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SBA LOANS NO. SBLG 785033 00 03 SYR INTERSTATE COMMERCE COMMISSION 00 00 SYR

LIVONIA, AVON & LAKEVILLE RAILROAD CORPORATION
SECURITY AGREEMENT

AGREEMENT dated July 27, 1970, between LINCOLN ROCHESTER TRUST COMPANY, a New York banking corporation with its principal office at 183 Main Street East, Rochester, New York ("Bank") and LIVONIA, AVON & LAKEVILLE RAILROAD CORPORATION, a New York railroad corporation with its principal office and place of business at Livonia, New York ("Borrower").

Concurrently herewith, Bank will loan to Borrower on a term loan basis, the principal amount of \$76,000 (the "Loan") as evidenced by Borrower's promissory notes of even date herewith (the "Notes"). The Loan is governed by the terms and conditions of the Notes and of a Term Loan Agreement between Borrower and Bank of even date hereof.

In consideration of Bank's advance of the loan, the parties hereto agree as follows:

Section 1. Security Interest.

1(a) As security for the payment of the Loan and any other obligations of Borrower to Bank incurred under the

Term Loan Agreement, the Notes, or this Agreement, whether now existing or hereafter incurred, matured or unmatured, direct or contingent, including any extensions and renewals thereof or a part thereof (collectively called Borrower's "Liabilities"), Borrower hereby grants to bank a security interest in the following of its properties:

All of Borrower's machinery and equipment, including furnishings and fixtures, (and including motor vehicles) together with substitutions therefor and all increases, parts, fittings, accessories, special tools, accessions or replacements thereof, or any part thereof, and all other goods of the same class whether now owned or hereafter acquired by Borrower, and the proceeds thereof (the "Equipment"), including but not limited to the goods described in Schedule A attached hereto.

The Equipment is hereinafter called the "Collateral".

1(b) Borrower irrevocably appoints Bank as its lawful attorney and agent to execute financing statements on Borrower's behalf, and on its behalf to file financing statements signed by Bank alone in any appropriate public office.

Section 2. Representations, Covenants and Warranties.

In addition to Borrower's representations, covenants and warranties contained in the Term Loan

Agreement, Borrower represents, covenants and warrants that:

2(a) Schedule "A", attached hereto is an accurate and complete list of all of Borrower's machinery, equipment, furnishings and fixtures as of the date hereof, except for certain small tools and furnishings having a unit value not exceeding \$100.00.

2(b) The Collateral will be located at Borrower's principal place of business at Livonia, New York or upon Borrower's railroad property and right-of-way within Livingston County, New York. The Borrower's records of its Collateral will be located at its principal place of business at Livonia, New York. Borrower shall not charge the location of the Collateral or records pertaining thereto except upon Bank's prior written consent. This provision shall not be deemed to deprive Borrower of the right to use the automotive equipment for the purposes of the business, but shall be deemed to require the garaging of said equipment at the principal place of business.

2(c) Borrower will defend the Collateral against all claims and demands of all other persons at any time claiming the same or an interest therein.

2(d) Except for financing statements filed hereunder, no financing statement covering any of the Collateral

or any proceeds thereof is on file in any public office. Borrower will upon demand furnish to Bank such further information and will execute and deliver to Bank such financing statements and other papers and will do all such acts and things as may be necessary or appropriate to establish and maintain a valid security interest in the Collateral as security for the Liabilities. Borrower will pay all costs of filing or recording in all public offices where filing or recording is deemed by Bank to be necessary or desirable.

2(e) Borrower will have and maintain insurance at its expense at all times with respect to the Equipment and Inventory against risks of fire, product liability, personal injury and property damage and such other risks as are usually insured by similar businesses, such insurance to be in such amounts, in such form, containing such terms and written by such companies as may be satisfactory to Bank. All such policies of insurance (except liability insurance) shall be payable to Bank, Small Business Administration ("SBA") or Borrower as their interests may appear and shall provide for ten (10) days' written cancellation notice to Bank. Borrower shall deliver certificates evidencing each policy of insurance (except liability insurance) to Bank as required by the Term Loan Agreement, and Bank is authorized

by Borrower to act as its attorney in collecting, adjusting, settling or cancelling such insurance and endorsing any drafts drawn by insurers. Bank may apply any insurance proceeds received by it to Borrower's Liabilities, whether due or not. Borrower will immediately notify Bank of any damage to or loss of the Collateral.

2(f) Borrower will use the Collateral solely for business purposes and not in violation of any statute or ordinance. Bank may examine and inspect the Collateral at any time, wherever located.

2(g) Borrower will pay promptly when due all taxes and assessments upon the Collateral or upon its use. At its option Bank may discharge taxes, liens or other encumbrances at any time levied against or placed on the Collateral, may pay for insurance on the Collateral, and may pay for maintenance and preservation of the Collateral. Borrower shall reimburse Bank on demand for any such expense incurred by Bank pursuant to the foregoing authorization.

Section 3. Events of Default.

3(a) Borrower shall be in default under this Agreement upon the happening of any of the events of default set forth in the Note, or Section 6 of the Term Loan Agreement.

3(b) Upon the occurrence of an event of default, Bank shall have all of the rights, powers and remedies set forth in the Note, the Term Loan Agreement, and the rights and remedies of a secured party under the Uniform Commercial Code of New York or any other applicable law, including without limitation, the right to sell, lease or otherwise dispose of any or all of the Collateral and to take possession of the Collateral, and for that purpose Bank may enter peaceably any premises on which the Collateral or any part thereof may be situated and remove the same therefrom and Borrower will not resist or interfere with such action. Bank may require Borrower to assemble the Collateral and make it available to Bank at a place to be designated by Bank which is reasonably convenient to both parties. Borrower hereby agrees that its above-mentioned address and the place or places of location of the Collateral are places reasonably convenient to it to assemble the Collateral. Unless the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, Bank will send Borrower reasonable notice of the time and place of any public sale or reasonable notice of the time after which any private sale or any other disposition thereof is to be made. The requirement of sending reasonable notice shall be met if such notice is mailed, postage prepaid, to Borrower at least five days before the time of the sale or disposition.

Bank may at any time in its discretion transfer any property constituting collateral into its own name or that of its nominee and receive the income thereon and hold the same as security for the Liabilities or apply it on principal or interest due on the Liabilities. After deducting all expenses incurred by Bank in protecting or enforcing its rights in the Collateral, the residue of any proceeds of collection or sale of the Collateral shall be applied to the payment or principal or interest of Borrower's Liabilities in such order as Bank may determine, and any excess shall be returned to Borrower and Borrower shall remain liable for any deficiency.

Section 4. Successors and Assigns.

The covenants, representations, warranties and agreements herein set forth shall be binding upon Borrower, its legal representatives, successors and assigns and shall inure to the Benefit of Bank, its successors and assigns. The purchaser, assignee, transferee or pledgee of the Note and Bank's security interest hereunder shall forthwith become vested with and entitled to exercise all the powers and rights given by this Agreement to Bank, as if said purchaser, assignee, transferee or pledgee were originally named as secured party herein.

Section 5. Miscellaneous.

5(a) Borrower hereby waives promptness by Bank in making any demand upon Borrower, and agrees that no delay or omission by Bank in exercising any of its rights hereunder shall be deemed to constitute a waiver thereof. All rights and remedies of Bank hereunder shall be cumulative and may be exercised singularly or concurrently.

5(b) This Agreement shall be governed by and construed under the laws of the State of New York and none of its terms or provisions may be waived, altered, modified, or amended except by an agreement in writing signed by Bank and Borrower.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date and year first above written.

LIVONIA, AVON & LAKEVILLE RAILROAD CORPORATION

[SEAL]

By *C. R. Brennan*
Its: *Pres.*

LINCOLN ROCHESTER TRUST COMPANY

[SEAL]

By *David [unclear]*
Its: Assistant Vice President

STATE OF NEW YORK)
COUNTY OF MONROE) SS:
CITY OF ROCHESTER)

On this 27th day of July, 1970, before me, the subscriber, personally came C. R. Brennan, to me personally known, who, being by me duly sworn, did depose and say that he resides in the Town of Livonia, New York; that he is the President of LIVONIA, AVON & LAKEVILLE 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.

Dwight R. Collin
Notary Public

DWIGHT R. COLLIN
Notary Public in the State of New York
MONROE COUNTY, N. Y.
Commission Expires March 30, 19⁷²....

STATE OF NEW YORK)
COUNTY OF MONROE) SS:
CITY OF ROCHESTER)

On this 27th day of July, 1970, before me, the subscriber, personally came Paul D. Tuttle, to me personally known, who, being by me duly sworn, did depose and say that he resides in the City of Rochester, New York; that he is an Assistant Vice President of LINCOLN ROCHESTER TRUST COMPANY, 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.

Dwight R. Collin
Notary Public

DWIGHT R. COLLIN
Notary Public in the State of New York
MONROE COUNTY, N. Y.
Commission Expires March 30, 19.???