Quarter (SW 1/4); thence West on South line of said Quarter, Three Hundred Thirty (300) feet; thence North Eighty (80) feet to a starting point for this description; thence from above described

PARCEL A-5  
(continued)

starting point running West on a line parallel with the South line of the Northeast Quarter (NE 1/4) of the Southwest Quarter (SW 1/4) Six Hundred Eighteen (618) feet, more or less, to the Northeasterly right of way of the Lake Erie and Western Railway; thence Northwest-erly along said right of way Four Hundred Sixty (460) feet, more or less, to the East line of Carroll Avenue as laid out in Orchard Grove Addition; thence North along the East line of Carroll Avenue to a point on the East line of Carroll Avenue that is Three Hundred Ninety-six (396) feet North of the South line of the Northeast Quarter (NE 1/4) of the said Southwest Quarter (SW 1/4); thence East parallel with said South line to a point that is Three Hundred Thirty (330) feet West of the East line of said Southwest Quarter (SW 1/4); thence South Three Hundred Sixteen (316) feet to the place of beginning, containing Six and Twenty-four hundredths (6.24) acres, more or less.

ALSO:

One Hundred Forty (140) feet off of the North side of the Northeast Quarter (NE 1/4) of the Southeast Quarter (SE 1/4) of the Southwest Quarter (SW 1/4) of Section Twenty-seven (27), Township Thirty-eight (38) North, Range Four (4) West, EXCEPT so much thereof as is within the right-of-way of the Lake Erie and Western Railway Company, containing Two and One tenth (2.1) acres, more or less.

ALSO:

A part of the Northeast Quarter (NE 1/4) of the Southwest Quarter (SW 1/4) of Section Twenty-seven (27), Township Thirty-eight (38) North, Range Four (4) West, described as follows: Beginning at a point on the East line of the Northeast Quarter (NE 1/4) that is Nine Hundred Twenty-four (924) feet South of the center of said Section Twenty-seven (27); thence running South Thirty (30) feet; thence West Three Hundred Thirty (330) feet; thence North Thirty (30) feet; thence East Three Hundred Thirty (330) feet to the place of beginning, containing Twenty-three hundredths (.23) acre, more or less.

ALSO:

Commencing at the intersection of the East line of the Southwest Quarter (SW 1/4) of Section Twenty-seven (27), Township Thirty-eight (38) North, Range Four (4) West, LaPorte County, Indiana, with the Northerly line of the right-of-way of the Lake Erie and Western Railroad Company; thence running North along and upon said East line of the Southwest Quarter (SW 1/4) of said Section Twenty-seven (27) a distance of Two Hundred Seventy-nine and Four tenths (279.4) feet for the place of beginning; thence West at right angles Two Hundred (200) feet; thence South at right angles One Hundred Forty and Fifty-eight hundredths (140.58) feet to the Northerly right-of-way line of the Lake Erie and Western Railroad; thence Northwesterly along and upon said Northerly right-of-way line of the Lake Erie and Western Railroad Four Hundred Seventy-five and Seventy-three hundredths (475.73) feet to the South right-of-way line of the Chicago, South Shore and South Bend Railroad; thence Easterly along and upon the Southerly right-of-way line of the Chicago, South Shore and South Bend Railroad Six Hundred One and Nine tenths (601.9) feet to the East line of the Southwest Quarter (SW 1/4) of said Section Twenty-seven (27); thence South along and upon said East line of the Southwest Quarter (SW 1/4) of Section Twenty-seven (27), Ninety-nine (99) feet to the place of beginning, containing One and Sixty-two hundredths (1.62) acres, more or less.

PARCEL A-5  
(continued)

PARCEL #2:

Parcels of real estate situate in the Southeast Quarter (SE 1/4) of Section Twenty-seven (27), Township Thirty-eight (38) North, Range Four (4) West, in the City of Michigan City, LaPorte County, Indiana, more particularly described as follows:

A part of the Northwest Quarter (NW 1/4) of the Southeast Quarter (SE 1/4) of Section Twenty-seven (27), Township Thirty-eight (38) North, Range Four (4) West, being a strip of land One Hundred (100) feet in width through land of grantor, and lying Forty-three (43) feet wide upon the Northerly and Fifty-seven (57) feet wide upon the Southerly side of the centerline of the Chicago, Lake Shore & South Bend Railway Company's track as the same is now located and measured at right angles thereto, which centerline is described as follows: A tangent bearing North Eighty-five degrees West (N 85° 0' W) and crossing the East line of said Section Twenty-seven (27) at a point a distance of Eleven Hundred Forty-three (1143) feet North of said Section Twenty-seven (27); thence with said bearing a distance of Twenty-one Hundred Eighteen and Six tenths (2118.6) feet; thence on a Thirty minute (0° 30') curve to the left a distance of Ninety-six (96) feet to the South line of the grantors' land; thence continuing on said Thirty minute (0° 30') curve to the left a distance of Four Hundred Twenty-five (425) feet to the West line of grantors' land, containing Seventy-seven hundredths (.77) acres, more or less. 1.77<sup>7</sup>

ALSO:

A part of the South Half (S 1/2) of the Southeast Quarter (SE 1/4) of Section Twenty-seven (27), Township Thirty-eight (38) North, Range Four (4) West, being a strip One Hundred (100) feet in width through lands of grantor, and lying Forty-three (43) feet wide upon the Northerly and Fifty-seven (57) feet wide upon the Southerly side of the center line of the Chicago, Lake Shore & South Bend Railway Company's track as the same is now located and measured at right angles thereto, which centerline is described as follows: A tangent bearing North Eighty-five degrees West (N 85° 0' W), and crossing the East line of said Section Twenty-seven (27) at a point Eleven Hundred Forty -three (1143) feet North of the Southeast corner of said Section; thence with said bearing into and upon grantors' land a distance of Twenty-one Hundred Eighteen and Six tenths (2118.6) feet; thence on a Thirty minute (0°30') curve to left a distance of Ninety-five and one-half (95 1/2) feet to the North line of grantors' land, but continuing on said Thirty minute (0°30') curve to left westwardly to the West line of said Southeast Quarter (SE 1/4) of Section Twenty-seven (27), containing Five and Nine hundredths (5.09) acres, more or less.

ALSO:

The South Half (S 1/2) of the Northeast Quarter (NE 1/4) of the Southeast Quarter (SE 1/4) of Section Twenty-seven (27), Township Thirty-eight (38) North, Range Four (4) West, containing Twenty (20) acres, more or less.

ALSO:

All that part of the South Half (S 1/2) of the Southeast Quarter (SE 1/4) of Section Twenty-seven (27), Township Thirty-eight (38) North, Range Four (4) West, which lies North of the right-of-way of the

PARCEL A-5  
(continued)

Chicago, South Shore and South Bend Railroad, more particularly described as follows: Commencing at the Northeast corner of the South Half (S 1/2) of the Southeast Quarter (SE 1/4) of said Section Twenty-seven (27), and running thence South along the East line of said Section Twenty-seven (27), One Hundred Fifty-nine (159) feet to the Northerly line of the aforesaid right-of-way; thence in a Northwesterly direction along the said Northerly line of said right-of-way to its intersection with the North line of the South Half (S 1/2) of the Southeast Quarter (SE 1/4) of said Section Twenty-seven (27); thence East along said last named North line, a distance of Seventeen Hundred Seventy-five (1775) feet, more or less, to the place of beginning, containing Three and One-fifth ( $3 \frac{1}{5}$ ) acres of land, more or less.

ALSO:

The Northwest Quarter (NW 1/4) of the Southeast Quarter (SE 1/4) of Section Twenty-seven (27) EXCEPTING the North Five Hundred (500) feet of said Northwest Quarter (NW 1/4) of said Southeast Quarter (SE 1/4), situated in Township Thirty-eight (38) North, Range Four (4) West of the Second Principal Meridian.

ALSO:

A strip of land Fifty (50) feet wide in the South Half (W 1/2) of the Southeast Quarter (SE 1/4) of Section Twenty-seven (27), Township Thirty-eight (38) North, Range Four (4) West, in the County of LaPorte, State of Indiana, described as follows:

Commencing at the intersection of the North-South centerline of said Section Twenty-seven (27) with the Southerly right-of-way line of the Chicago Lake Shore and South Bend Railway; thence along said Southerly right-of-way line in an Easterly direction Two Thousand Seventy-five (2075) feet, more or less, to the centerline of Trail Creek; thence Southerly along the centerline of Trail Creek to a point Fifty (50) feet Southerly of said Southerly right-of-way, measured at right angles thereto; thence Westerly along a line Fifty (50) feet Southerly of and parallel to said Southerly right-of-way line to the North-South centerline of Section Twenty-seven (27); thence Northerly along said centerline Fifty (50) feet, more or less, to the point of beginning, containing Two and Thirty-seven hundredths (2.37) acres, more or less.

EXHIBIT B

Permitted Exceptions

Parcel A

- 1) General taxes not yet due and payable
- 2) Unrecorded license agreements which in Mortgagee's opinion do not materially restrict the ability of the Company to run a railroad
- 3) Feeders, laterals and drainage ditches
- 4) Recorded easements
- 5) Rights of the public in any vacated streets
- 6) Rights of the public at any crossings with a public right-of-way
- 7) Crossing agreements with other railroad companies
- 8) Rights of the following parties in and to the locomotives pledged herein: Mercantile-Safe Deposit and Trust Company, Chesapeake and Ohio Railway Company, International Business Machines Company

Parcel A-1

- 1) Railroad rights of way, switch and spur tracks
- 2) Rights of the public, the State of Illinois and the municipality in and to that part of the land, if any, taken or used for road purposes.
- 3) Easement created by deed from Chicago South Shore and South Bend Railroad, an Indiana Corporation to Kensington and Eastern Railroad Company, an Illinois corporation, dated October 1, 1943 and recorded October 21, 1943 as Document 13163021, to construct, install erect, maintain, operate, repair, replace and renew all rails, ties, tracks and ballast, and all other equipment, appliances, apparatus and appurtenances necessary, desirable or convenient in the premises and to operate by means thereof either or both a steam or electric railroad line or lines and system for the transportation of either or both persons and property for the public in upon, along, over and across so much of a 20 foot strip lying 10 feet on either side of a center line described as follows:

Commencing at a point on the North line of the South East 1/4 of the South East 1/4 of Section 5 which point is the intersection of the center line of Howard St. and said North line running thence Eastwardly along said center line of Howard St. 380.9 feet to a point for the point of beginning of said center line; thence Southeastwardly on a curve to the right, having

EXHIBIT B  
(continued)

radius of 1577.21 feet over and across said lots 44, 45, 46, 47 and that part of lot 51 lying North of the Northerly right of way line of the Wabash Railroad on the original plat of J. William Eschenburg's State Line addition to Hegewisch, a distance of 370 feet more or less to a point on the said Northerly right of way line in said lot 51 WH point is 12 feet more or less Westerly from the intersection of said Northerly right of way line of the Wabash Railroad and the Westerly line of the right of way of the Indiana Harbor Belt Railroad.

- 4) Rights of public or quasi-public utilities, if any, in vacated Howard Street for maintenance therein of poles, conduits and sewers.
- 5) General taxes not yet due or payable
- 6) Existing leases

Parcel A-2

- 1) General taxes not yet due or payable
- 2) The following special exceptions as set forth on Chicago Title Insurance Company's Commitment No. 409316 dated August 22, 1984: 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 16 and 17.

Parcel A-3

- 1) General taxes not yet due or payable
- 2) The following special exceptions as set forth on Chicago Title Insurance Company's Commitment No. 409315 dated August 16, 1984: 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15.

Parcel A-4

- 1) General taxes not yet due or payable
- 2) Special Exception No. 4 as set forth on Chicago Title Insurance Company's Commitment No. 23588LP dated August 13, 1984.

Parcel A-5

- 1) General taxes not yet due or payable
- 2) Special Exceptions 4, 6, 7 and 8 on Chicago Title Insurance Company's Commitment No. 23587 LP dated August 13, 1984.

EXHIBIT C

Excepted Properties

Anything contained in the Mortgage to the contrary notwithstanding, the Company excepts and reserves, out of any grant made hereby or pursuant hereto: (1) the last day of the term of each leasehold estate (oral or written, or any agreement therefor) now or hereafter enjoyed by the Company, at any time subject to the lien hereof, and whether falling within the general or particular description of Premises herein, (2) property used by the Company and owned by the Northern Indiana Commuter Transportation District including all passenger cars and the "fixed facilities" as defined in the NICTD agreement, (3) stock of the I&K, and (4) titled motor vehicles.

It is not intended in the lien hereof and this grant shall not be deemed to apply to: (1) any rents, issues, tolls, profits and other income of the Premises herein or hereafter mortgaged, pledged, and conveyed or assigned, (2) any cash, government securities, federal, state and local, or bills, notes or accounts receivable, (3) any securities of any corporation except securities voluntarily pledged or required to be pledged hereunder or under the Loan Instruments, (4) any materials and supplies, or (5) any office furniture, tools or machinery not constituting fixtures; unless and until one or more of the Events of Default shall have occurred; but, upon the occurrence of any Event of Default, all such rents, issues, tolls, profits and other income, cash, government securities, federal, state and local, and bills, notes or accounts receivable and bonds, notes or other obligations of corporations, and other securities, indebtedness not represented by securities, and materials and supplies, shall immediately become subject to the lien hereof to the extent permitted by law.

1916R

EXHIBIT D

EQUIPMENT

<u>TYPE</u>	<u>RUNNING NUMBER (CSS)</u>	<u>YEAR BUILT</u>	<u>DESCRIPTION</u>
Locomotives	2000	1981	GP-38-2
	2001	"	"
	2002	"	"
	2003	"	"
	2004	"	"
	2005	"	"
	2006	"	"
	2007	"	"
	2008	"	"
	2009	"	"
	10 Units		
Freight Train Cars	319	1949	Caboose
	327	"	"
	329	"	"
	345	"	"
	1202	1916	Flat
	1205	1916	Flat
	1210	1959	Gondola
	1225	"	"
	1226	"	"
	1228	"	"
	1229	"	"
	1230	"	"
	1231	"	"
	1232	"	"
	1233	"	"
	1234	"	"
	1235	"	"
	1236	"	"
	1301	1949	Cov'd Hopper
	1302	"	"
	1303	"	"
	1304	"	"
	1375	1962	"
	1376	1962	"
	1432	1954	Flat
	1501	1964	Refr. Box
	1502	"	"
	1503	"	"
	1504	"	"
	29 Units		

Work Equipment

503  
1100  
1128  
1134  
1135  
1137  
1138  
1150  
1151  
1401  
1413  
1414  
1453  
1457

1941  
1947  
1928  
1948  
1948  
1959  
1957  
1957  
1954  
1925  
1951  
1951  
1927  
1957

Express Car  
Line Motor Car  
Rail Loader  
Reel Car  
Flat Car  
"  
"  
Wreck Crane  
Wreck Car  
Flat Car  
"  
"  
"  
"

14 Units