

The National Bank and Trust Company of Norwich

Loan Division

Norwich, New York 13815 607/334-2231

June 6, 1986

6 162A055

Recordation Officer
Interstate Commerce Commission
Room 2303
12th and Constitution Avenue, N.W.
Washington, D. C. 20423

14977

No.
Date JUN 11 1986
Fee \$
ICC Washington, D. C.

Attention: Ms. Mildred Lee

JUN 11 1986 3 25 PM
INTERSTATE COMMERCE COMMISSION

Dear Ms. Lee:

This transmittal letter is for the one security agreement, dated June 5, 1986 (enclosed herewith in duplicate). Attached to this security agreement are the following:

- Notary public acknowledgement
- Four page Schedule of Real Estate
- Subordination agreement from Home and City Savings Bank
- Subordination agreement from the Staten Island Railroad Corporation

The debtor is:

Staten Island Railway Corporation
1 Railroad Avenue
Cooperstown, New York 13326

The secured party is:

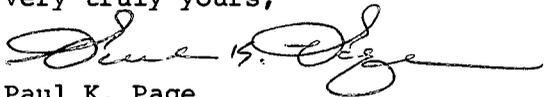
The National Bank and Trust Company of Norwich
52 South Broad Street
Norwich, New York 13815

The security agreement covers:

- | | |
|--------------------------|--------------------------------|
| 1 - Pettibone Speed wing | 1 - Jackson spot tamper |
| 1 - Rail drill | 9 - Railroad cars |
| 1 - Motor car | 1 - "Locker room car" |
| 1 - Track wrench | 1 - 1953 EMD diesel locomotive |
| 1 - Air compressor | 12.2 Miles main track |
| 1 - Air jacks | 4.0 Miles track siding |

MOTOR OPERATING UNIT
JUN 11 3 22 PM '86
ICE OFFICE OF THE SECRETARY

Please index and record; also, please acknowledge by providing the index number on the xerox copy enclosed, and return to us in the enclosed envelope. A Bank Money Order, in the amount of \$10.00, is enclosed in payment of the recording fee. Thank you.

Very truly yours,


Paul K. Page
Assistant Cashier
Commercial Loan Department

WPC/C
Enclosure

Interstate Commerce Commission

Washington, D.C. 20423

6/12/ 86

OFFICE OF THE SECRETARY

The National Bank & Trust
Co. Of Norwich
Attn: Paul K. Page
52 South Broad Street
P.O.Box 351
Norwich, New York 13815

Dear Sir:

The enclosed documents(s) was recorded pursuant to the provision of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 6/11/86 at 3:25pm , and assigned recordation number(s). 14977

Sincerely yours,

Noreta R. McGee
Acting Secretary

SECURITY AGREEMENT

Business Equipment (Except Farm Equipment)

Date: JUNE 05 1986

Staten Island Railway Corporation 1 Railroad Avenue Cooperstown
 Name Rt. Box City
 Otsego New York 13326
 County State Zip Code

herein called "Debtor", for valuable consideration, receipt whereof is hereby acknowledged, hereby grants to THE NATIONAL BANK AND TRUST COMPANY OF NORWICH at its Norwich Branch
 52 South Broad Street, Norwich, Chenango New York 13815
 Address County State Zip Code

herein called the "Secured Party", a security interest in the following property and any and all additions and accessions thereto (herein called the "Collateral") and if written consent of secured party to sale is obtained as hereinafter provided, in contract rights with respect thereto and proceeds;

(1)

New or Used	Year	Make	Model	Serial or Identification
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14977 Filed 1986

- (2) All business equipment (if checked).
 (3) Specific business equipment (if checked) described below:

JUN 11 1986 3 25 PM

INTERSTATE COMMERCE COMMISSION

MACHINERY

- One (1) Pettibone Speed Swing-Number RC-11PS
- One (1) Rail Drill-Number TDR-522
- One (1) Motor Car-Number M-1934
- One (1) Track Wrench-Number 6200
- One (1) Air Compressor-Model 16-75L, Series 8575 DOLD, Shop Number 55055
- Two (2) Air Jacks-200 Ton-Located at Arlington Yard, Staten Island, NY
- One (1) Jackson Spot Tamper-Number HST-702

RAILROAD ROLLING STOCK

TRACKAGE

- | | |
|--|--|
| 1) One (1) Car-Number DS-1 | 12.2 Miles main track |
| 2) One (1) Car-Number XM6484 | 4.0 Miles siding |
| 3) One (1) Car-Number X-6485 | 16.2 Miles of 100 Pound track, 176 net ton |
| 4) One (1) Car-Number XM3920 | |
| 5) One (1) Car-Number XM3917 | Miles @ \$180 per ton |
| 6) One (1) Car-Number X-421 | 180 switches @ \$1500 ea. |
| 7) One (1) Car-Number 903027 | |
| 8) One (1) "Locker Room Car"-Unnumbered-Located at St. George, Staten Island, NY | |
| 9) One (1) Car-Number S-4 | |
| 10) One (1) Car-Number X-417 | |
| 11) One (1) 1953 Emd 1200 H.P. Diesel Locomotive | |

and other goods of the same class, whether such property is acquired by debtor prior to or at the time of this agreement or subsequent thereto, to secure payment of the total debt as evidenced hereby and by note or notes of debtor of even date herewith or any renewals or extensions thereof, and also any and all other liabilities of debtor to secured party, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, of whatever kind and whenever and however created and incurred (all hereinafter called the "Obligations").

REPRESENTATIONS AND WARRANTIES: Debtor hereby warrants and covenants:

- That except for the security interest granted hereby, debtor is the owner of all collateral itemized above or presently fitting the above description, free from any adverse lien, security interest or encumbrance and will so own all collateral which hereafter fits said description; and that debtor will defend the collateral against all claims and demands of all persons at any time claiming the same or any interest therein;
- That the collateral is bought or used primarily for business use and if checked here is being acquired with the proceeds of the note or notes, which secured party may disburse directly to seller of the collateral;
- That the collateral will be kept at _____ Street or Road

City County State
 (or if left blank, at the address shown at the beginning of this agreement);

- That the debtor's place of business in said State is _____ No. and Street

City County State
 (or if left blank, at the address shown at the beginning of this agreement); and that all other places of business of debtor in said State outside of the county mentioned in the previous clause are located as follows: _____

City County City County
 and that debtor will immediately notify secured party in writing of any change in or discontinuance of debtor's place or places of business in said State;

- That except as hereinafter provided debtor will not remove the collateral from the location or locations shown above without the written consent of secured party;

6. That if the collateral is to be attached to real estate, a description of the real estate is as follows:

SEE ATTACHED SCHEDULE "A"

and the name of the record owner's is The Staten Island Railroad Coporation, 100 North Charles Street, Baltimore, Maryland 21201 and that if the collateral is attached to real estate prior to the perfection of the security interest granted hereby, debtor will on demand of secured party furnish the latter with a disclaimer or disclaimers, signed by all persons having an interest in the real estate, or any interest in the collateral which is prior to secured party's interest;

7. That if the collateral is of a type normally used in more than one State (such as automotive equipment, rolling stock, road building equipment, and the like) and debtor has a place of business in more than one State, the chief place of business of debtor is

No. and Street City County State
(or if left blank, is that shown at the beginning of this agreement), and debtor will immediately notify secured party in writing of any change in debtor's chief place of business; and that if certificates of title are issued or outstanding with respect to any of the collateral, debtor will cause the interest of secured party to be properly noted thereon;

8. That no financing statement covering any collateral or any proceeds thereof is on file in any public office and that at the request of secured party, debtor will join with secured party in executing one or more financing statements pursuant to the Uniform Commercial Code in form satisfactory to secured party and will pay the cost of filing the same in all public offices wherever filing is deemed by secured party to be necessary or desirable;

9. THAT DEBTOR AUTHORIZES SECURED PARTY TO CHECK THE PROCEEDS BOX ON THE FINANCING STATEMENT, BUT UNDERSTANDS THAT THIS DOES NOT GIVE DEBTOR AUTHORITY, EXPRESS OR IMPLIED, TO SELL ALL OR ANY PART OF SAID COLLATERAL;

10. That debtor will not sell or offer to sell or otherwise transfer the collateral or any interest therein without the written consent of the secured party;

11. That debtor will have and maintain insurance at all times with respect to all collateral against risk of fire (including so-called extended coverage), theft and such other risks as secured party may require, and in case of motor vehicles, collision, containing such terms, in such form, for such periods and written by such companies as may be satisfactory to secured party, such insurance to be payable to secured party and debtor as their interest may appear; that all policies of insurance shall provide for ten days written minimum cancellation notice to secured party; that debtor shall furnish secured party with certificates or other evidence satisfactory to secured party of compliance with the foregoing insurance provisions; and that secured party may act as attorney for debtor in obtaining, adjusting, settling and cancelling such insurance and endorsing any drafts;

12. That debtor will keep the collateral and the proceeds thereof free from any adverse lien, security interest, or encumbrance and in good order, repair and condition, and will not waste or destroy the collateral or any part thereof; that debtor will not use the collateral in violation of any statute or ordinance; and that secured party may examine and inspect the collateral at any time, wherever located;

13. That debtor will pay promptly when due all taxes and assessments upon the collateral or for its use or operation or upon this agreement or upon any note or notes evidencing the obligations; at its option, secured party may discharge taxes, liens or security interests or other encumbrances at any time levied or placed on the collateral; may pay for insurance on the collateral and may pay for the maintenance and preservation of the collateral. Debtor agrees to reimburse secured party on demand for any payment made, or any expense incurred by secured party pursuant to the foregoing authorization.

POSSESSION OF COLLATERAL: Until default, debtor may have possession of the collateral and use it in any lawful manner not inconsistent with this agreement and not inconsistent with any policy of insurance thereon.

ADDITIONAL SECURITY AND INSTRUMENTS: Debtor will furnish further security for said indebtedness upon the request of secured party, correct any informalities, execute any written instruments and do any other act necessary to make effective the purposes of this instrument.

REQUIREMENTS WHERE SECURED PARTY'S WRITTEN PERMISSION TO SELL IS OBTAINED: IF SECURED PARTY HAS GIVEN WRITTEN AUTHORIZATION TO DEBTOR TO SELL ALL OR ANY PART OF THE COLLATERAL upon request of secured party at any time, debtor will deliver to secured party lists or copies of all accounts which are proceeds of collateral promptly after they arise, and will deliver to secured party promptly upon receipt all proceeds of the collateral, including proceeds of the accounts referred to above, received by debtor in the exact form in which they are received; that to evidence secured party's rights hereunder debtor will assign or endorse proceeds to secured party as secured party may request and secured party shall have full power to collect, compromise, endorse, sell or otherwise deal with proceeds in its own name or that of debtor; that there will be no offsets or credits against proceeds; and that secured party in its discretion may apply cash proceeds to the payment of any obligations secured hereby or may release such cash proceeds to debtor for use in the operation of debtor's business.

IF SECURED PARTY HAS GIVEN WRITTEN AUTHORIZATION TO DEBTOR TO SELL ALL OR ANY PART OF THE COLLATERAL, with respect to proceeds in the form of accounts, secured party may at any time notify account debtors that the accounts have been assigned to secured party and shall be paid to secured party; and that upon request of secured party at any time debtor will so notify such account debtors and will indicate on all invoices to such account debtors that the accounts are payable to secured party.

DEFAULT: Debtor shall be in default under this agreement upon the happening of any of the following events or conditions:

- 1. default in the payment or performance of any obligation, covenant or liability contained or referred to herein or in any note evidencing the same;
- 2. any warranty, representation or statement made or furnished to secured party by or on behalf of debtor proves to have been false in any material respect when made or furnished;
- 3. any event which results in the acceleration of the maturity of the indebtedness of debtor to others under any indenture, agreement or undertaking;
- 4. loss, theft, damage, destruction, sale or encumbrance to or of any of the collateral, or the making of any levy, seizure or attachment thereof or thereon;
- 5. death, dissolution, termination of existence, insolvency, business failure, appointment of a receiver of any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against debtor or any guarantor or surety for debtor.

REMEDIES: Upon such default and at any time thereafter secured party may declare all obligations secured hereby immediately due and payable and shall have the remedies of a secured party under the Uniform Commercial Code. Secured party may require debtor to assemble the collateral and make it available to secured party at a place to be designated by secured party which is reasonably convenient to both parties. Unless the collateral is perishable or threatens to decline speedily in value, or is of a type customarily sold on a recognized market, secured party will give debtor reasonable notice of the time and place of any public sale thereof or of the time after which any private sale or any other intended disposition thereof is to be made. The requirements of reasonable notice shall be met if such notice is mailed, postage prepaid, to the address of debtor shown at the beginning of this agreement at least five days before the time of sale or disposition. Expenses of re-taking, holding, preparing for sale, selling, or the like shall include secured party's reasonable attorney's fees and legal expenses.

MISCELLANEOUS: No waiver by secured party of any default shall operate as a waiver of any other default or of the same default on a future occasion.

All rights of secured party hereunder shall inure to the benefit of its successors and assigns; and all obligations of debtor shall bind his heirs, executors, or administrators, or his or its successors or assigns. If there be more than one debtor, their obligations hereunder shall be joint and several.

This agreement shall become effective when it is signed by debtor.

No modification, rescission, waiver, release or amendment of any provision of this security agreement shall be made except by a written agreement subscribed by debtor and by secured party.

The law governing this secured transaction shall be that of the State of New York in force at the date of this security agreement.

DEBTOR IRREVOCABLY AUTHORIZES SECURED PARTY, ITS SUCCESSORS OR ASSIGNS TO FILE A FINANCING STATEMENT OR STATEMENTS SIGNED BY SECURED PARTY ONLY.

THE NATIONAL BANK AND TRUST COMPANY OF NORWICH Secured Party

Staten Island Railway Corporation Debtor

By: [Signature]
Title Asst. Cashier

[Signature]
President

State of..... New York }
County of..... Otsego } ss:

On this 5th day of June, 1986, before me personally came
C. David Soule to me known, who being by me duly
sworn did depose and say, that he resides in Cooperstown, New York, that he is
the Executive Vice President of Staten Island Railway Corporation
the corporation described in and which executed the above instrument; that he knows the seal of said
corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by
order of the Board of Directors of said corporation and that he signed his name thereto by like order.

KATHY S. PERRY
Notary Public, State of New York
No. 4765617
Qualified in Otsego County
Commission Expires March 30, 1988
Kathy S. Perry
Notary Public

SCHEDULE A

The following four page description of real estate is attached to and hereby becomes a part of the Security Agreement, dated 06-05-86, given to The National Bank and Trust Company of Norwich, 52 South Broad Street, Norwich, New York, by the Staten Island Railway Corporation, One Railroad Avenue, Cooperstown, New York 13326. The real estate to which the aforementioned collateral is attached, is located in Linden City, Elizabeth City, Roselle Burrough and Cranford Township, Union County, New Jersey. The real estate consist of that portion of the line of railroad owned by The Staten Island Railroad Corporation, which runs from Cranford Junction, New Jersey, to the Arthur Kill Bridge at Elizabeth, New Jersey. For a complete and accurate description of said real estate, reference is made to the official tax maps, specifically identified as The Staten Island Railroad Corporation, sheets one through eleven, prepared and maintained by the New Jersey Department of Treasury, Division of Taxation, Local Property and Public Utility Branch, Engineering Section, 50 Barrack Street, Trenton, New Jersey 08625.

Other real estate to which the aforementioned collateral is attached is located in Richmond County, New York. The identification numbers set forth are those assigned by the Bureau, Division of Real Estate and Utility Corporations, New York, New York. Corresponding block numbers are also shown.

<u>Identification Numbers</u>	<u>Block Numbers</u>
A203-E63	1410
A203-61	1348
A203-59	1284
A203-58	1268
A203-57.2	1257
A203-57.1	1256
A203-55.2	1237
A203-55.1	1236
A203-54	1226
A203-53	1213
A203-52.2	1212
A203-52.1	1211
A203-51	1188
A203-50	1186

WPC/DC

Identification NumbersBlock Numbers

A203- 49	1165
A203- 48	1161
A203- 46	1155
A203- 45	1152
A203- 44	1125
A203- 43	1124
A203- 42	1123
A203- 41	1121
A203- 40	1118
A203- 38	1116
A203- 37	1086
A203- 36	1084
A203- 35	1076
A203- 34	1074
A203- 33	1073
A203- 32	1004
A203- 31	1006
A203- 30	185
A203- 13	185
A203- 12	185
A203- 11	184
A203- 10	184
A203- 8	75
A203- 7	68
A203- 6	68
A203-E 5	4
A203- 5	4
A203- 3	2
A203-116	2758
A203-115	2810
A203-114	2800
A203-113	1801
A203-112	1801
A203-111	1815
A203-110	1825
A203-109	1835
A203-108	1855
A203-107	1394
A203-106	1394
A203-105	1396
A203-104	1396
A203-103	1396
A203-102	1396
A203-101	1396

Identification Numbers

Block Numbers

T203-73	1237
T203-72	1236
T203-76	1243
T203-69	1227
T203-70	1227
T203-71	1227
T203-64	1224
T203-65	1226
T203-66	1226
T203-67	1226
T203-61	1213
T203-59	1213
T203-60	1213
T203-63	1213
T203-54	1212
T203-55	1212
T203-50	1211
T203-48	1188
T203-46	1186
T203-40	1160
T203-35	1157
T203-36	1158
T203-38	1159
T203-44	1161
T203-45	1161
T203-31	1155
T203-32	1155
T203-34	1155
T203-24	1152
T203-25	1152
T203-26	1152
T203-27	1152
T203-28	1152
T203-29	1152
T203-30	1152
T203-22	1125
T203-23	1125
T203-20	1124
T203-21	1124
T203-18	1121
T203-19	1121
T203-16	1118
T203-17	1118
T203-12	1116

Identification Numbers

Block Numbers

T203-13	1116
T203- 9	1076
T203-10	1076
T203-11	1076
T203- 1	185
L 203- 61.1	1392
NT203- 30	
NT203- 6	
NT203- 3	2
NT203-108	1855
NT203- 7	68
NT203- 58	1268
NT203- 59	1284



100 STATE STREET, ALBANY, NEW YORK 12201 • 518: 447-5000

SUBORDINATION

Home & City Savings Bank hereby subordinates its security interest in the equipment listed on schedule A to the security interest of The National Bank & Trust Company of Norwich, Norwich, New York. The subordination applies only to the security interest taken by National Bank & Trust Co. relative to a \$200,000.00 loan granted to Delaware Otsego to assist in the purchase of the personal assets of the Staten Island Railroad.

July 25, 1985

HOME & CITY SAVINGS BANK

By: Donald E. Vincent, Jr.

Donald E. Vincent, Jr.
Vice President

STATEN ISLAND RAILWAY CORPORATION - Schedule A
MACHINERY AND RAILROAD ROLLING STOCK & Trackage ,

ES
—

MACHINERY

1. One (1) Pettibone Speed Swing - Number RC-11PS
2. One (1) Rail Drill - Number TDR-522
3. One (1) Motor Car - Number M-1934
4. One (1) Track Wrench - Number 6200
5. One (1) Air Compressor - Model 16-75L, Series 8575 DOLD, Shop Number 5505:
6. Two (2) Air Jacks - 200 Ton - Located at Arlington Yard, Staten Island, NY.
7. One (1) Jackson Spot Tamper - Number HST-702

RAILROAD ROLLING STOCK:

1. One (1) Car - Number DS-1
2. One (1) Car - Number XM6484
3. One (1) Car - Number X-6485
4. One (1) Car - Number XM3920
5. One (1) Car - Number XM3917
6. One (1) Car - Number X-421
7. One (1) Car - Number 903027
8. One (1) "Locker Room Car" - Unnumbered - Located at St. George, Staten Island, NY.
9. One (1) Car - Number S-4
10. One (1) Car - Number X-417
11. One 1953 Emd 1200 H.P. Diesel Locomotive

Trackage:

12.2 Miles main track
4.0 Miles siding
16.2 Miles of 100 pound track, 176 net ton
Miles @ \$180 per ton
180 switches @ \$1500 ea.