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May 27, 1994

RECORDATION NO. 17053-81
MAY 31 1994 - 11 05 AM
FILED 7425
INTERSTATE COMMERCE COMMISSION

Sidney L. Stickland, Jr.
Secretary
Interstate Commerce Commission
Washington, D.C. 20423

Dear Sir:

I have enclosed an original and one counterpart of the document described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

This document is a Release, Termination, Assignment and Further Assurances Agreement, a secondary document, dated as of May 27, 1994.

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

M&T: Manufacturers and Traders Trust Company
One Fountain Plaza
Buffalo, New York 14203

Chemical: Chemical Bank
Bridgewater Place
500 Plum Street
Syracuse, New York 13204

Borrower: Delaware Otsego Corporation and its Subsidiaries
One Railroad Avenue
Cooperstown, New York 13326

The primary documents to which this is connected are recorded under Recordation Nos. 17053-I, 17053-J, 17053-K, 17053-L, and 17053-M.

We request that this Release, Termination, Assignment and Further Assurances Agreement be cross-indexed.

A fee of \$18.00 is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to Don M. Wade, Nixon, Hargrave, Devans & Doyle, P.O. Box 1051, Rochester, New York 14603.

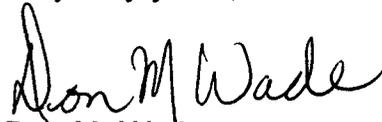
A short summary of the documents to appear in the index follows:

The secondary document is a Release, Termination, Assignment and Further Assurances Agreement among Manufacturers and Traders Trust Company ("M&T"), having an office at One Fountain Plaza, Buffalo, New York 14203, Chemical Bank ("Chemical"), having an office at Bridgewater Place, 500 Plum Street, Syracuse, New York 13204, Delaware Otsego Corporation ("Borrower") and its Subsidiaries, all having their offices and principal places of business at One Railroad Avenue, Cooperstown, New York, 13326, and dated as of May 27, 1994. This secondary document terminates the following primary documents filed with the ICC:

- 1) The Pledge and Security Agreement dated as of September 27, 1990 and given by Borrower and Subsidiaries to Chemical filed at Recordation No. 17053-I.
- 2) The Pledge and Security Agreement (Accounts) dated as of September 27, 1990 and given by Borrower and Subsidiaries to Chemical filed at Recordation No. 17053-J
- 3) The Assignment of Proceeds, Agreements and Contracts dated September 27, 1990 between Chemical and New York, Susquehanna and Western Railway Corporation filed at Recordation No. 17053-K. The title page of this agreement incorrectly lists Chemical and Borrower as the parties thereto.
- 4) The Assignment of Proceeds, Agreements and Contracts dated September 27, 1990 among Chemical, Borrower and the Subsidiaries filed at Recordation No. 17053-L.

- 5) The Pledge and Assignment dated as of September 26, 1990 and given by Otsego County Industrial Development Agency to Chemical filed at Recordation No. 17053-M.

Very truly yours,



Don M. Wade
Attorney for Manufacturers and
Traders Trust Company

DMW/saw
Enclosure

RELEASE, TERMINATION, ASSIGNMENT
AND FURTHER ASSURANCES AGREEMENT

RECORDATION NO. 17053-21
FILED 1425

MAY 31 1994 - 11 05 AM
INTERSTATE COMMERCE COMMISSION

RELEASE, TERMINATION, ASSIGNMENT AND FURTHER
ASSURANCES AGREEMENT dated as of May 27th, 1994, among
MANUFACTURERS AND TRADERS TRUST COMPANY, a New York banking
corporation with an office at One Fountain Plaza, Buffalo, New York 14203
("M&T"), CHEMICAL BANK, a New York banking corporation with an office at
Bridgewater Place, 500 Plum Street, Syracuse, New York 13204 ("Chemical"),
DELAWARE OTSEGO CORPORATION, a New York corporation ("Borrower"),
SUSQUEHANNA PROPERTIES, INC., a New York corporation ("SPI"), FONFULCO,
INC., a New York corporation ("Fonfulco"), LACKAWAXEN AND STOURBRIDGE
RAILROAD CORPORATION, a Pennsylvania corporation ("LASB"), SYRACUSE,
BINGHAMTON AND NEW YORK RAILROAD CORPORATION, a New York
corporation formerly known as Fonda, Johnstown and Gloversville Railroad
Company ("SBNY"), THE NEW YORK, SUSQUEHANNA AND WESTERN RAILWAY
CORPORATION, a New Jersey corporation ("NYS&W"), COOPERSTOWN AND
CHARLOTTE VALLEY RAILWAY CORPORATION, a New York corporation
("CACV"), DELTA WAREHOUSING CORPORATION, a New Jersey corporation
("DWC"), CENTRAL NEW YORK RAILROAD CORPORATION, a New York
corporation ("CNY"), DELAWARE OTSEGO EQUIPMENT CORPORATION, a New
York corporation ("DOE"), SUSQUEHANNA BULK SYSTEMS, INC., a New Jersey
corporation ("SBS"), STATEN ISLAND RAILWAY CORPORATION, a New York
corporation ("SIRC"), RAHWAY VALLEY COMPANY, LESSEE, a New Jersey

corporation ("RVC-L") and RAHWAY VALLEY RAILROAD COMPANY, a New Jersey corporation ("RVRC") (SPI, Fonfulco, LASB, SBNY, NYS&W, CACV, DWC, CNY, DOE, SBS, SIRC, RVC-L and RVRC are referred to collectively herein as, "Subsidiaries") .

W I T N E S S E T H :

WHEREAS, Chemical has entered into agreements with Borrower providing for certain credit facilities including, but not limited to, a Two Million Dollar (\$2,000,000) three-year Revolving Credit Loan which was converted to a four-year Term Loan, a Six Million Dollar (\$6,000,000) eight-year Term Loan, a One Million Five Hundred Thousand Dollar (\$1,500,000) eight-year Term Loan and has entered into a Three Million Dollar (\$3,000,000) Construction Line of Credit with Borrower's subsidiary, The New York, Susquehanna and Western Railway Corporation (all such loans, collectively, the "Chemical Indebtedness"); and

WHEREAS, the Borrower and Subsidiaries executed and delivered to Chemical certain collateral documents granting to Chemical certain security interests as collateral security for payment of the Chemical Indebtedness, including, but not limited to, a Pledge and Security Agreement with respect to Borrower's and Subsidiaries' property, a Pledge and Security Agreement (Accounts) dated as of September 27, 1990 in which Borrower and Subsidiaries granted to Chemical a security interest in Borrower's and Subsidiaries' accounts and accounts receivable and other collateral more particularly described therein, an Assignment of Life Insurance on the life of Borrower's chief executive officer, a

pledge of the stock of the Subsidiaries, certain guarantees by the Subsidiaries with respect to Borrower's payment of the Chemical Indebtedness, assignments of proceeds of certain agreements to which Borrower and/or Subsidiaries were parties, a security agreement with respect to Borrower's and Subsidiaries' Inventory and a lockbox agreement with respect to certain payments to Borrower or Subsidiaries for the rental of real property (collectively, the "Collateral Documents");

WHEREAS, the Borrower and Subsidiaries executed and delivered to Chemical certain documents granting to Chemical mortgages on certain real property of Borrower and Subsidiaries, together with assignments of leases and rents in connection therewith (the "Real Estate Documents"); and

WHEREAS, pursuant to a Credit Agreement dated as of April 29, 1994 between Borrower and M&T (the "Original Credit Agreement"), M&T agreed to provide a Working Capital Line of Credit to Borrower in a principal amount not to exceed Four Million Dollars (\$4,000,000) at any time (the "Line of Credit"); and

WHEREAS, contemporaneously with the execution of this Agreement, M&T and Borrower are amending and restating the Original Credit Agreement (as amended and restated on the date hereof and from time to time thereafter, the "Credit Agreement") to provide for a term loan from M&T to Borrower in the principal amount of Six Million Five Hundred Thousand Dollars (\$6,500,000)(the "Term Loan") (the Line of Credit and the Term Loan are referred to collectively herein as the "M&T Indebtedness"); and

WHEREAS, in order to secure the M&T Indebtedness, M&T obtained on April 29, 1994, (a) a perfected first priority security interest in (i) all of Borrower's accounts receivable and all accounts receivable of each Subsidiary, except for accounts receivable for the lease or rental of real property (the "Accounts"), (ii) Borrower's and Subsidiaries' interest in all money due or to become due to Borrower or any Subsidiary under construction reimbursement grants made by the federal or any state government or agency or instrumentality thereof, including the New York State Department of Transportation and the New Jersey Department of Transportation (the "Governmental Reimbursement Grants") and (b) a perfected second priority security interest, which shall become a perfected first priority security interest on the date hereof, in all of Borrower's and Subsidiaries' inventory, as such term is defined in the New York Uniform Commercial Code, including, but not limited to, Borrower's now owned or hereafter acquired railroad ties, rails, ballast, spikes, anchors, bars, wire, timber and switching equipment and certain Documents and Insurance related thereto, as such terms are defined on Schedule A hereto, and the proceeds thereof (collectively, "Inventory"); and

WHEREAS, Borrower's obligations with respect to the M&T Indebtedness have been guaranteed by each of the Subsidiaries pursuant to Guaranty Agreements dated as of April 29, 1994 and delivered to M&T by each Subsidiary (collectively, the "Guarantees"); and

WHEREAS, contemporaneously with the execution of this Agreement, Borrower and Subsidiaries will grant to M&T a first priority perfected security interest in certain locomotives, rolling stock, track equipment and motor vehicles owned by Borrower and Subsidiaries' and certain capital stock of the Subsidiaries owned by Borrower and Subsidiaries, and will deliver to M&T an assignment of life insurance, all as additional collateral security for the M&T Indebtedness (together with the Accounts, Governmental Reimbursement Grants and Inventory, the "M&T Collateral"); and

WHEREAS, contemporaneously with the execution of this Agreement, M&T will purchase by assignment all of the Chemical Indebtedness and, upon receipt of such payment, Chemical is willing to assign to M&T the notes evidencing the Chemical Indebtedness and the collateral securing the Chemical Indebtedness, including, but not limited to, an assignment of the Real Estate Documents and to release its security interest in all personal property of Borrower and its Subsidiaries, including the M&T Collateral.

NOW, THEREFORE, for due consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Definitions.

All terms defined in the introduction and recitals of this Agreement shall have the meanings given to such terms therein:

2. Acknowledgment of Payment; Release.

Except with respect to the Real Estate Documents, Chemical hereby releases any security interest it may have in any assets of Borrower and any of its Subsidiaries, including the M&T Collateral and including, but not limited to the assets covered by the Collateral Documents.

3. Termination of Intercreditor Agreement.

M&T and Chemical hereby terminate the Intercreditor Agreement between them dated as of April 29, 1994.

4. Termination of Chemical Financing Documents.

a. Chemical, Borrower and Guarantors hereby agree that each of the following documents and agreements is terminated effective the date hereof:

i. The Assignment of Proceeds, Agreements and Contracts dated September 27, 1990 among Chemical, Borrower and the Subsidiaries.

ii. The Assignment of Proceeds, Agreements and Contracts dated September 27, 1990 between Chemical and NYS&W. The title page of this agreement incorrectly lists Chemical and Borrower as the parties thereto.

iii. The Assignment of Proceeds executed on June 11, 1993 between Chemical and SIRC.

iv. The Assignment of Proceeds executed on June 11, 1993 among Chemical, RVRC and RVC-L.

v. The Guaranty Agreement dated September 27, 1990 and given to Chemical by the Subsidiaries.

- vi. The Lockbox Agreement dated June 9, 1993 between Chemical and Borrower.
- vii. The Assignment of Life Insurance dated September 26, 1990 between Chemical and Borrower.
- viii. The Stock Pledge Agreement dated December 28, 1992 between Chemical and Delaware Otsego Corporation.
- ix. The Stock Pledge Agreement dated December 28, 1992 between Chemical and NYS&W.
- x. The Pledge and Security Agreement dated as of September 27, 1990 and given by Borrower and Subsidiaries to Chemical.
- xi. The Pledge and Security Agreement (Accounts) dated as of September 27, 1990 and given by Borrower and Subsidiaries to Chemical.
- xii. The Pledge and Assignment dated as of September 26, 1990 and given by Otsego County Industrial Development Agency to Chemical Bank.
- xiii. The Guaranty of Payment dated October 26, 1992 and given to Chemical Bank by CACV, CNY, Fonda, Johnstown and Gloversville Railroad Company (now known as Syracuse, Binghamton and New York Railroad Corporation), LASB, DOE, NYS&W, SBS, SPI, Fonfulco, SIRC, DWC, RVRC and RVC-L.

5. Deliveries.

a. Contemporaneously with the execution of this Agreement, M&T shall purchase the Chemical Indebtedness from Chemical by wire transfer to Chemical of all amounts owing thereunder.

b. Contemporaneously with the execution of this Agreement, Chemical shall deliver to M&T the following agreements, instruments and documents:

i. UCC-3 Termination Statements terminating each UCC-1 financing statement filed by Chemical Bank in any public office with respect to assets of Borrower or any Subsidiary other than UCC-1s filed in connection with the Real Estate Documents which shall be assigned to M&T.

ii. Documents sufficient to terminate each of the Chattel Mortgages given by Borrower or any Subsidiary to Chemical with respect to locomotives, rolling stock and track equipment, including those recorded in the office of the Interstate Commerce Commission.

iii. All Stock certificates held by Chemical or its agent representing stock in Borrower or any Subsidiaries, together with any executed stock powers held by Chemical or its agent with respect to any of such stock.

6. Further Assurances.

Chemical hereby agrees to promptly execute and deliver to M&T any UCC-3 termination statements, assignments, releases, terminations of collateral mortgage, or any certificates, affidavits or other documents reasonably

requested by M&T in order to effect the release or assignment of collateral described in Section 4 hereof and hereby consents to the filing of each such document in any appropriate public office.

7. Termination of Mortgage Modifications.

Chemical and Borrower each agree that each of the following documents is terminated and of no further force or effect:

- a. Those certain Modifications of Mortgages between Chemical and Borrower and/or various Subsidiaries dated as of June 11, 1993 which were never recorded in any public office.
- b. The Modification of Collateral Assignment of Leases and Rents (New Jersey Leases) executed on June 11, 1993 between Chemical and Borrower.

8. Miscellaneous.

- a. Borrower shall pay to Chemical, upon request, all fees, costs and expenses (including, without limitation, reasonable attorneys' fees) incurred by Chemical in connection with this Agreement and the performance of Chemical's obligations hereunder.
- b. Nothing in this Agreement shall be interpreted as creating a partnership or joint venture between M&T and Chemical or a principal-agent or fiduciary-beneficiary relationship between M&T and Chemical.
- c. This Agreement shall survive the purchase by M&T of the Chemical Indebtedness.

d. This Agreement is solely for the benefit of and shall bind M&T, Chemical, Borrower and Subsidiaries and no other persons shall have any right, benefit, priority or interest under, or because of the existence of this Agreement.

e. Any modification, rescission, waiver, release, amendment or notice under this Agreement shall be in writing.

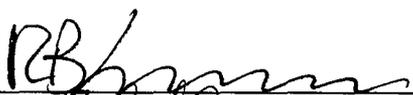
f. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which, when taken together, shall constitute one and the same Agreement.

g. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to the conflicts of laws principles.

h. This Agreement represents the entire Agreement among M&T, Chemical, Borrower and Subsidiaries with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Release, Termination, Assignment and Further Assurances Agreement to be signed by their duly authorized officers as of the day and year first above written.

MANUFACTURERS & TRADERS TRUST
COMPANY

By: 
Name: R. Buford Sears
Title: Vice President

CHEMICAL BANK

By: 
Name: SCOTT GELLER
Title: VICE PRESIDENT

DELAWARE OTSEGO CORPORATION

By: 
William B. Blatter
Senior Vice President

SUSQUEHANNA PROPERTIES, INC.

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

SYRACUSE, BINGHAMTON AND NEW
YORK RAILROAD CORPORATION

By 
William B. Blatter
Senior Vice President

THE NEW YORK, SUSQUEHANNA AND
WESTERN RAILWAY CORPORATION

By 
William B. Blatter
Senior Vice President

COOPERSTOWN AND CHARLOTTE
VALLEY RAILWAY CORPORATION

By 
William B. Blatter
Senior Vice President

DELTA WAREHOUSING CORPORATION

By 
William B. Blatter
Senior Vice President

CENTRAL NEW YORK RAILROAD
CORPORATION

By 
William B. Blatter
Senior Vice President

DELAWARE OTSEGO EQUIPMENT
CORPORATION

By 
William B. Blatter
Senior Vice President

SUSQUEHANNA BULK SYSTEMS, INC.

By 
William B. Blatter
Senior Vice President

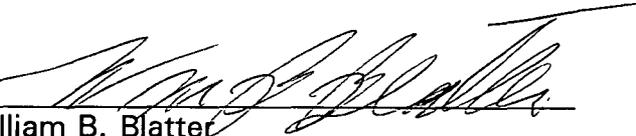
STATEN ISLAND RAILWAY
CORPORATION

By 
William B. Blatter
Senior Vice President

RAHWAY VALLEY COMPANY, LESSEE

By 
William B. Blatter
Senior Vice President

RAHWAY VALLEY RAILROAD
COMPANY

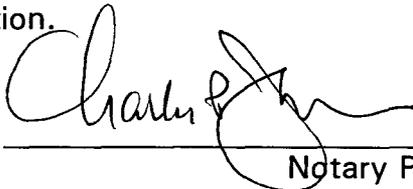
By 
William B. Blatter
Senior Vice President

STATE OF NEW YORK

)
) SS.

COUNTY OF ERIE

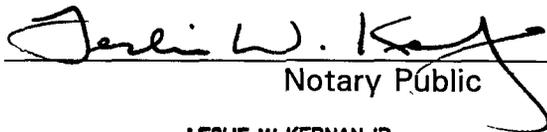
On the 21 day of May, 1994, before me personally came R. Bruno Sears to me known, who, being by me duly sworn did depose and say that he resides at Buffalo, NY; that he is the Vice President of Manufacturers and Traders Trust Company, the corporation described in and which executed the above instrument; and that he signed his name thereto by order of the board of directors of said corporation.


Notary Public

CHARLES P JACOBS
Notary Public, State of New York
Qualified in Erie County
My Commission Expires July 31, 1994

STATE OF NEW YORK)
) SS.
COUNTY OF MONROE

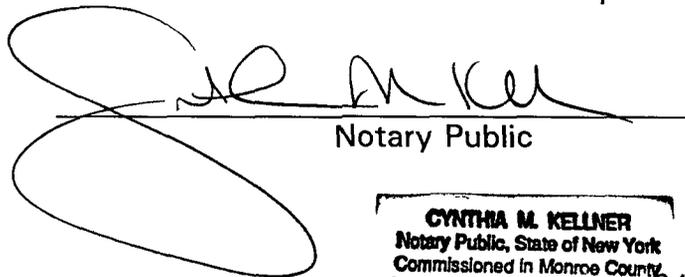
On the 26th day of May, 1994, before me personally came Scott Geller to me known, who, being by me duly sworn did depose and say that he resides at Rochester, NY; that he is the VICE PRESIDENT of Chemical Bank, the corporation described in and which executed the above instrument; and that he signed his name thereto by order of the board of directors of said corporation.


Notary Public

LESLIE W. KERNAN JR.
Notary Public in the State of New York
MONROE COUNTY
Commission Expires May 31, 1995

STATE OF NEW YORK)
) SS.
COUNTY OF ERIE

On the 27 day of May, 1994, before me personally came William B. Blath to me known, who, being by me duly sworn did depose and say that he resides at Rochester NY; that he is the Senior Vice Presid of Delaware Otsego Corporation, Susquehanna Properties, Inc., Fonfulco, Inc., Lackawaxen and Stourbridge Railroad Corporation, Syracuse, Binghamton and New York Railroad Corporation, The New York, Susquehanna and Western Railway Corporation, Cooperstown and Charlotte Valley Railway Corporation, Delta Warehousing Corporation, Central New York Railroad Corporation, Delaware Otsego Equipment Corporation, Susquehanna Bulk Systems, Inc., Staten Island Railway Corporation, Rahway Valley Company, Lessee and Rahway Valley Railroad Company, the corporations described in and which executed the above instrument; and that he signed his name thereto by order of the board of directors of each said corporation.


Notary Public

CYNTHIA M. KELLNER
Notary Public, State of New York
Commissioned in Monroe County
Commission Expires June 22, 1994