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RECORDATION NO. 22385 FILED

SFP 3 '99

11-45 AM

ELIAS C. ALVORD (1942)
ELLSWORTH C. ALVORD (1964)

OF COUNSEL
URBAN A. LESTER

September 3, 1999

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a), are two (2) copies of a Memorandum of Security Agreement, dated as of August 24, 1999, a primary document, as defined in the Board's Rules for the Recordation of Documents.

The names and addresses of the parties to the enclosed document are:

Borrower: Mohawk, Adirondack & Northern Railroad
Corporation
8364 Lewiston Road
Batavia, New York 14020

Secured Party: KeyCorp Leasing, *a division of Key Corporate Capital Inc.*
54 State Street
Albany, New York 12207

A description of the railroad equipment covered by the enclosed document is:

three (3) locomotives set forth on Exhibit A attached thereto

Mr. Vernon Williams
September 3, 1999
Page Two

Also enclosed is a check in the amount of \$26.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return stamped copy of the enclosed document to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'R. Alvord', written in a cursive style.

Robert W. Alvord

RWA/bg
Enclosures

RECORDATION NO. 22385 FILED

SEP 3 '99

11-45 AM

MEMORANDUM OF SECURITY AGREEMENT

Dated as of August 24, 1999

between

KEYCORP LEASING, A DIVISION OF KEY CORPORATE CAPITAL INC.,
Secured Party

and

MOHAWK, ADIRONDACK & NORTHERN RAILROAD CORPORATION,
Borrower

Filed with the Surface Transportation Board pursuant to
49 U.S.C. § 11301 on _____, 19____, at ____:____.M
Recordation Number _____

MEMORANDUM OF SECURITY AGREEMENT

THIS MEMORANDUM OF SECURITY AGREEMENT dated as of August 24, 1999 is made by and between MOHAWK ADIRONDACK & NORTHERN RAILROAD CORPORATION, a New York corporation ("Borrower"), and KEYCORP LEASING, A DIVISION OF KEY CORPORATE CAPITAL INC., a Michigan corporation ("KCL").

WITNESSETH

1. Pursuant to a Security Agreement, as amended by Addendum thereto of even date (collectively, the "Security Agreement"), in exchange for KCL has agreed to finance the three (3) locomotives bearing the railroad reporting markings set forth on Exhibit A attached hereto in consideration of Borrower's grant of a security interest therein.

2. The Security Agreement shall be effective as of the date first set forth hereinabove.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be signed and sealed by their respective corporate officers as of the date and year first above written.

Secured Party:

KEYCORP LEASING, A DIVISION OF KEY CORPORATE CAPITAL INC.

By: 

Name: LOUIS M. SOMBAT

Title: REGIONAL BUSINESS PROCESSING MANAGER

Borrower:

MOHAWK, ADIRONDACK & NORTHERN RAILROAD CORPORATION

By: 

Name:

Title:

C.J. RIEDMILLER
EXEC. V.P. MARKETING/CFO

STATE OF New York)
) ss.:
COUNTY OF Albany)

On this 1st day of September, 1999, before me the subscriber personally appeared Louis M. Sumbat, who being by me duly sworn, did depose and say: that (s)he resides at Albany County; that (s)he is a ^{AUTHORIZED REPRESENTATIVE} ~~Vice President~~ of KeyCorp Leasing, a Division of Key Corporate Capital Inc., the corporation described in and which executed the foregoing instrument and that (s)he signed his/her name thereto by order of the Board of Directors of said corporation.

David J. Omicinski
NOTARY PUBLIC

DAVID J. OMICINSKI
Notary Public, State of New York
Qualified in Schenectady County
Commission Expires 3-18-2001

My Commission Expires:

STATE OF NEW YORK)
) ss.:
COUNTY OF ERIE)

On this 30 day of AUGUST, 1999, before me the subscriber personally appeared CHARLES J. MEDMILLER, who being by me duly sworn, did depose and say; that (s)he resides at GENESSEE COUNTY; that (s)he is a EVP of Mohawk, Adirondack & Northern Railroad Corporation, the corporation described in and which executed the foregoing instrument and that (s)he signed his/her name thereto by order of the Board of Directors of said corporation.

Charles J. Lachiusa
NOTARY PUBLIC

My Commission Expires:

CHARLES J. LACHIUSA
Notary Public, State of New York
Qualified in Erie County
My Commission Expires 1/30/00

EXHIBIT A
TO MEMORANDUM OF SECURITY AGREEMENT
DATED AS OF AUGUST 24, 1999

VENDOR: QUEBEC GATINEAU RAILWAY INC.
P.O. BOX 9600 POSTAL STATION A
TORONTO, ON M5W 1P8

EQUIPMENT LOCATION: 8364 Lewiston Road, Batavia, NY 14020

<u>QUANTITY</u>	<u>EQUIPMENT DESCRIPTION</u>	<u>SERIAL NO.</u>	<u>INVOICE NO.</u>
2	USED 1965 MLW LOCOMOTIVE UNIT #4223 AND #4228 - REBUILT	84855-61 84862-66	GA000855

VENDOR: BC RAIL
P.O. BOX 8770
VANCOUVER, BC VGB4X6

EQUIPMENT LOCATION: 8364 Lewiston Road, Batavia, NY 14020

<u>QUANTITY</u>	<u>EQUIPMENT DESCRIPTION</u>	<u>SERIAL NO.</u>	<u>INVOICE NO.</u>
1	USED 1973 ALCO LOCOMOTIVE #642 - REBUILT	M-6068-3	N/A