

#15

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RECORDATION NO 16750 FILED 1423
JAN 31 1990 -11 10 AM
INTERSTATE COMMERCE COMMISSION

RUSSELL A McNAIR, JR
(313) 223-3511

January 30, 1990

0-031A016

Noreta R. McGee, Secretary
Interstate Commerce Commission
Washington, D.C.

Dear Secretary:

I have enclosed an original and one counterpart of the document described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

This document is a security agreement, a primary document, dated December 29, 1989.

The names and addresses of the parties to the documents are as follows:

Mortgagor: The Straits Corporation
(Debtor) 120 Oak Street
Tawas City, MI 48264

Mortgagee: National Bank of Detroit
(Secured Party) 611 Woodward Avenue
Detroit, MI 48226

A description of the equipment covered by the documents follows:

JAN 31 1990
11 10 AM
06. 11. 1990

Noreta R. McGee
 January 30, 1990
 Page 2

All of the Debtor's rolling stock, including:

<u>Amount</u>	<u>Unit Numbers</u>	<u>Description</u>
6	4500 - 4506	2250 H.P. GEU23B

(Owned by Straits but leased to CMGN)

Included in the property covered by the aforesaid security agreement are railroad cars, locomotives and other rolling stock intended for use related to interstate commerce, or interests therein, owned by The Straits Corporation at the date of said security agreement or thereafter acquired by it or its successors as owners of the lines of railway covered by the security agreement.

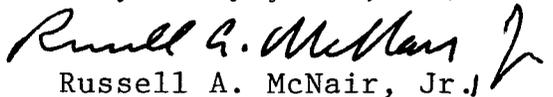
A fee of \$15.00 is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to:

Pauline E. Doohan
 800 First National Building
 Detroit, Michigan 48226-3555

A short summary of the document to appear in the index follows:

A security agreement between The Straits Corporation, 120 Oak Street, Tawas City, MI 48764 and National Bank of Detroit, 611 Woodward Avenue, Detroit, MI 48226 and covering railroad cars, locomotives and other rolling stock.

Very truly yours,


 Russell A. McNair, Jr.
 Attorney for National Bank
 of Detroit

RAM:yr
 TKG/Secy/0000/AC2/4

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RUSSELL A MCNAIR, JR
(313) 223-3511

January 30, 1990

16750
RECORDATION NO. FILED 1425
JAN 31 1990 -11 10 AM
INTERSTATE COMMERCE COMMISSION

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Interstate Commerce Commission
Washington, D.C.

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Detroit, MI 48226

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Noreta R. McGee
 January 30, 1990
 Page 2

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(Owned by Straits but leased to CMGN)

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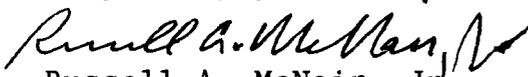
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Very truly yours,


 Russell A. McNair, Jr.
 Attorney for National Bank
 of Detroit

RAM:yr
 TKG/Secy/0000/AC2/4

16750

RECORDATION NO. FILED 1425

JAN 31 1990 -11 10 AM

EXECUTION COPY

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

THIS SECURITY AGREEMENT, dated as of January 11, 1990 (this "Security Agreement"), executed by THE STRAITS CORPORATION, a Michigan corporation (herein referred to as the "Debtor"), in favor of NATIONAL BANK OF DETROIT, a national banking association (the "Bank") for itself and as agent for Grand Trunk Western Railroad Company ("Grand Trunk").

W I T N E S S E T H:

WHEREAS, the Debtor and the Bank have entered into a Term Loan and Credit Agreement, dated as of January 11, 1990 (the "Credit Agreement") pursuant to which the Bank will make a term loan to the Debtor in the principal amount of \$8,000,000 and will make available a revolving credit facility in the aggregate principal amount of \$8,000,000, such credit facility being convertible into a term loan, all loans being evidenced by Promissory Notes payable to the order of the Bank in the aggregate principal amount of \$16,000,000 (the "Promissory Notes"), and the Guarantors (as such term is defined in the Credit Agreement) have, jointly and severally, guaranteed payment of the Promissory Note and of all other obligations of the Company to the Bank under the Credit Agreement or under any other instrument or agreement; and

WHEREAS, the Guarantors have entered into a Security Agreement, dated as of January 11, 1988 (the "Guarantor Security Agreement"), with the Bank, pursuant to which the Guarantors have secured the repayment of the Secured Obligations (as defined in the Guarantor Security Agreement); and

WHEREAS, Central Michigan Railway Company, a Michigan corporation ("Central Michigan"), is indebted to Grand Trunk in the principal amount of \$2,680,000 on a promissory note of Central Michigan, dated September 4, 1987, as amended, payable to the order of Grand Trunk in the original principal amount of \$3,000,000 ("GTW Note"), guaranteed by the Debtor pursuant to a Guarantee Agreement, dated September 4, 1987, between Grand Trunk and Debtor (the "Straits Guarantee Agreement"); and

WHEREAS, pursuant to the terms of an Inter-Creditor Agreement of even date herewith among the Debtor, the Bank, Grand Trunk, Central Michigan and Bay Development Company (the "Inter-Creditor Agreement"), the Debtor is obligated to secure the repayment of the GTW Note;

NOW, THEREFORE, to secure (a) payment of the principal sum of \$16,000,000, together with interest thereon, payable in accordance with the terms of the Promissory Notes, and payment of all other sums now or hereafter owing by the Company to the Bank under the Credit Agreement or any other note issued pursuant thereto, (b) payment of all amounts at any time owing by any of the Guarantors under the Guaranty Agreement of even date herewith or under any other guaranties executed and delivered to the Bank on account of indebtedness of any of them, (c) payment to Grand Trunk of the principal sum of \$2,680,000, together with interest thereon, payable in accordance with the terms of the GTW Note, and payment of all other sums now or hereafter owing under the GTW Note, together with any and all extensions and renewals thereof and any substitute note or notes, (d) performance of the covenants and agreements herein contained and any monies expended by the Bank in connection therewith (e) payment of all amounts due under any promissory note issued by any of the Guarantors to the Company which have been pledged to the Bank, and (f) payment of all obligations and performance of all covenants of the Debtor under any other agreements with the Bank and any and all other indebtedness, obligations and liabilities of any kind of the Debtor to the Bank, now or hereafter existing, direct or indirect (including without interest acquired by the Bank in any such indebtedness, obligations or liabilities of the Debtor to any other person), absolute or contingent, joint and/or several, secured or unsecured, arising by operation of law or otherwise, and whether incurred by the Debtor as principal, surety, endorser, guarantor, accommodation party or otherwise (all of the foregoing indebtedness, obligations and liabilities of the Debtor being herein called the "Secured Obligations", and all of the documents, agreements and instruments between the Debtor and the Bank evidencing or securing the repayment of, or otherwise pertaining to the Secured Obligations being herein collectively called the "Operative Documents"),

FOR VALUE RECEIVED, the Debtor hereby grants, assigns and transfers to the Bank a security interest in and to the following described property, whether now owned or existing or hereafter acquired or arising and wherever located (all of which is herein collectively called the "Collateral"):

SECURITY AGREEMENT

(a) All of the Debtor's present and future accounts, documents, instruments, general intangibles and chattel paper, including, without limitation, all contract rights, all accounts receivable and all monies and claims for money due or to become due to the Debtor;

(b) All of the Debtor's furniture, fixtures, machinery and equipment, whether now owned or hereafter acquired, and wherever located, and whether used by the Debtor or any other person, or leased by the Debtor to any person and whether the interest of the Debtor is as owner, lessee or otherwise, including railroad track and rolling stock, including, but not limited to such rolling stock listed on Annex VI attached hereto;

(c) All of the Debtor's inventory of every type, wherever located, including but not limited to livestock, grain, raw materials, work in process, finished goods and all inventory that is available for leasing or leased to others by the Debtor;

(d) All other assets of the Debtor (whether tangible or intangible), including but not limited to all patents, trademarks, industrial designs, masks, trade names, copyrights, franchises, licenses and permits, and the goodwill associated therewith and all federal and state applications and registrations therefor; provided, however, that this paragraph (d) shall not apply to the assets of Coniston Partners, a limited partnership;

(e) All books and records of the Debtor related in any way to the Collateral described in clauses (a), (b), (c) and (d) above;

(f) All substitutions and replacements for, and all additions and accessions to, any and all of the foregoing; and

(g) All products and all proceeds of any and all of the foregoing, and, to the extent not otherwise included, all payments under insurance (whether or not the Bank is the loss payee thereof), and any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing.

1. Representations, Warranties, Covenants and Agreements. The Debtor represents, warrants, covenants, and agrees as follows:

(a) Ownership of Collateral; Security Interest Priority. At the time any Collateral becomes

subject to a security interest of the Bank hereunder, unless the Bank shall otherwise consent in writing, the Debtor shall be deemed to have represented and warranted that (a) the Debtor is the lawful owner of such Collateral and such Debtor has the right and authority to subject the same to the security interest of the Bank and (b) none of the Collateral is subject to any lien, security interest, charge or encumbrance, other than liens and security interests in favor of the Bank, or those listed on Annex I attached hereto and there is no effective financing statement covering any of the Collateral on file in any public office, other than those evidencing security interests in favor of the Bank or those listed on Annex I attached hereto. This Security Agreement creates in favor of the Bank a valid and perfected security interest in the Collateral enforceable against the Debtor and all third parties and securing the payment of the Secured Obligations and all filings and other actions necessary or desirable to create, preserve or perfect such security interests have been duly taken.

(b) Location of Offices, Records and Facilities. The Debtor's chief executive office and chief place of business and the office where the Debtor keeps its records concerning its accounts, contract rights, chattel paper, instruments, general intangibles and other obligations arising out of or in connection with the sale or lease of goods or the rendering of services or otherwise ("Receivables"), and all originals of all leases and other chattel paper which evidence Receivables, are all located in the State of Michigan and set forth in Annex II attached hereto. The Debtor will provide the Bank with prior written notice of any proposed change in the location of its chief executive office and will not change the location of its chief executive office without the prior written consent of the Bank. The Debtor's only other offices and facilities are at the locations set forth in Annex III hereto. The Debtor will provide the Bank with prior written notice of any change in the locations of its other offices and the facilities.

(c) Location of Inventory, Fixtures, Machinery and Equipment. All Collateral consisting of inventory is, and will be, located at the locations listed on Annex IV hereto, and at no other locations without the prior written consent of the Bank. All Collateral consisting of fixtures, machinery or equipment, other than rolling stock, is, and will be, located at the locations listed on Annex V hereto, and at no other locations without the prior written consent of the Bank. The Debtor shall, upon the Bank's request, inform the Bank as to the location of all rolling stock as of the end of the month preceding such request.

(d) Liens, Etc. The Debtor will keep the Collateral free at all times from any and all liens, security interests or encumbrances other than those described in paragraph 1(a) and those consented to in writing by the Bank. The Debtor shall not, without the prior written consent of the Bank, sell or lease, or permit or suffer to be sold or leased, any of the Collateral except inventory which is sold or, subject to the Bank's security interest therein, is leased in the ordinary course of the Debtor's business. The Bank or its attorneys may at any and all reasonable times inspect the Collateral and for such purpose may enter upon any and all premises where the Collateral is or might be kept or located.

(e) Insurance. The Debtor shall keep the tangible Collateral insured at all times against loss by theft, fire and other casualties. Said insurance shall be issued by a company satisfactory to the Bank and shall be in amounts sufficient to protect the Bank against any and all loss or damage to the Collateral. The policy or policies which evidence said insurance shall be delivered to the Bank upon request, shall contain a loss payable clause in favor of the Bank, shall name the Bank as an additional insured, as its interest may appear, shall not permit amendment, cancellation or termination without giving the Bank at least 30 days prior written notice thereof, and shall otherwise be in form and substance satisfactory to the Bank. Reimbursement under any liability insurance maintained by the Debtor pursuant to this paragraph 1(e) may be paid directly to the person who shall have incurred liability covered by such insurance. In case of any loss involving loss to tangible Collateral when the next succeeding sentence is not applicable, the Debtor shall make or cause to be made the necessary repairs to or replacements of such tangible Collateral and any proceeds of insurance maintained by the Debtor pursuant to this paragraph 1(e) shall be paid to the Debtor or Guarantor actually making the repair or replacement as reimbursement for the costs of such repairs or replacements. Upon the occurrence and during the continuance of an event of default or the actual or constructive total loss of any tangible Collateral, all insurance payments in respect of such tangible Collateral shall be paid to and applied by the Bank as specified in paragraph 3.

(f) Taxes, Etc. The Debtor will pay promptly, and within the time that they can be paid without interest or penalty, any taxes, assessments and similar imposts and charges, not being contested in good faith, which are now or hereafter may become a lien, charge or encumbrance upon any of the Collateral. If the Debtor fails

to pay any such taxes, assessments or other imposts or charges in accordance with this paragraph, the Bank shall have the option to do so and the Debtor shall repay forthwith all amounts so expended by the Bank with interest at the default rate of interest under the Promissory Note. The Debtor shall further pay when due all property and other taxes, assessments and governmental charges or levies imposed upon, and all claims (including claims for labor, materials and supplies) against, the tangible Collateral, except to the extent the validity thereof is being contested in good faith by appropriate legal proceedings and as to which appropriate financial reserves have been established on the books and records of the Debtor.

(g) Further Assurances. The Debtor will do all acts and things and will execute all financing statements and writings requested by the Bank to establish, maintain and continue a perfected and valid security interest of the Bank in the Collateral, and will promptly on demand pay all reasonable costs and expenses of filing and recording all instruments, including the costs of any searches deemed necessary by the Bank to establish and determine the validity and the priority of the Bank's security interests.

(h) Maintenance of Tangible Collateral. The Debtor will cause the tangible Collateral to be maintained and preserved in the same condition, repair and working order as when new, ordinary wear and tear excepted, and in accordance with any manufacturer's manual, and shall forthwith, or in the case of any loss or damage to any of the tangible Collateral as quickly as practicable after the occurrence thereof, make or cause to be made all repairs, replacements, and other improvements made in connection therewith which are necessary or desirable to such end. The Company, on behalf of the Debtor, shall promptly furnish to the Bank a statement respecting any material loss or damage to any of the tangible Collateral.

(i) Maintenance of Intangible Collateral. The Debtor will preserve and maintain all rights of the Debtor and the Bank in the intangible Collateral, including without limitation the payment of all maintenance fees and the taking of appropriate action at the Company's expense to halt the infringement of any of the intangible Collateral.

(j) Names and Tax Identification Numbers. The Debtor has not at any time operated under any other name than its name as set forth at the beginning of this Agreement, except as specified in writing to the Bank, and its tax identification number is correctly set forth in the financing statement between the Debtor and the Bank.

2. Events of Default. The occurrence of any of the following events shall constitute an event of default under this Security Agreement:

(a) Any representation or warranty of the Debtor contained herein or in any certificate or other document delivered to the Bank proves to be untrue in any material respect as of the date when made.

(b) Default by the Debtor in the observance or performance of any of the terms, conditions, covenants or agreements contained herein, and such default continues for a period of 30 days.

(c) Any event of default under the Credit Agreement or, subject to the terms of the Inter-Creditor Agreement, the Straits Guarantee Agreement or the GTW Note.

3. Remedies. Upon the occurrence of any such event of default, the Bank shall have and may exercise any one or more of the rights and remedies provided to it under this Security Agreement or any of the other Operative Documents or provided by law, including but not limited to all of the rights and remedies of a secured party under the Uniform Commercial Code, and the Debtor hereby agrees to assemble the Collateral on its own behalf and on behalf of the Guarantors and make it available to the Bank at a place to be designated by the Bank which is reasonably convenient to both parties. The Debtor authorizes the Bank to take possession of the Collateral with or without demand and with or without process of law and to sell and dispose of the same at public or private sale and to apply the proceeds of such sale to the costs and expenses thereof (including reasonable attorneys' fees and disbursements incurred by the Bank) and then to the payment of the indebtedness and satisfaction of other Secured Obligations as provided in the Inter-Creditor Agreement. Any requirement of reasonable notice shall be met if the Bank sends such notice to the Debtor, by registered or certified mail, at least 5 days prior to the date of sale, disposition or other event giving rise to a required notice. The Bank may be the purchaser at any such sale. The Debtor expressly authorizes such sale or sales of the Collateral in advance of and to the exclusion of any sale or sales of or other realization upon any other collateral securing the Secured Obligations. The Bank shall have no obligation to preserve rights against prior parties. The Debtor hereby waives as to the Bank any right of subrogation or marshalling of such Collateral and any other collateral for the Secured Obligations. To this end, the Debtor hereby expressly agrees that any such collateral or other security of the Debtor or any other party which the

Bank may hold, or which may come to any of them or any of their possession, may be dealt with in all respects and particulars as though this Security Agreement were not in existence. The parties hereto further agree that public sale of the Collateral by auction conducted in any county in which any Collateral is located or in which the Bank or the Debtor does business after advertisement of the time and place thereof shall, among other manners of public and private sale, be deemed to be a commercially reasonable disposition of the Collateral.

4. Special Remedies Concerning Certain Collateral. (a) Upon the occurrence of any event of default, the Debtor shall, if requested to do so in writing, and to the extent so requested (i) promptly collect and enforce payment of all amounts due the Debtor on account of, in payment of, or in connection with, any of the Collateral, (ii) hold all payments in the form received by the Debtor as trustee for the Bank, without commingling with any funds belonging to the Debtor, and (iii) forthwith deliver all such payments to the Bank with endorsement to the Bank's order of any checks or similar instruments.

(b) Upon the occurrence of any event of default, the Debtor shall, if requested to do so, and to the extent so requested, notify all account debtors and other persons with obligations to the Debtor on account of or in connection with any of the Collateral of the security interest of the Bank in the Collateral and direct such account debtors and other persons that all payments in connection with such obligations and the Collateral be made directly to the Bank. The Bank itself may, upon the occurrence of an event of default, so notify and direct any such account debtor or other person that such payments are to be made directly to the Bank.

(c) For purposes of assisting the Bank in exercising its rights and remedies provided to it under this Security Agreement, the Debtor (i) hereby irrevocably constitutes and appoints the Bank its true and lawful attorney, for it and in its name, place and stead, to collect, demand, receive, sue for, compromise, and give good and sufficient releases for, any monies due or to become due on account of, in payment of, or in connection with the Collateral, (ii) hereby irrevocably authorizes the Bank to endorse the name of the Debtor upon any checks, drafts, or similar items which are received in payment of, or in connection with any of the Collateral, and to do all things necessary in order to reduce the same to money, and (iii) with respect to any Collateral, hereby irrevocably assents to all extensions or postponements of the time of payment

thereof or any other indulgence in connection therewith, to each substitution, exchange or release of Collateral, to the addition or release of any party primarily or secondarily liable, to the acceptance of partial payments thereon and the settlement, compromise or adjustment thereof, all in such manner and at such time or times as the Bank shall deem advisable. Notwithstanding any other provision of this Security Agreement, it is expressly understood and agreed that the Bank shall have no duty or be obligated in any manner to make any demand or to make any inquiry as to the nature or sufficiency of any payments received by it or to present or file any claim or take any other action to collect or enforce the payment of any amounts due or to become due on account of or in connection with any of the Collateral.

5. Remedies Cumulative. No right or remedy conferred upon or reserved to the Bank under any Operative Document is intended to be exclusive of any other right or remedy, and every right and remedy shall be cumulative in addition to every other right or remedy given hereunder or now or hereafter existing under any applicable law. Every right and remedy of the Bank under any Operative Document or under applicable law may be exercised from time to time and as is often as may be deemed expedient by the Bank. To the extent that it lawfully may, the Debtor agrees that it will not at any time insist upon, plead, or in any manner whatever claim or take any benefit or advantage of any applicable present or future stay, extension or moratorium law, which may affect observance or performance of any provision of any Operative Document; nor will it claim, take or insist upon any benefit or advantage of any present or future law providing for the valuation or appraisal of any security for its obligations under any Operative Document prior to any sale or sales thereof which may be made under or by virtue of any instrument governing the same; nor will it, after any such sale or sales, claim or exercise any right, under any applicable law to redeem any portion of such security so sold.

6. Conduct No Waiver. No waiver of default shall be effective unless in writing executed by the Bank and waiver of any default or forbearance on the part of the Bank in enforcing any of its rights under this Security Agreement shall not operate as a waiver of any other default or of the same default on a future occasion or of such right.

7. Governing Law; Definitions. This Security Agreement is a contract made under, and the rights and obligations of the parties hereunder shall be governed by and construed in accordance with, the laws of the State of

Michigan applicable to contracts made and to be performed entirely within such State. Terms used but not defined herein shall have the respective meaning ascribed thereto in the Credit Agreement. Unless otherwise defined herein or in the Credit Agreement, terms used in Article 9 of the Uniform Commercial Code in the State of Michigan are used herein as therein defined on the date hereof.

8. Notices. All notices, demands, requests, consents and other communications hereunder shall be in writing and shall be delivered or sent to the Debtor at 120 Oak Street, Tawas City, Michigan 48763, Attention: Roger Moffatt, and to the Bank at 611 Woodward Avenue, Detroit, Michigan 48226, Attention: Bradley J. Faubel, Michigan Banking Division, or to such other address as may be designated by the Company or the Bank to the other party. All notices shall be deemed to have been given at the time of actual delivery thereof to such address.

9. Rights Not Construed as Duties. The Bank neither assumes nor shall it have any duty of performance or other responsibility under any contracts in which the Bank has or obtains a security interest hereunder. If the Debtor fails to perform any agreement contained herein, the Bank may but is in no way obligated to itself perform, or cause performance of, such agreement, and the expenses of the Bank incurred in connection therewith shall be payable by the Company under paragraph 12. The powers conferred on the Bank hereunder are solely to protect its interests in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and accounting for monies actually received by it hereunder, the Bank shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral.

10. Amendments. None of the terms and provisions of this Security Agreement may be modified or amended in any way except by an instrument in writing executed by each of the parties hereto.

11. Severability. If any one or more provisions of this Security Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected, impaired or prejudiced thereby.

12. Expenses. (a) The Debtor shall indemnify the Bank from and against any and all claims, losses and

liabilities arising out of or resulting from this Security Agreement (including, without limitation, enforcement of this Security Agreement), except claims, losses or liabilities resulting from the Bank's gross negligence or willful misconduct.

(b) The Debtor will, upon demand, pay to the Bank any and all reasonable expenses, including the reasonable fees and disbursements of its counsel and of any experts and agents, which the Bank may incur in connection with (i) the administration of this Security Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of the Bank hereunder, or (iv) the failure of the Debtor to perform or observe any of the provisions hereof. The Debtor will reimburse the Bank for all expenses, including attorneys' fees and disbursements incurred by the Bank in seeking to collect the indebtedness and other obligations secured hereby or any part thereof, in enforcing performance of the Debtor's obligations under the Operative Documents, in defending the Bank's security interests and the priority thereof, or in pursuing any of the Bank's rights or remedies hereunder or under the Operative Documents.

13. Waiver of Jury Trial. The Bank and the Debtor, after consulting or having had the opportunity to consult with counsel, knowingly, voluntarily and intentionally waive any right any of them may have to a trial by jury in any litigation based upon or arising out of this agreement or any related instrument or agreement or any of the transactions contemplated by this agreement or any course of conduct, dealing, statements (whether oral or written) or actions of any of them. Neither the Bank nor the Debtor shall seek to consolidate, by counterclaim or otherwise, any such action in which a jury trial has been waived with any other action in which a jury trial cannot be or has not been waived. These provisions shall not be deemed to have been modified in any respect or relinquished by either the Bank or the Debtor except by a written instrument executed by both of them.

14. Successors and Assigns; Termination. This Security Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until full payment and performance of the Secured Obligations (b) be binding upon the Debtor, its respective successors and assigns and (c) inure, together with the rights and remedies of the Bank hereunder, to the benefit of the Bank and its successors, transferees and

assigns. Upon the full payment and performance of the Secured Obligations, the security interests granted hereby shall terminate and all rights to the Collateral shall revert to the Debtor. Upon any such termination, the Bank will, at the Debtor's expense, execute and deliver to the Debtor such documents as the Company shall reasonably request to evidence such termination.

IN WITNESS WHEREOF, the Debtor has caused this Security Agreement to be duly executed as of the day and year first set above and this Security Agreement shall become effective the 24 day of January, 1990.

THE STRAITS CORPORATION

By: Charles B. Roberts
Its: President

SECURITY AGREEMENT

ANNEX I

List of Permitted Liens

- \$.850M Michigan Department of Transportation Contingent Interest - Detroit and Mackinac Railway Company
- \$.268M First Mortgage and Lien Bonds - Detroit and Mackinac Railway Company
- \$.436M U.S. Government Crop Loans for 1989 and similar U.S. Government Crop Loans for subsequent years - Mackinac Land and Cattle Co.
- \$2.680M Grand Trunk Western Railway Mortgage - Central Michigan Railway Company

ANNEX II

List of Chief Executive Office and
Chief Place of Business

<u>Debtor</u>	<u>Address</u>	<u>City</u>	<u>State</u>
The Straits Corporation	120 Oak Street	Tawas City	MI

ANNEX III

List of Other Offices and Facility Locations

None

ANNEX IV

List of Inventory Locations

None

ANNEX V

List of Fixtures, Machinery and Equipment Locations*

* D&M rolling stock travels throughout the U.S. and Canada.

ANNEX VI

Rolling Stock

All of the Debtor's rolling stock, including:

Locomotives

<u>Amount</u>	<u>Unit Numbers</u>	<u>Description</u>
6	4500-4506	2250 H.P.GEU23B

(owned by Straits but leased to CMGN)

PED/00007/1747/AJ8/5

SECURITY AGREEMENT