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SECOND MORTGAGE AND SECURITY AGREEMENT

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THIS SECOND MORTGAGE AND SECURITY AGREEMENT ("Mortgage") dated as of April 24, 1987, made by CHICAGO SOUTH SHORE AND SOUTH BEND RAILROAD, an Indiana corporation ("Mortgagor"), having its principal office at North Carroll Avenue, Michigan City, Indiana 46360, in favor of CITICORP INDUSTRIAL CREDIT, INC., having an office at 200 South Wacker Drive, Chicago, Illinois 60606, individually and in its separate capacity as agent ("Mortgagee") for the "Lenders" that are, or may from time to time be, parties to that certain Credit Agreement (the "Credit Agreement"), of even date herewith, among Mortgagor, Mortgagee and the Lenders.

WITNESSETH:

WHEREAS, Venango River Corporation ("Venango"), the Mortgagee and the Lenders are parties to that certain Credit Agreement (the "Venango Loan Agreement") which provides that the Lenders may, from time to time, extend credit to or for the account of Venango; and

WHEREAS, Chicago, Missouri & Western Railway Company ("CMW"), the Mortgagee and the Lenders are parties to that certain Credit Agreement (the "CMW Loan Agreement") which provides that the Lenders may, from time to time, extend credit to or for the account of CMW; and

WHEREAS, Mortgagor has executed and delivered to Mortgagee that certain Guaranty, Security and Subordination Agreement, of even date herewith (the "Guaranty"), evidencing Mortgagor's unconditional guaranty of the obligations of Venango and CMW, respectively, to Mortgagee; and

WHEREAS, Venango owns One Hundred Percent (100%) of the issued and outstanding capital stock of both Mortgagor and CMW; and

WHEREAS, the Lenders have required that Mortgagor execute and deliver this Mortgage to Mortgagee, as a

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After recording, this document should be returned to:

David Hunter
State Title Services
Suite 300, Capitol Park
1327 H Street
Lincoln, Nebraska 68508

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condition, among others, to their execution and delivery of the Credit Agreement, the Venango Loan Agreement and the CMW Loan Agreement, and in order to secure the payment and performance of (i) all of Mortgagor's obligations and liabilities hereunder and (ii) all of Mortgagor's obligations arising under the Guaranty (all such obligations and liabilities being hereinafter referred to collectively as the "Liabilities"); and

WHEREAS, the Liabilities secured hereby shall not exceed an aggregate principal amount, at any one time outstanding of One Hundred Twenty-Five Million and no/100 Dollars (\$125,000,000.00), provided, that the foregoing limitation shall apply only to the lien upon real property created by this Mortgage, and it shall not in any manner limit, affect or impair any grant of a security interest in any personal property in favor of the Mortgagee, for the benefit of the Lenders, under the provisions of the Credit Agreement or under any other security agreement at any time executed by Mortgagor;

NOW, THEREFORE, in consideration of the premises contained herein and to secure payment of the Liabilities and in consideration of One Dollar (\$1.00) in hand paid, receipt whereof is hereby acknowledged, Mortgagor does hereby mortgage, pledge, assign, bargain, hypothecate, convey, grant, transfer and set over unto the Mortgagee and its successors and assigns, all of its interest in the real estate described in Exhibit A hereto (the "Land"), and the rights, interest and privileges and all of the Mortgagor's estate, right, title and interest therein, thereto and thereunder, including, without limitation, all air rights with respect thereto, together with the property and rights described in the next succeeding paragraphs, all of which is herein called the "Mortgaged Property," and does further grant a security interest to the Mortgagee, its successors and assigns, in all such Mortgaged Property in which a security interest may be granted:

Together with all the estate, right, title and interest of the Mortgagor, now owned, leased or hereafter acquired, in and to any real property which the Mortgagor now owns, leases or shall hereafter acquire, or in or to which it has, or shall acquire, any right, title, claim or interest, and all improvements, now existing or hereafter made, on any such real property, except such property which is specified and defined in Exhibit C hereto;

Together with any and all rights of way, lands, fixtures, structures, improvements, tenements and hereditaments of whatever kind or description and wherever situated, now owned by, or at any time hereafter acquired by or for, the Mortgagor and contiguous or appurtenant to any of the

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Mortgagor's lines of railroad subject to the lien hereof, any and all main, branch, spur, industrial, switch, connecting, storage, yard or terminal tracks, trackage rights of way, easements, estates, superstructures, road beds, bridges, trestles, culverts, viaducts, electrical catenary, buildings, depots, stations, stock yards, warehouses, elevators, car houses, engine houses, freight houses, machine shops and other shops, turntables, fuel stations, water stations, signals, interlocking plants, telegraph and telephone lines, fences, docks, structures and fixtures, and all other things of whatsoever kind and in any way or at any time belonging or appurtenant to, or used in connection with, any of the Mortgagor's lines of railroad or other real property at any time subject to this Mortgage;

Together with any and all leases, leasehold rights, joint facility and other operating or trackage contracts, rights and privileges and amendments, renewals and extensions thereof, now held or hereafter acquired by the Mortgagor for use in connection with or belonging or appertaining to any of the Mortgagor's lines of railroad now or hereafter subject to the lien of this Mortgage, or relating to the ownership, use or operation of any terminals or other stations situated along, or at the terminus of, any of such lines of railroad;

Together with all the estate, right, title and interest of every name and nature of the Mortgagor in and to all Equipment (as hereinafter defined), machinery, tools, implements, furniture, work equipment and other chattels now owned or hereafter acquired by the Mortgagor or the title to which is now, or hereafter shall be, vested in the Mortgagor, including all the estate, right, title and interest now or hereafter vested in the Mortgagor in and to any and all Equipment, under any Equipment Agreement (as hereinafter defined);

Together with, any and all additions, betterments and improvements to Equipment now or at any time hereafter subject to the lien of this Mortgage, and any and all additions, betterments and improvements hereafter acquired or constructed to or upon or in connection with any of the Mortgagor's lines of railroad or to or upon or in connection with any of the telegraph and telephone and other communication lines, or to or upon or in connection with any other property, real or personal, now or at any time hereafter subject to the lien of this Mortgage;

Together with any and all corporate rights, powers, franchises, privileges and immunities now or hereafter owned or possessed by the Mortgagor which now or at any time hereafter may be necessary for or appurtenant to the use, operation, management, maintenance, renewal, alteration or

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improvement of the Mortgagor's lines of railroad or any other property now or hereafter subject to the lien of this Mortgage;

Together with any and all telegraph, telephone or other communication lines, or wireless facilities, owned by the Mortgagor; and the right to the use of any and all telegraph, telephone or other communication lines, or wireless facilities, along the Mortgagor's lines of railroad, as they may be used from time to time or may be subject to use by the Mortgagor;

Together with all the rents, issues, tolls, profits and other income from the premises and property herein or hereafter mortgaged and conveyed or assigned or intended so to be;

Together with any and all property of every kind and description (including railroads, leases of railroads, stocks, bonds, or other property of any kind) which at any time hereafter, by Mortgage supplemental hereto, or by writing of any kind, for the purposes herein, may be expressly conveyed, assigned, transferred, mortgaged, pledged, hypothecated, affected or delivered, to the Mortgagee hereunder by the Mortgagor or by a successor corporation, or, with its consent by any one on its behalf, as and for additional security;

Together with any and all property wherever located, whether now or hereafter acquired, together with all replacements therefor, products and proceeds (including, but without limitation, insurance proceeds) thereof, and the Mortgagor's reversionary rights therein, including, but not limited to, all Accounts, Chattel Paper, Contracts, Contract Rights, Documents, Equipment, Fixtures, General Intangibles, Instruments, Inventory, rights as seller of Goods and rights to returned or repossessed Goods (all as hereinafter defined);

It is mutually agreed, intended, and declared, that all of the aforesaid Mortgaged Property owned by Mortgagor shall, so far as permitted by law, be deemed to form a part and parcel of the Land and for the purpose of this Mortgage to be real estate and covered by this Mortgage. It is also agreed that if any of the Mortgaged Property is of a nature so that a security interest therein can be perfected under the Uniform Commercial Code, this instrument shall constitute a security agreement, fixture filing and financing statement, and Mortgagor agrees to execute, deliver and file or refile any financing statement, continuation statement, or other instruments Mortgagee may require from time to time to perfect or renew such security interest under the Uniform Commercial Code. To the extent permitted by law, (i) all of the goods described as fixtures or as constituting fixtures within the definition of Mortgaged Property are or are to

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become fixtures on the Land; and (ii) this instrument, upon recording or registration in the real estate records of the proper office, shall constitute a "fixture filing" within the meaning of Sections 9-313 and 9-402 of the Uniform Commercial Code.

Nothing herein contained shall be construed as constituting the Mortgagee a mortgagee-in-possession in the absence of the taking of actual possession of the Mortgaged Property by the Mortgagee. In the exercise of the powers herein granted the Mortgagee, no liability shall be asserted or enforced against the Mortgagee, all such liability being expressly waived and released by Mortgagor.

TO HAVE AND TO HOLD the premises, properties, rights and privileges hereby conveyed or assigned, or intended so to be, unto Mortgagee, its successors and assigns, forever for the uses and purposes herein set forth. Mortgagor hereby represents and warrants that, at the time of the sealing and delivery of these presents, Mortgagor has an interest in said Land and Mortgaged Property sufficient to operate a railroad with good right, full power and lawful authority to sell, assign, convey and mortgage the same, and that it is free and clear of encumbrances except the encumbrances set forth in the American Title Insurance Company Commitment delivered concurrently herewith and a First Mortgage and Security Agreement ("First Mortgage"), of even date herewith, granted by Mortgagor to Mortgagee, and that Mortgagor will forever defend the same against all lawful claims.

It is agreed and understood by the parties hereto that:

1. The Liabilities of the Mortgagor are to be secured by other mortgages and deeds of trust on other real estate in other counties and states. Each and all of said mortgages and deeds of trust are intended to and shall constitute security for the Liabilities of the Mortgagor without allocation.

2. Any part of the security herein described, and any security described in any other mortgage or other instrument now or hereafter given to secure the Liabilities, may be released before or after default by the Mortgagor without affecting the lien hereof on the remainder.

3. The Mortgagor for itself and all who may claim through or under it waives any and all right to have the property and estates comprising the Mortgaged Property marshalled upon any foreclosure of the lien hereof, or to have the Mortgaged Property hereunder and the property covered by any other mortgage or deed of trust securing the

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Liabilities of the Mortgagor marshalled upon any foreclosure of any of said mortgages or deeds of trust, and agrees that any court having jurisdiction to foreclose such lien may order the Mortgaged Property sold as an entirety.

4. Upon the occurrence of an Event of Default hereunder the Mortgagee has, among other things, the right to foreclose on the Mortgaged Property and dispose of the same. The Mortgagee's deed or other instrument of conveyance, transfer or release (which may be in the name of the Mortgagee or as attorney for the Mortgagor, and the Mortgagee is hereby irrevocably appointed attorney for the Mortgagor) shall be effective to convey and transfer to the grantee an indefeasible title to the property covered thereby, discharges of all rights of redemption by the Mortgagor or any person claiming under it, and to bar forever all claims by the Mortgagor or the Mortgagee to the property covered thereby and no grantee from the Mortgagee shall be under any duty to inquire as to the authority of the Mortgagee to execute the same, or to see to the application of the purchase money.

SECTION 1. DEFINITIONS.

Capitalized terms used in this Mortgage and not defined herein shall have the meaning provided therefor in the Credit Agreement. The following terms shall have the following meanings for all purposes of this Mortgage:

"Accounting Rules" means generally accepted accounting principles, consistently applied, as used in the railroad industry, including, without limitation, such principles from time to time adopted by the Accounting Division of the Association of the American Railroads and by the Interstate Commerce Commission.

"Accounts" means as it is defined in the Uniform Commercial Code.

"Chattel Paper" means as it is defined in the Uniform Commercial Code.

"Contracts" means as it is defined in the Uniform Commercial Code.

"Contract Rights" means as it is defined in the Uniform Commercial Code.

"Credit Agreement" shall have the meaning set forth above.

"Default" shall mean any event which would constitute an Event of Default if any requirement in connection therewith

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for the giving of notice, or the lapse of time, or the happening of any further condition, event or action had been satisfied.

"Default Rate" means the default rate as defined in the Credit Agreement.

"Documents" means as it is defined in the Uniform Commercial Code.

"Equipment" means all property at the time in question classified as "equipment" in the Accounting Rules and all vehicles, whether or not so classified, which may be used for the transportation of freight or for the carriage of passengers.

"Equipment Agreement" means any equipment trust agreement and lease or any conditional sale agreement, chattel mortgage or lease pertaining only to Equipment.

"Event of Default" means the events specified in Section 4.1 hereof.

"Fixtures" means as it is defined in the Uniform Commercial Code.

"General Intangibles" means as it is defined in the Uniform Commercial Code.

"Goods" means as it is defined in the Uniform Commercial Code.

"Instruments" means as it is defined in the Uniform Commercial Code.

"Interstate Commerce Commission" includes any federal governmental authority which shall at the time exercise powers in regard to railroads similar to those now exercised by the Interstate Commerce Commission.

"Inventory" means as it is defined in the Uniform Commercial Code.

"Mortgage" means this Mortgage, either as originally executed or as the same may from time to time be supplemented, modified or amended by any supplemental mortgage or indenture entered into pursuant to any of the provisions hereof.

"Notes" means the notes of even date herewith from Venango and CMW to each of the Lenders in the aggregate original principal amount of \$98,000,000.00, either as originally executed or as the same may from time to time be extended or modified.

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"Ownership," however expressed herein, of any item mortgaged or pledged hereunder shall be construed to mean and include all realty or equipment leased or used on any basis whatever, it being the express intent of the Mortgagor to create a valid security interest in all its assets whether leased, owned in fee simple or otherwise possessed by right or by law.

"Permitted Exceptions" are those matters to which title to the Land may be subjected as may be specifically set forth on Exhibit B hereto.

SECTION 2. GENERAL COVENANTS AND WARRANTIES.

The Mortgagor covenants, warrants and agrees as follows:

2.1. Loan Agreement Covenants. Each and all of the terms, provisions, restrictions, covenants and agreements set forth in the Loan Agreements, including, without limitation, the Guaranty, and in each and every supplement thereto or amendment thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns, are incorporated herein by reference to the same extent as though each and all of said terms, provisions, restrictions, covenants and agreements were fully set out herein and as though any amendment or supplement to the Loan Agreements were fully set out in an amendment or supplement to this Mortgage; and the Mortgagor does hereby covenant and agree well and truly to abide by, perform and be governed and restricted by each and all of the matters provided for by the Loan Agreements and so incorporated herein to the same extent and with the same force and effect as if each and all of said terms, provisions, restrictions, covenants and agreements so incorporated herein by reference were set out and repeated herein at length. Without limiting the foregoing, the Mortgagor covenants and agrees to pay all taxes, assessments and governmental charges or levies imposed upon this Mortgage or any indebtedness secured hereby.

2.2. Ownership of Mortgaged Property. The Mortgagor covenants and warrants that it has sufficient title to the Mortgaged Property to operate a railroad, free and clear of all liens, charges and encumbrances whatever except those set forth on Exhibit B hereto, and the Mortgagor has full right, power and authority to convey, transfer and mortgage the same to the Mortgagee for the uses and purposes in this Mortgage set forth; and the Mortgagor will defend such title to the Mortgaged Property against all claims and demands whatsoever.

2.3. Further Assurances. The Mortgagor will, at its own expense, do, execute, acknowledge and deliver

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all and every further act, deed, conveyance, transfer and assurance necessary or proper for the better assuring, conveying, assigning and confirming unto the Mortgagee all of the Mortgaged Property, or property intended so to be, whether now owned or hereafter acquired.

2.4. Payment of Liabilities. The Mortgagor will duly and punctually pay the Liabilities secured hereby according to the terms of the Loan Agreements.

2.5. Insurance. Mortgagor shall, at its sole cost and expense, obtain for, deliver to, assign and maintain for the benefit of Mortgagee, until the Liabilities are paid in full, insurance policies as specified in the Credit Agreement. In the event of a casualty loss, the net insurance proceeds from such insurance policies shall, subject to the terms and provisions of the First Mortgage, be paid and applied as follows:

(a) So long as no Event of Default or Default has occurred, Mortgagor hereby directs all insurers under such insurance policies to pay all proceeds of insurance directly to Mortgagee, for itself and for the benefit of the Lenders. Mortgagee shall make such insurance proceeds available to Mortgagor so that Mortgagor may restore or rebuild the damaged or destroyed portion of the Mortgaged Property, provided, however, such proceeds shall be disbursed to Mortgagor in the manner and under the conditions that Mortgagee may require.

(b) After the occurrence and during the continuance of an Event of Default or Default, Mortgagor hereby directs all insurers under such insurance policies to pay all proceeds of insurance directly to Mortgagee to be applied on account of the Liabilities.

2.6. Advances. If the Mortgagor shall fail to comply with the covenants contained herein, or in any of the other Loan Agreements, with respect to the procuring of insurance, the payment of taxes, assessments and other charges, or the keeping of the Mortgaged Property in repair and free of other liens, the Mortgagee may make advances to perform the same; and the Mortgagor agrees to repay all sums so advanced upon demand with interest at the Default Rate as provided in the Credit Agreement; and all sums so advanced, with interest, shall be secured hereby, but no such advance shall be deemed to relieve the Mortgagor from any default hereunder.

2.7. Recordation. The Mortgagor will, at its own expense, cause this Mortgage, all supplements hereto, and any financing statements and continuation statements required by law, including the Uniform Commercial Code, in respect

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thereof at all times to be kept recorded by law in order to fully preserve and protect the rights of the Mortgagee hereunder, and will furnish to the Mortgagee promptly after the execution and delivery of this Mortgage and of each supplement an opinion of counsel stating that in the opinion of such counsel this Mortgage or such supplement, as the case may be, has been properly recorded or filed for record so as to make effective of record the lien intended to be created hereby.

2.8. After-Acquired Property. Any and all property hereafter acquired which is of the kind or nature described in the granting clauses on pages 2 and 3 hereof and is or is intended to become a part thereof, shall ipso facto, and without any further conveyance, assignment or act on the part of the Mortgagor or the Mortgagee become and be subject to the lien of this Mortgage as fully and completely as though specifically described herein; but nevertheless the Mortgagor shall from time to time, if requested by the Mortgagee, execute and deliver any and all such further assurances, conveyances and assignments thereof as the Mortgagee may reasonably require for the purpose of expressly and specifically subjecting to the lien of this Mortgage any and all such property.

SECTION 3. POSSESSION, USE AND RELEASE OF PROPERTY.

3.1 Mortgagor's Right of Possession. Provided no Event of Default has occurred and is continuing, the Mortgagor shall be permitted to remain in full possession, enjoyment and control of the Mortgaged Property subject always to the observance and performance of the terms of this Mortgage and of the Loan Agreements.

3.2. Release of Mortgaged Property - Mortgagee Consent. In addition to releases pursuant to Section 3.3 hereof, the Mortgagor may sell, convey an interest in or otherwise dispose of any Mortgaged Property then subject to the lien of this Mortgage or any mortgage supplement hereto, and the Mortgagee shall release the same from the lien hereof, to the extent and on the terms and upon compliance with the conditions provided for in any written consent given thereto at any time or from time to time by the Mortgagee at its discretion.

3.3. Eminent Domain. Mortgagor hereby assigns to Mortgagee, as additional security, all awards of damage resulting from condemnation proceedings or the taking of or injury to the Mortgaged Property for public use, and Mortgagor agrees that the proceeds of all such awards shall, subject to the terms and provisions of the First Mortgage, be paid and applied as follows:

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(a) So long as no Event of Default or Default has occurred, Mortgagor shall, at its option, either (i) deliver proceeds of any condemnation award or claim in favor of Mortgagor to Mortgagee to be held as cash collateral for Mortgagor's obligations under this Mortgage, or (ii) use such condemnation proceeds to replace the taken property with comparable property, facilities or productive capacity, whether at the same or different location. In the event condemnation proceeds received by Mortgagor are made available for replacement construction, such proceeds shall be disbursed in the manner and under the conditions that Mortgagee may require.

(b) After the occurrence and during the continuance of an Event of Default or Default, all such condemnation proceeds shall be paid over to Mortgagee to be applied on account of the Liabilities.

SECTION 4. DEFAULTS AND REMEDIES THEREFOR.

4.1. Event of Default. The Mortgagor acknowledges and agrees that each and all of the terms and provisions of the Loan Agreements, including, without limitation, the Guaranty, have been and are incorporated into this Mortgage by reference to the same extent as though fully set out herein and that the term Event of Default wherever used in this Mortgage shall mean the occurrence of either of the following: (a) Mortgagor fails to pay the Liabilities, or any of them, when due or declared due, or otherwise fails to comply with the provisions of the Guaranty; or (b) the failure of the Mortgagor to comply with any covenant, agreement or warranty contained in this Mortgage, or any other mortgage or deed of trust from time to time entered into by the Mortgagor for the benefit of the Mortgagee, within 30 days after such failure has occurred (it being understood that such 30-day grace period shall apply only to any such failure of the Mortgagor to comply with any covenant, agreement or warranty hereunder).

4.2. Remedies. When any Event of Default has occurred, the Mortgagee may exercise any one or more or all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies; but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute;

(a) The Mortgagee may, by notice in writing to the Mortgagor declare the entire unpaid balance of the Liabilities to be immediately due and payable; and thereupon all such unpaid balance, together with all accrued interest thereon

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and premium, if any, shall be and become immediately due and payable.

(b) The Mortgagee personally or by agent or attorneys may enter into and take possession of all or any part of the Mortgaged Property, and may forthwith use, operate and manage the Mortgaged Property, collect the earnings and income therefrom, pay all principal charges including taxes and assessments levied thereon and operating and maintenance expenses and all disbursements and liabilities of the Mortgagor hereunder and apply the net proceeds arising from any such operation of the Mortgaged Property as provided in Section 4.3 hereof in respect of the proceeds of a sale of the Mortgaged Property.

(c) The Mortgagee may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession and either before or after taking possession and without instituting any legal proceedings whatsoever and having first given notice of such sale by registered mail to the Mortgagor once at least 20 days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of said mortgaged Property or any part thereof at public auction or private sale to the highest bidder, which may be the Mortgagee, in one lot as an entirety or in separate lots (the Mortgagor for itself and for all who may claim by, through or under it hereby expressly waiving and releasing all rights to have the property covered by the lien of this Mortgage marshalled), and either for cash or on credit and on such terms as the Mortgagee may determine and at any place (whether or not it be the location of the Mortgaged Property or any part thereof) designated in the notice above referred to. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales or for any such adjourned sale or sales, without further published notice.

(d) The Mortgagee may proceed to protect and enforce its rights by a suit or suits in equity or at law, or for the specific performance of any covenant or agreement contained herein or in the aid of the execution of any power herein granted, or for the foreclosure of this Mortgage, or for this enforcement of any other appropriate legal or equitable remedy. Upon the bringing of any suit to foreclose this Mortgage or to enforce any other remedy available hereunder, the plaintiff shall be entitled as a matter of right, without notice and without giving bond to the Mortgagor or anyone claiming under, by or through it, and without regard to the solvency or insolvency of the Mortgagor or the then value of the premises, to have a receiver appointed of all the Mortgaged Property and of the earnings, income, rents, issues, profits and proceeds thereof, with such power

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as the court making such appointment shall confer, and the Mortgagor does hereby irrevocably consent to such appointment.

(e) In case of any sale of the Mortgaged Property, or of any part thereof, pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Mortgage, the Liabilities if not previously due, shall at once become and be immediately due and payable; also in the case of any such sale, the Mortgagee may bid and become the purchaser, and the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Notes and any claims for interest and premium matured and unpaid thereon, in order that there may be credited as paid on the purchase price the same apportionable and applicable to the Notes including principal and interest and premium thereof, out of the net proceeds of such sale after allowing for the proportion of the total purchase price required to be paid in cash. If at any foreclosure proceeding the Mortgaged Property shall be sold for a sum less than the total amount of indebtedness for which judgment is therein given, the judgment creditor shall be entitled to the entry of a deficiency decree against the Mortgagor and against the property of the Mortgagor for the amount of such deficiency.

(f) The Mortgagee shall have any and all rights and remedies (including, without limitation, extrajudicial power of sale) provided to a secured party by the Uniform Commercial Code with respect to any and all parts of the Mortgaged Property which are and which are deemed to be governed by the Uniform Commercial Code. Without limiting the generality of the foregoing, the Mortgagee shall, with respect to any part of the Mortgaged Property constituting property of the type in respect of which realization on a lien or security interest granted therein is governed by the Uniform Commercial Code, have all the rights, options and remedies of a secured party under the Uniform Commercial Code, including, without limitation, the right to the possession of any such property, or any part thereof, and the right to enter without legal process any premises where any notification shall be met by mailing written notice to the Mortgagor at its address set forth herein at least 10 days prior to the sale or other event for which such notice is required.

(g) Mortgagee may, in its sole discretion, (i) exchange, enforce, waive or release any portion of the Mortgaged Property, any mortgages or deeds of trust in favor of Lenders, or Mortgagee on behalf of Lenders relating to any portion of the Mortgaged Property and any other security for the Liabilities; (ii) apply the Mortgaged Property or security and direct the order or manner of sale thereof as Mort-

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gagee may, from time to time, determine; and (iii) settle, compromise, collect, foreclose upon or otherwise liquidate any portion of the Mortgaged Property or security in any manner or order following the occurrence of an Event of Default, without affecting or impairing Mortgagee's right to take any other further action with respect to any of the Mortgaged Property or security or any part thereof.

4.3. Application of Proceeds. The purchase money proceeds and/or avails of any sale of the Mortgaged Property, or any part thereof and the proceeds and the avails of any remedy hereunder shall be paid to and applied as follows:

(a) first, to the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all proper expenses, liability and advances incurred or made hereunder by the Mortgagee, including, but not limited to, all court costs, attorneys' and paralegals' fees and expenses, appraiser's fees, advertising costs, notice expenses, expenditures for documentary and expert evidence, stenographer's charges, publication costs and costs (which may be estimated as to items to be expended after entry of the decree) of procuring all abstracts of title, title searches and examinations, title guarantees, title insurance policies, Torrens certificates and similar data with respect to title which Mortgagee may deem necessary, and of all taxes, assessments or liens superior to the lien of this Mortgage except any taxes, assessments or other superior lien subject to which said sale may have been made;

(b) second, to the amount then owing or unpaid on the Liabilities for principal, premium, if any, and interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Liabilities, then ratably according to the aggregate of such principal and the accrued and unpaid interest and premium, if any, with application on Mortgagee's obligations under the Guaranty to be made, first, to unpaid interest thereon, second, to unpaid premium, if any, thereon, third, to the unpaid principal thereof, and fourth, to all other sums owing thereon; and

(c) third, to the payment of the surplus, if any, to the Mortgagor, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

4.4. Waiver of Extension, Appraisement and Stay Laws. The Mortgagor covenants that, upon the occurrence of an Event of Default and the acceleration of the Liabilities pursuant to Section 4.1 and to the extent that such rights may then be lawfully waived, it will not at any time thereafter insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or

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extension law now or at any time hereafter in force, or claim, take or insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisal of the Mortgaged Property or any part thereof prior to any sale or sales thereof to be made pursuant to any provision herein contained, or to the decree, judgment or order of any court of competent jurisdiction or, after confirmation of any such sale or sales claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and hereby expressly waives for itself and on behalf of each and every person, except decree or judgment creditors of the Mortgagor acquiring any interest in or title to the Mortgaged Property or any part thereof, subsequent to the date of this Mortgage, all benefit and advantage of any such law or laws which would otherwise be available to any such person in connection with the enforcement of any of the Mortgagee's remedies hereunder; and covenants that it will not in connection with any such enforcement proceedings invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Mortgagee but will suffer and permit the execution of every such power as though no such law or laws had been made or enacted. The Mortgagor waives any and all right to have the property and estates comprising the Mortgaged Property marshalled upon any foreclosure of the lien hereof and the Mortgaged Property may be sold as an entirety or in parcels, at the same or different times, in such order as the Mortgagee may elect.

Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Mortgagor in and to the property sold and shall be a perpetual bar, both at law and in equity, against the Mortgagor, its successors and assigns, and against any and all persons claiming the property sold or any part thereof under, by or through the Mortgagor, its successors or assigns.

4.5. Effect of Discontinuance of Proceedings. In case the Mortgagee shall have proceeded to enforce any right under this Mortgage by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then and in every such case the Mortgagor and the Mortgagee shall be restored to their former position and rights hereunder with respect to the property subject to the lien of this Mortgage.

4.6. Delay or Omission Not a Waiver. No delay or omission of the Mortgagee to exercise any right or power arising from any Default on the part of the Mortgagor shall

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exhaust or impair any such right or power or prevent its exercise during the continuance of such Default. No waiver by the Mortgagee of any such Default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent Default, or to impair the rights resulting therefrom, except as may be otherwise provided herein. No remedy hereunder is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing. Nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Mortgage operate to prejudice, waive or affect the security of this Mortgage or any rights, powers or remedies hereunder; nor shall the Mortgagee be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

4.7 No Merger. In the event of a foreclosure of this Mortgage or any other mortgage or deed of trust securing the Liabilities, the Liabilities then due the Mortgagee shall not be merged into any decree of foreclosure entered by the court, and Mortgagees may concurrently or subsequently seek to foreclose one or more mortgages or deeds of trust which also secure said Liabilities.

SECTION 5. MISCELLANEOUS

5.1. Successors and Assigns. Whenever any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all the covenants, promises and agreements in this Mortgage contained by or on behalf of the Mortgagor, or by or on behalf of the Mortgagee, shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

5.2. Severability. The provisions of this Mortgage are severable and if any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction or any other clause or provision of this Mortgage in any jurisdiction. Without limiting the generality of the foregoing, the parties hereto intend that the Obligations and the Guaranty Obligations, and the liens and security interests securing the same, shall be entirely independent of each other, and if any part of the Obligations, Guaranty Obligations or liens and security interests securing the same shall be invalid, unenforceable or void under applicable law, then such Obligations, Guaranty Obligations, liens or security interests

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shall be invalid, unenforceable or void solely to the extent of such invalidity, unenforceability or avoidance without rendering the remainder of the Obligations and Guaranty Obligations and such liens and security interests unenforceable, invalid or void.

5.3. Addresses for Notices and Demands. All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when delivered personally or when deposited in the United States mail, registered or certified, postage prepaid, addressed as set forth in the Credit Agreement for notices and demands, or as to either party at such other address as such party may designate by notice duly given in accordance with this Section to the other party.

5.4. Headings and Table of Contents. The headings of the sections of this Mortgage and the table of contents are inserted for purposes of convenience only and shall not be construed to affect the meaning or construction of any of the provisions hereof.

5.5. Release of Mortgage. The Mortgagee shall release this Mortgage and the lien hereof by proper instrument or instruments upon presentation of satisfactory evidence that all Liabilities have been fully paid or discharged.

5.6. Counterparts. This Mortgage may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Mortgage.

5.7. Governing Law. Mortgagor agrees that this Mortgage is to be construed, governed and enforced in accordance with the laws of the State of Illinois. Wherever possible, each provision of this Mortgage shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Mortgage shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Mortgage.

5.8. Interpretation with Other Documents. Notwithstanding anything in this Mortgage to the contrary, in the event of a conflict or inconsistency between the Mortgage and the Credit Agreement, the provisions of the Credit Agreement shall govern.

5.9. Termination of the Credit Agreement. Notwithstanding the termination and satisfaction of the Credit Agreement, all references contained herein to the Credit

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Agreement, for whatever purpose made herein, including, without limitation, the further specification of the parties' rights and obligations under the Loan Agreements, shall continue and be binding upon the parties hereto until the release and termination of this Mortgage.

IN WITNESS WHEREOF, the Mortgagor has caused this Mortgage to be executed in its behalf, all as of the day and year first above written.

CHICAGO SOUTH SHORE AND
SOUTH BEND RAILROAD

By John L. Darling
Its President and Chief
Executive Officer

Attest:

[Signature]
Its Secretary

Property of Cook County Clerk's Office

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STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

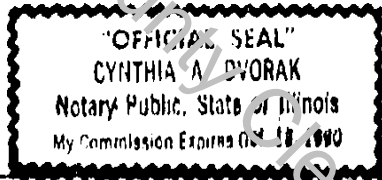
I, the undersigned _____, a Notary Public in and for the County and State aforesaid, do hereby certify that John A. Darling and Richard Demarest Yant, personally known to me as President and Chief Executive Officer and Secretary, respectively, of Chicago South Shore and South Bend Railroad, an Indiana corporation, and personally known to me to be the same persons whose names are subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

Given under by hand and notarial seal this 24 day of April, 1987.

Cynthia A. Dvorak

Notary Public

(SEAL)



Commission expires: _____

COOK COUNTY Clerk's Office

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EXHIBIT "A"

.. COOK COUNTY, ILLINOIS

LOTS 22 TO 47 AND THE WEST 9 FEET OF LOT 48 AND THAT PART OF LOT 51 LYING WEST AND NORTHEASTERLY OF THE FOLLOWING DESCRIBED LINE: BEGINNING AT A POINT IN THE COMMON RIGHT-OF-WAY LINE OF THE CHICAGO SOUTH SHORE AND SOUTH BEND RAILROAD AND THE INDIANA HARBOR BELT RAILROAD, 66.00 FEET WEST OF THE INDIANA-ILLINOIS STATE LINE AND 29.58 FEET SOUTH OF THE INTERSECTION OF THE SOUTH LINE OF GOSTLIN STREET (PRODUCED) AND SAID RIGHT-OF-WAY LINE, SAID POINT ALSO BEING 39.20 FEET WEST OF THE CENTER LINE OF MAIN TRACT OF THE INDIANA HARBOR BELT RAILROAD; THENCE WITH THE SAID RIGHT-OF-WAY LINE, 66.00 FEET FROM AND PARALLEL TO SAID STATE LINE, DUE SOUTH 184.27 FEET TO THE CHICAGO AND WESTERN INDIANA RAILROAD RIGHT-OF-WAY LINE; THENCE ALONG THE CHICAGO AND WESTERN INDIANA RAILROAD RIGHT-OF-WAY LINE NORTH 59 DEGREES 00 MINUTES WEST, 146.80 FEET TO THE NORTH WEST CORNER OF SAID LOT 51 ALL IN J. WILLIAM ESCHENBERG'S STATE LINE ADDITION TO HEGEWISCH IN THE SOUTH 1/2 OF THE SOUTH EAST FRACTIONAL 1/4 OF SECTION 5, TOWNSHIP 36 NORTH, RANGE 15 EAST OF THE THIRD PRINCIPAL MERIDIAN, LYING NORTH EAST OF THE CHICAGO AND WESTERN INDIANA RAILROAD, IN COOK COUNTY, ILLINOIS. (EXCEPT THE PART THEREOF FALLING WITHIN THE SOUTHWESTERLY 50 FEET OF LOTS 37 AND 38 AFORESAID) AND (EXCEPT THE PART THEREOF FALLING WITHIN THE REAR 16 FEET OF LOTS 42 AND 43 AFORESAID.)

THE SOUTH AND SOUTHWESTERLY 1/2 OF VACATED HOWARD AVENUE LYING NORTH AND NORTHEASTERLY OF AND ADJOINING LOTS 22 TO 47 AND THE WEST 9 FEET OF LOT 48 IN J. WILLIAM ESCHENBERG'S STATE LINE ADDITION TO HEGEWISCH IN THE SOUTH 1/2 OF THE SOUTH EAST FRACTIONAL 1/4 LYING NORTH EAST OF THE CHICAGO AND WESTERN INDIANA RAILROAD, IN COOK COUNTY, ILLINOIS.

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EXHIBIT B

PERMITTED EXCEPTIONS

Those title exceptions listed on the title commitment dated 4/24/81, issued by American Title Insurance Company for the property described on Exhibit A hereof.

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EXHIBIT C

EXCEPTED PROPERTIES

Notwithstanding any of the terms and provisions of the Mortgage to the contrary, Mortgagor excepts and reserves, out of any grant made herein, property that is both used by Mortgagor and owned by either the Northeast Illinois Regional Transportation Authority or the Northern Indiana Commuter Transportation District, including, without limitation, all passenger cars and the "Fixed Facilities," as defined in the Fixed Facilities Construction and Lease Agreement, dated January 27, 1983, by and between the Northern Indiana Commuter Transportation District, an Indiana Municipal corporation and Mortgagor.

Property of Cook County Clerk's Office

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 COOK COUNTY RECORDER

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