

0-117A051

#15

NEW NUMBER

LAW OFFICES  
ALVORD AND ALVORD

200 WORLD CENTER BUILDING

918 SIXTEENTH STREET, N W

WASHINGTON, D.C.

20006-2973

(202) 393-2266

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

ROBERT W ALVORD\*  
CHARLES T KAPPLER  
JOHN H DOYLE\*  
RICHARD N BAGENSTOS  
JAMES C MARTIN, JR \*

\* ALSO ADMITTED IN NEW YORK  
\* ALSO ADMITTED IN MARYLAND

OF COUNSEL  
URBAN A LESTER

CABLE ADDRESS  
ALVORD

TELEX  
440367 A AND A

TELEFAX  
(202) 393-2156

April 27, 1990

16853  
RECORDATION NO FILED 1425

Ms. Noreta R. McGee  
Secretary  
INTERSTATE COMMERCE COMMISSION  
Washington, D.C., 20423

APR 27 1990 - 1 05 PM

INTERSTATE COMMERCE COMMISSION

Dear Ms. McGee:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11030(a) are two fully executed original copies of a Chattel Mortgage and Security Agreement dated as of April 25, 1990, a primary document as defined in the Commission's Rules for the Recordation of Documents, 49 C.F.R. Section 1177.

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

Mortgagor: Rail Development, Inc.  
P.O. Box 146  
505 South Broad Street  
Kennett Square, Pennsylvania 19348

Mortgagee: CSX Transportation, Inc.  
100 North Charles Street  
Baltimore, Maryland 21201

A description of the railroad equipment covered by the enclosed document is set forth in Schedule A attached hereto and made a part hereof.

Also enclosed is a check in the amount of \$15 payable to the order of the Interstate Commerce Commission covering the required recordation fee.

*Countersigned C.T. Kappler*

Ms. Noreta R. McGee  
Secretary  
Interstate Commerce Commission  
April 27, 1990  
Page Two

Kindly return a stamped copy of the enclosed document to Charles T. Kappler, Esq., Alvord and Alvord, 918 Sixteenth Street, N.W., Washington, D.C. 20006.

A short summary of the enclosed primary document to appear in the Commission's Index is:

Chattel Mortgage and Security Agreement dated as of April 25, 1990 between Rail Development, Inc., Mortgagor, and CSX Transportation, Inc., Mortgagee, covering locomotives and freight cars, certain of which bear OCTR or ATRW marks and numbers.

Very truly yours,

  
Charles T. Kappler

Enclosures  
CTK/bg

Schedule "A"

Octoraro (RDI) Equipment List

Items/Lots Identification Numbers

Locomotives.

No. 4118 Alco RS3 PO2351360  
 No. 4103 Alco RS3 IP7950/I02351360  
 No. 134 Alco RS3 OCTR 134  
 No. 5 Alco RS2 (parts) 11409  
 No. 2 Alco RS2 (parts) 2432381  
 No. 4 S2 (parts) 3946

Highway Vehicles:

GMC-Gray, 1984 hi rail #04 PA Title 36565161102RA SN.2GTGC24M1E1528253  
 GMC-Blue, 1984 hi rail PA Title 36565137402RA SN.2GTGC24M1E1534647  
 Ford 1 ton P/U 1979 PA Title 3389806023RA SN.E37AHCN8323

Freight Cars:

Hopper car, Flatcar Wood deck, OCTR LB 301 (Hooper); OCTR 201 (Wood)  
 Flat car steel deck, Flatcar special OCTR 202 (Steel); OCTR 204 (Special)  
 Flatcar w/side stakes, 3 Boxcars, ATRW 203 (Stakes); ATRW 209 171, 150151 &  
 Tank car(fuel oil storage), Side Dum OCTR BXC301  
 Car (Magor 35 cu.yd) OCTR TC 101  
 ATRW 211

Miscellaneous Parts:

1 Box car load of locomotive parts  
 Addit. Box car load of locomotive pa  
 Small parts at Kennett Square  
 Turbo & Air compressor & 2 traction  
 motors at Kennett Square  
 Hobart Welder/Trailable  
 Misc tools and Small Shop Fixtures  
 Office Equipment / Furniture at  
 Kennett Square  
 Radios, radio tower transmitter and  
 radio system  
 Computer Equipment

Schedule "A"

Misc. Track and signal inventory (rails, ties,  
switches, signal equipment, etc)

Marine container 20'

Locomotive heater, 2 window sets for RS3

Maint/Way Equipment: Tamper Section Gang

tie changer with spiker, Safe-tran Type C

Bolting machine, Jackson multiple tamper.

Rail saw, Steam Jenny, Rail Drill

Phone system

**Interstate Commerce Commission**  
Washington, D.C. 20423

4/27/90

OFFICE OF THE SECRETARY

Charles T. Kappler  
Alvord & Alvord  
918 16th St. N.W.  
Washington, D.C. 20006

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 4/27/90 at 1:05pm and assigned recordation number(s). 14985-A & 16853

Sincerely yours,



Noreta R. McGee  
Secretary

Enclosure(s)

RECORDATION NO. 16853 FILED 1990  
APR 27 1990 1 05 PM  
INTERSTATE COMMERCE COMMISSION

THIS CHATTEL MORTGAGE AND SECURITY AGREEMENT ("Mortgage"), made as of the 25th day of April, 1990, by and between RAIL DEVELOPMENT, INC., a Delaware corporation (hereinafter called the Mortgagor), and CSX TRANSPORTATION, INC., a Virginia corporation (hereinafter called the Mortgagee).

WITNESSETH, that to secure the payment of a certain Promissory Note in the face amount of \$285,577.33 and interline and other obligations defined as the "Secured Indebtedness" of Octoraro Railway, Inc., a Pennsylvania corporation ("Octoraro"), (Mortgagee's wholly owned subsidiary which has joined herein) to Mortgagee in that certain Agreement between Octoraro, Mortgagor and Mortgagee of even date ("the Agreement"), the Mortgagor does hereby mortgage and grant a security interest unto the Mortgagee in those certain assets described in Schedule A attached hereto and made a part hereof (the "Collateral") including certain locomotives and other railroad cars and material requiring ICC filings (the "Equipment") and certain motor vehicles requiring title encumbrances (the "Vehicles"), and the proceeds of all of them. Octoraro is the lessee of all of the Collateral under lease dated <sup>and</sup> April 20, 1991, which rights and all succeeding rights in the Collateral are hereby expressly subordinate to this Mortgage and any supplement hereto.

PROVIDED, HOWEVER, if Octoraro or Mortgagor shall pay the Mortgagee the aforesaid Secured Indebtedness with the interest and in the manner as set forth in the Agreement, and

shall keep and perform all and singular the terms, covenants, and agreements in this Mortgage, then these presents shall be void.

WITNESSETH ALSO, that for and in consideration of the aforesaid Secured Indebtedness and in consideration of the mutual promises heretofore and hereinafter set forth, the parties hereto covenant and agree as follows:

1. The aforesaid Secured Indebtedness, together with interest as provided in the Agreement, shall be payable to the Mortgagee, at its principal office or at such other place as the Mortgagee may reasonably designate in writing, in the manner set forth in the Agreement.

Octoraro or the Mortgagor will pay, to the extent legally enforceable, interest on any and all past due Secured Indebtedness at the rate set forth in the Agreement as applicable to the Promissory Note.

All payments provided for in this Mortgage shall be made by Octoraro or the Mortgagor in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

2. The Mortgagor hereby warrants to the Mortgagee that the Mortgagor is the absolute owner and in possession of all of the Collateral, and that the Collateral is free and clear of all liens, encumbrances and adverse claims whatsoever, except said lease to Octoraro which is expressly subordinated hereby to the Mortgage.

3. All payments to be made by Octoraro or the Mortgagor hereunder will be free of expense to the Mortgagee for collection or other charges and will be free of expense to the Mortgagee in respect of the amount of any local, state or federal taxes (other than income, gross receipts, excess profits and similar taxes measured by Mortgagee's income, receipts and profits, etc.) or licenses (including, without limitation, taxes or licenses under motor vehicle laws) hereafter levied or imposed upon, or measured by, this Mortgage, all of which expenses, taxes and licenses the Mortgagor assumes and agrees to pay on demand in addition to the consideration expressed herein. Provided, however, that Octoraro or the Mortgagor shall be under no obligation to pay any taxes, assessments, licenses, charges, fines or penalties of any kind so long as it is contesting in good faith and by appropriate legal proceedings such taxes, assessments, licenses, charges, fines or penalties and the non-payment thereof does not, in the opinion of the Mortgagee, adversely affect the rights of the Mortgagee hereunder. If any such expenses, taxes, assessments, licenses, charges, fines or penalties shall have been charged or levied against the Mortgagee directly and paid by the Mortgagee, Octoraro or the Mortgagor shall reimburse the Mortgagee on presentation of an invoice therefor; provided, further, that Octoraro or the Mortgagor shall not be obligated to reimburse the Mortgagee for any expenses, taxes, assessments, licenses, charges, fines or penalties so paid unless the Mortgagee shall have been legally liable in respect

thereof, or unless the Mortgagor shall have approved the payment thereof.

4. Substitutions and release of Collateral may be effected under the terms of the Agreement. Any and all additions to the Equipment and Vehicles and any and all replacements of the Equipment and Vehicles and of parts thereof and additions thereto shall constitute accessions to the Equipment and Vehicles and shall be subject to all the terms and conditions of this Mortgage and included in the term "Equipment" and "Vehicles" and "Collateral" as used in this Mortgage.

Octoraro and the Mortgagor will, at their own expense, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers, and assurances necessary or proper for the better assuring, conveying, assigning and confirming to the Mortgagee all of the mortgaged property, or property intended so to be, whether now owned or hereafter acquired.

The Mortgagor and Octoraro will cause this Mortgage and all mortgages supplemental hereto, and all financing and continuation statements and similar notices required by applicable law, at all times to be kept, recorded and filed at its own expense in such manner and in such places as may be required by law in order fully to preserve and protect the rights of the Mortgagee in the Collateral hereunder and under the Agreement, inter alia, under the laws of Pennsylvania, Maryland and Delaware and with the ICC as to the Equipment and in the state of issuance of the certificate of titles as to Vehicles.

Any substituted Collateral shall be similarly documented, and recorded. Alternatively, Mortgagor and Octoraro shall reimburse Mortgagee on demand for any reasonable attorneys' fees and costs in Mortgagee's so perfecting the liens granted herein.

5. The Mortgagor and Octoraro will cause each unit of the Equipment to be kept numbered with its identifying number, as set out in Schedule A attached hereto, and will not change any such numbers except with the consent of the Mortgagee and in accordance with a statement of new numbers to be substituted therefor, which statement previously shall have been filed with the Mortgagee by the Mortgagor and shall promptly thereafter be filed and recorded by the Mortgagor pursuant to Article 4 hereof.

The Mortgagor and Octoraro will not allow the name of any person, association or corporation to be placed on the Equipment as a designation that might be interpreted as a claim of ownership or lien inconsistent herewith.

6. In the event that, prior to the payment of the full indebtedness, together with interest thereon and all other payments required hereby, (a) any unit of the Collateral shall be worn out, lost, destroyed or, in the opinion of the Mortgagor, damaged beyond economical repair, or (b) compliance with any law or rule referred to in Article 8 hereof would require the change, or replacement, or addition of any device or appliance, of or on the Equipment, Vehicles or other Collateral or any unit thereof and, in the opinion of the Mortgagor, compliance therewith would

be uneconomical, then, and in any such event, the Mortgagor and Octoraro shall, promptly after either has knowledge of such event, fully notify the Mortgagee in regard thereto; and Octoraro or the Mortgagor shall, within 60 days after making such notification, pay to the Mortgagee, in reduction of the Secured Indebtedness, a sum equivalent to the pro rata share of the values ascribed to the various assets in Schedule A hereto and Mortgagee shall release its security interest in such unit.

7. The Mortgagor or Octoraro will at all times maintain the Collateral in good order and repair at its own expense.

8. During the term of this Mortgage the Mortgagor and Octoraro will comply with all applicable laws of the jurisdictions in which their operations involving the Collateral may extend, and with all lawful rules of any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Collateral, to the extent that such laws and rules affect the operation or use of the Collateral; provided, however, that the Mortgagor or Octoraro may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Mortgagee, adversely affect the property or rights of the Mortgagee hereunder.

9. The Mortgagor agrees, upon the Mortgagee's request, at least once in every year during the continuance of this Mortgage, to furnish an accurate inventory of the Collateral.

The Mortgagee shall have the right, once in every year, by its agents and at its own expense, to inspect the Collateral at its existing locations, and the Mortgagor's and Octoraro's records with respect thereto.

10. The Mortgagor, so long as it and/or Octoraro shall not be in default under this Mortgage, shall be entitled to possess the Collateral and to use the same, or to permit its use (by lease or otherwise, but always subject to this Mortgage as expressly set forth in the first "Witnesseth" Paragraph hereto), inter alia, in common carrier transportation service pursuant to the provision of tariffs filed with the Interstate Commerce Commission, or in movements auxiliary to such service.

11. The Mortgagor or Octoraro will pay or satisfy and discharge any and all sums claimed by any party by, through or under the Mortgagor or its successors or assigns which, if unpaid, might become a lien or a charge upon the Collateral, or any part thereof, equal or superior to the lien of the Mortgagee thereto, but shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings in any reasonable manner and that the nonpayment thereof does not, in the opinion of the Mortgagee (who shall be promptly notified of the claim by the Mortgagor) adversely affect the title or rights of the Mortgagee hereunder.

12. The Mortgagor and/or Octoraro agrees to indemnify and save harmless the Mortgagee from and against all losses,

damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including counsel fees reasonably incurred, arising out of the grant to the Mortgagee of liens on the Collateral or out of the use and operation thereof by the Mortgagor during the period when a lien thereto remains in the Mortgagee. This covenant of indemnity shall continue in full force and effect notwithstanding the full payment of the indebtedness and the execution of a release or satisfaction, as provided in Article 4 hereof, or the termination of this Mortgage in any manner whatsoever.

The Mortgagor and Octoraro will bear the risk of, and shall not be released from the obligations hereunder in the event of, any damage to or the destruction or loss of any or all of the Collateral.

13. Except as provided in Article 10 hereof, the Mortgagor and Octoraro will not transfer the right to possession of any of the Collateral without first obtaining the written consent of the Mortgagee. An assignment or transfer to a railroad company or other purchaser which shall acquire all or substantially all the lines of railroad of the Mortgagor and/or Octoraro and which, by execution of an appropriate instrument satisfactory to the Mortgagee, shall assume and agree to perform each and all of the obligations and covenants of the Mortgagor and Octoraro hereunder, shall not be deemed a breach of this covenant.

All or any of the rights, benefits and advantages of the Mortgagee under this Mortgage, including the right to receive the payments herein provided to be made by the Mortgagor or Octoraro, may be assigned by the Mortgagee and reassigned by any assignee in whole or in part at any time or from time to time.

Before any such assignment either the assignor or the assignee shall give 5 days prior written notice to the Mortgagor and Octoraro, together with a counterpart or copy of such assignment, stating the identity and post office address of the assignee, and such assignee shall by virtue of such assignment acquire all of the Mortgagee's right, title and interest in and to the Secured Indebtedness and the Collateral, subject only to such reservations as may be contained in such assignment. From and after the receipt by the Mortgagor and Octoraro of the notification of any such assignment, all payments thereafter to be made by the Mortgagor or Octoraro hereunder shall be made to the assignee at the address of the assignee specified in the aforesaid notice.

14. In case there shall occur an event of default as defined in the Agreement, then the Mortgagee may, by written notice to the Mortgagor and Octoraro, declare the entire unpaid balance of the Secured Indebtedness together with the unpaid interest thereon, immediately due and payable and upon any such declaration the entire unpaid balance of the Secured Indebtedness, together with the unpaid interest thereon, shall forthwith become due and payable, and the aggregate of such

balance of the whole of the Secured Indebtedness and interest shall bear interest from the date of such declaration at the rate set forth in the Agreement as applicable to the Promissory Note and the Mortgagee shall thereupon be entitled to recover judgment for the entire unpaid balance of the Secured Indebtedness and interest so payable, with interest thereon as aforesaid, and to collect such judgment out of any property of Octoraro and out of the Collateral and any interests of Mortgagor or Octoraro therein wherever situated.

In implementation thereof, RDI hereby authorizes any attorney to appear in any court of record in the Commonwealth of Pennsylvania, or any other state in the United States, on default (after notice and time to cure, if any, set forth in the Agreement), to waive the issuing and service of process, to admit the maturity of the Secured Indebtedness by acceleration or otherwise, and to confess judgment against RDI (subject to the limitations in the last paragraph of Article 15 hereof) in favor of Mortgagee for the amount thereof, together with costs of suit and reasonable attorneys' fees, and to release all errors and waive all right of appeal and stay of execution.

The Mortgagee may, at its election (and, if before sale or lease or before completion of other enforcement of this Mortgage, all costs and expenses of the Mortgagee incident to any such default and to the enforcement by the Mortgagee of the provisions hereof and all sums which shall then have become due and payable by the Mortgagor or Octoraro hereunder, other than

such part of the Secured Indebtedness and interest thereon as shall have become due only because of a declaration of default as aforesaid, shall have been paid by the Mortgagor or Octoraro and all other existing defaults shall have been remedied or provision therefor satisfactory to Mortgagee shall have been made, then and in every such case the Mortgagee shall) waive any such default and its consequences and rescind and annul any such declaration, by written notice to the Mortgagor and Octoraro, but no such waiver, rescission and annulment shall extend to or affect any subsequent default or impair any rights or remedies consequent thereon.

15. If the Mortgagor or Octoraro shall make default as hereinbefore provided, then the Mortgagor and Octoraro hereby do declare their consents to the enforcement provisions set forth in the Agreement or, if for any reason the Mortgagee does not desire to pursue the remedies aforementioned, then, at any time after such notice of declaration of default and during the continuance of such default and upon such further notice, if any, as may be required for compliance with any mandatory requirement of law applicable to the action to be taken by the Mortgagee, the Mortgagee at its option may take or cause to be taken by its agent or agents immediate possession of the Collateral and may, after 10 days notice to Mortgagor or Octoraro, lease or sell, at public or private sale, the Collateral or any thereof free from all claims of the Mortgagor and Octoraro at law or in equity, upon such terms and in such manner as the Mortgagee may determine

but subject to any mandatory requirements of law applicable thereto, either without or before or after taking possession of the Collateral and without having the Collateral at the place of sale. To the extent not prohibited by any legal requirements then in force and applicable to such public sale, the Mortgagee may itself bid for and become the purchaser of the Collateral or any thereof offered by public sale without accountability to the Mortgagor (except to the extent of surplus money received as hereinafter provided in this paragraph) and in payment of such purchase price the Mortgagee shall be entitled to the extent aforesaid to have credited on account thereof all sums due to the Mortgagee from the Mortgagor and Octoraro. The proceeds of any such lease or sale after deducting all charges and expenses, including counsel fees, reasonably incurred in connection therewith and for enforcing any of the Mortgagee's rights against Octoraro separately under the Agreement and the Promissory Note, shall be applied to the payment, first, of the expenses of retaking, keeping and storing the Collateral, reasonable attorneys' fees and cost of enforcements hereunder and separately against Octoraro and, second, of the balance of the Secured Indebtedness and any interest accrued thereon and, third, of all other sums payable by the Mortgagor or Octoraro hereunder. If any surplus of such proceeds remains after the payment of the sums hereinabove mentioned, the Mortgagee agrees to pay such surplus to the Mortgagor and Octoraro; and in case of a deficiency, the Mortgagor or Octoraro agree to pay such

deficiency forthwith to the Mortgagee. If the Mortgagor and Octoraro fail to pay such deficiency, the Mortgagee may bring suit therefor and shall be entitled to recover judgment therefor against Octoraro or the Mortgagor subject to the limitation in the last paragraph of Article 15 hereof.

In case the Mortgagee shall rightfully demand possession of the Collateral in pursuance of this Mortgage, the Mortgagor or Octoraro shall, at its own expense, with reasonable dispatch and in the usual manner, cause the Equipment and Vehicles to be moved to its regular interchange point between Mortgagee and Mortgagor and shall there deliver the Equipment and Vehicles or cause them to be delivered to the Mortgagee; and the Mortgagee may, at its option, keep the Collateral on any of the premises of the Mortgagor or Octoraro until the Mortgagee shall have leased, sold or otherwise disposed of the same, and for such purpose the Mortgagor and Octoraro agree to furnish, without charge for rent or storage for 180 days, the necessary facilities at any point or points selected by the Mortgagee reasonably convenient to the Mortgagor and Octoraro and risk of loss shall shift to Mortgagee at that time. This agreement to deliver the Equipment and Vehicles and to store the Collateral as hereinbefore provided is of the essence of the Mortgage and, upon application to any court of equity having jurisdiction in the premises, the Mortgagee shall be entitled to a decree against the Mortgagor and Octoraro requiring specific performance hereof. The Mortgagor and Octoraro hereby expressly waive any and all

claims against the Mortgagee and its agent or agents for damages of whatever nature in connection with any retaking of any of the Collateral in any reasonable manner. Except as otherwise stated herein as to surplus assets or excess proceeds, the Mortgagor and Octoraro agree that neither upon the retaking of the Collateral by the Mortgagee or the purchaser or lessee thereof in the event of a default hereunder by the Mortgagor or Octoraro nor as a condition precedent to such retaking shall the Mortgagee be required to refund to the Mortgagor or Octoraro any portion of the Secured Indebtedness theretofore paid by the Mortgagor or Octoraro and the Mortgagor and Octoraro expressly waive any right they may have by law or by statute to the return of any part of such installments upon the retaking of the Collateral by the Mortgagee or such purchaser or lessee thereof as aforesaid. The sale, lease or retaking of the Collateral shall not affect any right or cause of action which the Mortgagee may have or release the Mortgagor or Octoraro from any obligation or liability upon or under this Mortgage, the Agreement or the Promissory Note, as the case may be.

The Mortgagor and Octoraro will pay all reasonable attorneys' fees reasonably incurred by the Mortgagee in enforcing its remedies under the terms of this Mortgage. In the event that the Mortgagee brings any suit to enforce any of its rights hereunder and shall be entitled to judgment, then in such suit the Mortgagee may recover reasonable attorneys' fees, and the amount thereof shall be included in such judgment. Any judgment

shall bear interest at the default rate set forth in the Agreement until paid in full.

The powers and remedies herein provided in case of default are not to be exclusive of any other powers or remedies now or hereafter existing at law or in equity or under any statute. No delay or omission of the Mortgagee in the exercise of any power or remedy shall be deemed to be a waiver of any default or of the right to exercise such power or remedy, nor shall the acceptance by the Mortgagee of any security or of any payment of or on account of any installment or of interest maturing or accruing after any default or of any payment on account of any past default be deemed a waiver of any right to take advantage of any other past or any future default.

All rights, remedies and powers provided for in this Article 15 may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions of this Article 15 are intended to be subject to all applicable mandatory provisions of law that may be controlling in the premises and to be limited to the extent necessary so that they will not render this Mortgage invalid or unenforceable.

Notwithstanding reference herein to liabilities of the Mortgagor to the Mortgagee assumed herein, Mortgagor's obligations hereunder for breach are non-recourse except to the extent of its interests in the Collateral; and except further that in case of breach of any warranties of present or future

title and freedom from encumbrances, maintenance, casualty value payment and the like as to the Collateral and indemnity, Mortgagor's liabilities are unlimited.

16. Any provision of this Mortgage prohibited by any applicable law of any State, or which by any applicable law of any State would convert this Mortgage into any instrument other than a Chattel Mortgage and Security Agreement, shall as to such State be ineffective, without modifying the remaining provisions of this Mortgage. Where, however, the conflicting provisions of any applicable State law, may be waived, they are hereby waived by the Mortgagor and Octoraro and Mortgagee to the full extent permitted by law, to the end that this Mortgage shall be deemed to be a Chattel Mortgage and Security Agreement and enforced as such.

Except as otherwise provided in this Mortgage, the Mortgagor and Octoraro, to the fullest extent permitted by law, hereby waive all statutory or other legal requirements for any notice of any kind, including (without limitation) notice of intention to take possession of or to sell the Collateral, or any unit thereof, and any other requirements with respect to the time, place and terms of sale thereof or the enforcement of the Mortgagee's rights hereunder and any and all right of redemption.

17. No delay or omission in the exercise of any power or remedy herein provided or otherwise available to the Mortgagee shall impair or affect the Mortgagee's right thereafter to exercise the same. Any extension of time for payment hereunder

or other indulgence duly granted to the Mortgagor or Octoraro shall not otherwise alter or affect the Mortgagee's rights or the obligations of the Mortgagor or Octoraro hereunder. The Mortgagee's acceptance of any payment after it shall have become due hereunder shall not be deemed to alter or affect the obligations of the Mortgagor or Octoraro or the Mortgagee's rights hereunder with respect to any subsequent payments or default therein.

18. The Mortgagor and Octoraro will pay all reasonable costs, charges, and expenses, including fees and expenses of counsel and stamp and other taxes, if any, incurred by the Mortgagor and Octoraro and the Mortgagee incident to the printing or other duplicating, execution, acknowledgement, delivery, filing, registration or recording of this Mortgage any supplement hereto, financing statements, continuation statements and encumbrances of titles to the vehicles and of any release or satisfaction of this Mortgage or release of any Collateral or the substitution of any Collateral and perfection of any security interest of Mortgagee against Octoraro's assets as provided for in the Agreement.

19. Any notice hereunder to the Mortgagee shall be deemed to be properly served if delivered personally or by National Courier service with receipt or mailed Certified Mail return receipt requested, to the Mortgagee at 100 North Charles Street, Baltimore B-12-C, Maryland 21201 Attention: Assistant Treasurer, or at such other address as may have been furnished in

writing to the Mortgagor by the Mortgagee. Any notice hereunder to the Mortgagor or Octoraro shall be deemed to be properly served if similarly delivered or mailed to the Mortgagor and/or Octoraro at P.O. Box 146, 505 South Broad Street, Kennett Square, PA 19348, copy c/o Eric Gerst, Esq., Suite 528, 21 S. 5th Street, Philadelphia, PA 19106 or at such other address as may have been furnished in writing to the Mortgagee by the Mortgagor. Any notice hereunder to any assignee of the Mortgagee or of the Mortgagor shall be deemed to be properly served if delivered or mailed to such assignee at such address as may have been furnished in writing to the Mortgagor or the Mortgagee, as the case may be, by such assignee.

20. This Mortgage and the Agreement exclusively and completely state the rights of the Mortgagee and Octoraro and the Mortgagor with respect to the Collateral and supersede all other agreements, oral or written, with respect to the Collateral. No variation or modification of this Mortgage or the Agreement and no waiver of any of their provisions or conditions shall be valid unless in writing and signed by duly authorized officers of the Mortgagee and the Mortgagor and Octoraro.

21. This Mortgage shall be construed in accordance with the laws of the State of Pennsylvania.

IN WITNESS WHEREOF, the parties hereto have each duly executed this Mortgage as of the day, month, and year first above written.

[Corporate Seal]

ATTEST:

Dorset M. Harrison

[Corporate Seal]

ATTEST:

Dorset M. Harrison

[Corporate Seal]

ATTEST:

R. J. Halverson  
Assistant Secretary

OCTORARO RAILWAY, INC.

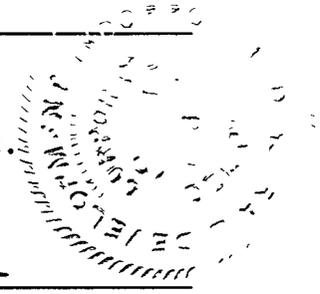
By: T. D. [Signature]  
Vice President

RAIL DEVELOPMENT, INC.

By: T. D. [Signature]  
President

CSX TRANSPORTATION, INC.

By: A. B. [Signature]  
Ass't Vice President



COMMONWEALTH OF PENNSYLVANIA:

CITY OF PHILADELPHIA

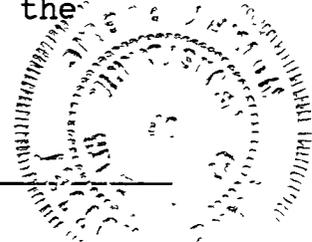
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SS:

I hereby certify, that on this 25<sup>th</sup> day of April  
\_\_\_\_\_, 1990, before me, a Notary Public of the  
Commonwealth of Pennsylvania, in and for the City aforesaid,  
personally appeared Eric D. Gerst, who acknowledged  
himself to be a ~~Vice~~ President of Octoraro Railway, Inc., a  
corporation of the State of Pennsylvania, and the Mortgagor  
named in the foregoing Mortgage, and he acknowledged the  
foregoing Mortgage to be the act of the corporation.

[Notarial Seal]

Janet Rosset  
Notary Public



My Commission Expires

NOTARIAL SEAL  
JANET ROSSET, Notary Public  
City of Philadelphia, Phila. County  
My Commission Expires April 30, 1992

STATE OF MARYLAND:

SS:

CITY OF BALTIMORE:

I hereby certify that on this 12th day of April, 1990, before me, a Notary Public of the State of Maryland, in and for the City aforesaid, personally appeared A. B. Aftoora, who acknowledged himself to be an Assistant Vice President of CSX Transportation, Inc., a corporation of the State of Virginia, and made oath in due form of law that the foregoing Mortgage is the act of the corporation, and that the consideration set forth in the foregoing Mortgage is true and bona fide as therein set forth.

[Notarial Seal]



*Beulah M. McCauley*  
Notary Public  
Commission expires 7-1-90

COMMONWEALTH OF PENNSYLVANIA:

SS:

CITY OF PHILADELPHIA:

I hereby certify that on this 25<sup>th</sup> day of April  
 \_\_\_\_\_, 1990, before me, a Notary Public of the State of  
 Delaware, in and for the City aforesaid, personally appeared  
Eric D. Gerst, who acknowledged himself to be a ~~vice~~  
 President of Rail Development, Inc., a corporation of the State  
 of Delaware, and the Mortgagor named in the foregoing Mortgage,  
 and he acknowledged the foregoing Mortgage to be the act of  
 the corporation.

[Notarial Seal]

Janet Rosset  
 Notary Public

My Commission expires



NOTARIAL SEAL  
 JANET ROSSET, Notary Public  
 City of Philadelphia, Phila. County  
 My Commission Expires April 30, 1992

Schedule "A"

Octoraro (RDI) Equipment List:

Items/Lots	<u>Identification Numbers</u>
<b>Locomotives.</b>	
No. 4118 Alco RS3	PO2351360
No. 4103 Alco RS3	IP7950/I02351360
No. 134 Alco RS3	OCTR 134
No. 5 Alco RS2 (parts)	11409
No. 2 Alco RS2 (parts)	2432381
No. 4 S2 (parts)	3946

**Highway Vehicles:**

GMC-Gray, 1984 hi rail #04	PA Title 36565161102RA	SN.2GTGC24M1E1528253
GMC-Blue, 1984 hi rail	PA Title 36565137402RA	SN.2GTGC24M1E1534647
Ford 1 ton P/U 1979	PA Title 3389806023RA	SN.E37AHCN8323

**Freight Cars:**

Hopper car, Flatcar Wood deck,	OCTR LB 301 (Hooper); OCTR 201 (Wood)
Flat car steel deck, Flatcar special	OCTR 202 (Steel); OCTR 204 (Special)
Flatcar w/side stakes, 3 Boxcars,	ATRW 203 (Stakes); ATRW 209 171, 150151 &
Tank car(fuel oil storage), Side Dum	OCTR BXC301
Car (Magor 35 cu.yd)	OCTR TC 101
	ATRW 211

**Miscellaneous Parts:**

- 1 Box car load of locomotive parts
- Addit. Box car load of locomotive pa
- Small parts at Kennett Square
- Turbo & Air compressor & 2 traction motors at Kennett Square
- Hobart Welder/Trailable
- Misc tools and Small Shop Fixtures
- Office Equipment / Furniture at Kennett Square
- Radios, radio tower transmitter and radio system
- Computer Equipment

Schedule "A"

Misc. Track and signal inventory (rails, ties,  
switches, signal equipment, etc)

Marine container 20'

Locomotive heater, 2 window sets for RS3

Maint/Way Equipment: Tamper Section Gang  
tie changer with spiker, Safe-tran Type C

Bolting machine, Jackson multiple tamper,

Rail saw, Steam Jenny, Rail Drill

Phone system