

Gary F. Mong
Vice President

Corporate Banking Group
Norstar Building
10 Fountain Plaza
Buffalo, NY 14202
716-847-7292



August 25, 1988

RECORDATION NO. 15735-A FILE 123

AUG 30 1988 12 50 PM

Ms. Noretta R. McGee,
Secretary
Interstate Commerce Commission
12th Street & Constitution Avenue, N.W.
Washington, D. C. 20423

INTERSTATE COMMERCE COMMISSION

RE: Recordation #1 5735 Dated 7/22/88 (Primary Document) N/O MidEastern States Leasing Corp.

Dear Ms. McGee:

Enclosed for filing and recordation pursuant to the provisions of 49 U.S.C. Section 11303 (a) are one original executed copy and three photostatic copies of a Security Agreement, dated August 5, 1988, a secondary document as defined in the Commissions rules for the recordation of documents.

The name and address of the parties to the enclosed documents are:

Owner: MidEastern States Leasing Corp.
254 Delaware Avenue
Buffalo, New York 14202

Lienholder: Norstar Bank, National Association
10 Fountain Plaza
Buffalo, New York 14202
Attention: Gary Mong

A description of the railroad equipment covered by the enclosed document is set forth therein.

Also, enclosed is a check in the amount of \$13.00 payable to the order of the Interstate Commerce Commission covering the required recordation fee.

Kindly return the stamped original and two stamped photostatic copies of the enclosed documents to Gary Mong, Norstar Bank, National Association, 10 Fountain Plaza, Buffalo, New York 14202.

August 25, 1988
Ms. Noreta R. McGee

Page 2

Following is a short summary of the enclosed document:

Document to be Recorded: Security Agreement dated as of August 5, 1988
between Mideastern States Leasing Corp.,
owner, and Norstar Bank, National Association,
lienholder covering three locomotives.

Sincerely,

A handwritten signature in black ink, appearing to be "D. J. [unclear]", written in a cursive style.

GFM:av
Enc.

A

Gary F. Mong
Vice President

Corporate Banking Group
Norstar Building
10 Fountain Plaza
Buffalo, NY 14202
716-847-7292



8/30/88
13.00
RECORDATION FEE

100 OFFICE OF
THE SECRETARY
AUG 30 12 45 PM '88
MOTOR OPERATING UNIT

August 26, 1988

RECORDATION # 15735-A
AUG 30 1988 12 45 PM

Mildred Lee
Room 2303
Interstate Commerce Commission
12th Street & Constitution Ave. N.W.
Washington, D. C. 20423

INTERSTATE COMMERCE COMMISSION

Re: My letter dated August 25, 1988 referencing
recording # 1 5735, name of MidEastern
States Leasing Corp.

Dear Ms. Lee:

Enclosed please find a recording fee check in the amount of
\$13.00 which was overlooked in my letter of the 25th of
August.

I trust this fee will be sufficient to perfect the recordation
request in the letter of August 25th.

Thank you for your cooperation in this matter.

Very truly yours,

[Handwritten signature of Gary F. Mong]

GFM:ms

enc.

6732

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

8/30/88

Gary F. Mong, Vice Pres.
Norstar Bank, N.A.
10 Fountain Plaza,
Buffalo, NY 14202

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 12:50PM at 8/30/88, and assigned recordation number(s). 15735-A

Sincerely yours,

Norita R. McEwen

Secretary

Enclosure(s)



Security Agreement (Equipment)

RECORDATION NO. 15735-1A

AUG 30 1988 12 50 PM

INTERSTATE COMMERCE COMMISSION

OWNER MidEastern States Leasing Corp. 254 Delaware Avenue Buffalo, New York Erie, N.Y. ("Owner")

SECURED PARTY NORSTAR BANK, NATIONAL ASSOCIATION NORSTAR BUILDING 10 FOUNTAIN PLAZA, BUFFALO, NY 14202

(a national bank organized and existing under and by virtue of the laws of the United States of America), ("Bank").

SECURITY INTEREST. For a valuable consideration, the receipt of which is hereby acknowledged, Owner hereby grants to Bank a security interest in the personal property described below, and in all increases and profits received therefrom, in all proceeds thereof in any form, in any goods represented thereby and in all additions, accessions and substitutions thereto (which property is collectively referred to herein as "Collateral"):

(Owner should strike out inappropriate of subparagraphs (a), (b) and (c) appearing opposite this note)

- a. ~~All of Owner's equipment, as defined by the New York Uniform Commercial Code, as amended...~~
b. ~~the equipment listed or described in the schedule attached to this Security Agreement~~
c. the following items of property: (If manufactured article, list make, year of manufacture, model, type, serial number, etc.)

Three (3) SW-1500 Diesel Electric Locomotives PLE 1546
PLE 1547
PLE 1570

If subparagraph (a) above is not stricken, the property described in subparagraph (a) is the Collateral subject to this Security Agreement.

INDEBTEDNESS SECURED. The Collateral secures the payment of any and all obligations of each of the following named parties to Bank howsoever evidenced ("Obligations") including all liabilities, whether direct or indirect, absolute or contingent, sole, joint or several, at any time due and owing, whether heretofore or hereafter arising, created or incurred:

(such party or parties are hereafter referred to as the "Obligor". If no name is inserted in the foregoing blank space as Obligor, the Owner shall be deemed to be the Obligor). Bank shall have the right to apply any and all sums received by Bank as a result of the exercise of any of the powers contained in this agreement, after deduction of all expenses of sale ("Proceeds"), to the payment, in whole or in part, of any item or items of the Obligations applying or distributing the same as Bank may elect, whether due or not due (making proper rebate of interest or discount in the case of any item not due) or otherwise secured or not.

INSURANCE. Owner will keep the Collateral at all times insured by such insurance as Bank from time to time may require, and, in any event and without specific request by Bank, will insure the Collateral against fire, including so-called extended coverage, theft and, in the case of any motor vehicle, collision, all insurance to be with such insurance companies as Bank shall approve, with loss thereon to be payable to Bank and Owner as their respective interests may appear. **OWNER SHALL HAVE THE RIGHT TO CHOOSE THE PERSON THROUGH WHOM SUCH INSURANCE IS TO BE OBTAINED.** The endorsements on any insurance policy shall be in a form satisfactory to the Bank and all policies of insurance shall provide for not less than ten (10) days' notice of cancellation to the Bank. Owner agrees that if there is any default hereunder, the Bank may, but need not cancel, in accordance with the provisions of Banking Law Section 576, any insurance contract covering the Collateral or its ownership or operation and demand and receive any and all return premiums, unearned premium refunds and dividends payable in respect thereof (each of the undersigned hereby irrevocably designating, constituting and appointing the Bank as his true and lawful agent so to do) and shall apply any and all sums received by the Bank as a result of such cancellation, after deducting therefrom any and all expenses incident thereto, toward and in the same manner as is hereinafter provided for the application of the net proceeds of the disposition of the Collateral. Bank may act as attorney for Owner in making, adjusting and settling claims under any insurance covering the Collateral. Owner will notify insurer and Bank in the event of any loss, damage or other casualty affecting the Collateral. Owner hereby assigns to Bank, its successors and assigns, any and all monies which may become due and payable under any policy insuring the Collateral covered by this contract and directs any such insurance company to make payments directly to Bank and authorizes Bank to apply such monies in payment on account of the obligations, whether or not due, and to remit any surplus to Owner. Owner hereby irrevocably appoints Bank as his (its) attorney in fact, with full power of substitution, to receive all such monies, including the return of unearned premiums, to execute proofs of claim, to endorse drafts and other instruments for the payment of money, to execute releases, to negotiate settlements, to cancel any insurance referred to in this contract and to do all other things necessary and required to effect a settlement under any insurance policy.

DEFAULT. Owner may have possession and use of the Collateral until default. Upon the happening of any of the following events or conditions, namely: (a) default in the payment or performance of any of the Obligations or of any covenant or liability contained or referred to herein or in any note evidencing any of the Obligations; (b) any representation or warranty of Owner in this Agreement or made to Bank by Owner or Obligor to induce it to enter into this Agreement or to extend credit to Obligor proving false or erroneous in any material respect; (c) loss, theft, material damage, destruction, sale, encumbrance of, or the granting of a security interest in or to the Collateral, or the making of any levy thereon or seizure or attachment thereof by legal process; (d) death of, dissolution, termination of existence, insolvency, non-payment of debts as they mature, business failure, appointment of a receiver or trustee, including a custodian under the Bankruptcy Code of any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against, the Owner or Obligor or any guarantor or surety for Obligor; (e) If Bank's lien shall not have been recorded as the first and only lien on any title issued for the Collateral; (f) Bank shall reasonably deem itself insecure, thereupon, and as long as such default continues Bank may declare all of the Obligations to be immediately due and payable, and Bank shall then have in any jurisdiction where enforcement hereof is sought, in addition to all other rights and remedies, the rights and remedies of a secured party under the Uniform Commercial Code of New York, including without limitation thereto the right to take immediate possession of the Collateral and for that purpose Bank may, so far as Owner can give authority therefor, enter upon any premises on which the Collateral, or any part thereof, may be situated and remove the same therefrom. Owner will upon demand make the Collateral available to Bank at a place and time designated by Bank which is reasonably convenient to both parties. Bank will give Owner and Obligor at least five days' prior written notice of the time and place of any public sale of the Collateral or of the time after which any private sale thereof is to be made. From the Proceeds of sale, Bank shall be entitled to retain (i) all sums secured hereby, (ii) its reasonable expenses of retaking, holding, preparing for sale and selling, and (iii) reasonable legal expenses of 20% of the amount due incurred by it in connection herewith and with such sale or such other sums as may be permitted by law. If the Proceeds of such sale are not sufficient to defray said expenses and to satisfy the balance due on the Obligations, the Obligor shall pay any deficiency. Owner agrees to send notice by registered mail to Bank within 7 days after repossession if Owner claims any articles not constituting part of the Collateral were contained in the Collateral at the time of repossession, and agrees that failure to do so shall be a waiver of and bar to any subsequent claim therefor. Owner's failure to take possession of any such articles at the time and place reasonably specified by Bank shall constitute an abandonment of such property. No waiver by Bank of any default shall be effective unless in writing; nor shall it operate as a waiver of any other default of the same default on another occasion. The notice of sale or of other disposition of the Collateral provided for above, if mailed to Owner's and Obligor's addresses as shown on Bank's records, shall be deemed reasonable notice.

MISCELLANEOUS. If the Owner is the Obligor, Bank is hereby given a lien upon and a security interest in all property of the Owner now or at any time hereafter in the possession of the Bank in any capacity whatsoever including, but not limited to any balance or share in any deposit, trust or agency account, including joint accounts with other parties, as security for payment of the Obligations, which property shall constitute a portion of the Collateral. If the Owner is the Obligor, Bank shall have the right immediately and without further action by it to set-off against the Obligations all money owed by Bank in any capacity to Owner,

whether or not due, and also to set-off against all liabilities of the Owner to Bank, all money owed by Bank in any capacity, and Bank shall be deemed to have exercised such right of set-off and to have made a charge against any such money immediately upon the occurrence of an event of default even though such charges were made or entered on the books of Bank at a subsequent time.

The provisions of the foregoing paragraph shall not apply to any indebtedness secured by Master CARD and/or VISA accounts, check overdraft, line of credit accounts or other open end consumer credit accounts, or retail installment contracts, unless the instrument of such indebtedness specifically refers thereto; nor shall they apply to any mortgage covering the principal residence or any parts unless specific reference in the instrument of indebtedness is made thereto.

This is a continuing agreement, and no notice of the creation or existence of the Obligations, renewal, extension or modification thereof need be given to Owner. This security interest shall continue in effect notwithstanding that from time to time no Obligations may exist. Owner hereby expressly waives demand, presentment, protest and notice of dishonor on any and all of the Obligations. The rights and remedies of the Bank hereunder are cumulative and not exclusive of any rights and remedies which the Bank may otherwise have including those arising out of or under any agreement or instrument evidencing or relating to any portion of the Obligations or any security therefor, nor shall any single or partial exercise of any right or remedy preclude the further exercise thereof or the exercise of any other further right or remedy. Owner agrees that no representation, promise or agreement made by the Bank or by any officer or employee of the Bank at, prior or subsequent to the execution and delivery of this Agreement shall modify, alter, limit or otherwise abridge the rights and remedies of the Bank hereunder unless endorsed hereon in writing and further agrees that none of the rights and remedies of the Bank hereunder shall be modified, altered, limited or otherwise abridged or waived by any representation, promise or agreement hereafter made or by any course of conduct hereafter pursued by the Bank or any holder thereof. No delay or omission on the part of Bank in exercising any right hereunder shall operate as a waiver of such right or of any other right under this Agreement. If there are more than one Owner hereunder, their representations, warranties, liabilities and obligations hereunder shall be joint and several. The validity, construction and performance of this Agreement shall be governed by the laws of New York State.

MidEastern States Leasing Corp.

Date 8/5/88

Owner: *James C. Williams*
Williams

I/We acknowledge receipt of a copy of this Security Agreement and agree with the terms thereof insofar as it is applicable to me/us.

Date _____

Obligor: _____

STATE OF NEW YORK
COUNTY OF Franklin

On this 5 day of August, 1988, before me personally came James C. Williams to me known to be the person(s) described in, and who executed the foregoing instrument, and he acknowledged that he executed the same.

WARNING: IT IS A CRIMINAL OFFENSE IN NEW YORK STATE FOR A DEBTOR TO KNOWINGLY SELL OR OTHERWISE DISPOSE OF COLLATERAL IN CONTRAVENTION OF THE TERMS OF A SECURITY AGREEMENT.

Donald F. Waxson
NOTARY PUBLIC

DONALD F. WAXSON
Notary Public, State of New York
Qualified in Erie County
My Commission Expires 12/31/93