



Secretary  
Interstate Commerce Commission  
October 4, 1990  
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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 *Lessor*  
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.

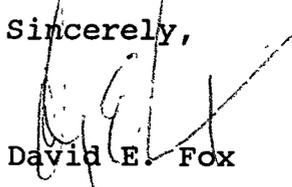
A short summary of the documents to appear in the index follows:

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);
8. Collateral Assignment of Leases and Rents (NJ-Delaware Otsego);
9. Collateral Assignment of Leases and Rents (NJ-Corporate Guarantors);

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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.

Sincerely,



David E. Fox

DEF:trc

Enclosure(s)

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

2029X (All)

17053  
RECORDATION NO. FILED

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INTERSTATE COMMERCE COMMISSION

DELAWARE OTSEGO CORPORATION,  
COOPERSTOWN AND CHARLOTTE VALLEY RAILWAY CORPORATION,  
CENTRAL NEW YORK RAILROAD CORPORATION,  
FONDA, JOHNSTOWN AND GLOVERSVILLE RAILROAD COMPANY,  
FONFULCO, INC.,  
LACKAWAXEN AND STOURBRIDGE RAILROAD CORPORATION,  
DELAWARE OTSEGO EQUIPMENT CORPORATION,  
THE NEW YORK, SUSQUEHANNA AND WESTERN RAILWAY CORPORATION,  
SUSQUEHANNA PROPERTIES, INC.,  
SUSQUEHANNA BULK SYSTEMS, INC.,  
STATEN ISLAND RAILWAY CORPORATION,  
DELTA WAREHOUSING CORPORATION,  
RAHWAY VALLEY RAILROAD COMPANY, and  
RAHWAY VALLEY COMPANY, LESSEE,

AND

CHEMICAL BANK

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PLEDGE AND SECURITY AGREEMENT

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Dated as of September 27, 1990

## PLEDGE AND SECURITY AGREEMENT

THIS PLEDGE AND SECURITY AGREEMENT dated as of the 27th day of September, 1990 is by and between CHEMICAL BANK, a New York banking corporation having an office at 90 Presidential Plaza, Syracuse, New York 13202 (the "Bank"), and DELAWARE OTSEGO CORPORATION, a New York corporation (the "Borrower") and 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"), FONFULCO, INC., a New York corporation ("Fonfulco"), LACKAWAXEN AND STOURBRIDGE RAILROAD CORPORATION, a Pennsylvania corporation ("Lackawaxen"), DELAWARE OTSEGO EQUIPMENT CORPORATION, a New York corporation ("Delaware"), THE NEW YORK, SUSQUEHANNA AND WESTERN RAILWAY CORPORATION, a New Jersey corporation ("New York"), SUSQUEHANNA PROPERTIES, INC., a New York corporation ("Susquehanna"), SUSQUEHANNA BULK SYSTEMS, INC., a New Jersey corporation ("Bulk"), STATEN ISLAND RAILWAY CORPORATION, a New York corporation ("Staten"), DELTA WAREHOUSING CORPORATION, a New Jersey corporation ("Delta"), RAHWAY VALLEY RAILROAD COMPANY, a New Jersey corporation ("Rahway") and RAHWAY VALLEY COMPANY, LESSEE, a New Jersey corporation ("Valley") (Cooperstown, Central, Fonda, Fonfulco, Lackawaxen, Delaware, New York, Susquehanna, Bulk, Staten, Delta, Rahway and Valley collectively referred to herein as the "Corporate Guarantors"); the Corporate Guarantors and the Borrower all having their offices and principal places of business at 1 Railroad Avenue, Cooperstown, New York 13326

WHEREAS, the Borrower proposes to enter various loans as set forth in a loan agreement, dated on even date herewith (the "Loan Agreement") between the Bank and the Borrower evidenced by a certain 8-year term note in the principal amount of \$6,000,000 (the "\$6,000,000 Term Note"), a certain 8-year term note in the principal amount of \$3,000,000 (the "\$3,000,000 Term Note"), and a certain 3-year revolving note dated the date hereof (the "Revolving Credit Note") in the principal amount of \$2,000,000 convertible in accordance to the Loan Agreement to a 4-year term note in the principal amount of up to \$2,000,000 (the "Revolving Credit Term Note") (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"), all dated the date hereof given by the Borrower to the Bank;

WHEREAS, it is a condition precedent to the effectiveness of the Loan that, among other things, the Borrower and the Corporate Guarantors shall have executed and delivered this Agreement as security therefor;

NOW, THEREFORE, in order to induce the Bank to enter into the Loan, the Borrower and the Corporate Guarantors hereby agree with the Bank as follows:

1. Definitions. The words and terms as used in this Pledge and Security Agreement shall have the meanings set forth in the Notes or the Loan Agreement, unless the context or use indicates another or different meaning or intent or unless it is defined otherwise in paragraph 22.

2. Pledge. As collateral security for the prompt, complete and unconditional payment and performance of all of the obligations and liabilities of the Borrower and the Corporate Guarantors now or in the future existing under or in connection with the Notes, the Loan Agreement, any other mortgages, agreements, Financing Documents or documents entered into in connection with the Notes or the Loan Agreement (the "Other Agreements"), the guaranty dated the date hereof (the "Guaranty") from the Corporate Guarantors to the Bank or this Agreement (as any of the foregoing agreements may from time to time be respectively amended, modified, substituted, extended or renewed) (all of the obligations and liabilities referred to above being collectively called the "Obligations"), the Borrower and the Corporate Guarantors hereby pledge, assign, transfer and deliver to the Bank and grant to the Bank a continuing lien on and a first (except as otherwise permitted in the Loan Agreement) priority security interest in:

(a) all monies and securities including but not limited to, all monies and securities set forth on Schedule A attached hereto and made a part hereof together with all income and profit thereon and all rights with respect thereto and all additional monies and/or securities hereafter delivered to the Bank, together with all proceeds thereof and appropriate updated stock and/or bond powers duly executed in blank;

(b) all machinery, apparatus, equipment, fittings, inventory, fixtures and other property of every kind and nature whatsoever owned by the Borrower and/or the Corporate Guarantors, or in which the Borrower and/or the Corporate Guarantors have 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 Borrower and/or the Corporate Guarantors in and to all track, track material, ties, ballasts, machinery, apparatus, equipment, locomotives, rail cars, railroad rolling stock, 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 the Borrower and/or the Corporate Guarantors, or in which the Borrower and/or the Corporate Guarantors have 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 the Borrower and/or the Corporate Guarantors 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 Agreement;

(c) all chattel paper now owned or hereafter acquired including but not limited to, all instruments evidencing monetary obligations, security agreements, and security interests granted therein and documents evidencing obligations for payment for goods sold, leased or licensed including but not limited to, all lease agreements, conditional sales agreements or loan or other financing agreements and pledges or documents evidencing obligations for payment for services rendered by Borrower;

(d) all buildings, structures and improvements now or hereafter located on the Premises or Leasehold (as defined in a certain mortgage dated the date hereof from various industrial development agencies and the Borrower and the Corporate Guarantors to the Bank (the "IDA Mortgage") (hereinafter referred to as the "Improvements");

(e) the Ground Lease (as defined in the IDA Mortgage) and the leasehold estate created thereunder), and all modifications, extensions and renewals of the Ground Lease and all credits, deposits, options, purchase options, privileges and rights of the Borrower and/or the Corporate Guarantors and the Agencies under the Ground Lease, including, but not limited to, the right, if any, to renew or extend the Ground Lease for a succeeding term or terms or to acquire fee title to or other interest in all or any portion of the Premises, the Leasehold or the Improvements;

(f) all awards or payments, including interest thereon, and the right to receive the same, which may be made with respect to the Equipment or any part thereof or any right of the Borrower or Corporate Guarantor 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 any other injury to or decrease in the value of the Equipment or other personal 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 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 Borrower or the Corporate Guarantors 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 Borrower or the Corporate Guarantors or receivable by the Borrower or the Corporate Guarantors 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 the Borrower or the Corporate Guarantors are 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 Borrower or the Corporate Guarantors with respect thereto, covering 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 Equipment or other personal property;

(i) the right, in the name and on behalf of the Borrower or the Corporate Guarantors, to appear in and defend any action or proceeding brought with respect to the Equipment or any part thereof or other personal property;

(j) all general intangibles and contract rights now owned or hereafter acquired, including but not limited to, copyrights, patents, trademarks, trade names and similar intangibles of every nature and description, instruments, chattel paper, purchase orders, instruments and other documents evidencing obligation for and representing payment for goods sold, leased or licensed or for services rendered by the Borrower or the Corporate Guarantors, the proceeds of and the goods represented by any of the foregoing, lease payments, license payments and choses in action;

(k) all books, records, maintenance agreements and warranties now owned or hereafter acquired;

(l) all other assets of the Borrower or the Corporate Guarantors not specifically set forth hereinabove as shown on the books and records of the Borrower or the Corporate Guarantors (whether specifically itemized or generally set forth, or whether fully depreciated for income tax purpose).

(m) in regard to the foregoing (a) through (l), to further include all increases, improvements, additions and accessions thereto, replacements thereof and substitutions therefor, together with all cash and non-cash proceeds, to include insurance proceeds thereon, if any.

(The foregoing (a) through (m) may hereinafter be referred to as the "Collateral".)

3. Representations, Warranties and Covenants of the Borrower and Corporate Guarantors. The Borrower and the Corporate Guarantors warrant, represent, covenant and agree as follows:

(a) Authority. That the Borrower and the Corporate Guarantors have the full power and authority to assign, pledge, deliver, grant and convey to the Bank a security interest in the Collateral;

(b) Defend Title. That the Collateral is and shall remain free and clear of all liens, except as permitted by the Loan Agreement, security interests, setoffs, charges, assignments, claims, taxes, assessments and encumbrances of every kind, nature and description, except those granted and imposed by this Agreement and shall defend the title to the Collateral against all persons and against all claims and demands whatsoever;

(c) Possession. That the Borrower and the Corporate Guarantors are and shall remain the sole and lawful owners of the Collateral and shall retain possession of the Collateral during the existence of this Agreement unless the same is in the possession of the Bank, and that the Borrower and the Corporate Guarantors shall not relocate, sell, exchange, encumber, assign, loan, convey, deliver, lease, transfer, mortgage or otherwise dispose of same except in the ordinary course of business without the prior written consent of the Bank;

(d) No Restrictions. That there are no restrictions upon the transfer of the Collateral other than as set forth on the face of any stock certificates;

(e) Taxes. To pay, when due, all taxes, assessments and license fees relating to the Collateral except that the Borrower and the Corporate Guarantors may contest such taxes or assessments in accordance with the Loan Agreement;

(f) Repairs. To keep the Collateral, at Borrower's and/or the Corporate Guarantors' own cost and expense, in good condition and not to misuse, abuse, waste or allow the Collateral to deteriorate;

(g) Inspection. To permit the Bank through any of its officers or agents, at all reasonable times, to examine or inspect any of the Collateral and to examine and photocopy the Borrower's and the Corporate Guarantors' books and records relating to the Collateral;

(h) Insurance. To keep the Collateral insured against loss by fire (including extended coverage), theft and other hazards as the Bank may require. Policies shall be in such form and amounts and with such companies as are customary for concerns in the same locations, business and of the same size as the Borrower and the Corporate Guarantors, respectively. Policies shall be obtained from responsible insurers authorized to do business in each respective state where the Collateral is located. Certificates of insurance policies, payable to the Bank as loss payee, shall be deposited with the Bank, who is authorized, but under no duty, to obtain such insurance upon failure of the Borrower and the Corporate Guarantors, respectively, to do so. The Borrower and the Corporate Guarantors, respectively, shall give immediate written notice to the Bank and to the insurers of loss or damage to the Collateral and shall promptly file proofs of loss with insurers. The Borrower and the Corporate Guarantors, respectively, hereby assign to the Bank all sums which may become payable under such insurance, including return premiums and dividends, as additional security for the Obligations;

(i) Environmental Compliance.

(A) With respect to the Class 2 properties located in New Jersey:

(1) Mortgagor has not used Hazardous Substances (as hereinafter defined) on, from, or affecting the Mortgaged Property in any manner which violates Federal, state or local laws, ordinances, rules, regulations or policies governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of Hazardous Substances, and that to the best knowledge of Mortgagor after due inquiry and investigation, no prior owner of the Mortgaged Property or any

tenant, subtenant, prior tenant or prior subtenant have used Hazardous Substances on, from or effecting the Mortgaged Property in any manner which violates Federal, state or local laws, ordinances, rules, regulations or policies governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of Hazardous Substances. Mortgagor shall keep or cause the Mortgaged Property to be kept free of Hazardous Substances. Without limiting the foregoing, Mortgagor shall not cause or permit the Mortgaged Property to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Substances, except in compliance with all applicable Federal, state and local laws or regulations, nor shall Mortgagor cause or permit, as a result of any intentional or unintentional act or omission on the part of Mortgagor or any tenant or subtenant, a release of Hazardous Substances onto the Mortgaged Property or onto any other property. Mortgagor shall comply with and ensure compliance by all tenants and subtenants with all applicable Federal, state and local laws, ordinances, rules and regulations, whenever and by whomever triggered (including, but not limited to the statutes listed below), and shall obtain and comply with, and ensure that all tenants and subtenants obtain and comply with, any and all approvals, registrations or permits required thereunder. Mortgagor shall conduct and complete all investigations, studies, sampling, and testing, and all remedial, removal, and other actions necessary to clean up and remove all Hazardous Substances, on, from, or affecting the Mortgaged Property (i) in accordance with all applicable Federal, state, and local laws, ordinances, rules, regulations and policies, (ii) to the satisfaction of Mortgagee, and (iii) in accordance with the orders and directives of all Federal, state and local governmental authorities. In the event this Mortgage is foreclosed, or Mortgagor tenders a deed in lieu of foreclosure, Mortgagor shall deliver the Mortgaged Property to Mortgagee free of any and all Hazardous Substances so that the condition of the Mortgaged Property shall conform with all applicable Federal, state, and local laws, ordinances, rules or regulations affecting the Mortgaged Property. For the purposes of this section, "Hazardous Substances" includes, without limit, any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, asbestos, PCB's, or other hazardous or toxic substances which are or could be detrimental to the Mortgaged Property, human health or the environment or in violation of any Federal, state or local laws, ordinances, rules or regulations, or related materials defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Section 9601, et seq.) ("CERCLA"), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Section 1801, et seq.) ("HMTA"), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Section 6901, et seq.) ("RCRA"), the Federal Clean Water Act, as amended (33 U.S.C. Section 1251, et seq.) ("Clean Water Act"), and the Federal

Clean Air Act, as amended (42 U.S.C. Section 7401, et seq.) ("Clean Air Act"), the New Jersey Environmental Cleanup Responsibility Act, as amended (N.J.S.A. 12:1k-6, et seq.) ("ECRA"), the Spill Compensation and Control Act, as amended (N.J.S.A. 58:10-23.11, et seq.) ("Spill Act"), the New Jersey Tank Registration Act, as amended (N.J.S.A. 58:10A-21, et seq.) ("NJ Tank Registration Act"), and the New Jersey Water Pollution Control Act, as amended (N.J.S.A. 58:10A-1, et seq.) ("NJ Water Pollution Act"), and in the regulations adopted and publications promulgated pursuant thereto, or any other so-called "Superfund" or "Superlien" law, or any other Federal, state or local environmental law, ordinance, rule or regulation.

(2) No lien has been attached to any revenues or the Mortgaged Property as a result of the chief executive of the New Jersey Spill Compensation Fund expending monies from said fund to pay for "Damages", as such term is defined in N.J.S.A. 58:10-23.11b(d), arising from an intentional or unintentional action or omission of the Mortgagor or any previous owner and/or operator of said Mortgaged Property.

(3) In the event that there shall be filed a lien against the Mortgaged Property by the New Jersey Department of Environmental Protection, pursuant to and in accordance with the provisions of N.J.S.A. 58:10-23.11f(f), as a result of the chief executive of the New Jersey Spill Compensation Fund having expended monies from said fund to pay for "Damages", as such term is defined in N.J.S.A. 58:10-23.11g, and/or "Cleanup and Removal Costs", as such term is defined in N.J.S.A. 58:10-23.11b(d), arising from an intentional or unintentional action or omission of the Mortgagor, resulting in the releasing, spilling, pumping, pouring, emitting, emptying or dumping of Hazardous Substances into waters of the State of New Jersey or onto lands from which it might flow or drain into said waters, then Mortgagor shall, within thirty (30) days from the date that Mortgagor is given notice that the lien has been placed against the Mortgaged Property or within such shorter period of time in the event that the State of New Jersey has commenced steps to cause the Mortgaged Property to be sold pursuant to the lien, either (i) remove the lien from the Mortgaged Property, or (ii) furnish (a) a bond satisfactory to the Mortgagee in the amount of the claim out of which the lien arises, (b) a cash deposit in the amount of the claim out of which the lien arises, or (c) other security satisfactory to Mortgagee in an amount sufficient to discharge the claim out of which the lien arises.

(4) In connection with the purchase of the Mortgaged Property if acquired on or after January 1, 1984, Mortgagor has obtained from the New Jersey Department of

Environmental Protection a letter certifying that the purchase of the Mortgaged Property is not subject to the provisions of ECRA.

(5) There has occurred no cessation of operations or transfer of interest with respect to the Mortgaged Property since January 1, 1984 which has required compliance with ECRA.

(6) to the extent Mortgagor is required to comply with ECRA by reason of the operations of a tenant of the Mortgaged Property, Mortgagor shall comply fully with ECRA, upon termination of any of its leases with such tenants, including any "transfer" or "cessation" of operations (as such terms are construed under ECRA).

(7) From and after the date hereof, in the event compliance with ECRA is required for any reason, Mortgagor shall upon demand by Mortgagee post a bond or other security with Mortgagee reasonably satisfactory to Mortgagee in all respects, to secure Mortgagor's obligations hereunder or under ECRA.

(8) Mortgagor or the previous owners of the Mortgaged Property have filed a registration questionnaire on all underground storage tanks located at or on the Mortgaged Property in accordance with the NJ Tank Registration Act and have provided Mortgagee with evidence of same. "Underground storage tank" shall have the definition set forth in N.J.S.A. 58:10A-22(p). None of the underground storage tanks located at or on the Mortgaged Property have discharged Hazardous Substances into the environment.

(9) Mortgagor shall promptly provide Mortgagee with copies of all notices received by or prepared by Mortgagor in connection with CERCLA, HMTA, RCRA, Clean Water Act, Clean Air Act, ECRA, Spill Act, NJ Tank Registration Act, NJ Water Pollution Act, or any other Federal, state or local environmental law, ordinance, rule or regulation relating to the Mortgaged Property. For the purposes of this subsection, the term "notice" shall mean any summons, citation, directive, order, claim, pleading, application, filing, report, findings, declaration or other materials pertinent to compliance with such environmental laws, ordinances, rules or regulations.

(10) To the best of Mortgagor's knowledge, the Mortgaged Property does not and shall not contain, and has not in the past contained, any asbestos-containing material in friable form and that there is no current or potential airborne contamination that would be caused by maintenance or tenant finish activities in the Mortgaged Property.

(11) In addition to the foregoing, Mortgagor hereby agrees to defend, indemnify, and hold harmless Mortgagee, its employees, agents, officers and directors, from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs or expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in any way related to (i) the presence, disposal, release or threatened release of any Hazardous Substances which are on, from or affecting the soil, water, vegetation, buildings, personal property, persons, animals, or otherwise; (ii) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Substances; (iii) any lien imposed upon the Mortgaged Property in favor of any governmental entity as a result of the presence, disposal, release or threat of release of Hazardous Substances which are on, from or affecting the soil, water, vegetation, buildings, personal property, persons, animals, or otherwise; and (iv) any lawsuit brought or threatened, settlement reached or governmental order relating to such Hazardous Substances, demands of governmental authorities, or any policies or requirements of Mortgagee, which are based upon or in any way related to such Hazardous Substances including, without limitation, attorney and consultant fees, investigation and laboratory fees, court costs, and litigation expenses. The provisions of this paragraph shall be in addition to any and all other obligations and liabilities Mortgagor may have to Mortgagee at common law, and shall survive the transactions contemplated herein, and any transfer or title to the Mortgaged Property, including without limitation, the foreclosure of this Mortgage or the acceptance of a deed in lieu of foreclosure.

(12) In all of its future leases with tenants, Mortgagor shall include provisions similar to those contained in this Section imposing upon its tenants substantially the same obligations with respect to the environmental matters as set forth herein.

(13) Upon request by Mortgagee, Mortgagor shall provide Mortgagee with information regarding the use and operation of the Mortgaged Property, including but not limited to (i) the location and description (including identification by the applicable Standard Industrial Classification Code number) of all occupants of the Mortgaged Property; (ii) the location and type of all Hazardous Substances maintained, stored, processed or otherwise located on the Mortgaged Property, to the extent known by Mortgagor after diligent investigation; (iii) the location of all electric transformers and underground tanks; and (iv) any other information which Mortgagee may reasonably require.

(B) With respect to the Class 2 properties located in New York: 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 solely as to Class 2 Property that to the best of Mortgagor's knowledge after diligent inquiry (i) no Hazardous Material is currently located at, on, in, under or about the Mortgaged Property, (ii) no Hazardous Material has been or is currently located at, in, on, under or about the Mortgaged Property in a manner which violates any Environmental Requirement, or which requires cleanup or corrective action of any kind under any Environmental Requirement, (iii) no releasing, emitting, discharging, leaching, dumping or disposing of any Hazardous Material from the Mortgaged Property onto or into any other property or from any other property onto or into the Mortgaged Property has occurred or is occurring in violation of any Environmental Requirement, and (iv) 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 comply, and shall cause all tenants or other occupants of the Mortgaged Property to comply, in all respects with all Environmental Requirements, and will not generate, store, handle, process, dispose of or otherwise use, and will not permit any tenant or other occupant of the Mortgaged Property to generate, store, handle, process, dispose of or otherwise use, Hazardous Materials at, in,

on, under or about the Mortgaged Property in a manner that could lead or potentially lead to the imposition on Mortgagor, Mortgagee or the Mortgaged Property of any liability or lien of any nature whatsoever under any Environmental Requirement. 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 is required to be reported to a Governmental Authority under any Environmental Requirement, 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. Mortgagee may, at its option, at intervals of not less than one year, or more frequently if Mortgagee reasonably believes that a Hazardous Material or other environmental condition violates or threatens to violate any Environmental Requirement, cause an environmental audit of the Mortgaged Property or portions thereof to be conducted to confirm Mortgagor's compliance with the provisions of this paragraph, and Mortgagor shall cooperate in all reasonable ways with Mortgagee in connection with any such audit and shall pay all costs and expenses incurred in connection therewith. Mortgagor will 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 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.

(C) With respect to the non-Class 2 Mortgaged Property located in New York: 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.

(D) With respect to the non-Class 2 Mortgaged Property located in New Jersey: Mortgagor hereby makes the following representations and warranties:

(1) At the written request of Mortgagee, Mortgagor shall conduct and complete all investigations, studies, sampling, and testing, and all remedial, removal, and other actions necessary to clean up and remove all Hazardous Substances, on, from, or affecting the Mortgaged Property (i) in accordance with all applicable Federal, state, and local laws, ordinances, rules, regulations and policies, (ii) to the satisfaction of Mortgagee, and (iii) in accordance with the orders and directives of all Federal, state and local governmental authorities. In the event this Mortgage is foreclosed, or Mortgagor tenders a deed in lieu of foreclosure, Mortgagor shall be responsible for all clean-up necessary to deliver the Mortgaged Property to Mortgagee free of any and all Hazardous Substances so that the condition of the Mortgaged Property shall conform with all applicable Federal, state, and local laws, ordinances, rules or regulations affecting the Mortgaged Property. For the purposes of this section, "Hazardous Substances" includes, without limit, any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, asbestos, PCB's, or other hazardous or toxic substances which are or could be detrimental to the Mortgaged Property, human health or the environment or in violation of any Federal, state or local laws, ordinances, rules or regulations, or related materials defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Section 9601, et seq.) ("CERCLA"), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Section 1801, et seq.) ("HMTA"), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Section 6901, et seq.) ("RCRA"), the Federal Clean Water Act, as amended (33 U.S.C. Section 1251, et seq.) ("Clean Water Act"), and the Federal

Clean Air Act, as amended (42 U.S.C. Section 7401, et seq.) ("Clean Air Act"), the New Jersey Environmental Cleanup Responsibility Act, as amended (N.J.S.A. 12:1k-6, et seq.) ("ECRA"), the Spill Compensation and Control Act, as amended (N.J.S.A. 58:10-23.11, et seq.) ("Spill Act"), the New Jersey Tank Registration Act, as amended (N.J.S.A. 58:10A-21, et seq.) ("NJ Tank Registration Act"), and the New Jersey Water Pollution Control Act, as amended (N.J.S.A. 58:10A-1, et seq.) ("NJ Water Pollution Act"), and in the regulations adopted and publications promulgated pursuant thereto, or any other so-called "Superfund" or "Superlien" law, or any other Federal, state or local environmental law, ordinance, rule or regulation.

(2) No lien has been attached to any revenues or the Mortgaged Property as a result of the chief executive of the New Jersey Spill Compensation Fund expending monies from said fund to pay for "Damages", as such term is defined in N.J.S.A. 58:10-23.11b(d), arising from an intentional or unintentional action or omission of the Mortgagor or any previous owner and/or operator of said Mortgaged Property.

(3) In the event that there shall be filed a lien against the Mortgaged Property by the New Jersey Department of Environmental Protection, pursuant to and in accordance with the provisions of N.J.S.A. 58:10-23.11f(f), as a result of the chief executive of the New Jersey Spill Compensation Fund having expended monies from said fund to pay for "Damages", as such term is defined in N.J.S.A. 58:10-23.11g, and/or "Cleanup and Removal Costs", as such term is defined in N.J.S.A. 58:10-23.11b(d), arising from an intentional or unintentional action or omission of the Mortgagor, resulting in the releasing, spilling, pumping, pouring, emitting, emptying or dumping of Hazardous Substances into waters of the State of New Jersey or onto lands from which it might flow or drain into said waters, then Mortgagor shall, within thirty (30) days from the date that Mortgagor is given notice that the lien has been placed against the Mortgaged Property or within such shorter period of time in the event that the State of New Jersey has commenced steps to cause the Mortgaged Property to be sold pursuant to the lien, either (i) remove the lien from the Mortgaged Property, or (ii) furnish (a) a bond satisfactory to the Mortgagee in the amount of the claim out of which the lien arises, (b) a cash deposit in the amount of the claim out of which the lien arises, or (c) other security satisfactory to Mortgagee in an amount sufficient to discharge the claim out of which the lien arises.

(4) In connection with the purchase of the Mortgaged Property if acquired on or after January 1, 1984, Mortgagor has obtained from the New Jersey Department of

Environmental Protection a letter certifying that the purchase of the Mortgaged Property is not subject to the provisions of ECRA.

(5) From and after the date hereof, in the event compliance with ECRA is required for any reason, Mortgagor shall upon demand by Mortgagee post a bond or other security with Mortgagee reasonably satisfactory to Mortgagee in all respects, to secure Mortgagor's obligations hereunder or under ECRA.

(6) Mortgagor shall promptly provide Mortgagee with copies of all notices received by or prepared by Mortgagor in connection with CERCLA, HMTA, RCRA, Clean Water Act, Clean Air Act, ECRA, Spill Act, NJ Tank Registration Act, NJ Water Pollution Act, or any other Federal, state or local environmental law, ordinance, rule or regulation relating to the Mortgaged Property. For the purposes of this subsection, the term "notice" shall mean any summons, citation, directive, order, claim, pleading, application, filing, report, findings, declaration or other materials pertinent to compliance with such environmental laws, ordinances, rules or regulations.

(7) In addition to the foregoing, Mortgagor hereby agrees to defend, indemnify, and hold harmless Mortgagee, its employees, agents, officers and directors, from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs or expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in any way related to (i) the presence, disposal, release or threatened release of any Hazardous Substances which are on, from or affecting the soil, water, vegetation, buildings, personal property, persons, animals, or otherwise; (ii) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Substances; (iii) any lien imposed upon the Mortgaged Property in favor of any governmental entity as a result of the presence, disposal, release or threat of release of Hazardous Substances which are on, from or affecting the soil, water, vegetation, buildings, personal property, persons, animals, or otherwise; and (iv) any lawsuit brought or threatened, settlement reached or governmental order relating to such Hazardous Substances, demands of governmental authorities, or any policies or requirements of Mortgagee, which are based upon or in any way related to such Hazardous Substances including, without limitation, attorney and consultant fees, investigation and laboratory fees, court costs, and litigation expenses. The provisions of this paragraph shall be in addition to any and all other obligations and liabilities Mortgagor may have to Mortgagee at common law, and shall survive the transactions contemplated herein, and any transfer or title to the Mortgaged Property, including without limitation, the foreclosure of this Mortgage or the acceptance of a deed in lieu of foreclosure.

(8) In all of its future leases with tenants, Mortgagor shall include provisions similar to those contained in this Section imposing upon its tenants substantially the same obligations with respect to the environmental matters as set forth herein.

(9) Upon request by Mortgagee, Mortgagor shall provide Mortgagee with information regarding the use and operation of the Mortgaged Property, including but not limited to (i) the location and description (including identification by the applicable Standard Industrial Classification Code number) of all occupants of the Mortgaged Property; (ii) the location and type of all Hazardous Substances maintained, stored, processed or otherwise located on the Mortgaged Property, to the extent known by Mortgagor after diligent investigation; (iii) the location of all electric transformers and underground tanks; and (iv) any other information which Mortgagee may reasonably require.

(j) Change of Address. To immediately notify the Bank in writing of any changes or discontinuance of the Borrower's or the Corporate Guarantors' place or places of business;

(k) Liens. To keep the Collateral free and clear of all liens, charges, encumbrances, taxes and assessments except as permitted under the Loan Agreement or this Agreement;

(l) Affixed to Realty. If any of the Collateral is attached to real estate prior to the perfection of the security interest granted hereby, the Borrower and the Corporate Guarantors will on demand of the Bank furnish the latter with a disclaimer or disclaimers, signed by all persons having an interest in the real estate, of any interest in the Collateral which is prior to the Bank's interest.

4. Financing Statements. The Bank is hereby authorized to file, register, record, or execute in the name of the Borrower and the Corporate Guarantors to the extent the Bank may lawfully do so, one or more financing statements, chattel mortgages or comparable security instruments and any amendments thereto or continuations thereof without the signature of the Borrower and the Corporate Guarantors to effectuate the purposes of this Agreement.

5. Events of Default. The following shall constitute "Events of Default" under this Agreement, and the term "Event of Default" or "Default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) The failure of the Borrower and/or the Corporate Guarantors to observe or perform any covenant, condition or agreement on its part to be observed or performed herein; or

(b) A breach of any obligation to be performed under, or a default or an event of default of any of the Notes, the Loan Agreement or the Other Agreements; or

(c) Any representation or warranty by or on behalf of the Borrower and/or the Corporate Guarantors herein is false or misleading in any respect.

6. Remedies. Upon the occurrence of an Event of Default, the Bank may take any one or more of the remedial steps provided for in any of the Notes, the Loan Agreement or the Other Agreements, and, in addition, shall have the power in its discretion and at its option to:

(a) Liquidate the Collateral, or any portion thereof, either immediately or as the Collateral or any portion matures by selling any securities or other investment forming the Collateral or any part thereof through any recognized market dealing in the sale of the same and hold the proceeds received as the Collateral hereunder and/or apply any or all of such proceeds toward the Obligations or any part thereof;

(b) The obligations secured by this Agreement shall immediately become due and payable in full without notice or demand and the Bank shall have all the rights, remedies and privileges with respect to repossession, retention and sale of the Collateral and disposition of the proceeds as are accorded to a secured party by the applicable sections of the Uniform Commercial Code;

(c) Upon any breach, default or Event of Default, the Bank's attorneys' fees and the legal and other expenses for pursuing, searching for, receiving, taking, keeping, storing, advertising, and selling the Collateral shall be chargeable to the Borrower and/or the Corporate Guarantors;

(d) The Borrower and the Corporate Guarantors shall remain liable for any deficiency resulting from a sale of the Collateral and shall pay any such deficiency forthwith on demand;

(e) If the Borrower and/or the Corporate Guarantors shall default in the performance of any of the provisions of this Security Agreement on the Borrower's and/or the Corporate Guarantors' part to be performed, the Bank may perform same for the Borrower's and/or the Corporate Guarantors' account and any monies expended in so doing shall be chargeable with interest to the Borrower and/or the Corporate Guarantors and added to the indebtedness secured hereby;

(f) The Bank, at the Bank's sole discretion, may:  
(1) enter upon the Borrower's and/or the Corporate Guarantors'

premises peaceably by the Bank's own means or with legal process and take possession of the Collateral, or render it unusable, or dispose of the Collateral on the Borrower's and/or the Corporate Guarantors' premises and the Borrower and/or the Corporate Guarantors agree not to resist or interfere; (2) require the Borrower and/or the Corporate Guarantors to assemble the Collateral and deliver it to the Bank at a place to be designated by the Bank, reasonably convenient to both parties (the Borrower and/or the Corporate Guarantors agree that the Bank's designated agent's address is a place reasonably convenient for such delivering); (3) unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Bank will give the Borrower and/or the Corporate Guarantors reasonable notice of the time and place of any involuntary public sale thereof or of the time after which any private sale or any other intended disposition thereof is to be made. The requirement of reasonable notice will be met if such notice is mailed, postage prepaid, to the address of the Borrower and/or the Corporate Guarantors, respectively, shown above, at least seven (7) days from mailing before the time of such sale or disposition;

(g) The Borrower and/or the Corporate Guarantors, respectively, hereby irrevocably appoints the Bank its true and lawful agent, with power of substitution for the Borrower and/or the Corporate Guarantors, respectively, and in the Borrower's and/or the Corporate Guarantors', respectively, names or in the name of the Bank, for the use and benefit of the Bank (1) to demand, collect, receive payment of, receipt for and give discharges and releases of all or any of the Collateral and any proceeds in respect thereof; (2) to settle, compromise, compound or adjust all or any of the Collateral; (3) to commence and prosecute any and all suits, actions or proceedings in law or in equity in any court of competent jurisdiction to collect or otherwise realize on all or any of the Collateral, or to enforce any rights in respect thereof; and (4) generally to sell, assign, transfer, pledge, or otherwise deal with all or any of the Collateral as fully as though the Bank were the absolute owner thereof for all purposes. The Bank shall have the right to notify, or to require the Borrower and/or the Corporate Guarantors, respectively, to notify, the parties obligated on any or all of the contracts or personal property herein assigned to the Bank to make payment thereon direct to the Bank, and to take control of all proceeds;

(h) All the rights and remedies of the Bank, whether evidenced hereby or by any other agreement or instrument shall be cumulative and may be exercised singly or concurrently. No act of the Bank shall be construed as an election to proceed under any one provision to the exclusion of any other provision;

(i) All costs and expenses, including transfer taxes, broker's fees, attorneys' fees and collection costs, incurred by the Bank in connection with pursuing any of its remedies hereunder shall be paid by the Borrower and/or the Corporate Guarantors and payment of all such amounts shall be deemed secured by this Agreement and collectible from the proceeds of this Agreement;

(j) Any proceeds of sale shall first be applied to the costs of sale, next to expenses, including attorney's fees, next to accrued interest and the balance to unpaid principal.

7. Further Assurances. The Borrower and the Corporate Guarantors, at their expense, will execute and deliver all such instruments and take all such action as the Bank may from time to time reasonably request in order for the Bank to obtain the full benefits of this Agreement and of the rights and powers herein granted.

8. Severability. If any provision of this Agreement, or the application thereof to any Person or circumstances is held invalid, such invalidity shall not affect other provisions which can be given effect and to this end, the provisions hereof shall be severable.

9. No Waiver; Remedies Cumulative. The Borrower and the Corporate Guarantors agree that nothing herein shall be deemed to render this in any way conditional or to require the Bank to pursue or exhaust any other right or remedy against the Borrower and the Corporate Guarantors or any other party to the Loan or any other person directly or contingently obligated to the Bank in respect to the obligations secured hereunder, or against any other security for such obligations. No delay or omission by the Bank in pursuing any right, remedy or power hereunder shall operate as a waiver thereof, or of any other right, remedy or power, and no exercise or partial exercise of any right, remedy or power shall preclude other or further exercise thereof or of any other right, remedy or power. No waiver of any right, remedy or power on any occasion shall be construed as a waiver or a bar to the exercise of such right, remedy or power on another occasion. Nothing contained in this Agreement and no act or failure to act by the Bank pursuant to the provisions hereof, shall be deemed to be a waiver by the Bank of any of its rights, remedies or powers under any other Loan document or applicable law, or impair, alter or otherwise affect any of the terms covenants or conditions thereof or of any guarantee of the liabilities and obligations of the Borrower and the Corporate Guarantors hereunder or thereunder. This Agreement is made and accepted without prejudice to any right, remedy and power possessed by the Bank under or with respect to any of the Loan documents or any guarantee thereof; and all rights, remedies and powers of the

Bank hereunder and thereunder and under applicable law, and its right to enforce any of the foregoing and any other security for the obligations hereunder or thereunder, shall be cumulative and not alternative and may be exercised successively or concurrently.

10. Waiver of Notice. Notice of acceptance of this Agreement and notice of any Default or Event of Default is hereby waived. Presentment, demand for payment, protest and notice of protest, notice of dishonor, and all other notices in the exercise of possessory, collection, or other rights remedies are hereby waived.

11. Obligations Unconditional. This Agreement shall not be discharged or affected, nor shall the Borrower's and/or the Corporate Guarantors' obligations and duties be diminished, by the Borrower's and/or the Corporate Guarantors' merger, dissolution, reorganization or bankruptcy or by any settlement, extension, renewal, forbearance, or any other variation in the terms or the provisions of any or all of the obligations under this Agreement or under the Loan documents secured hereby, or any other agreement relating to or made in connection with or on account of any such agreements, or by the Bank's discharge or release of the obligations of all or some of the persons directly or contingently or otherwise liable to the Bank under any Loan document from some or all of the obligations thereunder, or for the discharge or release of some or all of the security therefor, or any other security furnished by any other person as security for the obligations under the Loan documents or this Agreement, or any related agreement or right.

12. Other Instruments. Other instruments relating to the Obligations are separate from this Agreement and may be negotiated by the Bank without releasing the Borrower and the Corporate Guarantors, the Collateral, or any other guarantors, if any.

13. Assignment. The Bank may assign the Agreement, and, if assigned, the assignee shall be entitled to performance of all of the Borrower's and the Corporate Guarantors' obligations and agreements hereunder and the assignee shall be entitled to all of the rights and remedies of the Bank hereunder. The Borrower and the Corporate Guarantors will assert no claims or defenses (except such claims or defenses which would be permanently lost if not pleaded) that the Borrower and the Corporate Guarantors may have against the Bank against the assignee.

14. Amendment. None of the terms or provisions of this Agreement may be waived, altered, modified or amended except by an instrument in writing, duly executed by the Borrower, the Corporate Guarantors and the Bank.

15. Benefit. This Agreement and all obligations of the Borrower and the Corporate Guarantors hereunder shall be binding upon the successors and assigns of the Borrower and the Corporate Guarantors and shall inure to the benefit of the Bank and its successors and assigns.

16. Governing Law. With respect to Collateral located in the State of New York, this Agreement shall be governed by and construed in accordance with the laws of the State of New York without reference to the conflicts of laws. With respect to Collateral located in the State of New Jersey, this Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey without reference to the conflicts of laws.

17. Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument.

18. Term. This Agreement shall remain in full force and effect until the payment in full of all amounts payable under this Agreement, the Note, and all other amounts payable under all the other Loan documents.

19. Notices. All communications under this Agreement shall be made at the addresses that appear above unless any party to this Agreement notifies the other in writing of a change of address.

20. Headings and Captions. The paragraph headings and captions are inserted herein only as a matter of convenience and for reference only and in no way define, limit or describe the scope of this Agreement nor the intent of any provision thereof.

21. Waiver of Trial by Jury. The Borrower and the Corporate Guarantors hereby irrevocably and unconditionally waive and the Bank by its acceptance of this Agreement 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 this Agreement and any other document or instrument now or hereafter executed and delivered in connection herewith.

22. Definitions.

(a) "Ground Lease" shall mean all the lease agreements described in Exhibit "A-1" of the New York IDA Mortgage and between the Borrower, the Corporate Guarantors, the Agencies and the Bank dated the date hereof.

(b) "Leasehold" shall mean the property described in Exhibit "A" of the New York IDA Mortgage leased to the Borrower by the Agencies.

(c) "Mortgaged Property" shall mean, collectively, all of the mortgaged property described and defined in the New York Non-IDA Mortgage (the "Non-IDA Mortgage"), the New York IDA Mortgage (the "IDA Mortgage"), the New Jersey Mortgage (the "New Jersey Mortgage"), the New York Class 2 Mortgage (the "N.Y. Class 2 Mortgage"), and the New Jersey Class 2 Mortgage (the "N.J. Class 2 Mortgage") by and between the Borrower, the Corporate Guarantor and the Bank dated the date hereof, and the New York IDA Mortgage.

(d) "Premises" shall mean, collectively, all of the premises described and defined in the Non-IDA Mortgage, the New Jersey Mortgage, the New York IDA Mortgage, the N.Y. Class 2 Mortgage and the N.J. Class 2 Mortgage.

IN WITNESS WHEREOF, this Pledge and Security Agreement has been executed and delivered as of the date first above written.

*Approved as to form  
NR*

DELAWARE OTSEGO CORPORATION

By: *William B. Blatter*  
William B. Blatter  
Senior Vice President

COOPERSTOWN AND CHARLOTTE VALLEY RAILWAY CORPORATION

By: *William B. Blatter*  
William B. Blatter  
Senior Vice President

CENTRAL NEW YORK RAILROAD CORPORATION

By: *William B. Blatter*  
William B. Blatter  
Senior Vice President

FONDA, JOHNSTOWN AND GLOVERSVILLE  
RAILROAD COMPANY

By:   
William B. Blatter  
Senior Vice President

FONFULCO, INC.

By:   
William B. Blatter  
Senior Vice President

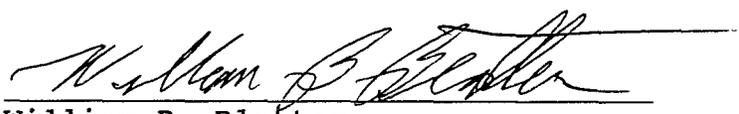
LACKAWAXEN AND STOURBRIDGE  
RAILROAD CORPORATION

By:   
William B. Blatter  
Senior Vice President

DELAWARE OTSEGO EQUIPMENT  
CORPORATION

By:   
William B. Blatter  
Senior Vice President

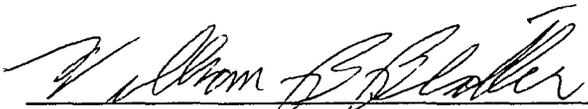
THE NEW YORK, SUSQUEHANNA AND  
WESTERN RAILWAY CORPORATION

By:   
William B. Blatter  
Senior Vice President

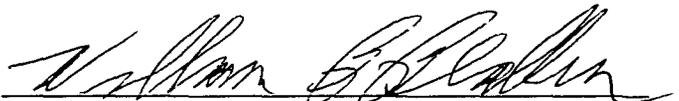
SUSQUEHANNA PROPERTIES, INC.

By:   
William B. Blatter  
Senior Vice President

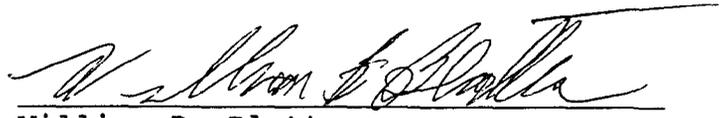
STATEN ISLAND RAILWAY CORPORATION

By:   
William B. Blatter  
Senior Vice President

DELTA WAREHOUSING CORPORATION

By:   
William B. Blatter  
Senior Vice President

RAHWAY VALLEY RAILROAD COMPANY,  
LESSEE

By:   
William B. Blatter  
Senior Vice President

RAHWAY VALLEY COMPANY, LESSEE

By:   
William B. Blatter  
Senior Vice President

SUSQUEHANNA BULK SYSTEMS, INC.

By: \_\_\_\_\_

CHEMICAL BANK

By: James D. Small  
James D. Small  
Vice President

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

On this 27 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, NY; 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, FONFULCO, INC., a New York corporation, LACKAWAXEN AND STOURBRIDGE RAILROAD CORPORATION, a Pennsylvania corporation, DELAWARE OTSEGO EQUIPMENT CORPORATION, a New York corporation, THE NEW YORK, SUSQUEHANNA AND WESTERN RAILWAY CORPORATION, a New York corporation, SUSQUEHANNA PROPERTIES, INC., a New York corporation, STATEN ISLAND RAILWAY CORPORATION, a New York corporation, DELTA WAREHOUSING CORPORATION, a New Jersey corporation, RAHWAY VALLEY RAILROAD COMPANY, a New Jersey corporation and RAHWAY VALLEY COMPANY, LESSEE, a New Jersey 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.

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



SUSQUEHANNA BULK SYSTEMS, INC.

by:   
Paul Garber  
President

Attest:

  
Secretary

STATE OF NEW YORK

COUNTY OF OTSEGO

On this 27 day of September, 1990, before me personally came Paul Garber, to me known, who, being duly sworn did depose and say that he resides in Ridgewood, New Jersey; that he is the President of Susquehanna Bulk Systems, Inc., a New Jersey corporation, one of the corporations described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of such corporation.

  
Notary Public

NATHAN R. FENNO  
Notary Public, State of New York  
Otsego County, No 4786561  
My Term Expires 3/30/91