

SECOND NATIONAL BANK

101 NORTH WASHINGTON AVENUE • SAGINAW, MICHIGAN 48607 • 517-776-7490

6/6/85
2000
Washington, D.C.

RECORDATION NO. 14693 Filed 1425

JUN 6 1985 2 50 PM

June 3, 1985

RECORDATION NO. 14693 Filed 1425

JUN 6 1985 2 50 PM

INTERSTATE COMMERCE COMMISSION
Interstate Commerce Commission
12th Street & Constitution Avenue, N.W.
Washington D.C., Washington 20423
Attn: Mildred Lee, Room 2303

INTERSTATE COMMERCE COMMISSION

Dear Mildred;

Attached are two documents with copies; a Secured Promissory Note, dated May 17, 1985 and Security Agreement Chattel Mortgage, dated May 17, 1985 with copies. Second National Bank of Saginaw, Michigan has made a loan to the TUSCOLA & SAGINAW BAY RAILWAY COMPANY, INC., of Vassar, Michigan in which part of our collateral consists of two (2) locomotives and one (1) business railway car which we are looking to perfect our security interest in those three (3) units with the Interstate Commerce Commission. Specifically, the three (3) units that we are looking to file with your office are:

- One (1) 1946 ALCO Diesel Locomotive Model #RS-2, Engine #466.
- One (1) Model NW2 1200 H.P. G.M. Locomotive, Road Number 1977.
- One (1) Business Railway Car, built 1917, rebuilt 1979, Number 1, including all furniture and fixtures.

Attached is a cashiers check for \$20.00 payable to the Interstate Commerce Commission for the recording of the attached documents. If you have any questions, please feel free to call me.

Sincerely,



Richard A. Barratt
Assistant Vice President
Commercial Loan Department

RAB:jab

Enclosures

Interstate Commerce Commission
Washington, D.C. 20423

6/6/85

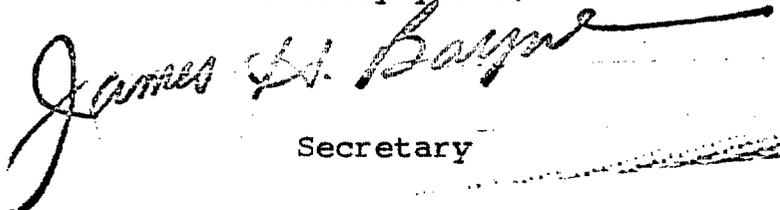
OFFICE OF THE SECRETARY

Richard A Barratt
Assist Vice Presi.
Second Natl. Bank
101 North Washington Ave.
Saginaw, Michigan 48607

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 6/6/85 at 2:30pm and assigned re-
recording number(s). 14693 & 14693-A

Sincerely yours,


Secretary

Enclosure(s)

SECURITY AGREEMENT
CHattel MORTGAGE

14693
REGISTRATION NO. Filed 1426

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INTERSTATE COMMERCE COMMISSION

KNOW ALL MEN BY THESE PRESENTS, That, for valuable consideration, Thumb Leasing, Inc., a subsidiary of Tuscola and Saginaw Bay Railway Company, Inc., whose principal place of business in Michigan is at

538 East Huron Avenue Vassar Michigan, the Mortgagor, hereinafter
Street Address City State

called "Debtor", hereby grants to SECOND NATIONAL BANK OF SAGINAW, a national banking association, the Mortgagee, hereinafter called "Secured Party", a security interest in the following described property, whether now owned or hereafter acquired, together with all parts and equipment now or hereafter attached thereto, hereinafter called "Collateral", to wit:

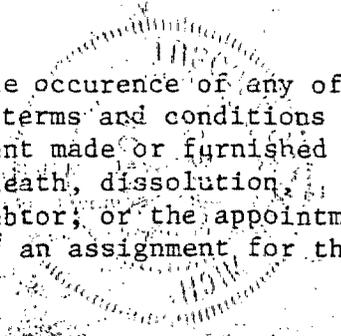
All present and hereafter acquired machinery and equipment, office furniture, and fixtures including but not limited to:

- 1946 ALCO Diesel Locomotive Model #RS-2, Engine #466
- One (1) Model NW2 1200 H.P. G.M. Locomotive, Road Number 1977
- One (1) Model EAS-JD-G Switch Electromatic Tamper Mark I, Serial #1075458
- One Business Railway Car, built 1917, rebuilt 1979, Number 1, including furniture and fixtures. Two Bobcat Front End Loaders, all speed swings and tie inserters, and all other track maintenance equipment.

to secure the punctual payment of all the Debtor's indebtedness to Secured Party, howsoever created, arising, acquired or evidenced, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, whether several, joint or joint and several.

Debtor warrants and agrees that: (1) Debtor will pay the indebtedness secured by this security agreement and any and all other obligations or liabilities to Secured Party according to the terms thereof; (2) Debtor is the owner of the Collateral free from any liens, encumbrances or security interests except for the security interest granted hereby, and will defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein; (3) Debtor will keep the Collateral free of liens, encumbrances and other security interests, maintain it in good repair, not use it illegally and exhibit it to Secured Party on demand; (4) Debtor will keep the Collateral insured at Debtor's expense against substantial risk of damage, destruction or theft in an amount at least equal to the unpaid balance of the debt secured hereby, with loss payable to Secured Party as its interest may appear, and Debtor will deliver all such insurance policies to Secured Party upon request; (5) Debtor will not sell or offer to sell or otherwise transfer the Collateral or any interest therein, nor remove the Collateral from the State of Michigan, without the written consent of Secured Party; (6) Debtor will pay promptly when due all taxes and assessments upon the Collateral or for its use or operation; (7) At its option, Secured Party may discharge taxes, liens or security interests or other encumbrances at any time levied or placed on the Collateral and may pay for the maintenance and preservation of the Collateral, and Debtor agrees to reimburse Secured Party on demand for any payment made or any expense incurred by Secured Party pursuant to the foregoing authorization; (8) No financing statement covering the Collateral or any part thereof or any proceeds thereof is on file in any public office, and at the request of Secured Party, Debtor will join with Secured Party in executing one or more financing statements in form satisfactory to Secured Party and will pay the cost of filing the same in all public offices wherever filing is deemed by Secured Party to be necessary or desirable.

Debtor shall be in default under this security agreement upon the occurrence of any of the following events: (a) failure to observe and perform any of the terms and conditions of this security agreement; (b) any warranty, representation or statement made or furnished to Secured Party by Debtor is untrue in any material respect; (c) the death, dissolution, termination of existence, suspension of business, or insolvency of Debtor; or the appointment of a receiver of any part of the property of Debtor; or the making of an assignment for the



benefit of creditors by Debtor; or the commencement of bankruptcy or insolvency proceedings by or against Debtor; (d) the loss, theft, damage, destruction, sale or encumbrance to or of any part of the Collateral; (e) the placement or issuance of any levy, lien, writ of attachment, writ of garnishment, writ of execution or similar process, against Debtor or any of Debtor's property; (f) Secured Party shall deem itself insecure in good faith believing that the prospect of payment or performance under this security agreement is impaired; (g) any event which results in the acceleration of the maturity of the indebtedness of Debtor to others under any indenture, agreement or undertaking.

Upon default, the entire indebtedness secured by this agreement shall become immediately due and payable at the option of Secured Party, without notice and Secured Party shall have the rights and remedies provided by law and/or this agreement, including but not limited to the right to require Debtor to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party which is reasonably convenient to both parties, the right to take possession of the Collateral with or without demand and with or without process of law and the right to sell and dispose of the same and distribute the proceeds according to law. The parties hereto agree that any requirement of reasonable notice shall be met if Secured Party sends such notice to Debtor at least five (5) days prior to the date of sale, disposition or other event giving rise to the required notice. The parties hereto further agree that public sale of the Collateral by auction conducted either in any county in which the Secured Party or any assignee does business or in any county in which the Collateral was repossessed, after advertisement of the time and place thereof in a newspaper circulated in the county, city or village in which the sale is to be held shall be deemed to be a commercially reasonable disposition of the Collateral. Debtor shall be liable for any deficiency remaining after disposition of the Collateral and the computation of such deficiency or of the amount required to redeem the Collateral shall include reasonable attorney's fees and legal expenses.

The waiver or indulgence of any default shall not be construed as a waiver of any other default or of the same default on a future occasion.

The terms used to designate any of the parties hereto shall be deemed to include the successors or assigns of such party and the terms and obligations hereof are and shall be binding upon such successors assigns.

Debtor represents and warrants that its principal place of business in Michigan is as stated at the beginning of this agreement.

This agreement is made pursuant to and its terms and provisions shall be governed by the laws of the State of Michigan.

Executed this 17th day of May, 1985.

STATE OF MICHIGAN) ss
County of Tuscola) The foregoing instrument was acknowledged before me this date, MAY 31, 1985, by P.J. DeWolf and Maynard Ritter who are the President and Vice President of Tuscola and Saginaw Bay Railway Company, Inc., a Michigan corporation, on behalf of the corporation.

Debtor: THUMB LEASING, INC. - a subsidiary of TUSCOLA and SAGINAW BAY RAILWAY COMPANY, INC.

(President) (Debtor's Signature) (Vice President)

James Edward Wheeler II
Notary Public
Tuscola County, MI

By: P.J. DeWolf
(Title)

My commission expires OCT 12, 1985

and: Maynard Ritter V. Pres
(Title)

JAMES EDWARD WHEELER II
Notary Public, Saginaw County, Mich.
Acting in Tuscola County, Mich.

My Commission Expires Oct. 12, 1985
N.B.: A financing statement must be signed with this form.