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SECURITY AGREEMENT
COLLATERAL ASSIGNMENT OF LEASE AND INTERSTATE COMMERCE COMMISSION
RENTALS THEREUNDER AS SECURITY FOR LOAN

The undersigned NORMAN N. GOTTLIEB and VIVIAN S. GOTTLIEB, of 1502 Linwood Avenue, Flint, Michigan 48503 (herein called "Assignor"), hereby sells, assigns, transfers and sets over unto MANUFACTURERS NATIONAL BANK OF DETROIT, a national banking association, with its principal office at 100 Renaissance Center, Detroit, Michigan (herein called "Bank"), and hereby grants to Bank a security interest in that certain Lease Agreement dated May 24, 1978, and amended by amendments thereto dated June 5, 1978, July 6, 1978, July 7, 1978, and September 21, 1978, by and between REX Railways, Inc., as agent for Assignor and other lessors, and The Clarendon and Pittsford Railroad Company, as lessee, including all amendments, supplements, renewals and extensions thereof at any time made, and including any future leases for the Collateral described below (herein collectively called "Lease(s)", together with all the rents due or to become due thereunder, purchase option amounts, and the railway boxcars described herein as follows:

Two (2) 5,344 cubic foot capacity, 70-ton trucks, 50 feet 6 inch XM general purpose, unequipped boxcars, to be leased to Vermont Railway, Inc., bearing Serial Numbers ZTR 13195 and ZTR 13197,

and all proceeds of any of the foregoing (all of which is herein collectively called the "Collateral").

This Agreement secures payment of the indebtedness of Bank evidenced by that certain Note executed by Assignor to Bank of even date herewith in the amount of SIXTY FIVE THOUSAND DOLLARS (\$65,000.00), and all full or part extensions and renewals thereof (herein called "Indebtedness").

The Assignor represents and warrants and covenants as follows:

(1) The Lease is genuine, valid and subsisting, and in all respect what it purports to be.

(2) The Collateral is owned by the Assignor and is free and clear of all liens, security interests, or any other encumbrances whatsoever, other than the security interest granted hereunder and the Mortgage of Assignor's ownership interest to Bank, and Assignor will not permit any tax lien or other lien or security interest superior to this security interest to attach to said Collateral. No financing statement other than with Bank has been given or is on file with respect to the Collateral and Assignor will execute and deliver to Bank a financing statement or any other documents as from time to time requested by Bank to perfect or preserve Bank's security interest in the Collateral.

(3) No event of default as defined in the Lease(s) has occurred and is continuing and no event has occurred and is continuing which with the lapse of time or the giving of notice or both, would constitute an event of default thereunder.

(4) Assignor will at all times perform all obligations and duties, required of Assignor under the terms of the Lease(s) to insure to Bank that the lessee(s) will not be able to terminate the Lease(s) or assert any defense for non-payment of rental by reason of a default by the Assignor.

(5) This Assignment is made and given as collateral security only and the Assignor does hereby irrevocably constitute and appoint Bank, its true and lawful attorney with full power of substitution, for it and its name, place and stead to ask, demand, collect, receive, receipt for, sue for, compromise and give acquittance for any and all amounts which may be or become due and payable under the Lease(s) with full power to settle, adjust or compromise any claim thereunder as fully as the Assignor could itself do, and to endorse the name of the Assignor on all commercial paper given in payment, and part payment thereof, and in its discretion, to file any claim or take any other action or proceeding, either in its own name or the name of the Assignor, or otherwise, which Bank may deem necessary or appropriate to collect any and all sums which may be or become due or payable under the Lease(s), or which may be necessary or appropriate to more effectually vest in and secure to Bank the interest of the Lessor in and to the Lease(s), the personal property subject thereto and the sums due under the Lease(s).

(6) Until such time as the Bank in its sole discretion elects to collect the rentals due or to become due under said Lease(s), all payments shall be made to and receipted for by the Assignor hereunder and such sums as required by the Note collected by the Assignor shall be delivered to the Bank forthwith to apply upon the Indebtedness and until so delivered shall be held in trust for the Bank.

(7) Assignor will insure and cause to be maintained at all times adequate insurance of the Collateral and cause to be provided for in the policy of insurance the interest of Bank under this agreement and will deposit the policies of insurance with Bank.

(8) It is understood and agreed that notwithstanding this assignment, Bank shall not be obligated to perform any duty, covenant, or condition required to be observed or performed by the Assignor under any of the terms of the Lease(s) and shall not be bound by or obligated to perform or see to the performance of any warranty, express or implied, made by the Assignor in the Lease(s) or resulting from the provisions thereof, but, on the contrary, the Assignor expressly acknowledges and agrees that all such covenants and agreements of the Assignor provided for in the Lease(s), if any, and all representations and warranties, if any, shall be and remain the sole liability of the Assignor.

(9) If a creditors' committee shall have been appointed for the business of Assignor, or if Assignor shall have made a general assignment for the benefit of creditors or shall have been adjudicated bankrupt, or shall have filed a voluntary petition in bankruptcy or for reorganization or to

effect a plan or arrangement with creditors; or shall file an answer to a creditor's petition or other petition filed against it, admitting the material allegations thereof, for an adjudication in bankruptcy or for a reorganization; or shall have applied for or permitted the appointment of a receiver or trustee or custodian for any of its property or assets; or such receiver, trustee or custodian shall have been appointed for any of its property or assets (otherwise than upon application or consent of Assignor) and such receiver, trustee or custodian so appointed shall not have been discharged within thirty(30) days after the date of his appointment; or if an order shall be entered and shall not be dismissed or stayed within thirty (30) days from its entry, approving any petition for reorganization of Assignor, there shall be a default in this Security Agreement.

(10) If default be made in the payment of the indebtedness, or any instalment thereof, or in this Security Agreement or if Bank shall for any reason deem itself insecure, Bank may notify any parties obligated on any of the Collateral to make payment to the Bank of any amounts due or become due thereunder and enforce collection of any of the Collateral by suit or otherwise and surrender, release or exchange all or any part thereof, or compromise or extend or renew for any period, (whether or not longer than the original period) any indebtedness thereunder or evidenced thereby. Upon request of the Bank, Assignor will, at its own expense, notify any parties obligated to Assignor on any of the Collateral to make payment to the Bank of any amounts due or to become due thereunder. In addition, Bank may take possession of the Collateral and any records concerning same wherever they may be found, with or without process of law, using such force as may be necessary including forcible entry, and may dispose of the Collateral or any portion thereof in any manner permitted by the Michigan Uniform Commercial Code. Any notification of intended disposition of any of the Collateral required by law shall be deemed reasonably and properly given if Bank, at least seven days before such disposition, deposits in the mail a letter addressed to Assignor's last address known to Bank, postage prepaid, giving notice of the time, place and manner of disposition. Any proceeds of any collateral or disposition by the Bank of any of the Collateral may be applied by the Bank in the order following: to the reasonable expenses of retaking, conserving, collecting (by suit or otherwise) or disposing of (by sale or otherwise) the Collateral, including reasonable attorneys' fees and legal expenses incurred, and then to the satisfaction of the indebtedness in such order of application as Bank elects. After such application, Bank will account to Assignor for any surplus and Assignor shall remain liable to Bank for any deficiency.

(11) No delay on the part of the Bank in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Bank of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy. If more than one party shall execute this Agreement, the term "Assignor" shall mean all parties signing this Agreement and each of them, and all such parties shall be jointly and severally obligated hereunder. If this Agreement is not dated when executed by Assignor, the Bank is authorized, without notice to Assignor, to date this Agreement.

(12) This Agreement has been delivered at Detroit, Michigan, and shall be construed in accordance with the laws of the State of Michigan. Wherever possible each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provisions of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such provision or the remaining provisions of this Agreement.

(13) The rights granted hereunder are cumulative and in addition to any other rights Bank may have by agreement or under applicable law.

THIS AGREEMENT has been duly executed as of the 25 day of May, 1979.

ADDRESS: 1502 Linwood Avenue
Flint, Michigan 48503

/ X / Residence

Norman N. Gottlieb
Norman N. Gottlieb
Vivian S. Gottlieb
Vivian S. Gottlieb

ACCEPTED AND APPROVED:

MANUFACTURERS NATIONAL BANK OF DETROIT

By *Charles J. ...*
Its *President*

STATE OF MICHIGAN)
)SS.
COUNTY OF)

On this 25 day of May, 1979, before me personally appeared NORMAN N. GOTTLIEB and VIVIAN S. GOTTLIEB, to me known to be the persons described in and who executed the foregoing instrument and they acknowledged that they executed the same as each of their free act and deed.

Lee R. Kaplan

Notary Public, _____ County, Mich.

My Commission expires: _____

(SEAL)

LEE R. KAPLAN
Notary Public Oakland County, Mich.
Acting in Wayne County, Mich.
My Commission Expires Mar. 29, 1982

STATE OF MICHIGAN)
COUNTY OF Wayne) SS.

On this 25 day of May, 1979, before me personally appeared Thomas C. Zmuda to me personally known, who in my presence executed the foregoing instrument on behalf of MANUFACTURERS NATIONAL BANK OF DETROIT on this date and who being by me duly sworn said that he is the Branch Manager of MANUFACTURERS NATIONAL BANK OF DETROIT, that one of the seals affixed to the foregoing instrument is the corporate seal of said association, that said instrument was signed and sealed on behalf of said association 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 association.

Lee R. Kaplan

NOTARY PUBLIC, _____ County, Mich.

My Commission expires: _____

(SEAL)

LEE R. KAPLAN
Notary Public Oakland County, Mich.
Acting in Wayne County, Mich.
My Commission Expires Mar. 29, 1982