

23

HILL, LEWIS, ADAMS, GOODRICH & TAIT

3700 PENOBSCOT BUILDING  
DETROIT, MICHIGAN 48226  
TELEPHONE (313) 966-5483  
CABLE ADDRESS: HILL

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SEP 23 11 18 AM '76  
I. C. C.  
FEE OPERATION BR.

SHERWIN A. HILL (1885-1961)

CHARLES E. LEWIS  
OF COUNSEL

OAKLAND COUNTY OFFICE  
101 SOUTHFIELD ROAD  
BIRMINGHAM, MICHIGAN 48009  
TELEPHONE 642-9692

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THOMAS E. COULTER  
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LEE B. DURHAM, JR.  
W. MERRITT JONES, JR.  
DOUGLAS H. WEST  
TIMOTHY W. MAST  
TIMOTHY D. WITTLINGER  
MARK K. WILSON  
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PHILIP A. GRASHOFF, JR.  
THOMAS N. BURNHAM  
JOHN D. MABLEY  
GEORGE E. KUEHN  
RICHARD C. SANDERS

RECORDATION NO. 8488 Filed & Recorded

SEP 23 1976 11 22 AM

INTERSTATE COMMERCE COMMISSION

September 20, 1976

*Mummett's  
23 Supplies*

6-267A020  
SEP 23 1976  
Date \_\_\_\_\_  
Fee \$ 130.<sup>00</sup> 250.<sup>00</sup>  
ICE Washington, D. C.

Interstate Commerce Commission  
12th and Constitution Avenue, N.W.  
Lien Recordation Section  
Room 1227  
Washington, D.C. 20423

Attention: Mrs. Lee

HAND DELIVERED

Re: Recording and Termination of Certain Liens Upon  
the Property of Lake Superior & Ishpeming  
Railroad Company

Dear Madam:

Please be advised that the undersigned are attorneys for Lake Superior & Ishpeming Railroad Company. We enclose the following documents in triplicate for recording:

1. Release executed by First National Bank & Trust Co. and Miners First National Bank & Trust Co. releasing the rights of said banks under the Security Agreement recorded on May 27, 1964, at 4:15 p.m., bearing recordation No. 2912.
2. Release executed by Superior National Bank & Trust Company releasing the rights of said bank under the Security Agreement referred to in paragraph 1 above.
3. Release executed by First National Bank & Trust Company releasing the rights of said bank under the following two agreements:

*C. County Clerk  
Herbert J. Martin  
Seymour Spaulding  
Seymour Spaulding*

(a) Conditional Sale Agreement recorded on June 21, 1971 at 4:20 p.m., bearing recordation No. 6199; and

(b) Security Agreement recorded on May 22, 1972 at 1:15 p.m., bearing recordation No. 6625.

4. Release executed by Union National Bank & Trust Co. and First National Bank & Trust Co. releasing the rights of said banks under the Security Agreement recorded on May 16, 1968 at 4:30 p.m., bearing recordation No. 4865.

5. Release executed by The Cleveland Trust Company releasing the rights of said bank under the following 16 Agreements:

(a) Security Agreement recorded on November 12, 1970, at 1:10 p.m., bearing recordation No. 5871;

(b) Security Agreement recorded on July 7, 1971, at 9:15 a.m., bearing recordation No. 6222;

(c) Security Agreement recorded on November 5, 1973, at 2:10 p.m., bearing Recordation No. 7213;

(d) Conditional Sale and Agreement and Assignment recorded on January 12, 1953, at 3:45 p.m., bearing recordation No. 112;

(e) Conditional Sale and Agreement and Assignment recorded on May 22, 1957, at 10:15 a.m., bearing recordation No. 1189;

(f) Conditional Sale and Agreement and Assignment, recorded on April 9, 1959, at 11:00 a.m., bearing recordation No. 1571;

(g) Security Agreement recorded on July 5, 1963, at 4:20 p.m., bearing recordation No. 2556;

(h) Security Agreement recorded on March 20, 1964, at 9:50 a.m., bearing recordation No. 2828;

(i) Security Agreement recorded on July 28, 1964, at 4:15 p.m., bearing recordation No. 3001;

(j) Security Agreement recorded on August 6, 1964, at 3:45 p.m., bearing recordation No. 3007;

(k) Security Agreement recorded on August 17, 1964, at 11:15 a.m., bearing recordation No. 3015;

Interstate Commerce Commission  
September 20, 1976  
Page Three

(l) Security Agreement recorded on August 19, 1964, at 4:00 p.m., bearing recordation No. 3020;

(m) Security Agreement recorded on January 18, 1965, at 11:55 a.m., bearing recordation No. 3200;

(n) Security Agreement recorded on June 8, 1965, at 4:45 p.m., bearing recordation No. 3373;

(o) Security Agreement recorded on June 17, 1965, at 11:20 a.m., bearing recordation No. 3385; and

(p) Security Agreement recorded on May 13, 1968, at 12:45 p.m., bearing recordation No. 4864.

6. Release executed by National Bank of Detroit, releasing the rights of said bank under the following two Agreements:

(a) Security Agreement recorded on January 8, 1976, at 9:50 a.m., bearing recordation No. 8174; and

(b) Security Agreement recorded on January 23, 1976, at 9:40 a.m., bearing recordation No. 8189.

X 7. Security Agreement dated September 17, 1976, between Lake Superior & Ishpeming Railroad Company and National Bank of Detroit for itself and as agent for itself and The Cleveland Trust Company.

Also enclosed are two checks as follows:

A. Check in the amount of \$230.00 to cover the recordation fee for the Releases referenced in paragraphs 1 through 6 above.

B. Check in the amount of \$50.00 to cover the recordation fee for the Security Agreement referenced in paragraph 7 above.

Please return the additional copy of the enclosed documents to the undersigned.

Very truly yours,  
HILL, LEWIS, ADAMS, GOODRICH & TAIT

*Hill, Lewis, Adams, Goodrich & Tait*

JWS/vr  
Encl.

**Interstate Commerce Commission**  
Washington, D.C. 20423

9/23/76

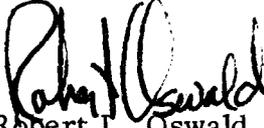
OFFICE OF THE SECRETARY

Hill, Lewis, Adams, Goodrich & Tait  
3700 Penobscott Building  
Detroit, Michigan 48226

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 20(c) of the Interstate Commerce Act, 49 U.S.C. 20(c), on 9/23/76 at 11:25am , and assigned recordation number(s) 8488

Sincerely yours,

  
Robert L. Oswald  
Secretary

Enclosure(s)

SE-30  
(5/76)

**Interstate Commerce Commission**  
**Washington, D.C. 20423**

9/24/76

**OFFICE OF THE SECRETARY**

Hill, Lewis, Adams, Goodrich & Tait  
3700 Penobscott Building  
Detroit, Michigan 48226

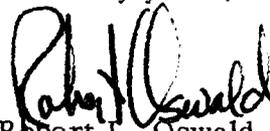
Dear Sir:

The enclosed document(s) was recorded pursuant to the  
provisions of Section 20(c) of the Interstate Commerce Act,

49 U.S.C. 20(c), on 9/23/76 at 11:25am,

and assigned recordation number(s) 2912-A, 2912-B, 6199-B  
6625-A, 8174-A, 8189-A  
4865-A

Sincerely yours,



Robert L. Oswald  
Secretary

Enclosure(s)

5871-A  
6222-A  
7213-A  
112-B  
1189-A  
1571-A  
2556-A  
2828-A  
3001-A  
3007-A  
3015-A  
3020-A  
3200-A  
3373-A  
3385-A  
4864-A

0408  
RECORDATION NO. ...  
SEP 23 1976  
INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

SECURITY AGREEMENT, dated as of September 17, 1976, by LAKE SUPERIOR & ISHPEMING RAILROAD COMPANY, a Michigan corporation having its principal office at 105 East Washington Street, Marquette, Michigan 49855 (the "Company"), with NATIONAL BANK OF DETROIT, a national banking association having its principal office at 611 Woodward Avenue, Detroit, Michigan 48232 ("NBD"), in its capacity as agent (the "Security Agent") for itself and THE CLEVELAND TRUST COMPANY, an Ohio banking corporation having its principal office at 900 Euclid Avenue, Cleveland, Ohio 44101 ("Cleveland Trust"):

Recitals

A. The Company has entered into a Credit Agreement, dated as of September 17, 1976 (the "Credit Agreement"), with Cleveland Trust, NBD and Cleveland Trust, in its capacity as agent (the "Agent") under the Credit Agreement, pursuant to which Cleveland Trust and NBD (collectively, the "Banks") have agreed to make loans (the "Credit Agreement Loans") from time to time in the maximum aggregate principal amount of \$7,000,000.

B. Cleveland Trust and NBD have each executed a letter to the Company dated September 17, 1976 (collectively, the "Credit Letters") creating lines of credit in the amount of \$1,200,000 and \$800,000, respectively, pursuant to which the Company may make short-term borrowings for working-capital purposes (the "Working Capital Loans"; such term to include all replacements, renewals or additional loans, regardless of amount, made by any Bank to the Company).

C. The Credit Agreement and the Credit Letters require that the Credit Agreement Loans and the Working Capital Loans be secured as hereinafter provided.

D. The Banks desire that the Security Agent act as such on behalf of the Banks or other holders of the Debt referred to below as hereinafter provided.

Agreements

NOW, THEREFORE, the parties hereby agree as follows:

1. DEFINITIONS. As used herein:

"this Agreement": shall mean this Security Agreement as it may from time to time be amended or supplemented.

"Code": shall mean the Uniform Commercial Code as now in effect in the State of Michigan and as it may from time to time hereafter be amended.

"Collateral": shall mean collectively (a) the railroad rolling stock described in Schedule A hereto, (b) all equipment or goods now or hereafter installed in or affixed to such railroad rolling stock, (c) all replacements to the foregoing or any thereof required to be made pursuant to any term or provision of this Agreement, and (d) any and all proceeds (as defined in the Code) of the foregoing.

"Debt": shall mean (a) all indebtedness of the Company to the Banks in respect of the Credit Agreement Loans from time to time outstanding, and all interest accrued thereon, (b) all indebtedness of the Company to the respective Banks in respect of the Working Capital Loans from time to time outstanding, and all interest accrued thereon, (c) all costs and expenses incurred by the Agent, the Security Agent or the Banks or either of them in the collection of any such indebtedness, (d) all future advances made by the Agent, the Security Agent or the Banks or either of them for the protection, preservation or collection of any portion of the Collateral, including without limitation advances for storage and transportation charges, insurance, taxes and repairs, and (e) all other existing and future indebtedness or obligations of the Company to the Agent, the Security Agent or the Banks or either of them under the Debt Instruments for the payment or reimbursement of any amounts.

"Debt Instruments": shall mean, collectively, the Credit Agreement, the Credit Letters, other loan or credit agreements between the Company and the Banks or either of them (provided any such agreement is entered into by the Company with the written consent of the Guarantor), the promissory notes of the Company evidencing the Credit Agreement Loans, the Working Capital Loans or any other Debt, this Agreement and the Guaranty, dated as of September 17, 1976, by The Cleveland-Cliffs Iron Company with the Agent.

"Event of Default": shall mean any of the events of default specified in section 11 of the Credit Agreement.

"Fair Market Value": shall mean the fair market sales value which would be obtained in an arm's length transaction between an informed and willing buyer-user (other than a used equipment or scrap dealer) and an informed and willing seller under no compulsion to sell or lease.

"Guarantor": The Cleveland-Cliffs Iron Company.

"Obligations": shall mean the obligations, other than for the payment of Debt, to be performed or observed by the Company under the Debt Instruments.

2. SECURITY INTEREST. The Company hereby grants to and creates in favor of the Security Agent, for the benefit of the Banks and their respective successors and assigns and for the holders of the Debt or any thereof, a security interest under the Code in and to the Collateral as security for payment of the Debt and performance by the Company of the Obligations.

3. REPRESENTATIONS AND WARRANTIES. The Company represents and warrants that (a) it is the sole and absolute owner of the Collateral, (b) it has not entered into any other security agreement in respect of the Collateral or any thereof which has not been released and discharged as of the date of execution and delivery of this Agreement, and (c) there exists no security interest, mortgage, lien or equipment trust in respect of the Collateral or any thereof other than the security interest created by this Agreement.

4. COVENANTS RESPECTING THE COLLATERAL. The Company shall, except to the extent compliance with the following covenants shall have been waived by the prior written consent of the Security Agent, at all times comply with the following covenants:

4.1. No Liens. The Company shall not grant any security interest in or create any mortgage or other lien of any kind on the Collateral or any thereof other than the security interest created by this Agreement. The Company shall satisfy any lien that may be imposed on the Collateral or any thereof before any such lien or any obligation secured thereby becomes in default in any manner.

4.2. No Dispositions. The Company shall not lease (except in the ordinary course of business for a term cancellable upon not more than 30 days' notice), abandon, sell or otherwise dispose of the Collateral or any thereof unless the Company shall give the Security Agent prompt written notice thereof, no Event of Default shall have occurred and be continuing, and, if the aggregate Fair Market Value of the Collateral immediately after the date of such lease, abandonment, sale or other disposition would not exceed the sum of (x) the aggregate unused commitments of the Banks under the Credit Agreement and Lines of Credit on such date, and (y) the principal amount of the Debt outstanding on such date, by at least \$3,000,000, upon the date of such lease, abandonment, sale or other disposition, the Company shall either (a) replace such Collateral with other equipment which shall be of the same or later year of manufacture or completely rebuilt equipment of the same or a costlier type and the same or better physical condition, and shall execute and deliver to the Security Agent a security agreement which shall grant to the Security Agent, for the benefit of the Banks or other holders of the Debt, a security interest in such substituted equipment as security for the Debt and (except for necessary changes in dates and in references to the Debt and the Collateral) shall be in the same form and of the same substance as this Agreement, or (b) pay to the Security Agent in cash, for application to the principal amount of the Debt (and to the portion thereof having the latest maturities), an amount bearing the same ratio to the then unpaid principal amount of the Debt as the aggregate Fair Market Value of the Collateral to be so disposed of immediately prior to the date of disposition bears to the aggregate Fair Market Value of the Collateral at May 10, 1976; namely, \$18,435,810.

4.3. No Willful Injury. The Company shall not willfully injure or destroy the Collateral or any thereof or deface any identifying mark thereon.

4.4. Compliance with Laws, etc. The Company shall comply with all applicable laws and governmental regulations pertaining to the Collateral or the manner of using or operating the same, and, if any applicable law or regulation shall require any change, replacement or addition of any kind in or to the Collateral or any thereof, the Company shall notify the Security Agent thereof promptly in writing and promptly effect such required change, replacement or addition.

4.5. Maintenance. The Company shall maintain the Collateral in as good condition and repair as it now is (reasonable wear and tear excepted) all at no cost or expense to the Agent, the Security Agent or the Banks.

4.6. Taxes. The Company shall pay every tax or assessment imposed on the Collateral or any thereof, on the use thereof, on the Debt or any thereof or on this Agreement, provided, that no such tax or assessment need be paid if the same is being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and such reserve or other appropriate provision, if any, as shall be required in accordance with generally accepted accounting principles shall have been made therefor.

4.7. Insurance, etc. The Company shall keep the Collateral insured in such amounts, by such policies, by such insurers, and against such losses and hazards as is customarily maintained by corporations of established reputation engaged in the same or similar business and similarly situated, all at no cost or expense to the Agent, the Security Agent or the Banks, and the policies of such insurance shall include a loss payable clause (in form satisfactory to the Security Agent) in favor of the Security Agent as its interests may appear, and the Company shall deposit each such insurance policy with the Security Agent and deliver to the Security Agent, in each case not less than 10 days prior to the last day for making payment without penalty, a receipt for the payment of each premium thereon; provided, however, that this covenant shall not apply to the extent that the Security Agent gives its prior written consent to self-insurance of the Collateral or any part thereof.

4.8. Identification and Markings. The Company shall use its best efforts to promptly cause each side of each piece of railroad rolling stock included in the Collateral to be conspicuously marked "National Bank of Detroit, as Security Agent, Secured Party" in letters not less than one inch in height, and thereafter shall not permit such rolling stock to carry the name of any person other than the Company or the Security Agent (as aforesaid) in any manner which might be interpreted as a claim of ownership, security interest or other right therein.

4.9. Road Numbers, etc. The Company shall keep the Collateral numbered with the Company's identifying road numbers as set forth in Schedule A and, in each case before making any change or permitting any

change to be made in such identifying road numbers, shall notify the Security Agent thereof in writing and record or file an appropriate statement of such change in each public office where this Agreement shall have been recorded or filed.

4.10. Inspection. The Company shall permit the Agent, the Security Agent and the Banks to inspect the Collateral at the then existing location thereof and shall give the Agent, the Security Agent and the Banks such information in writing about the location, physical condition and general use of the Collateral as the Agent, the Security Agent or the Banks may from time to time reasonably request.

4.11. Location. The Company will not permit (a) more than 15% of the rolling stock included in the Collateral (exclusive of any locomotives) to be located in any jurisdiction or jurisdictions other than the State of Michigan, or (b) more than 5% of the rolling stock included in the Collateral (exclusive of any locomotives) to be located outside of the continental United States.

4.12. Expenses. The Company shall pay, and shall indemnify the Agent, the Security Agent and the Banks from and against, all out-of-pocket expenses, costs, losses and liabilities of any kind incurred by the Agent, the Security Agent or the Banks or either of them in any manner in respect of the Collateral or by reason of this Agreement or in connection with perfecting the security interest created hereby or verifying its priority.

5. REPLACEMENT OF COLLATERAL OR PAYMENT. The Company shall give the Security Agent prompt written notice whenever any railroad rolling stock included in the Collateral becomes destroyed, lost or damaged beyond repair and, if the aggregate Fair Market Value of the Collateral immediately after the date of such destruction, loss or damage would not exceed the sum of (x) the aggregate unused commitments of the Banks under the Credit Agreement and Lines of Credit on such date, and (y) the principal amount of the Debt outstanding on such date, by at least \$3,000,000, within ten days after the occurrence of such destruction, loss or damage shall either (a) replace such destroyed, lost or damaged Collateral with other equipment which shall be of the same or later year of manufacture or completely rebuilt equipment of the same or a costlier type and the same or better physical condition, and shall execute and deliver to the Security Agent a security agreement which shall grant to the Security Agent, for the benefit of the Banks or other holders of the Debt, a security interest in such substituted equipment as security for the Debt and (except for necessary changes in dates and in references to the Debt and the Collateral) shall be in the same form and of the same substance as this Agreement, or (b) pay to the Security Agent in cash, for application to the principal amount of the Debt (and to the portion thereof having the latest maturities), an amount bearing the same ratio to the then unpaid principal amount of the Debt as the aggregate Fair Market Value of the destroyed, lost or damaged railroad

rolling stock immediately prior to the date of destruction, loss or damage bears to the aggregate Fair Market Value of the Collateral at May 10, 1976; namely, \$18,435,810.

6. ADDITIONAL ADVANCES. If the Company shall fail or omit to perform or observe any obligation imposed on the Company by this Agreement, by the Credit Agreement, by the Credit Letters or by operation of law, the Agent, Security Agent and the Banks shall have the right (but not the duty) to perform each such obligation on behalf of the Company and at the Company's cost and expense; and each payment made by the Agent, the Security Agent or the Banks in performing any such obligation shall constitute a part of the Debt, shall bear interest at the highest rate per annum then currently applicable to the Debt or any portion thereof, and shall be secured by the Collateral pursuant to this Agreement.

7. PERFECTION OF SECURITY INTEREST. The Company will:

7.1. Recordation, etc. Cause this Agreement and all amendments and supplements hereto to be promptly filed and recorded, and to be refiled and re-recorded, in such manner and in such places as may be required by law to make effective the security interest intended to be created hereby and to maintain the priority thereof, and will pay all fees and taxes incidental thereto.

7.2. Opinion of Counsel. Furnish to the Security Agent within 30 days after the close of each fiscal year of the Company ending after the date hereof an opinion of counsel satisfactory to the Security Agent describing the action taken during such fiscal year in compliance with section 7.1 or stating that no such action during such fiscal year was necessary.

7.3. Further Assurances. Upon the request of the Security Agent from time to time, execute such documents and take such other action as the Security Agent may deem necessary or advisable to perfect the security interest created hereby.

8. ENFORCEMENT. 8.1. General. If any Event of Default shall have occurred and be continuing, the Security Agent shall have the rights and remedies with respect to the Collateral or any part thereof as are provided by the Code and such other rights and remedies with respect thereto as are accorded by law or in equity or under this Agreement, including without limitation the right to take possession of the Collateral with or without judicial process, and the right to sell all or any part of the Collateral at public or private sale, at such place or places and at such time or times and in such manner as the Security Agent, in its sole discretion, may determine. The Security Agent shall give the Company not less than ten days' prior written notice of either the date after which any intended private sale is to be made or the time and place of any intended public sale, and the Company hereby waives any further or other notice of such

sale and also waives advertisement thereof. At any such public sale, the Agent, the Security Agent or the Banks or either of them may purchase the Collateral or any thereof free from any right of redemption, which right the Company hereby waives and releases.

8.2. Delivery of Possession, etc. Upon the occurrence of any Event of Default the Company shall, promptly upon demand of the Security Agent, assemble the Collateral and make the same available to the Security Agent at a place to be designated by the Security Agent. In connection with the delivery of possession of any or all of the Collateral to the Security Agent as above required, the Company shall at its own cost, expense and risk:

(a) as promptly as practicable place the Collateral upon such storage tracks of the Company as the Security Agent reasonably may designate,

(b) permit the Security Agent to store the Collateral on such tracks until the Collateral has been sold or otherwise disposed of by the Security Agent, and

(c) transport the Collateral to any place on the lines of the railroad operated by the Company or to any connecting carrier for shipment, all as directed by the Security Agent.

8.3. Application of Proceeds. The Security Agent shall, subject to section 3.10 of the Credit Agreement, apply the proceeds of any sale or other disposition of the Collateral to the payment of the Debt in the following order of priority:

First, to all costs and expenses incurred by the Agent, the Security Agent or the Banks or either of them as the consequence of any Event of Default or in realizing upon the Collateral.

Second, to the payment of accrued and unpaid interest on the Credit Agreement Loans, as provided in the Credit Agreement.

Third, to the payment of unpaid principal of the Credit Agreement Loans, as provided in the Credit Agreement.

Fourth, to the payment of accrued and unpaid interest on the Working Capital Loans, to each Bank in the proportion that the amount of such accrued interest owing to such Bank bears to the total amount of such accrued interest.

Fifth, to the payment of unpaid principal of the Working Capital Loans, applied to the installments thereof in the inverse order of their maturity, to each Bank in the

proportion that the amount of such unpaid principal owing to such Bank bears to the total amount of such unpaid principal.

Sixth, to the payment of all other Debt owing by the Company to the Banks, or either of them, to each Bank in the proportion that the amount of such Debt owing to such Bank bears to the total amount of such Debt.

Any overplus remaining after payment of the Debt as aforesaid shall be paid by the Security Agent to the Company, and the Company shall be and remain liable for any deficiency.

8.4. Waiver. The Company, for itself and all who may claim through it, hereby waives, to the extent that it may lawfully do so, all right to a marshalling of assets in connection with any action taken by the Agent, the Security Agent or the Banks or either of them to collect upon the Debt, whether by enforcement against the Collateral or otherwise.

9. DEFEASANCE. If the Debt shall be paid in full, other than by enforcement against the Collateral as provided in section 8, and the commitments of the Banks under the Credit Agreement and the Credit Letters shall have been terminated, the rights of the Security Agent to the Collateral shall terminate, and the Security Agent shall execute appropriate instruments evidencing the termination of this Agreement and discharge of the security interest created hereby. If no Event of Default shall have occurred and be continuing, the Security Agent shall execute appropriate instruments evidencing the discharge of the security interest created hereby with respect to any item or items of the Collateral disposed of by the Company pursuant to section 4.2 (and the proceeds thereof) or which have been destroyed, lost or damaged beyond repair, as provided in section 5.

10. CONCERNING THE SECURITY AGENT. National Bank of Detroit is hereby appointed Security Agent for the Banks or other holders of the Debt and agrees to act as such on the condition that neither the Security Agent nor any of its directors, officers, employees or agents shall be liable as such for any action taken or omitted by any of them hereunder except for its or his own gross negligence or willful misconduct, nor be responsible to the Banks or other holders of the Debt for any statement, warranty or representation herein, nor be required to ascertain or to make any inquiry concerning the performance or observance by the Company or any other person of any of the terms, conditions, covenants or agreements of the Debt Instruments. The Security Agent shall not be responsible to the Banks or other holders of the Debt for the due execution, genuineness, validity, enforceability or effectiveness of the Debt Instruments or any instrument referred to herein. As between the Security Agent and the Banks or other holders of the Debt, the Security Agent shall in all cases be fully protected in acting, or refraining from acting, in accordance with written instructions signed by (a) Banks having at least 75% of the aggregate commitments under

the Credit Agreement, if at the time no Notes are outstanding thereunder and no other Debt is outstanding, or (b) the holders of at least 75% of the unpaid principal amount of the Debt at the time outstanding, unless, in either case, a different percentage shall be specified herein, and such instructions and any action taken or failure to act pursuant thereto shall be binding on all the Banks and the holders of all of the Debt. The Security Agent shall be entitled to rely on any paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. The Security Agent may deem and treat the payee of any Debt as the owner and holder thereof for all purposes unless and until notice of the assignment or transfer thereof shall have been filed with the Security Agent. With respect to its commitment, loans made by it and Debt issued to it, the Security Agent shall have the same rights and powers hereunder as any Bank and may exercise the same as though it were not the Security Agent. The Security Agent may accept deposits from, lend money to, and generally engage in any kind of banking or trust business with, the Company or any subsidiary as if it were not the Security Agent. The Security Agent may take such action and exercise such powers hereunder as are specifically delegated to the Security Agent by the terms hereof, together with such powers as are reasonably incident thereto. The Security Agent may execute any of its duties hereunder by or through agents or employees, and shall be entitled to retain counsel and to act in reliance upon the advice of such counsel concerning all matters pertaining to the agencies herein created and its duties hereunder. The Company agrees to reimburse the Security Agent for all out-of-pocket expenses incurred by the Security Agent and its agents and employees in acting under this Agreement or in connection with the administration of this Agreement. Anything herein contained to the contrary notwithstanding, the Security Agent shall not be obligated to take any action which might in its reasonable judgment involve it in any expense or liability unless furnished with reasonable indemnity.

11. APPLICABLE LAW; SEVERABILITY. Except to the extent that the creation and recordation of the security interest created hereby is governed by the laws of the United States of America, this Agreement shall be governed by and construed in accordance with the laws of the State of Michigan. If any provision hereof shall for any reason be held invalid or unenforceable, such invalidity or enforceability shall not affect any other provision hereof, but this Agreement shall be construed as if such invalid or unenforceable provision had never been contained herein.

12. NOTICES. Any notice or other communication required to be given to the Agent, the Security Agent or any Bank hereunder shall be in writing and shall be deemed given when personally delivered to an officer thereof at its main office or, if mailed, when received by the Agent, the Security Agent or such Bank at its main office. Any notice or other communication requested or permitted to be given to the Company hereunder shall be in writing and shall be deemed given when mailed to the Company by registered or certified mail at the Company's address set forth at the beginning of this Agreement or to such other address that may have been furnished by the Company to the Banks for such purposes; provided, however, that no other method of giving notice to the Company shall hereby be precluded.

13. AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance hereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Company, the Security Agent and (a) Banks having at least 75% of the aggregate commitments under the Credit Agreement, if at the time no Notes are outstanding thereunder and no other Debt is outstanding, or (b) the holders of at least 75% of the unpaid principal amount of the Debt at the time outstanding (excluding any Debt directly or indirectly owned by the Company or any of its affiliates), provided that no such amendment or waiver shall reduce the aforesaid percentage of the principal amount of the commitments (or Debt) the holders of which are required to consent to any such amendment or waiver, without the prior written consent of (i) all of the Banks, if at the time no Notes are outstanding under the Credit Agreement and no other Debt is outstanding, or (ii) the holders of all of the Debt outstanding at the time.

14. INTERPRETATION. Each right, power or privilege specified or referred to in section 8 or elsewhere in this Agreement is cumulative and in addition to and not in limitation of any other rights, powers and privileges that the Agent, the Security Agent or the Banks may otherwise have or acquire by operation of law, by contract or otherwise. No course of dealing by the Agent, the Security Agent or any Bank in respect of, or any omission or delay by the Agent, the Security Agent or any Bank in the exercise of any right, power or privilege shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other further exercise thereof or of any other right, power or privilege, as the Agent, the Security Agent and the Banks may exercise each such right, power or privilege either individually or concurrently with others and as often and in such order as the Agent, the Security Agent or any Bank may determine expedient. This Agreement shall bind the Company and the Company's successors and assigns and shall inure to the benefit of the Agent, the Security Agent and the Banks and their respective successors and assigns.

IN WITNESS WHEREOF, the parties have executed this Agreement on September 17, 1976.

LAKE SUPERIOR & ISHPEMING RAILROAD COMPANY

By: *James J. Sullivan*  
President

And: *[Signature]*  
Secretary

NATIONAL BANK OF DETROIT, as Security Agent  
as aforesaid

By: *[Signature]*  
Vice President

STATE OF MICHIGAN            )  
                                  ) SS:  
COUNTY OF MARQUETTE        )

On this 17th day of September, 1976, before me personally appeared James J. Scullion, to me personally known, who being by me duly sworn, says that he is the President of Lake Superior & Ishpeming Railroad Company, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[Seal]

  
Marion O. Woodward, Notary Public  
Marquette, Michigan

My commission expires March 12, 1979.

STATE OF MICHIGAN )  
 ) SS:  
COUNTY OF WAYNE )

On this 17 day of Sept., 1976, before me personally appeared ROBERT O. BROWN, to me personally known, who being by me duly sworn, says that he is the Vice President of NATIONAL BANK OF DETROIT, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[Seal]



**BANKING OFFICER MARIE ABDALLA**

My commission expires \_\_\_\_\_

• MARIE ABDALLA  
Notary Public, Wayne County, Mich.  
My Commission Expires 8-22-79

SCHEDULE A  
TO  
SECURITY  
AGREEMENT

Description of Collateral as of September 17, 1976

<u>Type of Equipment</u>	<u>Number of Units</u>	<u>Identifying Road Nos.</u>
Ore Hoppers	278	1400-1699
	97	1700-1799
	96	1800-1899
	198	7000-7199
	287	7200-7499
	194	7500-7699
	192	7700-7899
	97	9000-9099
	295	9100-9399
	199	9400-9599
	60	9600-9659
	100	8500-8599
	189	8000-8199
Coal Hoppers	23	5150-5199
	46	5200-5249
Box Cars	10	2202-2225
	1	2226-2275
	11	2400-2489
	113	2500-2620
	10	2700-2709
Flat Cars	5	3101-3150
	1	4119-4242
	1	6102
	1	6115
	41	6200-6299
	35	6300-6347
Gondolas	6	1900-1949
	2	1950-1987
	3	1988-1999
	2	6600-6601
	16	6700-6748
	10	6749-6763
Covered	2	#1 and #2

<u>Type of Equipment</u>	<u>Number of Units</u>	<u>Identifying Road Nos.</u>
Cabooses	1	#17
	1	#19
	4	#21 - #24
1600 H.P. Locomotives		1604 1608
1800 H.P. Locomotives		1801 1802 1803 1804
2500 H.P. Locomotives		2500 2501
2250 H.P. Locomotives		2300 2301 2302 2303 2304
2400 H.P. Locomotives		2400 2401 2402 2403