17053 OCT 5 1990 -9 50 AM INTERSTATE COMMERCE COMMISSION

LAW OFFICES OF
DAVID E. FOX
SUITE 103
1325 18TH STREET, N W
WASHINGTON, D C 20036
(202) 887-0725

0-278A021

October 4, 1990

Secretary
Interstate Commerce Commission
12th and Constitution Avenue, Northwest
Washington, D. C. 20423

Dear Secretary:

Enclosed herewith is one original and one copy of the document described below to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

These documents, as listed below, are primary documents dated September 26, 1990:

1. New York IDA Mortgage;
2. New York Non-IDA Mortgage;
3. New York Class 2 Mortgage (Otsego IDA);
4. New York Class 2 Mortgage;
5. New Jersey Class 2 Mortgage;
6. New Jersey Property Mortgage;
7. Collateral Assignment of Leases and Rents (NY);
8. Collateral Assignment of leases and Rents (NJ-Delaware Otsego);
9. Collateral Assignment of Leases and Rents (NJ-Corporate Guarantors);
10. Pledge and Security Agreement (Accounts);
11. Pledge and Security Agreement (All);
12. Assignment of Proceeds (Little Ferry);
13. Assignment of Proceeds, Agreements and Contracts; and
14. Pledge and Assignment.

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

Delaware Otsego Corporation
Cooperstown and Charlotte Valley Railway Corporation
Central New York Railroad Corporation
Fonda, Johnstown and Gloversville Railroad Company

Lackawaxen and Stourbridge Railroad Corporation
Fonfulco, Inc.
Delaware Otsego Equipment Corporation
The New York, Susquehanna and Western Railroad Corporation
Susquehanna Properties, Inc.
Delta Warehousing Corporation
Staten Island Railway Corporation
Rahway Valley Railroad Company
Rahway Valley Company, Lessee
Susquehanna Bulk Systems, Inc.
1 Railroad Avenue
Cooperstown, New York 13326

Chemical Bank
90 Presidential Plaza
Syracuse, New York 13202

A description of the equipment covered by the documents is as follows:

> All machinery, apparatus, equipment, fittings, inventory and fixtures now owned or hereafter acquired, including all locomotives, railcars, railroad rolling stock and maintenance-of-way equipment.

A fee of $210.00 is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to Ronald A. Mittleman, Esq., Lacy Katzen, Ryen & Mittleman, The Granite Building, 130 East Main Street, 2nd Floor, Rochester, New York, 14604-1686.

A short summary of the documents to appear in the index follows:

1. New York IDA Mortgage;
2. New York Non-IDA Mortgage;
3. New York Class 2 Mortgage (Otsego IDA);
4. New York Class 2 Mortgage;
5. New Jersey Class 2 Mortgage;
6. New Jersey Property Mortgage;
7. Collateral Assignment of Leases and Rents (NY);
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9. Collateral Assignment of Leases and Rents (NJ-Corporate Guarantors);

10. Pledge and Security Agreement (Accounts);
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13. Assignment of Proceeds, Agreements and Contracts; and
14. Pledge and Assignment.

Sincerely,

David E. Fox

DEF:trc

Enclosure(s)

trc\d:\wp\letters\delaware.ltr

1968X (NY Non-IDA Prop)

17053
RECORDATION NO _____ FILED 1425
OCT 5 1990 10 50 AM
INTERSTATE COMMERCE COMMISSION

DELAWARE OTSEGO CORPORATION,
COOPERSTOWN AND CHARLOTTE VALLEY RAILWAY CORPORATION,
CENTRAL NEW YORK RAILROAD CORPORATION,
FONDA, JOHNSTOWN AND GLOVERSVILLE RAILROAD COMPANY,
THE NEW YORK, SUSQUEHANNA AND WESTERN RAILWAY CORPORATION,
SUSQUEHANNA PROPERTIES, INC.,

TO

CHEMICAL BANK

MORTGAGE

Dated: As of September 27, 1990

RECORD AND RETURN TO:

Lacy, Katzen, Ryen & Mittleman
The Granite Building
130 East Main Street
Rochester, New York 14604
Attention: Ronald A. Mittleman, Esq.

MORTGAGE

THIS MORTGAGE made as of the 27th day of September, 1990, between DELAWARE OTSEGO CORPORATION, a New York corporation (the "Corporation"), COOPERSTOWN AND CHARLOTTE VALLEY RAILWAY CORPORATION, a New York corporation ("Cooperstown"), CENTRAL NEW YORK RAILROAD CORPORATION, a New York corporation ("Central"), FONDA, JOHNSTOWN AND GLOVERSVILLE RAILROAD COMPANY, a New York corporation ("Fonda"), THE NEW YORK, SUSQUEHANNA AND WESTERN RAILWAY CORPORATION, a New Jersey corporation ("New York"), SUSQUEHANNA PROPERTIES, INC., a New York corporation ("Susquehanna"), having a principal place of business at 1 Railroad Avenue, Cooperstown, New York 13326 (the "Mortgagor") and CHEMICAL BANK, a New York banking corporation having an office at 90 Presidential Plaza, Syracuse, New York 13202 (hereinafter referred to as "Mortgagee"),

W I T N E S S E T H :

WHEREAS, Mortgagor is the owner, holder, licensee, and/or grantee of fee estates, rights-of-way, easements, licenses and other rights, titles and interests in land in the premises described in Exhibit "A" attached hereto (hereinafter referred to as the "Premises");

NOW, THEREFORE, to secure the payment of an indebtedness in the principal sum of Eleven Million Dollars ($11,000,000), lawful money of the United States of America, to be paid with interest (said indebtedness, interest and all other sums which may or shall become due hereunder under the Notes (as hereinafter defined), this Mortgage and all other mortgages, security agreements or other agreements entered into the date hereof (the "Other Agreements", provided, however, that the maximum obligation that is or under any contingency may be secured by this Mortgage is and shall be the sum of Three Million Dollars ($3,000,000) being hereinafter collectively referred to as the "Debt") according to a certain 8-year term note in the principal amount of $6,000,000 dated the date hereof (the "$6,000,000 Term Note"), a certain 8-year term note in the principal amount of $3,000,000 dated the date hereof (the "$3,000,000 Term Note") and a certain 3-year revolving note in the principal amount of $2,000,000 (the "Revolving Credit Note") which may be converted to a 4-year term note in an amount up to $2,000,000 (the "Revolving Credit Term Note"), all dated the date hereof given by Mortgagor to Mortgagee (the $6,000,000 Term Note, the $3,000,000 Term Note, the Revolving Credit Note and the Revolving Credit Term Note hereinafter collectively referred to as the "Notes"), Mortgagor has mortgaged,

given, granted, bargained, sold, aliened, enfeoffed, conveyed, confirmed and assigned, and by these presents does mortgage, give, grant, bargain, sell, alien, enfeoff, convey, confirm and assign unto Mortgagee forever all right, title and interest of Mortgagor now owned, or hereafter acquired, in and to the following property, rights and interests (such property, rights and interests being hereinafter collectively referred to as the "Mortgaged Property"):

(a) the Premises;

(b) all buildings, structures and improvements now or hereafter located on the Premises (hereinafter referred to as the "Improvements");

(c) all of the estate, right, title, interest, claim or demand of any nature whatsoever of Mortgagor, either in law or in equity, in possession or expectancy, in and to the Mortgaged Property or any part thereof;

(d) all easements, rights-of-way, licenses, gores of land, streets, roads, ways, alleys, parking areas, passages, sewer rights, waters, water courses, water rights and powers, and all estates, rights, titles, interests, privileges, liberties, tenements, hereditaments, and appurtenances of any nature whatsoever, in any way belonging, relating or pertaining to the Mortgaged Property now or hereafter appurtenant or transferred thereto (including, without limitation, any and all development rights, air rights or similar or comparable rights of any nature whatsoever now or hereafter appurtenant to the Premises or now or hereafter transferred to the Premises) and all land lying in the bed of any street, road or avenue, opened or proposed, in front of or adjoining the Premises to the center line thereof;

(e) all machinery, apparatus, equipment, fittings, inventory, fixtures and other property of every kind and nature whatsoever owned by Mortgagor, or in which Mortgagor has or shall have an interest, now or hereafter located upon the Mortgaged Property, or appurtenances thereto, or usable in connection with the present or future operation and occupancy of the Mortgaged Property including but not limited to all of the right, title and interest of the Mortgagor in and to all track, track material, ties, ballasts, machinery, apparatus, equipment, locomotives, rail cars, railroad rolling stock, and maintenance of way equipment, fittings, fixtures and articles of personal property installed in, attached to or useful in connection with the present or future use of the Mortgaged Property or the present or future operation or maintenance of the Improvements, whether now owned or hereafter acquired, all replacements thereof, substitutions therefor and additions thereto,

together with the proceeds thereof, including but not limited to, all heating, lighting, laundry, incinerating and power equipment, engines, pipes, pumps, tanks, motors, conduits, switchboards, fire extinguishing, refrigerating, ventilating fans, air-cooling and air-conditioning apparatus, elevators, escalators, shades, awnings, screens, storm doors and windows, stoves, refrigerators, attached cabinets, partitions, ducts and compressors, all building equipment, materials and supplies of any nature whatsoever owned by Mortgagor, or in which Mortgagor has or shall have an interest, now or hereafter located upon the Mortgaged Property (hereinafter collectively referred to as the "Equipment"), and the right, title and interest of Mortgagor in and to any of the Equipment which may be subject to any security agreements (as defined in the Uniform Commercial Code of New York), superior in lien to the lien of this Mortgage;

(f) all awards or payments, including interest thereon, and the right to receive the same, which may be made with respect to the Mortgaged Property, the Improvements, the Equipment or any part thereof or any right of the Mortgagor appurtenant thereto whether from the exercise of the right of eminent domain (including any transfer made in lieu of the exercise of said right), including but not limited to, any awards or payments, including interest thereon, for use and occupation or for change of grade of street, or for any other injury to or decrease in the value of the Mortgaged Property;

(g) all leases and other agreements affecting the use or occupancy of the Mortgaged Property now or hereafter entered into (hereinafter referred to as the Leases) including, without limitation, all rentals, and all other amounts payable thereunder, any amounts receivable in connection with any licenses, license rights, easements or other agreements, insurance proceeds (other than insurance proceeds payable under liability policies to or for the benefit of Mortgagor) and condemnation, requisition and other payments of any kind for or with respect to the Mortgaged Property, together with all rights, powers, privileges and options of the Mortgagor thereunder including, but without limiting the generality of the foregoing, the present and continuing right to make claim for, collect, receive and receipt for any rents, income, revenues, issues and profits and other sums of money payable by the Mortgagor or receivable by Mortgagor under any Lease, whether payable as the purchase price or otherwise pursuant to any Lease and the proceeds thereof, together with the right to bring all actions and proceedings under any Lease or for the enforcement thereof, and to do any and all things which Mortgagor is or may become entitled to do under any Lease including, without limitation, the right to receive and apply the rents, issues and profits of the Mortgaged Property (hereinafter referred to as the Rents) to the payment of the Debt;

(h) all proceeds of and any unearned premiums on any insurance policies, together with any and all claims of the Mortgagor with respect thereto, covering the Mortgaged Property, the Improvements or the Equipment or any part thereof, including, without limitation, the right to receive and apply the proceeds of any insurance, judgments, or settlements made in lieu thereof, for damage to the Mortgaged Property;

(i) the right, in the name and on behalf of Mortgagor, to appear in and defend any action or proceeding brought with respect to the Mortgaged Property, the Improvements or the Equipment or any part thereof, and to commence any action or proceeding to protect the interest of Mortgagee in the Mortgaged Property; and

(j) all oil, gas, water and minerals including but not limited to cement rock, clay, coal, curbing, dimension stone, dolostone, emery, flagstone, garnet, gem stones, granite, gravel, gypsum, iron, lead, limestone, marble, marl, metallic ore, paying blocks, peat, riprap, roadstone, salt, sand, sandstone, shale, silver, slate, stone, talc, titanium, trap rock, wollastonite, zinc or any other inorganic substance, solid materials, liquid materials, or substance of commercial value found in natural deposits in or on the earth;

TO HAVE AND TO HOLD the above granted and described Mortgaged Property unto and to the proper use and benefit of Mortgagee, and the successors and assigns of Mortgagee, forever;

AND Mortgagor covenants and agrees with and represents and warrants to Mortgagee as follows:

1. Payment of Debt. Mortgagor will pay the Debt at the time and in the manner provided for its payment in the Notes, the Loan Agreement, this Mortgage and the Other Agreements.

2. Warranty of Title. Subject only to those exceptions to title specifically set forth in the title policy issued or to be issued by American Title Insurance Company to Mortgagee and insuring the lien of this Mortgage, Mortgagor warrants the title to the Premises, the Improvements, the Equipment and the balance of the Mortgaged Property. Mortgagor also represents and warrants that (i) Mortgagor is now, and after giving effect to this Mortgage will be in, a solvent condition, (ii) the execution and delivery of this Mortgage by Mortgagor does not constitute a "fraudulent conveyance" within the meaning of Title 11 of the United States Code as now constituted or under any other applicable statute, and (iii) no bankruptcy or insolvency proceedings are pending or contemplated by or against Mortgagor.

3. Insurance. Mortgagor (i) will keep the Mortgaged Property, Improvements and the Equipment insured against loss or damage by fire, standard extended coverage perils and such other hazards as Mortgagee shall from time to time require in amounts approved by Mortgagee, which amounts shall in no event be less than 100% of the full insurable value of the Improvements and the Equipment and shall be sufficient to meet all applicable co-insurance requirements, and (ii) will maintain rental and business interruption insurance and such other forms of insurance coverage with respect to the Mortgaged Property as Mortgagee shall from time to time require in amounts approved by Mortgagee. All policies of insurance (hereinafter referred to as the "Policies") shall be issued by insurers having a minimum policy holders rating of "A" per the latest rating publication of Property and Casualty Insurers by A.M. Best Company and who are lawfully doing business in New York and are otherwise acceptable in all respects to Mortgagee. All Policies shall contain the standard New York mortgagee non-contribution clause endorsement or an equivalent endorsement satisfactory to Mortgagee naming Mortgagee as the person to which all payments made by the insurer thereunder shall be paid and shall otherwise be in form and substance satisfactory in all respects to Mortgagee. Blanket insurance policies shall not be acceptable for the purposes of this paragraph unless otherwise approved to the contrary by Mortgagee. Mortgagor shall pay the premiums for the Policies as the same become due and payable. At the request of Mortgagee, Mortgagor will deliver the Policies to Mortgagee. Not later than ten (10) days prior to the expiration date of each of the Policies, Mortgagor will deliver to Mortgagee a renewal policy or policies marked "premium paid" or accompanied by other evidence of payment of premium satisfactory to Mortgagee. If at any time Mortgagee is not in receipt of written evidence that all insurance required hereunder is in force and effect, Mortgagee shall have the right without notice to Mortgagor to take such action as Mortgagee deems necessary to protect its interest in the Mortgaged Property, including, without limitation, the obtaining of such insurance coverage as Mortgagee in its sole discretion deems appropriate, and all expenses incurred by Mortgagee in connection with such action or in obtaining such insurance and keeping it in effect shall be paid by Mortgagor to Mortgagee upon demand. Mortgagor shall at all times comply with and shall cause the Improvements and Equipment and the use, occupancy, operation, maintenance, alteration, repair and restoration thereof to comply with the terms, conditions, stipulations and requirements of the Policies. If the Premises, or any portion thereof, is located in a Federally designated "special flood hazard area", in addition to the other Policies required under this paragraph, a flood insurance policy shall be delivered by Mortgagor to Mortgagee. If no portion of the Premises is located in a Federally designated "special flood hazard area" such fact shall be

substantiated by a certificate in form satisfactory to Mortgagee from a licensed surveyor, appraiser or professional engineer or other qualified person. If the Mortgaged Property shall be damaged or destroyed, in whole or in part, by fire or other property hazard or casualty, Mortgagor shall give prompt notice thereof to Mortgagee. Sums paid to Mortgagee by any insurer may be retained and applied by Mortgagee toward payment of the Debt whether or not then due and payable in such order, priority and proportions as Mortgagee in its discretion shall deem proper or, at the discretion of Mortgagee, the same may be paid, either in whole or in part, to Mortgagor for such purposes as Mortgagee shall designate. If Mortgagee shall receive and retain such insurance proceeds, the lien of this Mortgage shall be reduced only by the amount thereof received and retained by Mortgagee and actually applied by Mortgagee in reduction of the Debt. The provisions of subsection 4 of Section 254 of the Real Property Law of New York covering the insurance of buildings against loss by fire shall not apply to this Mortgage.

4. Payment of Taxes, etc. Mortgagor shall pay all taxes, assessments, water rates, sewer rents and other charges, including vault charges and license fees for the use of vaults, chutes and similar areas adjoining the Premises, now or hereafter levied or assessed against the Mortgaged Property (hereinafter referred to as the "Taxes") prior to the date upon which any fine, penalty, interest or cost may be added thereto or imposed by law for the nonpayment thereof. Mortgagor shall deliver to Mortgagee, upon request, receipted bills, cancelled checks and other evidence satisfactory to Mortgagee evidencing the payment of the Taxes prior to the date upon which any fine, penalty, interest or cost may be added thereto or imposed by law for the nonpayment thereof. Notwithstanding the foregoing, the Mortgagor may in good faith actively contest any such Taxes and permit the Taxes so contested to remain unpaid, provided that (a) Mortgagor shall have first notified the Mortgagee of such contest, (b) no Event of Default shall have occurred hereunder; (c) the Mortgagor shall have created adequate reserves in accordance with generally accepted accounting principals; and (d) Mortgagor demonstrates to the satisfaction of Mortgagee that the nonpayment of such Taxes and the contest thereof will not materially endanger the lien of the Mortgage or subject the Mortgaged Property or any part thereof to loss or forfeiture.

5. Escrow Fund. Mortgagor will, at the option of Mortgagee, pay to Mortgagee on the first day of each calendar month one-twelfth of an amount (hereinafter referred to as the Escrow Fund) which would be sufficient to pay the Taxes payable, or estimated by Mortgagee to be payable, during the ensuing twelve (12) months. Mortgagee will apply the Escrow Fund to the payment of Taxes which

are required to be paid by Mortgagor pursuant to the provisions of this Mortgage. If the amount of the Escrow Fund shall exceed the amount of the Taxes payable by Mortgagor pursuant to the provisions of this Mortgage, Mortgagee shall, in its discretion, (a) return any excess to Mortgagor, or (b) credit such excess against future payments to be made to the Escrow Fund. In allocating such excess, Mortgagee may deal with the person shown on the records of Mortgagee to be the owner of the Mortgaged Property. If the Escrow Fund is not sufficient to pay the Taxes, as the same become payable, Mortgagor shall pay to Mortgagee, upon request, an amount which Mortgagee shall estimate as sufficient to make up the deficiency. Until expended or applied as above provided, any amounts in the Escrow Fund may be commingled with the general funds of Mortgagee and shall constitute additional security for the Debt and shall not bear interest.

6. Condemnation. Notwithstanding any taking by any public or quasi-public authority through eminent domain or otherwise, Mortgagor shall continue to pay the Debt at the time and in the manner provided for its payment in the Note and this Mortgage and the Debt shall not be reduced until any award or payment therefor shall have been actually received and applied by Mortgagee to the discharge of the Debt. Mortgagee may apply the entire amount of any such award or payment to the discharge of the Debt whether or not then due and payable in such order, priority and proportions as Mortgagee in its discretion shall deem proper. If the Mortgaged Property is sold, through foreclosure or otherwise, prior to the receipt by Mortgagee of such award or payment, Mortgagee shall have the right, whether or not a deficiency judgment on the Note shall have been sought, recovered or denied, to receive such award or payment, or a portion thereof sufficient to pay the Debt, whichever is less. Mortgagor shall file and prosecute its claim or claims for any such award or payment in good faith and with due diligence and cause the same to be collected and paid over to Mortgagee. Mortgagor hereby irrevocably authorizes and empowers Mortgagee, in the name of Mortgagor or otherwise, to collect and receipt for any such award or payment and to file and prosecute such claim or claims. Although it is hereby expressly agreed that the same shall not be necessary in any event, Mortgagor shall, upon demand of Mortgagee, make, execute and deliver any and all assignments and other instruments sufficient for the purpose of assigning any such award or payment to Mortgagee, free and clear of any encumbrances of any kind or nature whatsoever.

7. Leases and Rents. Subject to the terms of this paragraph, Mortgagee waives the right to enter the Mortgaged Property for the purpose of collecting the Rents, and grants Mortgagor the right to collect the Rents. Mortgagee shall hold the Rents, or an amount

sufficient to discharge all current sums due on the Debt for use in payment of the Debt. The right of Mortgagor to collect the Rents may be revoked by Mortgagee upon any default by Mortgagor under the terms of the Note or this Mortgage by giving notice of such revocation to Mortgagor. Following such notice Mortgagee may retain and apply the Rents toward payment of the Debt in such order, priority and proportions as Mortgagee, in its discretion, shall deem proper, or to the operation, maintenance and repair of the Mortgaged Property, and irrespective of whether Mortgagee shall have commenced a foreclosure of this Mortgage or shall have applied or arranged for the appointment of a receiver. Mortgagor shall not, without the consent of Mortgagee, modify or cancel any Leases or accept prepayments of installments of the Rents for a period of more than one (1) month in advance or further assign the whole or any part of the Rents for any Leases which the Mortgagor receives payments in excess of One Hundred Thousand Dollars ($100,000) per year except that with respect to the Leases that are set forth in Schedule A attached, the Mortgagor may accept prepayment but only to the extent set forth on Schedule A. Mortgagee shall have all of the rights against tenants of the Mortgaged Property as set forth in Section 291-f of the Real Property Law of New York. Mortgagor shall (a) fulfill or perform each and every provision of the Leases on the part of Mortgagor to be fulfilled or performed, (b) promptly send copies of all notices of default which Mortgagor shall send or receive under the Leases to Mortgagee, and (c) enforce, short of termination of the Leases, the performance or observance of the provisions thereof by the tenants thereunder. Mortgagor shall from time to time, but not less frequently than once every ninety (90) days, provide to Mortgagee a complete and detailed leasing status report with respect to the Improvements, which leasing status report shall be in form and substance satisfactory in all respects to Mortgagee. In addition to the rights which Mortgagee may have herein, in the event of any default under this Mortgage, Mortgagee, at its option, may require Mortgagor to pay monthly in advance to Mortgagee, or any receiver appointed to collect the Rents, the fair and reasonable rental value for the use and occupation of such part of the Mortgaged Property as may be in possession of Mortgagor. Upon default in any such payment, Mortgagor will vacate and surrender possession of the Mortgaged Property to Mortgagee, or to such receiver and, in default thereof, Mortgagor may be evicted by summary proceedings or otherwise. Nothing contained in this paragraph shall be construed as imposing on Mortgagee any of the obligations of the lessor under the Leases.

8. Maintenance of the Mortgaged Property. Mortgagor shall cause the Mortgaged Property to be maintained in good condition and repair and will not commit or suffer to be committed any waste of the Mortgaged Property nor shall the Mortgagor abandon the Mortgaged

Property without the Mortgagee's prior written consent which shall not be unreasonably withheld. The Improvements and the Equipment shall not be removed, demolished or materially altered (except for normal replacement of the Equipment), without the consent of Mortgagee except normal replacements of Improvements in the ordinary course of business shall be permitted. Mortgagor shall promptly comply with all existing and future governmental laws, orders, ordinances, rules and regulations affecting the Mortgaged Property, or any portion thereof or the use thereof. Mortgagor shall or shall cause all tenants, subtenants, and occupants of the Mortgaged Property to promptly repair, replace or rebuild any part of the Mortgaged Property which may be damaged or destroyed by fire or other property hazard or casualty (including any fire or other property hazard or casualty for which insurance was not obtained or obtainable) or which may be affected by any taking by any public or quasi-public authority through eminent domain or otherwise, and shall complete and pay for, within a reasonable time, any structure at any time in the process of construction or repair on the Premises. If such fire or other property hazard or casualty shall be covered by the Policies, Mortgagor's obligation to repair, replace or rebuild such portion of the Mortgaged Property shall be contingent upon Mortgagee paying Mortgagor the proceeds of the Policies, or such portion thereof as shall be sufficient to complete such repair, replacement or rebuilding, whichever is less. Mortgagor will not, without obtaining the prior consent of Mortgagee, initiate, join in or consent to any private restrictive covenant, zoning ordinance, or other public or private restrictions, limiting or affecting the uses which may be made of the Mortgaged Property or any part thereof.

9. Environmental Provisions. For the purposes of this paragraph the following terms shall have the following meanings: (i) the term "Hazardous Material" shall mean any material or substance that, whether by its nature or use, is subject to regulation under any Environmental Requirement, (ii) the term "Environmental Requirements" shall collectively mean the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. § 9601 et seq.), the Hazardous Materials Transportation Act (49 U.S.C. § 1801 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.), the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.), the Clean Air Act (42 U.S.C. § 7401 et seq.) and the Federal Water Pollution Control Act (33 U.S.C. § 1251 et seq.), all as presently in effect and as the same may hereafter be amended, any regulation pursuant thereto, or any other present or future law, ordinance, rule, regulation, order or directive addressing environmental, health or safety issues of or by any Governmental Authority, (iii) the term "Governmental Authority" shall mean the Federal government, or any state or other

political subdivision thereof, or any agency, court or body of the Federal government, any state or other political subdivision thereof, exercising executive, legislative, judicial, regulatory or administrative functions, and (iv) the term "diligent inquiry" shall mean a level of inquiry at least equal to any environmental site assessment of the Mortgaged Property conducted in accordance with Mortgagee's environmental policies and procedures. Mortgagor hereby represents and warrants to Mortgagee that to the best of Mortgagor's knowledge after diligent inquiry no notice of violation, lien, complaint, suit, order or other notice with respect to the environmental condition of the Mortgaged Property is outstanding, nor has any such notice been issued which has not been fully satisfied and complied with in a timely fashion so as to bring the Mortgaged Property into full compliance with all Environmental Requirements. Mortgagor shall notify Mortgagee promptly in the event of any spill or other release of any Hazardous Material at, in, on, under or about the Mortgaged Property, which Mortgagor becomes aware of, which is required to be reported to a Governmental Authority under any Environmental Requirement, and will promptly forward to Mortgagee copies of any notices received by Mortgagor relating to alleged violations of any Environmental Requirement and will promptly pay when due any fine or assessment against Mortgagee, Mortgagor or the Mortgaged Property relating to any Environmental Requirement. If at any time it is determined that the operation or use of the Mortgaged Property violates any applicable Environmental Requirement or that there are Hazardous Materials located at, in, on, under or about the Mortgaged Property which, under any Environmental Requirement, require special handling in collection, storage, treatment or disposal, or any other form of cleanup or corrective action, Mortgagor shall, within thirty (30) days after receipt of notice thereof from any Governmental Authority or from Mortgagee, take, at its sole cost and expense, such actions as may be necessary to fully comply in all respects with all Environmental Requirements, provided, however, that if such compliance cannot reasonably be completed within such thirty (30) day period, Mortgagor shall commence such necessary action within such thirty (30) day period and shall thereafter diligently and expeditiously proceed to fully comply in all respects and in a timely fashion with all Environmental Requirements. If Mortgagor fails to timely take, or to diligently and expeditiously proceed to complete in a timely fashion, any such action, Mortgagee may, in its sole and absolute discretion, make advances or payments towards the performance or satisfaction of the same, but shall in no event be under any obligation to do so. All sums so advanced or paid by Mortgagee (including, without limitation, counsel and consultant fees and expenses, investigation and laboratory fees and expenses, and fines or other penalty payments) and all sums advanced or paid in connection with any judicial or administrative investigation or

proceeding relating thereto, will immediately, upon demand, become due and payable from Mortgagor and shall bear interest at the Default Rate (as hereinafter defined) from the date any such sums are so advanced or paid by Mortgagee until the date any such sums are repaid by Mortgagor to Mortgagee. Mortgagor will execute and deliver, promptly upon request, such instruments as Mortgagee may deem useful or necessary to permit Mortgagee to take any such action, and such additional notes and mortgages, as Mortgagee may require to secure all sums so advanced or paid by Mortgagee. If a lien is filed against the Mortgaged Property by any Governmental Authority resulting from the need to expend or the actual expending of monies arising from an action or omission, whether intentional or unintentional, of Mortgagor or for which Mortgagor is responsible, resulting in the releasing, spilling, leaking, leaching, pumping, emitting, pouring, emptying or dumping of any Hazardous Material into the waters or onto land located within or without the State where the Mortgaged Property is located, then Mortgagor will, within thirty (30) days from the date that Mortgagor is first given notice that such lien has been placed against the Mortgaged Property (or within such shorter period of time as may be specified by Mortgagee if such Governmental Authority has commenced steps to cause the Mortgaged Property to be sold pursuant to such lien) either (a) pay the claim and remove the lien, or (b) furnish a cash deposit, bond, or such other security with respect thereto as is satisfactory in all respects to Mortgagee and is sufficient to effect a complete discharge of such lien on the Mortgaged Property. Mortgagor shall defend, indemnify, and hold harmless Mortgagee, its employees, agents, officers, and directors, from and against any and all claims, demands, penalties, causes of action, fines, liabilities, settlements, damages, costs, or expenses of whatever kind or nature, known or unknown, foreseen or unforeseen, contingent or otherwise (including, without limitation, counsel and consultant fees and expenses, investigation and laboratory fees and expenses, court costs, and litigation expenses) arising out of, or in any way related to, (i) any breach by Mortgagor of any of the provisions of this paragraph, (ii) the presence, disposal, spillage, discharge, emission, leakage, release, or threatened release of any Hazardous Material which is at, in, on, under, about, from or affecting the Mortgaged Property, including, without limitation, any damage or injury resulting from any such Hazardous Material to or affecting the Mortgaged Property or the soil, water, air, vegetation, buildings, personal property, persons or animals located on the Mortgaged Property or on any other property or otherwise, (iii) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to any such Hazardous Material, (iv) any lawsuit brought or threatened, settlement reached, or order or directive of or by any Governmental Authority relating to such Hazardous Material, or (v) any violation of any

Environmental Requirement or any policy or requirement of Mortgagee hereunder. This indemnification shall, notwithstanding any exculpatory or other provision of any nature whatsoever to the contrary set forth in the Notes, this Mortgage, the Other Agreements or any other document or instrument now or hereafter executed and delivered in connection with the loan evidenced by the Notes and secured by this Mortgage and the Other Agreements, constitute the personal recourse undertakings, obligations and liabilities of Mortgagor. If this Mortgage is foreclosed or Mortgagor tenders a deed or assignment in lieu of foreclosure, Mortgagor shall be responsible for all clean-up necessary to deliver the Mortgaged Property to the purchaser at foreclosure or to Mortgagee, its nominee, or wholly owned subsidiary, as the case may be, in a condition that complies in all respects with all Environmental Requirements. The obligations and liabilities of Mortgagor under this paragraph shall survive and continue in full force and effect and shall not be terminated, discharged or released, in whole or in part, irrespective of whether the Debt has been paid in full and irrespective of any foreclosure of this Mortgage or acceptance by Mortgagee, its nominee or wholly owned subsidiary of a deed or assignment in lieu of foreclosure and irrespective of any other fact or circumstance of any nature whatsoever.

10. Estoppel Certificates. Mortgagor, within ten (10) days after request by Mortgagee and at Mortgagor's expense, will furnish Mortgagee with a statement, duly acknowledged and certified, setting forth the amount of the Debt and the offsets or defenses thereto, if any.

11. Transfer or Encumbrance of the Mortgaged Property. No part of the Mortgaged Property nor any interest of any nature whatsoever therein nor any interest of any nature whatsoever in Mortgagor (whether partnership, stock, equity, beneficial, profit, loss or otherwise) shall in any manner be further encumbered, sold, transferred, assigned or conveyed, or permitted to be further encumbered, sold, transferred, assigned or conveyed without the prior consent of Mortgagee, which consent in any and all circumstances may be withheld in the sole and absolute discretion of Mortgagee except as otherwise provided in Section 9.21 of the Loan Agreement. The provisions of the foregoing sentence of this paragraph shall apply to each and every such further encumbrance, sale, transfer, assignment or conveyance, regardless of whether or not Mortgagee has consented to, or waived by its action or inaction its rights hereunder with respect to, any such previous further encumbrance, sale, transfer, assignment or conveyance, and irrespective of whether such further encumbrance, sale, transfer, assignment or conveyance is voluntary, by reason of operation of law or is otherwise made.

12. Notice. Any notice, request, demand, statement, authorization, approval or consent made hereunder shall be in writing and shall be hand delivered or sent by Federal Express, or other reputable courier service, or by postage pre-paid registered or certified mail, return receipt requested, and shall be deemed given (i) when received at the following addresses if hand delivered or sent by Federal Express, or other reputable courier service, and (ii) three (3) business days after being postmarked and addressed as follows if sent by registered or certified mail, return receipt requested:

If to Mortgagor:

Delaware Otsego Corporation
1 Railroad Avenue
Cooperstown, New York 13326
Attention: Chief Financial Officer

With a copy to:

Rubin, Quinn, Moss & Heaney
1800 Penn Mutual Tower
510 Walnut Street
Philadelphia, Pennsylvania 19106
Attention: William Quinn

Cooperstown and Charlotte Valley
Railway Corporation
1 Railroad Avenue
Cooperstown, New York 13326
Attention: Chief Financial Officer

Central New York Railroad Corporation
1 Railroad Avenue
Cooperstown, New York 13326
Attention: Chief Financial Officer

Fonda, Johnstown and Gloversville
Railroad Company
1 Railroad Avenue
Cooperstown, New York 13326
Attention: Chief Financial Officer

The New York, Susquehanna and
Western Railway Corporation
1 Railroad Avenue
Cooperstown, New York 13326
Attention: Chief Financial Officer

Susquehanna Properties, Inc.
1 Railroad Avenue
Cooperstown, New York 13326
Attention: Chief Financial Officer

If to Mortgagee:

Chemical Bank
90 Presidential Plaza
Syracuse, New York 13202
Attention: Account Executive for
Delaware-Otsego Corporation

With a copy to:

Lacy, Katzen, Ryen & Mittleman
The Granite Building
130 East Main Street
Rochester, New York 14604
Attention: Ronald A. Mittleman, Esq.

Each party may designate a change of address by notice to the other party, given at least fifteen (15) days before such change of address is to become effective. The failure to provide a copy shall not alter the effectiveness of the notice.

13. Sale of Mortgaged Property. If this Mortgage is foreclosed, the Mortgaged Property, or any interest therein, may, at the discretion of Mortgagee, be sold in one or more parcels or in several interests or portions and in any order or manner.

14. Changes in Laws Regarding Taxation. In the event of the passage after the date of this Mortgage of any law of the State of New York deducting from the value of real property for the purpose of taxation any lien or encumbrance thereon or changing in any way the laws for the taxation of mortgages or debts secured by mortgages for state or local purposes or the manner of the collection of any such taxes, and imposing a tax, either directly or indirectly, on this Mortgage, the Note or the Debt, Mortgagor shall, if permitted by law, pay any tax imposed as a result of any such law within the

statutory period or within fifteen (15) days after demand by Mortgagee, whichever is less, provided, however, that if, in the opinion of the attorneys for Mortgagee, Mortgagor is not permitted by law to pay such taxes, Mortgagee shall have the right, at its option, to declare the Debt due and payable on a date specified in a prior notice to Mortgagor of not less than thirty (30) days.

15. No Credits on Account of the Debt. Mortgagor will not claim or demand or be entitled to any credit or credits on account of the Debt for any part of the Taxes assessed against the Mortgaged Property or any part thereof and no deduction shall otherwise be made or claimed from the taxable value of the Mortgaged Property, or any part thereof, by reason of this Mortgage or the Debt.

16. Offsets, Counterclaims and Defenses. Any assignee of this Mortgage and the Notes shall take the same free and clear of all offsets, counterclaims or defenses of any nature whatsoever which Mortgagor may have against any assignor of this Mortgage and the Note, and no such offset, counterclaim or defense shall be interposed or asserted by Mortgagor in any action or proceeding brought by any such assignee upon this Mortgage or the Note and any such right to interpose or assert any such offset, counterclaim or defense in any such action or proceeding is hereby expressly waived by Mortgagor.

17. Other Security for the Debt. Mortgagor shall observe and perform all of the terms, covenants and provisions contained in the Notes, the Loan Agreement, the Other Agreements and in all other mortgages and other instruments or documents evidencing, securing or guaranteeing payment of the Debt, in whole or in part, or otherwise executed and delivered in connection with the Notes, this Mortgage, the Loan Agreement, the Other Agreements or the loan evidenced and secured thereby.

18. Documentary Stamps. If at any time the United States of America, any state thereof, or any governmental subdivision of any such state, shall require revenue or other stamps to be affixed to the Note or this Mortgage, Mortgagor will pay for the same, with interest and penalties thereon, if any.

19. Right of Entry. Mortgagee and its agents shall have the right to enter and inspect the Mortgaged Property at all reasonable times.

20. Books and Records. Mortgagor will keep and maintain or will cause to be kept and maintained on a fiscal year basis in accordance with generally accepted accounting practices consistently applied proper and accurate books, records and accounts in

accordance with Sections 8.07 and 8.13 of the Loan Agreement. In addition, Mortgagor shall keep and maintain separate books and records for the Class 2 Property (as defined in the Loan Agreement).

21. Performance of Other Agreements. Mortgagor shall observe and perform each and every term to be observed or performed by Mortgagor pursuant to the terms of any agreement or recorded instrument affecting or pertaining to the Mortgaged Property.

22. Events of Defaults. The Mortgagee may, by written notice to Mortgagor, terminate the Commitment (as defined in the Loan Agreement), and declare the Note and the Debt together with any accrued interest and applicable payment fees or Indemnification Fees to be forthwith due and payable upon the occurrence of any one or more of the following events (herein collectively referred to as "Events of Default") and shall become automatically due and payable, without notice or demand, upon the occurrence of any event set forth in subparagraph (i), (j) or (k) below:

(a) if any portion of the Debt is not paid in accordance with the Loan Agreement and the Notes;

(b) if Mortgagor shall fail to pay within twenty (20) days of notice and demand by Mortgagee, any installment of any assessment against the Mortgaged Property for local improvements heretofore or hereafter laid, which assessment is or may become payable in annual or periodic installments and is or may become a lien on the Mortgaged Property, notwithstanding the fact that such installment may not be due and payable at the time of such notice and demand;

(c) except as may be permitted herein, if any Federal tax lien is filed against Mortgagor, any guarantor of the Debt or the Mortgaged Property and the same is not discharged of record within thirty (30) days after the same is filed;

(d) except as may be permitted herein, if without the consent of Mortgagee (which consent in any and all circumstances may be withheld in the sole and absolute discretion of Mortgagee) any part of the Mortgaged Property or any interest of any nature whatsoever therein or any interest of any nature whatsoever in Mortgagor (whether partnership, stock, equity, beneficial, profit, loss or otherwise) is in any manner further encumbered, sold, transferred, assigned or conveyed, and irrespective of whether any such further encumbrance, sale, transfer, assignment or conveyance is voluntary, by reason of operation of law or is otherwise made;

(e) if without the consent of Mortgagee any Improvement or the Equipment (except for normal replacement of the Equipment) is

removed, demolished or materially altered, or if the Mortgaged Property is not kept in good condition and repair;

(f) if the Policies are not kept in full force and effect, or if the Policies are not delivered to Mortgagee upon request;

(g) except as set forth herein, if without the consent of Mortgagee any Leases are made, cancelled or modified or if any portion of the Rents is paid for a period of more than one (1) month in advance or if any of the Rents are further assigned;

(h) if any representation or warranty of Mortgagor, or of any person (herein referred to as a Guarantor) guaranteeing payment of the Debt or any portion thereof or performance by Mortgagor of any of the terms of this Mortgage made herein or in any such guaranty, or in any certificate, report, financial statement or other instrument furnished in connection with the making of the Note, this Mortgage, or any such guaranty, shall prove false or misleading in any material respect;

(i) the Mortgagor shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of the Mortgagor of any of their respective properties or assets, (ii) admit in writing the inability to pay their debts as they mature, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated bankrupt or insolvent, or (v) file a voluntary petition in bankruptcy, or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation by law or statute, or an answer admitting the material allegations of a petition filed against the Mortgagor in any proceeding under any such law or the filing of an involuntary bankruptcy against the Mortgagor if not removed within sixty (60) days or if corporate action shall be taken by the Mortgagor for the purpose of effecting any of the foregoing;

(j) an order, judgment or decree shall be entered, without the application, approval or consent of the Mortgagor, by any court of competent jurisdiction, approving a petition seeking reorganization of the Mortgagor, or of all or a substantial part of the respective properties or assets of the Mortgagor or appointing a receiver, trustee or liquidator of the Mortgagor and such order, judgment or decree shall continue unstayed and in effect for a period of thirty (30) days;

(k) final judgment for the payment of money in excess of an aggregate of Fifty Thousand Dollars ($50,000) shall be rendered against the Mortgagor and the same shall remain undischarged for a

period of sixty (60) days, unless the same is subject to an appeal and a bond is posted to stay execution;

(l) if Mortgagor or other person shall be in default under any of the Notes, the Loan Agreement, the Other Agreements or under any other mortgage, instrument or document evidencing, securing or guaranteeing payment of the Debt, in whole or in part, or otherwise executed and delivered in connection with the Notes, this Mortgage, the Loan Agreement, the Other Agreements or the loan evidenced and secured thereby;

(m) if Mortgagor or other person shall be in default under any mortgage or deed of trust covering any part of the Mortgaged Property whether superior or inferior in lien to this Mortgage, and including, without limitation, any such mortgage or deed of trust now or hereafter held by Mortgagee;

(n) if the Mortgaged Property shall become subject (i) to any tax lien, other than a lien for local real estate taxes and assessments not due and payable, or (ii) to any lis pendens, notice of pendency, stop order, notice of intention to file mechanics' or materialmans' lien, mechanics' or materialmans' lien or other lien of any nature whatsoever and the same shall not either be discharged of record or in the alternative insured over to the satisfaction of Mortgagee by the title company insuring the lien of this Mortgage within a period of thirty (30) days after the same is filed or recorded, and irrespective of whether the same is superior or subordinate in lien or other priority to the lien of this Mortgage and irrespective of whether the same constitutes a perfected or inchoate lien or encumbrance on the Mortgaged Property or is only a matter of record or notice;

(o) if Mortgagor shall continue to be in default under any of the other terms, covenants or conditions of this Mortgage for five (5) days after notice from Mortgagee in the case of any default which can be cured by the payment of a sum of money or for twenty (20) days after notice from Mortgagee in the case of any other default, provided that if such default cannot reasonably be cured within such twenty (20) day period and Mortgagor shall have commenced to cure such default within such twenty (20) day period and thereafter diligently and expeditiously proceeds to cure the same, such twenty (20) day period shall be extended for so long as it shall require Mortgagor in the exercise of due diligence to cure such default, it being agreed that no such extension shall be for a period in excess of sixty (60) days; and

(p) if an Event of Default occurs under any of the Financing Documents (as defined in the Loan Agreement);

23. Right to Cure Defaults. If default in the performance of any of the covenants of Mortgagor herein occurs, Mortgagee may, at its discretion, remedy the same and for such purpose shall have the right to enter upon the Mortgaged Property or any portion thereof without thereby becoming liable to Mortgagor or any person in possession thereof holding under Mortgagor. If Mortgagee shall remedy such a default or appear in, defend, or bring any action or proceeding to protect its interest in the Mortgaged Property or to foreclose this Mortgage or collect the Debt, the costs and expenses thereof (including reasonable attorneys' fees to the extent permitted by law), with interest as provided in this paragraph, shall be paid by Mortgagor to Mortgagee upon demand. All such costs and expenses incurred by Mortgagee in remedying such default or in appearing in, defending, or bringing any such action or proceeding shall be paid by Mortgagor to Mortgagee upon demand, with interest (calculated for the actual number of days elapsed on the basis of a 360-day year) at a rate per annum (herein referred to as the "Default Rate") equal to two percent (2%) in excess of the rate(s) in effect immediately prior to such Event of Default, provided, however, that the Default Rate shall in no event exceed the maximum interest rate which Mortgagor may by law pay, for the period after notice from Mortgagee that such costs or expenses were incurred to the date of payment to Mortgagee. The term "Prime Rate" shall mean such rate of interest as publicly announced by Mortgagee at its principal office from time to time as its prime rate. To the extent any of the aforementioned costs or expenses paid by Mortgagee after default by Mortgagor shall constitute payment of (i) taxes, charges or assessments which may be imposed by law upon the Mortgaged Property, (ii) premiums on insurance policies covering the Mortgaged Property, (iii) expenses incurred in upholding the lien of this Mortgage, including, but not limited to, the costs and expenses of any litigation to collect the indebtedness secured by this Mortgage or to prosecute, defend, protect or preserve the rights and the lien created by this Mortgage, or (iv) any amount, cost or charge to which Mortgagee becomes subrogated, upon payment, whether under recognized principles of law or equity, or under express statutory authority; then, and in each such event, such costs, expenses and amounts, together with interest thereon at the Default Rate, shall be added to the indebtedness secured by this Mortgage and shall be secured by this Mortgage. Notwithstanding anything to the contrary contained in this Mortgage, the maximum amount of the principal indebtedness secured by this Mortgage at execution or which under any contingency may become secured by this Mortgage is Three Million Dollars ($3,000,000), plus all amounts expended by Mortgagee after default by Mortgagor, as hereinabove set forth in this paragraph.

24. Appointment of Receiver. Mortgagee, in any action to foreclose this Mortgage or upon the actual or threatened waste to any part of the Mortgaged Property or upon the occurrence of any

default hereunder, shall be at liberty, without notice, to apply for the appointment of a receiver of the Rents, and shall be entitled to the appointment of such receiver as a matter of right, without regard to the value of the Mortgaged Property as security for the Debt, or the solvency or insolvency of any person then liable for the payment of the Debt.

25. Non-Waiver. The failure of Mortgagee to insist upon strict performance of any term of this Mortgage shall not be deemed to be a waiver of any term of this Mortgage. Mortgagor shall not be relieved of Mortgagor's obligation to pay the Debt at the time and in the manner provided for its payment in the Note and this Mortgage by reason of (i) failure of Mortgagee to comply with any request of Mortgagor to take any action to foreclose this Mortgage or otherwise enforce any of the provisions hereof or of the Note or any other mortgage, instrument or document evidencing, securing or guaranteeing payment of the Debt or any portion thereof, (ii) the release, regardless of consideration, of the whole or any part of the Mortgaged Property or any other security for the Debt, or (iii) any agreement or stipulation between Mortgagee and any subsequent owner or owners of the Mortgaged Property or other person extending the time of payment or otherwise modifying or supplementing the terms of the Note, this Mortgage or any other mortgage, instrument or document evidencing, securing or guaranteeing payment of the Debt or any portion thereof, without first having obtained the consent of Mortgagor, and in the latter event, Mortgagor shall continue to be obligated to pay the Debt at the time and in the manner provided in the Note and this Mortgage, as so extended, modified and supplemented, unless expressly released and discharged from such obligation by Mortgagee in writing. Regardless of consideration, and without the necessity for any notice to or consent by the holder of any subordinate lien, encumbrance, right, title or interest in or to the Mortgaged Property, Mortgagee may release any person at any time liable for the payment of the Debt or any portion thereof or any part of the security held for the Debt and may extend the time of payment or otherwise modify the terms of the Note or this Mortgage, including, without limitation, a modification of the interest rate payable on the principal balance of the Note, without in any manner impairing or affecting this Mortgage or the lien thereof or the priority of this Mortgage, as so extended and modified, as security for the Debt over any such subordinate lien, encumbrance, right, title or interest. Mortgagee may resort for the payment of the Debt to any other security held by Mortgagee in such order and manner as Mortgagee, in its discretion, may elect. Mortgagee may take action to recover the Debt, or any portion thereof, or to enforce any covenant hereof without prejudice to the right of Mortgagee thereafter to foreclose this Mortgage. Mortgagee shall not be limited exclusively to the rights and remedies herein

stated but shall be entitled to every additional right and remedy now or hereafter afforded by law. The rights of Mortgagee under this Mortgage shall be separate, distinct and cumulative and none shall be given effect to the exclusion of the others. No act of Mortgagee shall be construed as an election to proceed under any one provision herein to the exclusion of any other provision.

26. Liability. If Mortgagor consists of more than one person, the obligations and liabilities of each such person hereunder shall be joint and several.

27. Construction. The terms of this Mortgage shall be construed in accordance with the laws of the State of New York.

28. Security Agreement. This Mortgage constitutes both a real property mortgage and a "security agreement", within the meaning of the Uniform Commercial Code, and the Mortgaged Property includes both real and personal property and all other rights and interest, whether tangible or intangible in nature, of Mortgagor in the Mortgaged Property. Mortgagor by executing and delivering this Mortgage has granted to Mortgagee, as security for the Debt, a security interest in the Equipment. If Mortgagor shall default under the Note or this Mortgage, Mortgagee, in addition to any other rights and remedies which it may have, shall have and may exercise immediately and without demand any and all rights and remedies granted to a secured party upon default under the Uniform Commercial Code, including, without limiting the generality of the foregoing, the right to take possession of the Equipment or any part thereof, and to take such other measures as Mortgagee may deem necessary for the care, protection and preservation of the Equipment. Upon request or demand of Mortgagee, Mortgagor shall at its expense assemble the Equipment and make it available to Mortgagee at a convenient place acceptable to Mortgagee. Mortgagor shall pay to Mortgagee on demand any and all expenses, including legal expenses and attorneys' fees, incurred or paid by Mortgagee in protecting its interest in the Equipment and in enforcing its rights hereunder with respect to the Equipment. Any notice of sale, disposition or other intended action by Mortgagee with respect to the Equipment sent to Mortgagor in accordance with the provisions of this Mortgage at least seven (7) days prior to the date of any such sale, disposition or other action, shall constitute reasonable notice to Mortgagor, and the method of sale or disposition or other intended action set forth or specified in such notice shall conclusively be deemed to be commercially reasonable within the meaning of the Uniform Commercial Code unless objected to in writing by Mortgagor within five (5) days after receipt by Mortgagor of such notice. The proceeds of any sale or disposition of the Equipment, or any part thereof, may be applied

by Mortgagee to the payment of the Debt in such order, priority and proportions as Mortgagee in its discretion shall deem proper.

29. Further Acts, etc. Mortgagor will, at the cost of Mortgagor, and without expense to Mortgagee, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, mortgages, assignments, notices of assignments, transfers and assurances as Mortgagee shall, from time to time, require for the better assuring, conveying, assigning, transferring and confirming unto Mortgagee the property and rights hereby mortgaged or intended now or hereafter so to be, or which Mortgagor may be or may hereafter become bound to convey or assign to Mortgagee, or for carrying out the intention or facilitating the performance of the terms of this Mortgage or for filing, registering or recording this Mortgage and, on demand, will execute and deliver and hereby authorizes Mortgagee to execute in the name of Mortgagor to the extent Mortgagee may lawfully do so, one or more financing statements, chattel mortgages or comparable security instruments, to evidence more effectively the lien hereof upon the Mortgaged Property.

30. Headings, etc. The headings, titles and captions of various paragraphs of this Mortgage are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

31. Filing of Mortgage, etc. Mortgagor forthwith upon the execution and delivery of this Mortgage and thereafter, from time to time, will cause this Mortgage, and any security instrument creating a lien or evidencing the lien hereof upon the Mortgaged Property and each instrument of further assurance to be filed, registered or recorded in such manner and in such places as may be required by any present or future law in order to publish notice of and fully to protect, preserve and perfect the lien hereof upon, and the interest of Mortgagee in, the Mortgaged Property. Mortgagor will pay all filing, registration and recording fees, and all expenses incident to the preparation, execution and acknowledgment of this Mortgage, any mortgage supplemental hereto, any security instrument with respect to the Mortgaged Property, and any instrument of further assurance, and all Federal, state, county and municipal taxes, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of this Mortgage, any mortgage supplemental hereto, any security instrument with respect to the Mortgaged Property or any instrument of further assurance. Mortgagor shall hold harmless and indemnify Mortgagee, its successors and assigns, against any liability incurred by reason of the imposition of any tax on the making and recording of this Mortgage.

32. Usury Laws. This Mortgage and the Notes are subject to the express condition that at no time shall Mortgagor be obligated or required to pay interest on the principal balance due under the Notes at a rate which could subject the holder of the Notes to either civil or criminal liability as a result of being in excess of the maximum interest rate which Mortgagor is permitted by law to contract or agree to pay. If by the terms of this Mortgage or the Notes Mortgagor is at any time required or obligated to pay interest on the principal balance due under the Notes at a rate in excess of such maximum rate, the amount received in excess of such maximum lawful interest rate shall be held by the Bank, if the Mortgagor shall so request, and applied to the principal balance of the Notes if the conditions and provisions are satisfied as set forth in Sections 2.02, 3.02 and 4.02, respectively, of the Loan Agreement.

33. Sole Discretion of Mortgagee. Except as may otherwise be expressly provided to the contrary, wherever pursuant to the Note, this Mortgage, or any other document or instrument now or hereafter executed and delivered in connection therewith or otherwise with respect to the loan secured hereby, Mortgagee exercises any right given to it to consent or not consent, or to approve or disapprove, or any arrangement or term is to be satisfactory to Mortgagee, the decision of Mortgagee to consent or not consent, or to approve or disapprove or to decide that arrangements or terms are satisfactory or not satisfactory, shall be in the sole and absolute discretion of Mortgagee and shall be final and conclusive.

34. Reasonableness. If at any time Mortgagor believes that Mortgagee has not acted reasonably in granting or withholding any approval or consent under the Note, this Mortgage, or any other document or instrument now or hereafter executed and delivered in connection therewith or otherwise with respect to the loan secured hereby, as to which approval or consent either Mortgagee has expressly agreed to act reasonably, or absent such agreement, a court of law having jurisdiction over the subject matter would require Mortgagee to act reasonably, then Mortgagor's sole remedy shall be to seek injunctive relief or specific performance and no action for monetary damages or punitive damages shall in any event or under any circumstance be maintained by Mortgagor against Mortgagee.

35. Recovery of Sums Required To Be Paid. Mortgagee shall have the right from time to time to take action to recover any sum or sums which constitute a part of the Debt as the same become due, without regard to whether or not the balance of the Debt shall be due, and without prejudice to the right of Mortgagee thereafter to bring an action of foreclosure, or any other action, for a default

or defaults by Mortgagor existing at the time such earlier action was commenced.

36. Authority. Mortgagor (and the undersigned representative of Mortgagor, if any) has full power, authority and legal right to execute this Mortgage, and to mortgage, give, grant, bargain, sell, alien, enfeoff, convey, confirm and assign the Mortgaged Property pursuant to the terms hereof and to keep and observe all of the terms of this Mortgage on Mortgagor's part to be performed.

37. Actions and Proceedings. Mortgagee shall have the right to appear in and defend any action or proceeding brought with respect to the Mortgaged Property and to bring any action or proceeding, in the name and on behalf of Mortgagor, which Mortgagee, in its discretion, feels should be brought to protect its interest in the Mortgaged Property.

38. Inapplicable Provisions. If any term, covenant or condition of this Mortgage shall be held to be invalid, illegal or unenforceable in any respect, this Mortgage shall be construed without such provision.

39. Duplicate Originals. This Mortgage may be executed in any number of duplicate originals and each such duplicate original shall be deemed to constitute but one and the same instrument.

40. Certain Definitions. Unless the context clearly indicates a contrary intent or unless otherwise specifically provided herein, words used in this Mortgage shall be used interchangeably in singular or plural form and the word "Mortgagor" shall mean each Mortgagor and any subsequent owner or owners of the Mortgaged Property or any part thereof or interest therein; the word "Mortgagee" shall mean Mortgagee or any subsequent holder of the Note; the word "Note" shall mean the Note or any other evidence of indebtedness secured by this Mortgage; the word "Guarantor" shall mean each person guaranteeing payment of the Debt or any portion thereof or performance by Mortgagor of any of the terms of this Mortgage and their respective heirs, executors, administrators, legal representatives, successors and assigns; the word "person" shall include an individual, corporation, partnership, trust, unincorporated association, government, governmental authority, or other entity; the words "Mortgaged Property" shall include any portion of the Mortgaged Property or interest therein; the word "Debt" shall mean all sums secured by this Mortgage; and the word "default" shall mean the occurrence of any default by Mortgagor or other person in the observance or performance of any of the terms, covenants or provisions of the Note or this Mortgage on the part of Mortgagor or such other person to be observed or performed without

regard to whether such default constitutes or would constitute upon notice or lapse of time, or both, an Event of Default under this Mortgage. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa.

41. Waiver of Notice. Mortgagor shall not be entitled to any notices of any nature whatsoever from Mortgagee except with respect to matters for which this Mortgage specifically and expressly provides for the giving of notice by Mortgagee to Mortgagor, and Mortgagor hereby expressly waives the right to receive any notice from Mortgagee with respect to any matter for which this Mortgage does not specifically and expressly provide for the giving of notice by Mortgagee to Mortgagor.

42. No Oral Change. This Mortgage may only be modified, amended or changed by an agreement in writing signed by Mortgagor and Mortgagee, and may only be released, discharged or satisfied of record by an agreement in writing signed by Mortgagee. No waiver of any term, covenant or provision of this Mortgage shall be effective unless given in writing by Mortgagee and if so given by Mortgagee shall only be effective in the specific instance in which given. Mortgagor acknowledges that the Note, this Mortgage and the other documents and instruments executed and delivered in connection therewith or otherwise in connection with the loan secured hereby set forth the entire agreement and understanding of Mortgagor and Mortgagee with respect to the loan secured hereby and that no oral or other agreements, understanding, representation or warranties exist with respect to the loan secured hereby other than those set forth in the Note, this Mortgage and such other executed and delivered documents and instruments.

43. Absolute and Unconditional Obligation. Mortgagor acknowledges that Mortgagor's obligation to pay the Debt in accordance with the provision of the Notes, the Loan Agreement, the Other Agreements and this Mortgage is and shall at all times continue to be absolute and unconditional in all respects, and shall at all times be valid and enforceable irrespective of any other agreements or circumstances of any nature whatsoever which might otherwise constitute a defense to the Note or this Mortgage or the obligation of Mortgagor thereunder to pay the Debt or the obligations of any other person relating to the Note or this Mortgage or the obligations of Mortgagor under the Note or this Mortgage or otherwise with respect to the loan secured hereby, and Mortgagor absolutely, unconditionally and irrevocably waives any and all right to assert any defense, setoff, counterclaim or crossclaim of any nature whatsoever, except for defenses and counterclaims which would be lost with respect to the obligation of Mortgagor to

pay the Debt in accordance with the provisions of the Note and this Mortgage or the obligations of any other person relating to the Note or this Mortgage or obligations of Mortgagor under the Note or this Mortgage or otherwise with respect to the loan secured hereby in any action or proceeding brought by Mortgagee to collect the Debt, or any portion thereof, or to enforce, foreclose and realize upon the lien and security interest created by this Mortgage or any other document or instrument securing repayment of the Debt, in whole or in part.

44. Trust Fund. Pursuant to Section 13 of the Lien Law of New York, Mortgagor shall receive the advances secured hereby and shall hold the right to receive such advances as a trust fund to be applied first for the purpose of paying the cost of any improvement and shall apply such advances first to the payment of the cost of any such improvement on the Mortgaged Property before using any part of the total of the same for any other purpose.

45. Non-Residential Property. This Mortgage does not cover real property principally improved by one or more structures containing in the aggregate six (6) or less residential dwelling units having their own separate cooking facilities.

46. Waiver of Trial by Jury. Mortgagor hereby irrevocably and unconditionally waives, and Mortgagee by its acceptance of the Notes, the Loan Agreement, the Other Agreement and this Mortgage irrevocably and unconditionally waives, any and all rights to trial by jury in any action, suit or counterclaim arising in connection with, out of or otherwise relating to the Note, this Mortgage, any other document or instrument now or hereafter executed and delivered in connection therewith or the loan secured by this Mortgage.

47. Waiver of Statutory Rights. Mortgagor shall not and will not apply for or avail itself of any appraisement, valuation, stay, extension or exemption laws, or any so-called "Moratorium Laws", now existing or hereafter enacted, in order to prevent or hinder the enforcement or foreclosure of this Mortgage, but hereby waives the benefit of such laws to the full extent that Mortgagor may do so under applicable law. Mortgagor for itself and all who may claim through or under it waives any and all right to have the property and estates comprising the Mortgaged Property marshalled upon any foreclosure of the lien of this Mortgage and agrees that any court having jurisdiction to foreclose such lien may order the Mortgaged Property sold as an entity. Mortgagor hereby waives for itself and all who may claim through or under it, and to the full extent Mortgagor may do so under applicable law, any and all rights of redemption from sale under any order or decree of foreclosure of this Mortgage or granted under any statute now existing or hereafter enacted.

IN WITNESS WHEREOF, Mortgagor has duly executed this Mortgage the day and year first above written.

DELAWARE OTSEGO CORPORATION

By: _____
Name: William B. Blatter
Title: Senior Vice President

COOPERSTOWN VALLEY RAILWAY CORPORATION

By: _____
Name: William B. Blatter
Title: Senior Vice President

CENTRAL NEW YORK RAILROAD CORPORATION

By: _____
Name: William B. Blatter
Title: Senior Vice President

FONDA, JOHNSTOWN AND GLOVERSVILLE RAILROAD COMPANY

By: _____
Name: William B. Blatter
Title: Senior Vice President

THE NEW YORK, SUSQUEHANNA AND WESTERN RAILWAY CORPORATION

By: _____
Name: William B. Blatter
Title: Senior Vice President

SUSQUEHANNA PROPERTIES, INC.

By: _____
Name: William B. Blatter
Title: Senior Vice President

STATE OF NEW YORK)
SS.:
COUNTY OF MONROE)

On this 27th day of September, 1990, before me personally came William B. Blatter, to me known, who, being by me duly sworn did depose and say that he resides in New Hartford, New York; that he is the Senior Vice President of DELAWARE OTSEGO CORPORATION, a New York corporation, COOPERSTOWN AND CHARLOTTE VALLEY RAILWAY CORPORATION, a New York corporation, CENTRAL NEW YORK RAILROAD CORPORATION, a New York corporation, FONDA, JOHNSTOWN AND GLOVERSVILLE RAILROAD COMPANY, a New York corporation, THE NEW YORK, SUSQUEHANNA AND WESTERN RAILWAY CORPORATION, a New York corporation, SUSQUEHANNA PROPERTIES, INC., a New York corporation, the corporations described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors.

_____
(Notary Public)
NATHAN R. FENNO
Notary Public for the
State of New York
Qualified in Otsego County
4786561
Commission Expires 03/30/91

EXHIBIT A

(Description of Premises)

COOPERSTOWN AND CHARLOTTE VALLEY RAILWAY

ALL THE RIGHT, TITLE AND INTEREST of the party of the first part in and to those tracts, pieces, or parcels of land, with the tracks, buildings, and improvements thereon situate, lying and being in the Towns of Milford, Hartwick, Middlefield, and Otsego, County of Otsego, and State of New York, being the line of railroad, land and right of way comprising Delaware and Hudson Railway Company's Cooperstown Branch, the route and termini of which being more particularly described as follows: BEGINNING at a point on each of the two railroad tracks known as the wye tracks, said beginning points each being ten (10) feet southerly of the southerly boundary line of State Highway Route 7, as said highway exists on the date of this deed and located at Cooperstown Junction in the Town of Milford, County of Otsego, and State of New York, and thence extending in a northerly direction in and through the Towns of Milford, Hartwick, Middlefield and Otsego, and the Village of Milford, to a point of terminus in the Village of Cooperstown, all in the County of Otsego, State of New York, a distance of approximately 16.39 miles containing in all approximately 143.34 acres of land.

TOGETHER with all fixtures, structures, buildings and improvements of whatever kind or description thereon and appurtenant thereto including without limitation, any and all main, spur, industrial, switching, storage, yard or terminal tracks, turnouts, bridges, trestles, culverts, fences, signals, telegraph, telephone and other communication facilities, tenements and hereditaments, and any and all rights, powers, franchises, privileges and immunities of the party of the first part connected with said line of railroad.

EXCEPTING AND RESERVING FROM the above described real property, a parcel of land ten (10) feet in width bounded on the north by State Highway Route 7 as it exists on the date of this deed, and bounded on the west by a line which at all points is at a distance of thirty-three (33) feet easterly measured radially from the center line of the geographically west wye tract, and bounded on the east by a line which at all points is at a distance of eight and five-tenths (8.5) feet westerly measured radially from the centerline of the geographically east wye track.

EXCEPTING AND RESERVING small parcels heretofore conveyed to Agway, Inc. and to the Delaware Otsego Corporation at Cooperstown, New York.

It is the intention of this instrument to convey all the right, title and interest of the party of the first part in and to all the land area and right of way comprising Delaware and Hudson Railway Company's Cooperstown Branch, as described herein, excepting only the real property described in the above exceptions and reservations. BEING a portion of the premises described in a

deed dated April 6, 1971 from Delaware & Hudson Railway Company to Cooperstown & Charlotte Valley Railway Corporation which Deed was recorded on April 7, 1971 in Liber 614 of Deeds at Page 822, in the office of the clerk of the County of Otsego.

TOGETHER with the appurtenances and all the estate and rights of the Mortgagor in and said premises, and together with all fixtures and articles of personal property now or hereafter attached to or used in connection with he premises, all of which are covered by this mortgage.

SUBJECT, HOWEVER, (a) in respect of existing equipment to agreements or leases now in effect or hereafter made and (b) in respect of property or equipment acquired after the date of this mortgage to liens thereon or leases or agreements for use existing or made at the time of such acquisition.

CENTRAL NEW YORK RAILROAD

ALL THOSE CERTAIN PIECES OR PARCELS of Erie Lackawanna Railway Company's Richfield Springs Branch, commencing at M. P. 273.25 in the Town of Paris, Oneida County, New York, and running in a generally easterly direction through the counties of Oneida, Otsego and Herkimer, in the State of New York, to M. P. 295.02 in the Village of Richfield Springs, County of Herkimer, State of New York, and more fully described as follows: BEGINNING at a monumented point being the most northeasterly corner of a parcel of land conveyed by J. Corbett to the former Utica, Chenango and Susquehanna Railroad, now Erie Lackawanna Railway Company, by deed dated October 16, 1869 and recorded in the County of Oneida, August 11, 1870 in deed record book 303, page 415, thence;

1. S. 27 deg. 23' W. from said beginning point being 78' distant easterly by rectangular measurement from centerline of Richfield Springs Branch, 540' to a monumented angle point;

2. S. 5 deg. 23' W. 166', more or less, to a monumented angle point;

3. S. 23 deg. 53' W. 139', more or less, to a monumented angle point;

4. S. 32 deg. 23' W. 58.35' to a monumented angle point;

5. N. 52 deg. 30' W. 65', more or less, to a point 25' distant northwesterly by rectangular measurement from centerline of track of Richfield Springs Branch'

6. On a curve to the right having a radius of 2,387.50', being concentric with and 25' distant northeasterly from centerline of track of Richfield Springs Branch 440', more or less, as measured along circular curve by 100' chords to point of tangent;

7. N. 23 deg. 58' E. 226', more or less, to a point being 15'

distant southeasterly by rectangular measurement from centerline of the most easterly track of main line;

8. Northeasterly, 246', more or less, to the point or place of beginning.

ALSO, all the property acquired by the 128 documents as set forth on sheets marked Exhibit "A" attached to the Deed between Thomas F. Patton and Ralph S. Tyler, Jr., Trustees of the Property of Erie Lackawanna Railway Company, Grantor, and Central New York Railroad Corporation, Grantee, dated December 6, 1973 and recorded in the Oneida County, New York, Clerk's Office in Liber 1987 of Deeds at page 885, in the Herkimer County Clerk's Office at Liber 632 of Deeds at Page 531, and in the Otsego County Clerk's Office at Liber 635 of Deeds at Page 214.

SUBJECT, nevertheless to all legal highways, easements, restrictions and covenants of record, if any.

FONDA, JOHNSTOWN AND GLOVERSVILLE RAILROAD

All of the track and appurtenances thereto those certain pieces or parcels of land, property and estate whatsoever and wheresoever situated and belonging to party of the first part and howsoever the same may have been acquired, said conveyance shall include the main right-of-way owned and operated by the party of the first part as a railroad running from the main line of the New York Central at Fonda, New York to its terminus in Broadalbin, New York; said main line runs through the Town of Mohawk; Village of Fonda, City of Gloversville City of Johnstown, Village of Broadalbin, all of which are located in the Counties of Fulton and Montgomery, and also all rights of way, railway spur line, siding and rights of access which the party of the first part owns or possesses adjacent to, near, or in the vicinity of such main line; also, all right, title and interest which the party of the first part has in and to rights-of-way, easements, pieces and parcels of railway right-of-way, formerly operated by the party of the first part and located in the counties of Montgomery, Fulton and Schenectady.

ALSO, ALL RIGHT, TITLE AND INTEREST, in and to the buildings and parcels, a more particularly described as follows: Freight office and depot located at 111 W. Fulton Street, Gloversville, New York and the Section house to the rear of said depot bordering on Pine Street in the city of Gloversville, N.Y.; also, the paint store building and the former bus garage annex located ad jacent to said Freight House and Depot and also located in and about 111 W. Fulton Street, Gloversville, New York; Also the struture or building known as the Cayadutta Coal House, adjacent ot the 111 W. Fulton Street property and bordering on Cayadutta Street , Gloversville, New York and including the Pump House adjacent to said coal House; Also, a large warehouse which was the former bus garage located at 140 Broad Street, City of Gloversville, New York, now rented to Adirondack Wood products and

Millwork Co., Also, a small building or shanty located on the corner of Kingsboro Avenue and 11th Avenue, Gloversville, N.Y., now rented to Thomas Kadle; Also, the Passenger Depot (which is presently damaged by fire) and the Freight Office located in the Village of Broadalbin, New York, which freight house if presently rented to Fiber Conversions, Inc. Also, a small Section House located in Broadalbin, New York, and a small parcel and building located at 28 West State Street, City of Johnstown, New York. Also, a Section House located off Main Street in the Village of Fonda, New York. Also, such other miscellaneous parcels and pieces, buildings or interest in land owned by the party of the first part in the Counties of Montgomery, Fulton and Schenectady, State of New York, as more particularly recorded and described in the offices of the County Clerk's of each respective county.

Hudson Secondary Branch: Orange County, New York

ALL THAT LINE OF RAILROAD being a portion of the Hudson Secondary Branch identified as Line Code 0101 in the records of the United States Railway Association and also being the former Lehigh and Hudson River Railway Company's Main Line also identified in the Clerk's Office of Orange County, New York, in Liber 2110 at page 818 and BEGINS at Railroad Mile Post 21.0 in New Milford, Orange County, New York, and EXTENDS from said Mile Post in a general southwesterly direction passing through New Milford to the State Line between New York and New Jersey.

Utica Engine House

All that piece or parcel of land and building known as the former Erie Lackawanna Utica Freight House situate in the City of Utica, County of Oneida, State of New York, bounded and described as follows:

Beginning at a point in the northerly street line of Water Street, said point being distant North 85 degrees 30' East two hundred seventeen feet (217'), more or less, from the intersection of the division line between Great Lots No. 96 and No. 97 with the aforesaid northerly street line of Water Street; thence North 4 degrees 10' East one hundred thirty feet (130'), more or less, to a point; thence at right angles to the last mentioned course and along the northerly edge of the existing freight house platform South 85 degrees 50' East four hundred ninety feet (490') to a point; thence at right angles to the last mentioned course South 4 degrees 10' West seventy six feet (76'), more or less, to a point in the northerly street line of Water Street; thence along the northerly street line of Water Street North 83 degrees 23' West one hundred five feet (105'), more or less, to an angle point in the said street line; thence along the said street line South 85 degrees 30' West three hundred ninety feet (390'), more or less, to the point or place of beginning, containing 1.07 acres of land, more or less.

The above described land and building includes portions of parcels Nos. 54 thru 60 and No. 68 as shown on the Valuation Map V-34/S.L. 76 of the railroad formerly owned and operated by the Erie-Lackawanna Railroad Company and filed in the office of the Delaware Otsego Corporation at 1 Railroad Avenue, Cooperstown, New York 13326.