

727-4100
ONEIDA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

AND

MOHAWK, ADIRONDACK & NORTHERN RAILROAD CORPORATION

LEASE AND OPERATING AGREEMENT

DATED AS OF DECEMBER 29, 1992

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THIS LEASE AND OPERATING AGREEMENT dated as of December ____, 1992 (the "Lease") by and between the ONEIDA COUNTY INDUSTRIAL DEVELOPMENT AGENCY, a body corporate and politic and a public instrumentality of the State of New York, having its office at Terminal Building, Oneida County Airport, Oriskany, New York 13424 (the "Issuer"), and MOHAWK, ADIRONDACK & NORTHERN RAILROAD CORPORATION, a New York corporation, having its offices and a principal place of business at 8364 Lewiston Road, Batavia, New York 14020 (the "Operator");

WITNESSETH

WHEREAS, Title 1 of Article 18-A of the General Municipal Law of the State (the "Enabling Act") was duly enacted into law as Chapter 1030 of the Laws of 1969 of the State; and

WHEREAS, the Enabling Act authorizes and provides for the creation of industrial development agencies for the benefit of the several counties, cities, villages and towns in the State and empowers such agencies, among other things, to acquire, construct, reconstruct, lease, improve, maintain, equip and dispose of land and any buildings or other improvements, and all real and personal properties, including, but not limited to, machinery and equipment deemed necessary in connection therewith, whether or not now in existence or under construction, which shall be suitable for manufacturing, warehousing, research, commercial or industrial purposes, in order to advance the job opportunities, health, general prosperity and economic welfare of the people of the State and to improve their standard of living; and

WHEREAS, the Enabling Act further authorizes each such agency to lease or sell any or all of its properties, to mortgage and pledge any or all of its properties. Whether then owned or thereafter acquired, and to pledge the revenues and receipts from the lease or sale thereof; and

WHEREAS, the Issuer was created, pursuant to and in accordance with the provisions of the Enabling Act, by Chapter 372 of the Laws of 1970 of the State (collectively with the Enabling Act, the "Act"), and is empowered under the Act to undertake the Project (as hereinafter defined); and

WHEREAS, the Act, among other things, specifically authorizes the Issuer to acquire, construct, own, maintain and lease or sell to a railroad or private business corporation any interest in railroads operating within Oneida County, including easements or rights-of-way, necessary or convenient to the operation of such railroad; and

WHEREAS, the Issuer has acquired properties as described in Exhibit A to this Lease for use in connection with promoting, encouraging and assisting the furnishing of railroad services (the "Railroad Line") in Oneida County, with connections to points outside Oneida County; and

WHEREAS, the Issuer has submitted its plans for the acquisition of the Railroad Properties (as hereinafter defined) to the Commissioner of Transportation pursuant to Section 854 of the Enabling Act and the Commissioner of Transportation has submitted his analysis; and

WHEREAS, the Operator is willing to provide railroad service for the benefit of all Shippers (as hereinafter defined) along the Railroad Properties and to bear all common carrier responsibilities in conjunction with the Railroad Properties; and

WHEREAS, the Operator is willing to undertake the maintenance of the Railroad Properties, and to indemnify the Issuer and its officers, members and agents, against any and all liabilities that may arise from use of the properties in connection with the furnishing of railroad services thereon; and

WHEREAS, the Issuer proposes to lease the Railroad Properties to the Operator and the Operator proposes to rent the Railroad Properties from the Issuer pursuant to the terms and conditions herein set forth; and

WHEREAS, all things necessary to constitute this Lease a valid and binding agreement by and between the parties hereto in accordance with the terms hereof have been done and performed, and the creation, execution and delivery of this Lease have, in all respects, been duly authorized;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto hereby format covenant, agree and bind themselves as follows, to wit:

ARTICLE I

DEFINITIONS

SECTION 1.1. DEFINITIONS. For all purposes of this Lease and any lease supplemental thereto, all defined terms indicated by the capitalization of the first letter of such term shall have meanings specified in Exhibit B hereto, except as otherwise expressly provided for or the context otherwise required.

SECTION 1.2. INTERPRETATION. In this Lease, unless the context otherwise requires:

(A) the terms "hereby", "hereof", "herein", "hereunder" and similar terms as used in this Lease refer to this Lease, and the term "heretofore" shall mean before and the term "hereafter" shall mean after, the date of this Lease;

(B) words of masculine gender shall mean and include correlative words of feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa; and

(C) any certificates, letters or opinions required to be given pursuant to this Lease shall mean a signed document attesting to or acknowledging the circumstances, representations, opinions of law or other matters therein stated or set forth or setting forth matters to be determined pursuant to this Lease.

ARTICLE II

REPRESENTATIONS AND COVENANTS

SECTION 2.1. REPRESENTATIONS AND COVENANTS OF THE ISSUER. The Issuer makes the following representations and covenants as the basis for the undertaking on its part herein contained:

(A) The Issuer is duly established under the provisions of the Act and has the power to enter into this Lease and to carry out its obligations hereunder. Based upon the representations of the Operator as to the utilization of the Railroad Properties, the Railroad Properties will constitute a "project", as such quoted term is defined in the Act. By proper official action the Issuer has been duly authorized to execute, deliver and perform this Lease.

(B) Neither the execution and delivery of this Lease or the consummation of the transactions contemplated hereby by the Issuer will conflict with or result in a breach by the

Issuer of any terms, conditions or provisions of the Act, the by-laws of the Issuer or any order, judgment, restriction, agreement or instrument to which the Issuer is a party or by which it is bound, or will constitute a default by the Issuer under any of the foregoing.

(C) The Issuer will lease the Railroad Properties to the Operator pursuant to this Lease, all for the purpose of advancing the job opportunities, health, general prosperity and economic welfare of the people of the State and improving their standard of living.

(D) the Issuer, to the extent of its interest therein, shall not sell, assign, transfer, encumber or pledge as security the Railroad Properties or any part thereof except as contemplated or allowed by the terms of this Lease.

(E) The Issuer has determined that, based upon the review of the materials submitted and the representations made by the Operator relating to the Railroad Properties and upon the Issuer's knowledge of the area surrounding the Railroad Properties and such further investigation of the Railroad Properties and its environmental effects as the Issuer has deemed appropriate, the acquisition and operation of the Railroad Properties would not have a "significant impact" on the environment within the meaning of such quoted term under SEQRA.

SECTION 2.2. REPRESENTATIONS AND COVENANTS OF THE OPERATOR.
The Operator makes the following representations and covenants as the basis for the undertaking on its part herein contained:

(A) the Operator is a railroad corporation duly organized and existing under the laws of the State, is duly authorized to do business in the State, has the power to enter into this Lease and to consummate the transactions contemplated hereby and to carry out its obligations hereunder and thereunder and has duly authorized the execution, delivery and performance of this Lease.

(B) This Lease to which it is a party constitutes, or upon its execution and delivery in accordance with the terms thereof will constitute, valid and legally binding obligations of the Operator, enforceable in accordance with their respective terms.

(C) The Operator will diligently operate the Railroad Properties for the purposes of promoting the prosperity and general welfare of all citizens of the State and will bear all common carrier obligations as if it were the owner of the Railroad Properties.

(D) Neither the execution and delivery of this Lease, the consumation of the transactions contemplated hereby nor the fulfillment of or compliance with the provisions hereof will (1) result in a breach of, or conflict with any term or provision in, the Operator's Certificate of Incorporation or by-laws, (2) require consent under (which has not been therefore received) or result in a breach of or default under any credit agreement, indenture, purchase agreement, mortgage, deed of trust, commitment, guaranty or other agreement or instrument to which the Operator is a party or by which it or any of its Property may be bound or affected, or (3) conflict with or violate any existing law, rule, regulation, judgment, order, writ, injunction or decree of any Governmental Authority or court (domestic or foreign), having jurisdiction over the Operator or any of the Property of the Operator.

(E) The providing of the Railroad Properties by the Issuer and the lease thereof by the Issuer to the Operator (1) has been an important consideration in the Operator's decision to operate the Railroad Properties in the Oneida county, and (2) will not result in the removal of an industrial or manufacturing plant or commercial activity of any Railroad Properties occupant from one area of the State to another area of the State or in the abandonment of one or more plants or facilities of any user, occupant or proposed user or occupant of the Railroad Properties located within the State.

(F) So long as the Issuer holds title to the Railroad Properties, the Railroad Properties is and will continue to be a "project", as such quoted term is defined in the Act, and the Operator will not take any action (or omit to take any action required by this Lease or which the Issuer advises the Operator in writing should be taken), or allow any action to be taken, which action (or omission) would in any way cause the Railroad Properties not to constitute a "project", as such quoted term is defined in the Act.

(G) The Operator shall cause all notices as required by law to be given, and shall comply or cause compliance with all laws, ordinances, municipal rules and regulations and requirements of all Governmental Authorities applying to or affecting the conduct of work on the Railroad Properties (the applicability of such laws, ordinances, rules and regulations to be determined both as if the Issuer were the owner of the Railroad Properties and as if the Operator and not the Issuer were the owner of the Railroad Properties), and the Operator will defend and save the Issuer and its officers, members, agents and employees harmless from all fines and penalties due to failure to comply therewith.

(H) The acquisition and operation of the Railroad Properties will not have a significant impact on the environment within the meaning of SEQRA. The Operator hereby covenants to comply with all mitigating measures, requirements and conditions, if any, enumerated in the negative declaration issued by the Issuer under Article 8 of SEQRA with respect to the Railroad Properties and in any other approvals issued by any other Governmental Authority.

(I) The Railroad Properties and the operation of the Railroad Facilities will comply with all applicable building, zoning, environmental planning and subdivision laws, ordinances, rules and regulations of Governmental Authorities having jurisdiction over the Railroad Properties (the applicability of such being determined both as if the Issuer were the owner of the Railroad Properties and as if the Operator and not the Issuer were the owner of the Railroad Properties).

(J) The Operator will not sub-lease the whole or any portion of the Railroad Properties for an unlawful purpose.

(K) No part of the Railroad Properties will be located outside of the County of Oneida, New York.

(L) The Operator shall perform or cause to be performed, for and on behalf of the Issuer, each and every obligation of the Issuer which is within the control of the Operator under and pursuant to this Lease and shall defend, indemnify and hold harmless the Issuer and its members, officers, agents, servants and employees from and against every expense, liability or claim arising out of the failure of the Operator to fulfill its obligations under the provisions of this subsection.

SECTION 2.3. ENVIRONMENTAL REPRESENTATIONS AND COVENANTS.
The Operator makes the following additional representations and covenants as the basis for the undertakings on its parts herein contained.

(A) As of the execution of this Lease there has been no release or threatened release of oil or hazardous materials (including, without limitation, asbestos and polychlorinated biphenyls), Hazardous Substances or hazardous wastes or any other contaminant or pollutant at, no, to, into, or from the Railroad Properties, and that no federal, state or local agency or authority has issued any claim, notification, order or violation or instituted any action, suit, or proceeding concerning oil or hazardous materials, Hazardous Substances or hazardous wastes or any other contaminant or pollutant with respect to the Railroad Properties or with respect to the release of such oil or hazardous materials, Hazardous Substances or hazardous wastes or any other contaminant or

pollutant on any adjoining property. The Operator is not aware of any condition or occurrence which could give rise to any such claim, notification, order, violation, action, suit, or proceeding.

(B) No consent or approval is needed from any governmental agency for the transfer of the Railroad Properties under any environmental law, code, ordinance, rule or regulation.

(C) These are no agreements, consent order, decrees, judgments, licenses or permit conditions, or other directives of government which relate to the future use of the Railroad Properties or require any change in the present conditions of the Railroad Properties, nor is the Railroad Properties listed or proposed to be listed on either the federal National Properties List or the New York State Inactive hazardous Waste Disposal Site Registry.

(D) The Railroad Properties have not been and will not be used for the treatment, storage or disposal of oil or hazardous materials, hazardous substances or hazardous wastes or any other contaminant or pollutant.

(E) There is no adverse condition impairing, or which with notice or passage of time or both would impair, the value of the Railroad Properties, and the Operator has no reason to believe any such condition exists relating to oil or hazardous materials, hazardous substances or hazardous wastes or any other contaminant or pollutant.

(F) The Operator shall not allow or cause any oil or hazardous materials, hazardous substances or hazardous wastes or any other contaminant or pollutant to be released at, on, to, into or from the Railroad Properties, except in accordance with the terms and conditions of a permit, certificate, license or other written approval of a governmental body.

(G) All environmental permits, consents, licenses, certificates or approvals necessary to the operation of any activity on the Railroad Properties have been obtained and are and shall be kept in full force and effect.

(H) There are no electrical transformers, capacitors, or other equipment, items or articles on or at the Railroad Properties which contain polychlorinated biphenyls.

(I) The Operator has fully complied with; all federal, state and local environmental laws, rules, regulations, orders, decrees, ordinances, and codes applicable to the use and condition of the Railroad Properties.

(K) The Operator shall promptly notify the Issuer, in writing of the filing of an environmental lien against the Railroad Properties, the listing or proposed listing of the Railroad Properties on the federal National Priorities List, the New York State Inactive Hazardous Waste Disposal Site Registry or comparable state list, or any environmental claim, notification, order, violation, action, suit, or proceeding with respect to the Railroad Properties.

ARTICLE III

CONVEYANCE OF RAILROAD PROPERTIES

SECTION 3.1. TITLE TO RAILROAD PROPERTIES. The Operator has conveyed or will convey, to the Issuer all right, title and interest in the Railroad Properties. The Operator covenants that the Railroad Properties are free and clear of all Liens except for Permitted Encumbrances.

SECTION 3.2. USE OF RAILROAD PROPERTIES. The Operator shall be entitled to use the Railroad Properties in any manner not otherwise prohibited by this Lease provided such use causes the Railroad Properties to qualify or continue to qualify as a "project".

SECTION 3.3. OPTION TO REACQUIRE RAILROAD PROPERTIES. The Operator shall have right, exercisable at its sole discretion at any time up to six (6) months after the expiration or termination of this Lease, to reacquire from the Issuer for the consideration of \$10.00, all right, title and interest in the Railroad Properties previously transferred by the Operator to the Issuer. In the event that prior to the expiration or termination of this Lease, the Operator exercises its option to reacquire the Railroad Properties, this Lease shall terminate upon the transfer of the Railroad Properties to Operator. Should the Operator fail to exercise its option, the Issuer, at its option, may convey title to the Railroad Properties to the Operator.

SECTION 3.4. CONVEYANCE ON PURCHASE. At the closing of any purchase of the Railroad Properties pursuant to Section 3.3., hereof, the Issuer shall, upon receipt of the purchase price and payment of all sums owed to the Issuer under this Lease Agreement, deliver to the Operator a quit claim deed conveying 1 of the Issuer's right, title and interest in the Railroad Properties to the Operator. The Issuer shall make no warranty as to its title to the Railroad Properties.

ARTICLE IV
OPERATION OF THE RAILROAD PROPERTIES

SECTION 4.1. OPERATION OF RAILROAD PROPERTIES. The Operator shall have the exclusive right to provide Railroad Services on the Railroad Properties subject to the terms and conditions of this Lease. The Operator shall have the right to establish, in its sole discretion, its tariffs and charges for furnishing Railroad Service to Shippers. The Issuer shall have no entitlement or right to, or claims upon, the revenue generated by the Railroad Services provided by the Operator, subject to all the terms and conditions of this Lease. The Operator shall not commence passenger service on the Railroad Properties without the written consent of the Issuer, which consent shall not be unreasonably withheld or delayed. The Operator shall be entitled to all fees and rents payable by third parties under Permitted Encumbrances.

SECTION 4.2. FITNESS FOR USE, DEFECTS, DANGEROUS CONDITIONS. The Issuer makes no representations regarding the fitness of the Railroad Properties for use in connection with the provisions of Rail Services, or regarding the existence of any defects or dangerous conditions existing on or with respect to the Railroad Properties. The Operator represents that it is familiar with the Railroad Properties. The Operator accepts the Railroad Properties in their "as is" condition. The Operator agrees to remedy any defects or dangerous conditions which the Operator may discover on the Railroad Properties through inspection carried out with reasonable care or by notice and to maintain the Railroad Properties free of defects or dangerous conditions, in accordance with federal and State railroad safety standards.

Prior to the effective date of this Lease, the Operator shall have the Railroad Properties inspected and classified by an FRA Certified inspector. Nothing contained herein shall be construed to be a representation by the Issuer that it has responsibility for defects or dangerous conditions whether observed or unobserved.

SECTION 4.3. USE OF THE RAILROAD PROPERTIES. The Operator agrees to use the Railroad Properties only in connection with the furnishing of Rail Services in accordance with federal and State railroad safety standards and hereby covenants not to use the Railroad Properties for any other purpose without the prior written consent of the Issuer.

SECTION 4.4 OPERATOR'S IMPROVEMENTS. The Operator may make, at its own expense, improvements for railroad purposes on the Railroad Properties subject to the following terms and conditions:

(A) Any and all replacements installed or other improvements shall immediately become the property of the Issuer unless and to the extent that the Issuer agrees in writing to the contrary.

(B) Such improvements may not diminish the value of the Railroad Properties or interfere with the use of the Railroad Properties for railroad purposes, without the consent of the Issuer.

(C) The Operator shall notify the Issuer in writing of any and all improvements or replacements made by the Operator.

(D) Upon termination of this Lease, the Operator shall execute any document necessary to transfer its rights, if any, in and to such improvements, easements, etc. as the Issuer may wish to have transferred to it or third parties. The Operator appoints the Issuer as its attorney-in-fact, complete with an interest, to execute and deliver, in the name of the Operator, any and all documents or instruments required to convey title to the Railroad Properties or which are otherwise required by the terms of this Lease.

SECTION 4.5. INTENTIONALLY OMITTED.

SECTION 4.6. LICENSES. Operator agrees not to grant any license to any person pertaining to any use of the Railroad Properties or any part thereof, without the prior written consent of the Issuer.

SECTION 4.7. ASSIGNMENT AND SUBCONTRACTING. Operator agrees not to assign this Lease or to subcontract for provision of any Rail Service on the Railroad Properties or any part thereof without the prior written consent of the Issuer, which consent will not be unreasonably withheld.

SECTION 4.8 SURRENDER OF POSSESSION. Upon the expiration or sooner termination of this Lease (including any renewal term), Operator shall surrender possession of the Railroad Properties peaceably and promptly to the Issuer and shall, at its own expense, put the properties in as good condition as prevailed on the date Operator commenced operations on the Railroad Properties, losses resulting from Force Majeure or from ordinary wear and tear excepted.

SECTION 4.9 ISSUER'S RIGHT OF ACCESS TO RAILROAD PROPERTIES. The Operator agrees that the Issuer and the State Department of Transportation, or their duly authorized agents shall have the right at all reasonable times to enter upon the Railroad Properties, after giving reasonable notice to the Operator, in order to examine and inspect the properties. In order to protect the Issuer and its agents, the Operator shall have

the right to designate specific times when the Issuer or its agents may enter upon the Railroad Properties and to require that the Operator or its agents escort the Issuer or the New York State Department of Transportation or their agents while the latter are on the Railroad Properties.

Nothing contained in this Section or any other provisions of this Lease shall be construed to mean that the Issuer or the State Department of Transportation accepts any responsibility for the remediation, maintenance or rehabilitation of the Railroad Properties, or for providing Rail Service along the Railroad Properties.

ARTICLE V

PROVISION OF RAIL SERVICE

SECTION 5.1. PROVISION OF RAIL SERVICE. Operator represents that this Lease is sought to enable it to provide Rail Service along the Railroad Properties. The Operator shall provide Rail Service on demand to all Shippers along the entire length of the Railroad Properties.

SECTION 5.2. MAINTENANCE. Operator shall be responsible for providing all Light Maintenance on the Railroad Properties and shall maintain the Railroad Properties in the condition necessary for the provision of Rail Services in accordance with federal and State railroad safety standards and free of any defects or dangerous conditions which could develop subsequent to the date of this Lease, or in substantially the same condition, as they exist on the effective date hereof whichever is better.

SECTION 5.3. MAINTENANCE AND OPERATING EXPENSES. Subject to the provisions of section 5.2., all expenses incurred in connection with the Light Maintenance of the Railroad Properties and the provision of Rail Services, including the cost of insurance and preparation of reports required under the terms of this Lease, and any applicable taxes, assessments or fees shall be paid by Operator.

SECTION 5.4. MANAGEMENT AND CONTROL. Subject to the exceptions set forth in this Lease, Operator shall have exclusive control of the management and operation of the Rail Service, including applicable fees or legal tariffs, the determination of schedules and alterations thereof, and the dispatching of trains.

SECTION 5.5. COMPLIANCE WITH LAWS AND REGULATIONS. Operator agrees to comply with all federal, State and local laws, regulations and ordinances relating to remediation, maintenance, rehabilitation and use of the Railroad

Properties, the provision of Rail Services, and employment of individuals. Operator agrees that it shall continue to bear all common carrier responsibilities which it bore prior to its transfer of the Railroad Properties to the Issuer.

ARTICLE VI

ADDITIONAL OBLIGATIONS OF OPERATOR

SECTION 6.1. EQUAL EMPLOYMENT OPPORTUNITY. During the term of this Lease the Operator agrees as follows:

(A) The Operator will not discriminate against any employee or applicant for employment because of race, creed, color, sex or national origin. The Operator will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, creed, color, sex or national origin. Such action shall include, but not be limited to, the following: employment, up-grading; demotion or transfer; recruitment advertising; layoff or termination; rates of pay or other forms of compensation, and selection for training, including apprenticeship. The Operator agrees to post in conspicuous places available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination article.

(B) The Operator will, in all solicitations or advertisements for employees placed by or on behalf of the Operator, state that all qualified applicants will receive consideration for employment without regard to race, creed, color, sex or national origin.

(C) The Operator will send to each labor union or representative or workers with which it has a collective bargaining agreement or other contract or understanding, a notice advising the said labor union or worker's representative of Operator's commitments under this non-discrimination article, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(D) The Operator will comply with all provision of Executive Orders No. 11246 of September 24, 1964, and No. 11374 of October 17, 1967, and of the rules, regulations and relevant orders of the Secretary of Labor and will require compliance by every subcontractor to the Operator.

SECTION 6.2. ACCOUNTING AND REPORTS.

(A) Operator shall keep complete and orderly records of its operations and in accounting for its income or loss and

shall use generally accepted principals of accounting consistently applied.

In the event that Operator adopts particular accounting methods in order to qualify for subsidies or similar payments from any state or federal agency, Operator may adopt the same methods for purposes of this Lease.

(B) Upon reasonable notice, Operator shall allow the auditors of the Issuer or any Governmental Authority having jurisdiction over Operator to audit all records of Operator that were used to determine Operator's income or loss on rail operations generally and or the Railroad Properties. All such records shall be kept for a period of at least three (3) years and any such records as are subject to auditing dispute shall be kept for the duration of that dispute.

(C) On or before the 14th day of the third month following end of Operator's fiscal year, Operator shall submit an annual report to the Issuer's containing the following information:

(1) A profit and loss statement for such fiscal year prepared by an independent certified accountant acceptable to the Issuer.

(2) A balance sheet showing Operator's assets and liabilities on the last-day of such fiscal year prepared by an independent certified accountant acceptable to the Issuer.

(3) A statement of local tariff and surcharges, if any, to be used during the current fiscal year.

ARTICLE VII

RENT PAYMENTS

SECTION 7.1. TERM.

(A) This Lease shall take effect and be in force at 12:00 a.m., December ____, 1992 and shall continue in force and effect until 12:00 p.m., December 31, 2002, unless earlier terminated as herein provided.

(B) This Agreement may be extended or renewed subject to and consistent with the Issuer's rights in the Railroad Properties. The parties agree to negotiate during the last three (3) months of this Lease Term, to extend the same for a reasonable period or periods, under acceptable operating plans.

SECTION 7.2. RENT PAYMENTS AND OTHER AMOUNTS PAYABLE.

(A) The Operator shall pay to the Issuer in February of each year basic rent payments for the Railroad Properties equal to Five Hundred Dollars (\$500.00).

(B) Beginning January 1, 1996, the Operator shall annually during the term of this Lease make payments in lieu of taxes for which the Operator is otherwise exempt in the following amounts:

1) In 1996 and 1997, an amount equal to three percent (3%), and thereafter four percent (4%), of gross revenues of the Operator from Rail Services attributable to the Lyons Falls line during the prior year multiplied by the County Share Factor. The County Share Factor shall be calculated as follows: The Railroad Ceiling for Railroad Property within the County divided by the sum of the Railroad Ceilings for the Lyons Falls line for Oneida and Lewis Counties. For purposes of calculating the County Share Factor, the Railroad Ceilings shall be those first determined by the New York State Division of Equalization and Assessment after the Railroad Property was acquired by the Operator; and

Such amount shall be paid during the third quarter of the year by the Operator on behalf of the Issuer directly to the taxing jurisdictions in which the Railroad Properties are located. Such amounts shall be apportioned among such jurisdictions on the basis of the proportion that the 1992-1993 tax on Railroad Property within each such jurisdiction bears to the total 1992-1993 taxes on Railroad Properties within all such jurisdictions. In the event this Lease is terminated during any calendar year, the amount of any such payment shall be pro-rated for that portion of the year prior to expiration of this Lease. Such amount shall be paid within 90 days after termination of this Lease.

(C) The Operator shall pay as additional rent payments, within ten (10) days after receipt of a demand therefor from the Issuer, the sum of the reasonable expenses of the Issuer and the officers, members, agents and employees thereof incurred by reason of the Issuer's ownership or lease of the Railroad Properties or in connection with the carrying out of the Issuer's duties and obligations under this Lease and any other fee or expense of the Issuer with respect to the Railroad Properties, the lease of the Railroad Properties to the Operator, the payment of which is not otherwise provided for under this Lease.

(D) The Operator agrees to make the above mentioned payments, without any further notice, in lawful money of the United States of America as, at the time of payment, shall be legal tender for the payment of public and private debts.

SECTION 7.3. NATURE OF OBLIGATIONS OF OPERATOR HEREUNDER.

(A) The obligations of the Operator to make the payments, required by this Lease and to perform and observe any and all of the other covenants and agreements on its part contained herein are general obligations of the Operator and are absolute and unconditional irrespective of any defense or any rights of set-off, recoupment or counterclaim it may otherwise have against the Issuer. The Operator agrees that it will not suspend, discontinue or abate any payment required by, or fail to observe any of its other covenants or agreements contained in, this Lease, or terminate this Lease for any cause whatsoever, including, without limiting the generality of the foregoing, any defect in the title, design, operation, merchantability, fitness or condition of the Railroad Properties or any part thereof or in the suitability of the Railroad Properties or any part thereof for the Operator's purposes or needs, failure of consideration for, destruction of or damage to, or Condemnation of title to or the use of, all or any part of the Railroad Properties, any change in the tax or other laws of the United States of America or of the State of any political subdivision thereof, or any failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability or obligation, arising out of or in connection with this Lease.

(B) Nothing contained in this Section shall be construed to release the Issuer from the performance of any of the agreements on its part contained in this Lease, and, in the event the Issuer should fail to perform any such agreement, the Operator may institute such action against the Issuer as the Operator may deem necessary to compel performance (subject to the provisions of Section 13.10).

SECTION 7.4. EARLIER CONVEYANCE OF RAILROAD PROPERTIES. Notwithstanding anything herein to the contrary, in the event (1) the Operator fails to maintain the insurance described in Section 8.3; or (2) the Operator shall violate any covenant contained in Section 2.3 of this Lease, the Issuer may cause the Railroad Properties to be conveyed to the Operator. The Operator hereby agrees to pay all expenses and taxes, if any, applicable to or arising from the transfer contemplated by this section. The Operator hereby appoints the Issuer as its attorney-in-fact to execute and deliver any and all deeds or other instruments to convey title to the Railroad Properties to the Operator. Any conveyance shall be by a quit-claim deed with no warranty of title of any kind.

ARTICLE VIII

MAINTENANCE, MODIFICATIONS, TAXES AND INSURANCE

SECTION 8.1. MAINTENANCE AND MODIFICATIONS OF RAILROAD PROPERTIES. During the term of this Lease, the Operator shall (1) keep the Railroad Properties in good condition and repair and preserve the same against waste, loss, damage and depreciation, ordinary wear and tear excepted, (2) make all necessary repairs and replacements to the Railroad Properties or any part thereof (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen) which is damaged, destroyed or Condemned, and (3) operate the Railroad Properties in a sound and economic manner. The obligations under this Section 8.1 shall be in addition to the requirements of Section 5.1 of this Lease.

SECTION 8.2. TAXES, ASSESSMENTS AND UTILITY CHARGES.

(A) The Operator shall pay or cause to be paid, as the same respectively become due, (1) all taxes and governmental charges of any kind whatsoever which may at any time be lawfully assessed or levied against or with respect to the Railroad Properties, (2) all utility and other, charges, including "service charges", incurred or imposed for the operation, maintenance, use, occupancy, upkeep and improvement of the Railroad Properties, the nonpayment of which would create, or entitle the obligee to impose, a Lien on the Railroad Properties, (3) all assessments and charges of any kind whatsoever lawfully made by any Governmental Authority for public improvements, and (4) all payments in lieu of taxes, if any, required to be made to the Issuer under the terms of this Lease.

(B) The Operator may in good faith actively contest any such taxes, assessments and other charges, provided that (1) the Operator shall have first notified the Issuer of such contest, (2) no Event of Default under this Lease shall have occurred and be continuing, (3) the Operator shall have set aside adequate reserves for any such taxes, assessments and other charges, and (4) post a bond in form and substance satisfactory to the Issuer.

SECTION 8.3. INSURANCE REQUIRED. The Operator shall at all times maintain insurance with respect to the Railroad Properties against such risks and for such amounts as are customarily insured against by businesses of like size and type; paying, as the same become due and payable, all premiums with respect thereto, including, but not necessarily limited to:

(A) Insurance protection the interest of the Operator and the Issuer as insureds against loss or damage to the Railroad Properties by fire, lightning, vandalism, malicious mischief, and other casualties customarily insured against, with a uniform standard extended coverage endorsement, such insurance to be in an amount not less than the full replacement value of the completed Railroad Properties, exclusive of footings and foundations, as determined by a recognized appraiser or insurer selected by the Operator and approved by the Issuer.

(B) Workers compensation insurance, disability benefits insurance and each other form of insurance which the Operator is required by law to provide, covering loss resulting from injury, sickness, disability or death of employees of the Operator who are located at or assigned to the Railroad Properties.

(C) Insurance protecting the Issuer and the Operator against loss or losses from liability imposed by law or assumed in any written contract (including the contractual liability assumed by the Operator under Section 10.2 hereof) and arising from personal injury, including bodily injury or death, or damage to the property of others, caused by an accident or occurrence with a limit of liability of not less than \$2,000,000 (combines single limit for personal injury, including bodily injury or death, and property damage). Such damage shall be increased to \$5,000,000 in the event that passenger service is provided over the Railroad Properties.

SECTION 8.4. ADDITIONAL PROVISIONS RESPECTING INSURANCE. All insurance required by Section 8.3 shall be procured and maintained with insurance companies rated A or better for A.M. Best Operator, Inc. in Best's Key Rating Guide selected by the Operator and authorized to write such insurance in the State. Such insurance may be written with deductible amounts acceptable to the Issuer. All policies evidencing such insurance shall name the Operator and the Issuer, as insureds, as their interests may appear, and provide for at least thirty (30) days written notice to the Operator and the Issuer prior to cancellation, reduction in policy limits or material change in coverage thereof. All insurance required hereunder shall be in form, content and coverage satisfactory to the Issuer. Certificates satisfactory in form and substance to the Issuer to evidence all insurance required hereby shall be delivered to the Issuer before the Closing Date. The Operator shall deliver to the Issuer on or before the first business day of each calendar year thereafter a certificate dated not earlier than the immediately preceding December 1 reciting that there is in full force and effect, with a term covering at least the next succeeding calendar year, insurance in the amounts of the types required by Sections 8.3 and 8.4. At least thirty (30) days prior to the

expiration of any such policy, the Operator shall furnish to the Issuer evidence that the policy has been renewed or replaced or is no longer required by this Lease.

All premiums with respect to the insurance required by Section 8.3 shall be paid by the Operator; provided, however, that, if the premiums are not timely paid, the Issuer may pay such premiums and the Operator shall pay immediately upon demand all sums so expended by the Issuer together with interest at a rate of two percent (2%) per month or the highest rate permitted by law, whichever is less.

SECTION 8.5 APPLICATION OF NET PROCEEDS OF INSURANCE. The Net Proceeds of the insurance carried pursuant to the provisions of Section 8.3 shall be applied toward extinguishment of satisfaction of the liability with respect to which such insurance proceeds may be paid.

ARTICLE IX

DAMAGE, DESTRUCTION AND CONDEMNATION

SECTION 9.1. DAMAGE OR DESTRUCTION.

(A) If the Railroad Properties shall be damaged or destroyed in whole or in part

(1) the Issuer shall have no obligation to replace, repair, rebuild or restore the Railroad Properties;

(2) there shall be no abatement or reduction in the amounts payable by the Operator under this Lease (whether or not the Railroad Properties is replaced, repaired, rebuilt or restored);

(3) the Operator shall promptly give notice thereof to the Issuer; and

(4) except as otherwise agreed to by the Issuer the Operator shall promptly replace, repair, rebuild or restore the Railroad Properties to substantially the same condition and value as an operating entity as existed prior to such damage or destruction, with such changes, alterations and modifications as may be desired by the Operator and consented to in writing by the Issuer, which consents shall not be unreasonably withheld, provided that such changed, alterations or modifications do not change the nature of the Railroad Properties such that it does not constitute a "project," as such quoted term is defined in the Act.

(B) If the Net Proceeds collected under any and all policies of insurance are less than the amount necessary to

pay any and all amounts payable to the Issuer, the Operator shall pay the difference between such amounts and the Net Proceeds of all such insurance settlements so that any and all amounts payable under this Lease to the Issuer shall be paid in full.

(C) The Operator and Issuer shall jointly adjust all claims under any policies of insurance required by subsections 8.3 (A) and (D) hereof.

SECTION 9.2. CONDEMNATION.

(A) If title to, or the use of, less than substantially all of the Railroad Properties shall be taken by Condemnation:

(1) the Issuer shall have no obligation to restore the Railroad Properties;

(2) there shall be no abatement or reduction in the amounts payable by the Operator under this Lease (whether or not the Railroad Properties is restored);

(3) the Operator shall promptly give notice thereof to the Issuer; and

(4) except as otherwise agreed to by the Issuer, the Operator shall promptly restore the Railroad Properties (excluding any part of the Land or the Railroad Properties taken by Condemnation) to substantially the condition and value as an operating entity as existed prior to such Condemnation.

(B) If the Net Proceeds of any Condemnation award are less than the amount of any and all amounts payable to the Issuer, the Operator shall pay the difference between such amounts and the Net Proceeds of such Condemnation award so that any and all amounts payable under this Lease to the Issuer shall be paid in full.

(C) The Operator shall have joint control with the Issuer of any Condemnation proceeding with respect to the Railroad Properties or any part thereof and may negotiate the settlement of any such proceeding.

SECTION 9.3. ADDITIONS TO RAILROAD PROPERTIES. All replacements, repairs, rebuilding or restoration made pursuant to Sections 9.1 or 9.2 hereof, whether or not requiring the expenditure of the Operator's own moneys, shall automatically become part of the Railroad Properties as if the same were specifically described herein.

SECTION 9.4. APPLICATION OF INSURANCE SETTLEMENTS AND CONDEMNATION AWARDS.

(A) The Net Proceeds of any insurance settlement and the Net Proceeds of any Condemnation award shall be deposited with the Issuer. The Issuer shall, after payment of any fees and expenses of the Issuer, make such Net Proceeds available to the Operator to repair, rebuild or replace the Railroad Properties upon the Issuer's approval of the Operator's plans to repair, rebuild or replace the Railroad Properties. The Issuer shall not unreasonably delay or withhold its approval.

(B) If the Issuer and the Operator shall determine that it is not practical or desirable to repair, rebuild or restore the Railroad Properties, the Net Proceeds of any insurance settlement or Condemnation award shall be applied as agreed to by the Operator and the Issuer.

ARTICLE X
SPECIAL COVENANTS

SECTION 10.1. NO WARRANTY OF CONDITION OR SUITABILITY BY THE ISSUER; ACCEPTANCE "AS IS". THE ISSUER MAKES NO WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO THE CONDITION, TITLE, DESIGN, OPERATION, MERCHANTABILITY OR FITNESS OF THE RAILROAD PROPERTIES OR ANY PART THEREOF OR AS TO THE SUITABILITY OF THE RAILROAD PROPERTIES OR ANY PART THEREOF FOR THE OPERATOR'S PURPOSES OR NEEDS. NO WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE OR MERCHANTABILITY IS MADE. IN THE EVENT OF ANY DEFECT OR DEFICIENCY OF ANY NATURE, WHETHER PATENT OR LATENT, THE ISSUER SHALL HAVE NO RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO.

SECTION 10.2 HOLD HARMLESS PROVISIONS.

(A) Except as hereinafter provided, the Operator hereby releases the Issuer, and its members, officers, agents (other than the Operator) and employees from, agrees that the Issuer, and its members, officers, agents (other than the Operator) and employees shall not be liable for and agrees to indemnify, defend and hold the Issuer and its members, officers, agents, (other than the Operator) and employees harmless from and, against any and all claims arising as a result of the Issuer's undertaking the Project, including, but not limited to, (1) liability for loss or damage to Property or bodily injury to or death of any and all persons that may be occasioned by any cause whatsoever pertaining to the Railroad Properties or arising by reason of or in connection with the occupation or the use thereof or the presence on, in or about the Railroad Properties, (2) liability arising from or expense incurred by the Issuer's acquiring,, operating, owning or leasing of the Railroad Properties, including, without limiting the generality of the foregoing, all liabilities or claims arising as a result of the Issuer's obligations under this Lease (3) all claims, arising from the exercise by the Operator of the authority conferred upon it by this Lease, and (4) all causes of action and attorneys fees and other expenses incurred in connection with any suits or actions which may arise as a result of any of the foregoing; provided that any such losses, damages, liabilities or expenses of the Issuer, are not incurred or do not result from the intentional wrongdoing of the Issuer, of any of its members, officers, agents (other than the Operator) or employees. The foregoing indemnities shall apply notwithstanding the fault, or negligence on the part of the Issuer, or any of its officers, members, agents (other than the Operator), servants or employees, and irrespective of any breach of statutory obligation or any rule of comparative or apportional liability.

(B) In the event of any claim against the Issuer or its members, officers, agents (other than the Operator) or employees by any employee of the Operator or any contractor of the Operator or anyone directly or indirectly employed by any of them or any one for whose acts any of them may be liable, the obligations of the Operator hereunder shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable by or for the Operator or such contractor under Workers compensation laws, disability benefits laws or other employee benefits laws.

(C) To effectuate the provisions of this Sections, the Operator agrees to provide for and insure, in the liability policies required by Section 8.3 (C), its liabilities assumed pursuant to this Section.

(D) Notwithstanding any other provisions of this Lease, the obligations of the Operator pursuant to this Section shall remain in full force and effect after the termination of this Lease until the expiration of the period stated in the applicable statute of limitations during which a claim, cause of action or prosecution relating to the matters herein described may be brought and the payment in full or the satisfaction of such expenses and charges incurred by the Issuer, or its officers, members, agents (other than the Operator) or employees, relating thereto.

SECTION 10.3. INTENTIONALLY OMITTED.

SECTION 10.4. MAINTENANCE OF EXISTENCE. The Operator will maintain its existence, will not dissolve or otherwise dispose of all or substantially all its assets and will not consolidate with or merge into another legal entity or permit one or more other legal entities to consolidate with or merge into it.

SECTION 10.5. COMPLIANCE WITH ORDERS, ORDINANCES, ETC.

(A) The Operator agrees that it will promptly comply with all statutes, codes, laws, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements of all Governmental Authorities, foreseen or unforeseen, ordinary or extraordinary, which now are at any time hereafter may be applicable to the Operator or the Railroad Properties or any part thereof, or to any part thereof (the applicability of the same to be determined both as if the Issuer were the owner or the Railroad Properties and as if the Operator and not the Issuer were the owner of the Railroad Properties).

(B) Notwithstanding the provisions of subsection (A) of this Section, the Operator may, in good faith actively contest the validity of the applicability of any requirement

of the nature referred to in such subsection (A), provided that the Operator shall have first notified the Issuer of such contest. In such event, the Operator may fail to comply with the requirement or requirements so contested during the period of such contest and any appeal therefrom unless (1) by failure to comply with such requirement or requirements the Railroad Properties or any part thereof may be subject to loss or forfeiture, in which case the Operator shall promptly take such action with respect thereto as shall be satisfactory to the Issuer, or (2) the Issuer shall so notify the Operator that the Issuer or its members, officers, agents or employees may be liable for prosecution for failure to comply therewith, in which event the Operator shall promptly take such action with respect thereto as shall be satisfactory to the Issuer.

SECTION 10.6. DISCHARGE OF LIENS AND ENCUMBRANCES.

(A) The Operator agrees not to create or suffer to be created any lien, except for Permitted Encumbrances, on the Railroad Properties or any part thereof without the prior written consent of the Issuer. The Operator shall notify the Issuer of any Permitted Encumbrances created or suffered to be created on the Railroad Properties simultaneously therewith.

(B) Notwithstanding the provisions of subsection (A) of this Section, the Operator may in good faith actively contest any such Lien, provided that the Operator shall have first notified the Issuer of such contest and shall have posted a bond, in form and substance satisfactory to the Issuer.

SECTION 10.7. PERFORMANCE BY ISSUER OF OPERATOR'S OBLIGATIONS.

Should the Operator fail to make any payment or to do any act as herein provided, the Issuer may, but need not, without notice to or demand on the Operator and without releasing the Operator from any obligation herein, make or do the same, including, without limitation, appearing in and defending any action purporting to affect the rights or powers of the Operator, and paying all expenses, including, without limitation, reasonable attorneys fees; and the Operator shall pay immediately upon demand all sums so expended by the Issuer under the authority hereof, together with interest thereon at a rate of two percent (2%) per month, or the highest rate permitted by law, whichever is lower.

ARTICLE XI

ASSIGNMENTS; MERGER OF ISSUER

SECTION 11.1 ASSIGNMENT OF LEASE. The Lease may not be assigned by the Operator in whole or part without the prior assigned consent of the Issuer.

SECTION 11.2 MERGER OF ISSUER.

(A) Nothing contained in this Lease shall prevent the consolidation of the Issuer with, or merger of the Issuer into, or assignment by the Issuer of its rights and interests hereunder to, any other body corporate and politic and public instrumentally of the State or political subdivision thereof which has the legal authority to perform the obligations of the Issuer hereunder, provided that upon any such consolidation, merger or assignment, the due and punctual performance and observance of all the agreements and conditions of this Lease to be kept and performed by the Issuer shall be expressly assumed in writing by the public instrumentally or political subdivision resulting from such consolidation or surviving such merger or to which the Issuer's rights and interests hereunder shall be assigned.

(B) As of the date of any such consolidation, merger or assignment, the Issuer shall give notice thereof in reasonable detail to the Operator. The Issuer shall promptly furnish to the Operator such additional information with respect to any such consolidation, merger or assignment as the Operator reasonably may request.

SECTION 11.3 SALE OR LEASE OF RAILROAD PROPERTIES. The Operator may not sublet or otherwise dispose of the Railroad Properties or any part thereof (except as may result from the creation of Permitted Encumbrances) without the prior written consent of the Issuer. The Issuer shall, at the written request of the Operator, execute such documents as may be necessary to create Permitted Encumbrances.

ARTICLE XII

EVENTS OF DEFAULT AND REMEDIES

SECTION 12.1. EVENTS OF DEFAULT DEFINED.

(A) The following shall be "Events of Default" under the Lease, and the terms "Events of Default" or "Default" shall mean, whenever they are used in this Lease, any one or more of the following events:

(1) A failure to pay within ten (10) days when due a payment of rent.

(2) A default in the performance or the observance of any other of the covenants, conditions or agreements on the part of the Operator in this Lease (other than Sections 2.3, 8.3, and 10.2 hereof) and the continuance thereof for a period of thirty (30) days after written notice is given by the Issuer to the Operator.

(3) The Operator shall conceal, remove or permit to be concealed or removed any part of its Property, with intent to hinder, delay or defraud its creditors, or any one of them, or shall make or suffer a transfer of any of its Property which is fraudulent under any bankruptcy, fraudulent conveyance or similar law; or shall make any transfer of its Property to or for the benefit of a creditor at a time when other creditors similarly situated have not been paid; or shall suffer or permit, while insolvent, any creditor to obtain a Lien upon any of its Property through legal proceedings or distraint which is not vacated within sixty (60) days from the date thereof.

(4) By order of a court of competent jurisdiction, a trustee, receiver or liquidator of the Railroad Properties or any part thereof or of the Operator shall be appointed and such order shall not be discharged or dismissed within sixty (60) days after such appointment.

(5) (a) The filing by the Operator of a voluntary petition under Title 11 of the United States Code or any other federal or state bankruptcy statute; (b) the failure by the Operator within sixty (60) days to lift any execution, garnishment or attachment of such consequence as will impair the Operator's ability to carry out its obligations hereunder; (c) the commencement of a case under Title 11 of the United States Code against the Operator as the debtor or commencement under any other federal or state bankruptcy statute of a case, action or proceeding against the Operator and continuation of such case, action or proceeding without dismissal for a period of sixty (60) days; (d) the entry of an order for relief by a court of competent jurisdiction under Title 11 of the United States Code or any other federal or state bankruptcy statute with respect to the debts of the Operator; or (e) in connection with any insolvency or bankruptcy case, action or proceeding, appointment by final order, judgment or decree of a court of competent jurisdiction of a receiver or trustee of the whole or a substantial portion of the Property of the Operator, unless such order, judgment or decree is vacated, dismissed or dissolved within sixty (60) days of its issuance.

(6) A failure by the Operator to comply with any covenant or agreement contained in Section 2.3, 8.3, or 10.2 hereof.

(B) Notwithstanding the provisions of Section 12.1(A), if by reason of force majeure (as hereinafter defined) either party hereto shall be unable in whole or in part to carry out its obligations under this Lease and if such party shall give notice and full particulars of such force majeure in writing to the other party within a reasonable time after the occurrence of the event or cause relied upon, the obligations

under this Lease of the party giving such notice, so far as they are affected by such force majeure, shall be suspended during the continuance of the inability, which shall include a reasonable time for the removal of the effect thereof. The suspension of such obligations for such period pursuant to this subsection shall not be deemed an Event of Default under this Section. Notwithstanding anything to the contrary in this subsection, an event of force majeure shall not excuse, delay or in any way diminish the obligations of the Operator to make the payments required by Sections 7.2 and 8.2., to obtain and continue in full force and effect the insurance required by Sections 8.3 and 8.4, to provide indemnity required by Section 10.2 and to comply with the provisions of Sections 2.3, 10.2, 10.3, 10.4, and 10.5. The term "force majeure" as used herein shall include, without limitation, acts of God, strikes, lockouts or other industrial disturbances, acts of public enemies, orders of any kind of any Governmental Authority or any civil or military authority, insurrections, riots, epidemics, landslides,, lightning, earthquakes, fire, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government, civil disturbances, explosions, breakage or accident to machinery, transmission pipes or canals, partial or entire failure of utilities, or any other similar cause or event not reasonable within the control of the party claiming such inability. It is agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the party having difficulty, and the party having difficulty shall not be required to settle any strike, lockout or other industrial disturbances by acceding to the demands of the opposing party or parties.

SECTION 12.2 REMEDIES ON DEFAULT.

(A) Whenever any Event of Default shall have occurred and be continuing, the Issuer may to the extent permitted by law take any one or more of the following remedial steps:

(1) declare by written notice to the Operator, to be immediately due and payable, whereupon the same shall become immediately due and payable, (a) all unpaid rental payments payable pursuant to Section 7.2 hereof, and (b) all other payments due under this Lease; or

(2) re-enter and take possession of the Railroad Properties, enforce or terminate this Lease, sell the Railroad Properties, subject to Permitted Encumbrances, at public or private sale, as a whole or piecemeal, for such consideration as may be deemed appropriate in the circumstances, and hold the Operator liable for the amount, if any, by which the aggregate unpaid amounts due hereunder exceed the Net Proceeds received upon such sale, or manage and operate the Railroad Properties, collect all or any rents

accruing there from, let or relet the Railroad Properties or any part thereof for the Issuer's own account or the account of the Operator, holding the Operator liable for payments due up to the effective date of such leasing and for the difference in the rent and other amounts paid by the lessee pursuant to such lease and other amounts payable by the Operator hereunder, cancel or modify leases, evict tenants, bring or defend any suits in connection with the possession of the Railroad Properties in its own name or in the Operator's name, make repairs as the Issuer deems appropriate, and perform such other acts in connection with the management and operation of the Railroad Properties as the Issuer, in its discretion, may deem proper; or

(3) transfer ownership of the Railroad Properties to the Operator; or

(4) take any other action at law or in equity which may appear necessary or desirable to collect any amounts then due or thereafter to become due hereunder and to enforce the obligation, agreements or covenants of the Operator under this Lease.

(B) No action taken pursuant to this Section 12.2 shall relieve the Operator from its obligations to make all payments required by Sections 7.2, 8.2 and 10.2 hereof.

SECTION 12.3 REMEDIES CUMULATIVE. No remedy herein conferred upon or reserved to the Issuer is intended to be exclusive of any other available remedy, but each and every such remedy shall be cumulative and in addition to every other remedy given under this Lease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required in the Lease.

SECTION 12.4. AGREEMENT TO PAY ATTORNEYS FEES AND EXPENSES. In the event the Operator should default under any of the provisions of this Lease, and the Issuer should employ attorneys or incur other expenses for the collection of amounts payable hereunder or the enforcement of performance or observance of any obligations or agreements on the part of the Operator herein contained, the Operator shall, on demand therefor, pay to the Issuer the reasonable fees of attorneys and such other expenses so incurred.

SECTION 12.5. NO ADDITIONAL WAIVER IMPLIED BY ONE WAIVER. In the event any agreement contained herein should be breached by either party and thereafter such breach be waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE XIII

MISCELLANEOUS

SECTION 13.1 NOTICES. All notices, certificates and other communications hereunder shall be in writing and shall be sufficiently given and shall be deemed given when (a) sent to the applicable address stated below by registered or certified mail, return receipt requested, or by such other means as shall provide the sender with documentary evidence of such delivery, or (b) delivery is refused by the addressee as evidenced by the affidavit of the Person who attempted to effect such delivery. The addresses to which notices, certificates and other communications hereunder shall be delivered are as follows:

IF TO THE ISSUER:

Oneida County Industrial
Development Agency
Terminal Building, Oneida County Airport
RR 1, Box 137
Oriskany, New York 13424
Attention: Chairman

IF TO THE OPERATOR:

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

The Issuer and the Operator may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates and other communications shall be sent.

SECTION 13.2. BINDING EFFECT. This Lease shall inure to the benefit of and shall be binding upon the Issuer, the Operator and, as permitted by this Lease, their respective successors and assigns.

SECTION 13.3. SEVERABILITY. If any one or more of covenants or agreements provided herein on the part Issuer or the Operator to be performed shall, for any reason, be held, or shall, in fact, be, inoperative, unenforceable or contrary to

law in any particular such circumstance shall not render the provision in question inoperative or unenforceable in any other circumstance. Further, if any one or more of the sentences, clauses, paragraphs or sections herein is contrary to law, then such covenant or covenants or agreement or agreements shall be deemed separable of remaining covenants and agreements hereof and shall no way affect the validity of the other provisions of Lease.

SECTION 13.4. AMENDMENTS, CHANGES AND MODIFICATIONS. This Lease may not be amended, changed, modified, altered or terminated, except by an instrument in writing signed by the parties hereto.

SECTION 13.5. EXECUTION OF COUNTERPARTS. This Lease may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 13.6. APPLICABLE LAW. This Lease shall be governed exclusively by the applicable laws of the State.

SECTION 13.7. RECORDING AND FILING. This Lease (or a memorandum thereof) shall be recorded or filed, as the case may be, by the Issuer in the office of the Clerk, County of Oneida, New York, or in such other office as may at the time be provided by law as the proper place for the recordation or filing thereof and said statements may be filed without the signature of the debtor.

SECTION 13.8. INTENTIONALLY OMITTED.

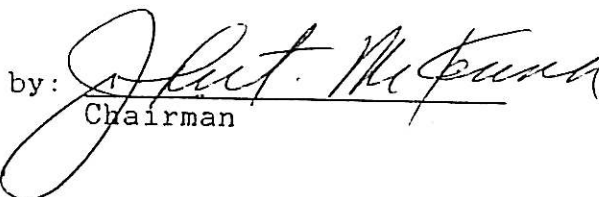
SECTION 13.9 TABLE OF CONTENTS AND SECTION HEADINGS NOT CONTROLLING. The Table of Contents and the headings of the several Sections of this Lease have been prepared for convenience of reference only and shall not control, affect the meaning of or be taken as an interpretation of any provision of this Lease.

SECTION 13.10. NO RECOURSE; SPECIAL OBLIGATION. The obligations and agreements of the Issuer contained herein and in any other instrument or document executed in connection herewith or therewith, and any instrument or document supplemental hereto or thereto, shall be deemed the obligations and agreements of the Issuer, and not of any member, officer, agent (other than the Operator) or employee of the Issuer in his individual capacity, and the members, officers, agents (other than the Operator) and employees of the Issuer shall not be liable personally hereon or thereon or be subject to any personal liability or accountability based upon or in respect hereof or thereof or of any transaction contemplated hereby or thereby. The obligations and agreements of the Issuer contained herein or therein

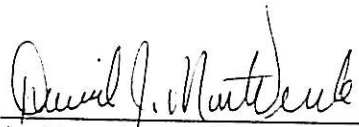
shall not constitute or give rise to an obligation of the State or of the County of Lewis, and neither the State nor the County of Lewis shall be liable hereon or thereon, and, further, such obligations and agreements shall not constitute or give rise to a general obligation of the Issuer, payable solely from the revenues of the Issuer derived and to be derived from the lease, sale or other disposition of the Railroad Properties. No order or decree of specific performance with respect to any of the obligations of the Issuer hereunder or thereunder shall be sought or enforced against the Issuer unless (a) the party seeking such order or decree shall first have requested the Issuer in writing to take the action sought in such order or decree of specific performance, and ten (10) days shall have elapsed from the date of receipt of such request (or, if compliance therewith would reasonably be expected to take longer than ten (10) days, shall have failed to institute and diligently pursue action to cause compliance with such request) or failed to respond within such notice period, and (b) if the Issuer refuses to comply with such request and the Issuer's refusal to comply is based on its reasonable expectation that it will incur fees and expenses, the party seeking such order or decree shall have placed in an account with the Issuer an amount or undertaking sufficient to cover such reasonable fees and expenses, and (c) if the Issuer refuses to comply with such request and the Issuer's refusal to comply is based on its reasonable expectation that it or any of its members, officers, agents (other than the Operator) or employees shall be subject to potential liability, the party seeking such order or decree shall (1) agree to indemnify and hold harmless the Issuer and its members, officers, agents (other than the Operator) and employees against any liability incurred as a result of its compliance with such demand, and (2) if requested by the Issuer, furnish to the Issuer satisfactory security to protect the Issuer and its members, officers, agents (other than the Operator) and employees against all liability expected to be incurred as a result of compliance with such request. Any failure to provide notice, indemnity or security to the Issuer pursuant to this Section 13.10 shall not alter the full force and effect of any Event of Default under this Lease.

IN WITNESS WHEREOF, the Issuer and the Operator have caused this Lease to be executed in their respective names by their duly authorized representatives and this Lease to be dated as of December 29, 1992.

ONEIDA COUNTY INDUSTRIAL
DEVELOPMENT AGENCY

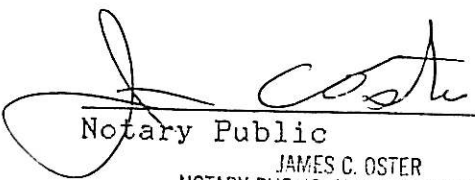
by: 
Chairman

MOHAWK, ADIRONDACK & NORTHERN
RAILROAD CORPORATION

BY: 
Authorized Representative

STATE OF NEW YORK)
COUNTY OF ONEIDA) SS:

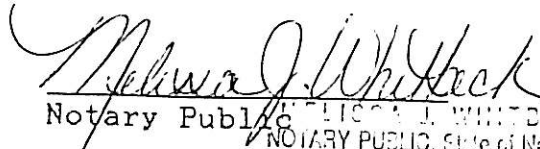
On this 29 day of December, 1992, before me personally came John T. McKenna, to me known, who being by me duly sworn, did depose and say that he resides in Sauquoit, Oneida County, New York, that he is the Chairman of the ONEIDA COUNTY INDUSTRIAL DEVELOPMENT AGENCY, the public benefit corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the members of said public benefit corporation.


Notary Public

STATE OF NEW YORK)
COUNTY OF GENESEE) SS:

JAMES C. OSTER
NOTARY PUBLIC, STATE OF NEW YORK
APPOINTED IN ONEIDA COUNTY
MY COMMISSION EXPIRES SEPT. 30, 1997

On this 19th day of December, 1992, before me personally came David J. Monte Verde, to me known, who being duly sworn, did depose and say that he resides in Scottsville, New York, that he is the President of MOHAWK, ADIRONDACK & NORTHERN RAILROAD CORPORATION; 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

MELISSA J. WHITEBECK
NOTARY PUBLIC, State of New York
Qualified in Monroe County
My Commission Expires: 10/31/93

EXHIBIT "A"

[Legal Description]

ALL THAT TRACT OR PARCEL OF LAND situate in Oneida County, State of New York, more particularly set forth and described in a certain deed from the MOHAWK, ADIRONDACK & NORTHERN RAILROAD CORPORATION to Oneida County Industrial Development Agency dated December 19, 1992, and recorded in the Oneida County Clerk's Office on December 30, 1992.

EXHIBIT "B"

SCHEDULE OF DEFINITIONS

The following defined words and terms, as indicated by the capitalization of the first letter of such terms, shall have the following meanings in this Lease and Operating Agreement dated as of December 29, 1992, between the Oneida County Industrial Development Agency and MOHAWK, ADIRONDACK & NORTHERN RAILROAD CORPORATION unless the context or use clearly indicate another or different meaning and the singular form of such defined words and terms shall include the plural and vice versa:

Act : the New York State Industrial Development Agency Act (N.Y. General Municipal Law SS: 850 et seq.) as amended, together with Section 902-a of the General Municipal Law, as amended from time to time.

Authorized Representative: means the Person or Persons at the time designated to act on behalf of the Issuer or the Operator, as the case may be, by written certificate furnished to the Issuer or the Operator, as the case may be, containing the specimen signature of each such Person and signed on behalf of (A) the Issuer by its Chairman or Vice-Chairman, or such other person as may be authorized by resolution of the Issuer, and (B) the Operator by its President or any Vice-President, or such other person as may be authorized by resolution of Board of Directors of the Operator.

Condemnation: the taking of title to, or the use of, Property under the exercise of the power of eminent domain by any governmental entity or other Person acting under governmental authority.

Environment: means any water, water vapor, any land including land surface or subsurface, air, fish, wildlife, biota and all other natural resources.

Environmental Laws: means all federal, state and local environmental, land use, zoning, health, chemical use, safety and sanitation laws, statutes, ordinances and codes relating to the protection of the Environment and/or governing the use, storage, treatment, generation, transportation, processing, handling, production or Disposal of Hazardous Substances and the rules, regulations, policies, guidelines, interpretations, decisions, orders and directives of federal, state and local governmental agencies and authorities with respect thereto.

Environmental Permits: means all licenses, permits, approvals, authorizations, consents or registrations required by any applicable Environmental Law and all applicable court and administrative orders in connection with the ownership, use and/or operation and transfer of the premises or the storage, treatment, generation, transportation, processing, handling, disposal or Release of Hazardous Substances.

Governmental Authority: means the United States, the State, and any other state and any political subdivision thereof, and any agency, department, commission, board, bureau or instrumentality of any of them.

Hazardous Substances: means, without limitation, any flammable explosives, radon, radioactive materials, asbestos, urea formaldehyde foam insulations, polychlorinated biphenyls, petroleum and petroleum products, methane, hazardous materials, hazardous wastes, hazardous or toxic substances or related materials defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Sections 9601 et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801 et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Sections 6901 et seq.), the New York State Environmental Conservation Law or any other applicable Environmental Law and in the regulations adopted pursuant thereto.

Independent Counsel: an attorney or firm of attorneys duly admitted to practice law before the highest court of any state of the United States or in the District of Columbia and not a full time employee of the Issuer or the Operator.

Issuer: means (A) Oneida County Industrial Development Agency and its successors and assigns, and (B) any public benefit corporation or political subdivision resulting from or surviving any consolidation or merger to which the Oneida County Industrial Development Agency or its successors or assigns may be a party.

Land: the real estate leased pursuant to the Lease, more particularly described in Exhibit A attached to the Lease with such additions thereto and substitutions therefor as may exist from time to time in accordance with the provisions of the Lease.

Lease Agreement or Lease: the lease of the Railroad Facilities and Railroad Properties under this Agreement dated as of December 29, 1992, between the Issuer and the Operator, as the same may be amended or supplemented from time to time.

Lien: means any interest in Property securing an obligation owed to a Person, whether such interest is based on the common law, statute or contract, and including, but not limited to, a security interest arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" includes reservations, exceptions, encroachments, projections, easements, rights of way, covenants, conditions, restrictions, leases and other similar title exceptions and encumbrances, including, but not limited to, mechanic's, materialmen's, warehousemen's and carriers' Liens and other similar encumbrances affecting real property. For purposes hereof, a Person shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

Light Maintenance: shall mean the normal and regular work required to keep the Railroad Properties in minimum safe condition in accordance with federal and state railroad safety standards or to maintain the Railroad Properties in substantially the same condition as they exist on the effective date hereof, whichever is better, and free of any defects or dangerous conditions, reasonable wear and tear and Force Majeure (as defined in Section 12.1 of the Lease Agreement) excepted.

Net Proceeds: so much of the gross proceeds as remain after payment of all expenses, costs and taxes (including attorneys' fees) incurred in obtaining the gross proceeds.

Operator: Mohawk, Adirondack & Northern Railroad Corporation, a corporation organized and existing under the laws of the State of New York having a mailing address at 8364 Oneidaton Road, Batavia, New York 14020, and its successors and assigns and any surviving, resulting or transferee company or other entity.

Permitted Encumbrances: means (A) utility, access and other easements and rights of way, and restrictions, encroachments and expectations in existence on or before December 29, 1992, that benefit or do not materially impair the utility or the value of the Property affected thereby for the purposes for which it is intended, (B) mechanics', materialmen's, warehousemen's, carriers' and other similar Liens to the extent permitted by Section 9.8 of the Lease, (C) Liens for taxes (1) to the extent permitted by Section 8.2(b) of the Lease, or (2) at the time not delinquent, and (D) any Lien on the Railroad Properties to which the Issuer has given its written consent.

Person: an individual, partnership, corporation, trust or unincorporated organization or Governmental Authority.

Project: means the project undertaken by the Issuer consisting of (A) the acquisition of the Railroad Properties, and (B) the lease of the Railroad Properties.

Property or Properties: any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

Railroad Facilities: shall mean, collectively, the bridges, structures and related railroad transportation property located on the Railroad Properties.

Railroad Properties: shall mean, collectively, all real property and improvements, more particularly described as the railroad located within Oneida County and running between Utica and Lyons Falls, New York, as are owned by the Issuer under a quit claim deed from the Operator, subject to existing licenses, easements and rights of way. The term "Railroad Properties" shall include all Railroad Facilities located on the Land.

Rail Service: shall mean the transportation by railroad of freight and passenger (including recreational and tourism) and shall include the loading and unloading of railroad freight cars for or on behalf of Shippers, and the storage of locomotives and rail cars for third parties.

Release: has the same meaning as given to that term in the Comprehensive, Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 (42 U.S.C. Section 9601 et seq.) and the regulations promulgated thereunder. The term Release also includes Disposal but not conditioned by an exclusion for acts done in full compliance with an Environmental Permit.

SEQRA: the State Environmental Quality Review Act constituting Article 8 of the State Environmental Conservation Law.

Shippers: shall mean all Persons which find it convenient to transport freight and/or passengers to or from terminals located adjacent to the Railroad Properties.

State: the State of New York.

EXHIBIT "C"

OPTION TO REPURCHASE REAL PROPERTY

IN CONSIDERATION of the gift of certain real property by Mohawk, Adirondack and Northern Railroad Corporation ("Company"), of 8364 Lewiston Road, Batavia, New York 14020, receipt of which is hereby acknowledged, the Oneida county Industrial Development Agency ("Agency"), a body corporate and politic, and a public Instrumentality of Terminal Building, Oneida County Airport, Oriskany, New York 13424, hereby gives and grants to Company the exclusive right and option to repurchase the real property situated in the County of Oneida, State of New York and more particularly by this reference, together with the appurtenances and all of the assets and rights of the Agency in and to such property.

1. The purchase price on the repurchase shall be \$10;
2. The option shall be accepted by tendering to Agency the full amount of the purchase price after thirty (30) days written notice to Agency of Company's intention to exercise the option to repurchase; and
3. If the option to repurchase is not exercised within 10 years, six months after conveyance of the property, and in compliance with all the terms and conditions of the option of repurchase, the option shall expire and be of no further effect.

IN WITNESS WHEREOF, the Agency has executed this option on December ____, 1992.

ONEIDA COUNTY INDUSTRIAL
DEVELOPMENT AGENCY

by: _____

title: _____

STATE OF NEW YORK)
COUNTY OF ONEIDA) SS:

On this ____ day of December, 1992, before me personally came _____, to me known, who, being by me duly sworn, did depose and say that he resides at _____, County of _____, and State of New York, that he is the Chairman of the Oneida county Development Agency, the public benefit corporation described in and which executed the above instrument, and that he signed his name thereto by order of the members of the public benefit corporation.

Exhibit "D"

THIS INDENTURE, made the day of Nineteen
Hundred and Ninety-two (1992),

BETWEEN MOHAWK, ADIRONDACK & NORTHERN RAILROAD
CORPORATION, a Corporation organized and existing under the
laws of the State of New York, having a mailing address of
8364 Lewiston Road, Batavia, New York 14020, hereinafter
referred to as the Grantor, and ONEIDA COUNTY INDUSTRIAL
DEVELOPMENT AGENCY, a corporation of the County of Oneida,
having its office at Terminal Building, Oneida County
Airport, Oriskany, New York hereinafter referred to as the
Grantee, and

WITNESSETH: That the Grantor, for and in consideration
of the sum of ONE DOLLAR (\$1.00), the receipt whereof is
hereby acknowledged, and other good and valuable
consideration, paid by the Grantee, does hereby remise,
release, and quitclaim unto the Grantee, and the successors
and assigns of the Grantee forever, all right, title and
interest of the Grantor of, in and to the following described
Premises:

ALL THAT CERTAIN property of the Grantor, together with
all improvements thereon, being those portions of Grantor's
lines of railroad known as the Lyons Falls Secondary,
situate in the County of Oneida, in the State of New York,
hereinafter referred to as "Premises" and described in
Exhibit "A" and generally depicted in Exhibit "B" hereof.

UNDER and SUBJECT, however to (1) whatever rights the
public may have to the use of any roads, alleys, bridges or
streets crossing the Premises, (2) any streams, rivers,
creeks and water ways passing under, across or through the
Premises, and (3) any easements or agreements of record or
otherwise affecting the land hereby conveyed, and to the
state of facts which a personal inspection or accurate survey
would disclose, and to any pipes, wires, poles, cables,

through the Premises, together with the right to maintain, repair, renew, replace, use and remove same.

THIS INSTRUMENT is executed and delivered by Grantor, and is accepted by Grantee, subject to the covenants set forth below, which shall be deemed part of the consideration of this conveyance and which shall run with the land and be binding upon, and inure to the benefit of, the respective legal representatives, successors and assigns of Grantor and Grantee.

(1) Should a claim adverse to the title hereby quitclaimed be asserted and/or proved, no recourse shall be had against Consolidated Rail Corporation.

(2) Consolidated Rail Corporation shall not be liable or obligated to provide for or supply directly or indirectly, for money or otherwise, any type of utility service to Grantee, even if the Premises are supplied utility service or services from or through Consolidated rail corporation owned or Consolidated rail corporation retained utility service facilities at the time said Premises are conveyed to Grantee; and that if Consolidated rail corporation at its sole discretion elects to provide any utility service or services for money or otherwise to said Premises during the period during which Grantee is arranging at Grantee's own expense for provision of utility service or services direct from public utilities, Grantee shall have no continuing right to use such service or expectation that Consolidated rail corporation must continue to provide it. It is further understood that Grantee's use of any utilities that are supplied through Consolidated rail corporation's utilities or billed to Consolidated rail corporation by any public utility for Grantee's use shall be at the sole cost and expense of Grantee and if Grantee fails to relocate or arrange for a separation of utility services, Consolidated rail corporation may arrange for a separation for the utility service at Grantee's sole cost and expense.

TOGETHER with the appurtenances and all the estate and rights of the Grantor in and to said Premises, UNDER and SUBJECT and provided as aforesaid.

TO HAVE AND TO HOLD the Premises herein remised, released and quitclaimed unto the Grantee, the heirs or successors and assigns of the Grantee forever, UNDER and SUBJECT and provided as aforesaid.

THE words "Grantor" and "Grantee" used herein shall be construed as if they read "Grantors" and "Grantees", respectively, whenever the sense of this instrument so requires and whether singular or plural, such words shall be deemed to include at all times and in all cases the heirs, legal representatives or successors and assigns of the Grantor and Grantee.

DEED TO

ONEIDA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

EXHIBIT "A"

THIS EXHIBIT A CONTAINS 2 PAGES.

DEED TO
COUNTY OF ONEIDA INDUSTRIAL DEVELOPMENT AGENCY

EXHIBIT "A"

Oneida County, New York

Lyons Falls Secondary, Line Code 4741

ALL THAT CERTAIN property of the Grantor, being the line of railroad known as the Lyons Falls Branch (a.k.a Lyons Falls Secondary) and identified as Line Code 4741 in the Recorder's Office of Oneida County, New York in Book 2070 at page 119, situate in the County of Oneida and State of New York; being further described as follows:

BEGINNING as approximately Railroad Mile Post 0.2, being approximately 130 feet southeasterly of the southeast side of Washington Street, said Beginning being adjacent to Grantor's line of railroad known as the Penn Central Albany-Rensselaer to Bay View Main Line (a.k.a. Consolidated Rail Corporation's Chicago Line) and identified as Line 4700 at Railroad Mile Post 237.8, more or less, in the City of Utica, as indicated on sheets 2 of 3 and 3 of 3 of aforesaid "Exhibit "B"; thence extending in a general northerly direction through the County of Oneida and passing through the Towns of Marcy and Trenton, the Village of Holland Patent, the Towns of Trenton, the Village of Remsen, the Towns of Remsen, Steuben and Boonville and the Village of Boonville to the County Line, the County of Oneida on the south and the County of Lewis on the north, being at approximately Railroad Mile Post 37, as indicated on sheet 1 of 3 of aforesaid Exhibit "B".

BEING a part or portion of the same premises which Robert W. Blanchette, Richard C. Bond and John H. McArthur, as trustees of the Property of the Penn Central Transportation Company, Debtor, by Conveyance Document No. PC-CRC-RP-123 dated March 30, 1976 and recorded on January 4, 1979, in the Recorder's Office of Oneida County, New York, in Deed Book 2070, at page 111&c., and granted and conveyed unto Consolidated Rail Corporation.

BEING a part or portion of the same premises conveyed by Consolidated Rail Corporation to MOHAWK, ADIRONDACK & NORTHERN RAILROAD CORPORATION by deed dated September 8, 1992 and recorded in the Oneida County Clerk's Office on November 10, 1992, in Book 2641 of Deeds at page 323.


EXCEPTING AND RECEIVING, thereout and therefrom and unto the Consolidated Rail Corporation, permanent, perpetual, exclusive, assignable and unrestricted easements and rights

for any and all existing sewer, gas and water lines, poles, pipes, wires, cables, power, fiber optic cables for signal and communication lines and all their appurtenances, hereinafter referred to as "Facilities", located in, on, under, over, above, or beneath the surface, across or through the Premises in the area adjoining Consolidated Rail Corporation's remaining property in the vicinity of Washington Street in Utica, New York which are needed and useful in the support of Consolidated Rail Corporation's railroad operations and also for any existing private fiber optic cable(s) and its appurtenances; and together with the right to use, maintain, repair, replace, renew, rehabilitate and remove said Facilities and their appurtenances; and further together with the right of unimpeded ingress and egress in, on, over, across and through Premises for the aforesaid purposes.

IN WITNESS WHEREOF, the Grantor has caused its Corporate seal to be hereunto affixed and these presents to be signed by its duly authorized officer, the day and year first above written.

SEALED AND DELIVERED in the presence of us:

MOHAWK, ADIRONDACK & NORTHERN RAILROAD CORP.

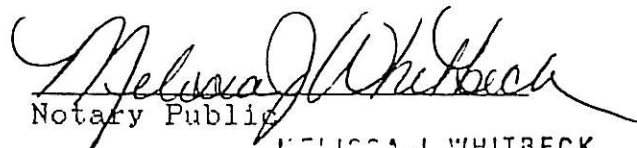

DAVID J. MONTE VERDE
PRESIDENT

Attest:


JOHN S. HERBRAND
SECRETARY

STATE OF NEW YORK)
COUNTY OF ~~Genesee~~) : SS

ON THE 12th day of December, Nineteen Hundred and Ninety-two (1992), before me personally came Mr. David J. Monte Verde to be known, who, being by me duly sworn, did depose and say that he resides in Monroe County, New York and has a business mailing address of 8364 Lewiston Road, Batavia, New York 14020, that he is the President of the MOHAWK, ADIRONDACK & NORTHERN RAILROAD CORPORATION, the corporation described in, and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.


Notary Public

MELISSA J. WHITBECK
NOTARY PUBLIC, State of New York
Qualified in Monroe County
My Commission Expires: 10/31/93