

**DONELAN, CLEARY, WOOD & MASER, P.C.**

ATTORNEYS AND COUNSELORS AT LAW  
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WASHINGTON, D.C. 20005-3934

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*Counterparts - Williams*

14933  
FEB 20 11 34 AM '96

February 20, 1996

FEB 20 11 34 AM '96

New Recordation No.

Dear Mr. Williams:

On behalf of Train, L.L.C. and Depot Company, L.L.C., I submit for filing and recording under 49 U.S.C. § 11301(a) and the regulations applicable thereunder, executed counterparts of a primary document, not previously recorded, entitled Security Agreement ("Agreement"), made on February 16, 1996.

The parties to the enclosed Agreement are:

Martin G. Lagin <sup>a</sup> 232 West McKinley Road Traverse City, Michigan 49684	—	SECURED PARTY
Train, L.L.C. and Depot Company, L.L.C. 1816 Timberlane Drive Traverse City, Michigan 49686	—	DEBTORS

Please index separately the name of each Debtor.

The said Agreement, among other things, acts to create a security interest in the equipment listed in Exhibit "A" thereto by the Debtors to the Secured Party.

The equipment covered by the instant Agreement is as identified in Exhibit "A" thereto.

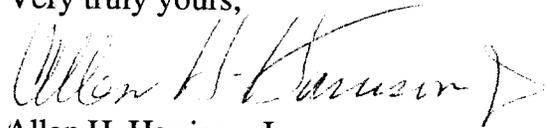
A short summary of the Agreement to appear in the Surface Transportation Board Index is as follows:

"Covers 2 locomotives, 1 kitchen car and 2 dining cars as listed in Exhibit A.

Enclosed is a check in the amount of twenty-one dollars (\$21.00) in payment of the filing fee.

Once the filing has been made, please return to bearer the stamped counterpart(s) of the document not required for filing purposes, together with the letter/fee receipt from the Surface Transportation Board acknowledging the filing, and the two extra copies of this letter of transmittal.

Very truly yours,



Allen H. Harrison, Jr.  
*Attorney for Train, L.L.C. and  
Depot Company, L.L.C. for  
the purpose of this filing.*

Honorable Vernon A. Williams  
Secretary  
Surface Transportation Board  
Washington, D.C. 20423

*Enclosures*

BY HAND

8394-020

SURFACE TRANSPORTATION BOARD  
WASHINGTON, D.C. 20423-0001

2/20/96

Allen H. Harrison, Jr.  
Donelan, Cleary, Wood & Maser, P.C.  
1100 New York Avenue, NW., Ste. 750  
Washington, DC., 20005-3934

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 2/20/96 at 11:40AM, and assigned recordation number(s) 19938.

Sincerely yours,

Vernon A. Williams  
Secretary

Enclosure(s)

\$ 21.00 The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid and in no way indicates acknowledgment that the fee paid is correct. This is accepted subject to review of the document which has been assigned the transaction number corresponding to the one typed on this receipt. In the event of an error or any questions concerning this fee, you will receive a notification after the Commission has had an opportunity to examine your document.

Signature

*James M. Fort*

19938

## SECURITY AGREEMENT

This Security Agreement is made on February 16, 1996, between Train, L.L.C., a Michigan Limited Liability Company, and the Depot Company, L.L.C., a Michigan Limited Liability Company, both of 1816 Timberlane Drive, Traverse City, Michigan 49684 ("Debtors"), and Martin G. Lagina, an Individual, of 232 West McKinley Road, Traverse City, Michigan 49684 ("Secured Party").

1. Grant of Security Interest. Debtors grant to Secured Party a continuing security interest in the property described on Exhibit A, including all fixtures, furniture and furnishings and equipment related to the property described on Exhibit A now existing or hereafter acquired, also including without limitation all cash, checks, drafts, accounts receivable, chattel paper, leases, and instruments received by Debtor in connection with any sale, lease, exchange, or disposition of any of the foregoing. All of the foregoing properties and assets of Debtors are referred to collectively in this agreement as the "collateral." This Security Agreement shall terminate and Secured Party will terminate this Security Interest upon full satisfaction of the Indebtedness.
2. Indebtedness Secured. The foregoing security interest is given to secure payment and performance of a Promissory Note of even date, of the Debtors, payable to the order of the Secured Party, in the principal amount of \$400,000, plus interest, and all renewals and extensions thereof.

The indebtedness and obligations that are secured by this security interest are collectively called the "indebtedness."

3. Warranties, Representations, and Agreements. Debtors warrant and represent to, and agree with, Secured Party as follows:

- (a) Debtors are limited liability companies and are organized and validly existing in good standing under the laws of the state of Michigan; Debtors have full power and authority to enter into and perform their obligations under this agreement; the execution, delivery, and performance of this agreement have been duly authorized by all necessary action of Debtors' members and managers and will not violate Debtors' articles of organization or operating agreement; and this agreement is the valid and binding obligation of Debtors, enforceable in accordance with their terms.
- (b) Debtors are the owner of the collateral, and none of the collateral is subject to any lien, security interest, encumbrance, or claim in favor of any third party, and no financing statement is on file in any public office covering any of the collateral.
- (c) None of the collateral is, and Debtors will not permit any of the collateral to be, contaminated or the source of contamination of any other property, by any substance that is now or later regulated by or subject to any past, present, or future federal, state, local, or foreign law, ordinance, rule, regulation, or order that regulates or is intended to protect public health or the environment or that establishes liability for the investigation, removal, or cleanup of, or damage caused by, any environmental contamination, including without limitation any law, ordinance, rule, regulation, or order that regulates or prescribes requirements for air quality, water quality, or the disposition, transportation, or management of waste materials or toxic substances. Debtors will operate and

maintain the collateral in compliance with all such laws and regulations.

- (d) Debtors' address set forth on the face of this agreement is the location of Debtors' place of business.

4. Agreements of Debtors. Debtors agrees that:

- (a) Debtors will not cause or permit any lien, security interest or encumbrance to be placed on any collateral, except in favor of Secured Party and Debtors will not sell, assign, or transfer any collateral or permit any collateral to be transferred by operation of law, except that, as long as an event of default, as defined in this agreement, has not occurred, Debtors may sell inventory in the ordinary course of Debtors' business. A sale in the ordinary course of business does not include a transfer in partial or complete satisfaction of a debt.
- (b) Debtors will maintain all records concerning the collateral at Debtors' address appearing on the first page of this agreement and will keep all tangible collateral (other than the train or vehicles being operated in the ordinary course of business) at the present location or locations of the collateral. Debtors will not permit the train or any vehicle to be operated or located outside of the State of Michigan.
- (c) Debtors will furnish Secured Party with the information regarding the collateral that Secured Party shall from time to time request and will allow Secured Party at any reasonable time to inspect the collateral and Debtors' records regarding the collateral.
- (d) Debtors will execute, file, record, or procure from third persons the financing statements, subordination agreements, and other documents and take all other

action that Secured Party may deem necessary to perfect, to continue perfection of, or to maintain first priority of Secured Party's security interest in the collateral and Debtors will place upon the collateral and/or documents evidencing the collateral the notice of Secured Party's security interest that Secured Party may from time to time require.

- (e) Secured Party may file a photocopy of this agreement as a financing statement evidencing Secured Party's security interest in the collateral.
- (f) Debtors will immediately notify Secured Party in writing of any change in Debtors' names, identities, or corporate structures, and of any change in the location of Debtors' place of business and of the location of each additional place of business established by Debtors.
- (g) Debtors will indemnify Secured Party with respect to all losses, damages, liabilities, and expenses (including attorney fees) incurred by Secured Party by reason of any failure of Debtors to comply with any of Debtors' obligations under this agreement or by reason of any warranty or representation made by Debtors to Secured Party in this agreement being false in any material respect.
- (h) Debtors will maintain all tangible collateral in good condition and repair and maintain fire and extended coverage insurance covering all tangible collateral in the amounts and against the risks that Secured Party shall require. Each insurance policy will provide that its proceeds will be payable to Secured Party to the extent of Secured Party's interest in the collateral and that the policy will not be canceled, and the coverage will not be reduced, without at least 30 days prior

written notice by the insurer to Secured Party. Debtors will promptly provide Secured Party with evidence of the insurance coverage. Debtors agree that Secured Party may act as agent for Debtors in obtaining, adjusting, and settling such insurance and endorsing any draft evidencing proceeds of it.

- (i) Debtors will pay, before they become delinquent, all taxes and assessments upon the collateral or for its use or operation, and pay and perform when due all indebtedness and obligations under all leases, land contracts, or other agreements under which Debtors have possession of any real property upon which any of the collateral shall at any time be located and under any mortgage or mortgages at any time covering any such real property.
- (j) Debtors shall not conduct business under any other names than given above nor change or reorganize the type of business entity under which they do business except upon prior written approval of Secured Party. If such approval is given, Debtors guarantee that all documents, instruments and agreements demanded by Secured Party shall be prepared and filed at Debtors' expense before such change of name or business entity occurs.
- (k) Debtors shall pay the filing and recording costs of any documents or instruments necessary to perfect, extend, modify or terminate the security interest created hereunder, as demanded by Secured Party.

5. Secured Party's Right to Perform. If Debtors fail to perform any obligation of Debtors under this agreement, Secured Party may, after giving notice to or obtaining the consent of Debtors, perform that obligation on behalf of Debtors. For example, this may include

obtaining insurance coverage for collateral or for paying off liens on collateral. Debtors will reimburse Secured Party on demand for any expense that Secured Party incurs in performing any such obligation and will pay to Secured Party interest on it, from the date the expense was incurred by Secured Party, at an annual rate equal to the lesser of 7% percent per annum or the highest rate to which Debtors could lawfully agree in writing. Secured Party is not required to perform an obligation that Debtors have failed to perform. If Secured Party does so, that will not be a waiver of Secured Party's right to declare the indebtedness immediately due and payable by reason of Debtors' failure to perform.

6. Events of Default and Acceleration. Any part or all of the indebtedness shall, at the option of Secured Party, after providing Debtors notice and ten (10) days to cure the asserted default, become immediately due and payable without notice or demand upon the occurrence of any of the following events of default:
- (a) If default occurs in the payment or performance of any of the indebtedness, when and as it shall be due and payable.
  - (b) If default occurs in the performance of any obligation of Debtors to Secured Party under this agreement or under any promissory note or other instrument at any time evidencing any indebtedness or under any other security agreement, loan agreement, mortgage, assignment, guaranty, or other agreement that now or later secures or relates to any indebtedness or obligation now or later owing by Debtors to Secured Party or that secures or relates to any guaranty of any such indebtedness or obligation ("security documents").

- (c) If any warranty, representation, or statement made to Secured Party by Debtors or by any guarantor of all or part of the indebtedness ("Guarantor") in this agreement or in any security document, credit application, financial statement, or otherwise, was false in any material respect when made or furnished.
- (d) If Debtors dissolve, become insolvent, or make assignments for the benefit of creditors.
- (e) If any guaranty that now or later secures payment or performance of all or any part of the indebtedness is terminated or limited for any reason, without the written consent or agreement of Secured Party.
- (f) If any attachment, garnishment, levy, execution, or other legal process is at any time issued against or placed upon any of the collateral.
- (g) If all or any material part of any tangible collateral is destroyed or materially damaged by fire or other casualty, whether or not there is insurance coverage for the damage or destruction.

If a voluntary or involuntary case in bankruptcy, receivership, or insolvency is at any time commenced by or against Debtors or any Guarantor or if any attachment, garnishment, levy, execution, or other legal process is at any time issued against or placed upon any collateral, then the entire indebtedness shall automatically become immediately due and payable, without notice or demand. All or part of the indebtedness also may become, or may be declared to be, immediately due and payable under the terms of any note at any time evidencing any of the indebtedness or of any loan agreement, security document, or other agreement entered into between Debtors and Secured Party.

7. Secured Party's Rights and Remedies. Secured Party shall have all rights and remedies of a secured party under applicable laws. Without limiting these rights and remedies:

- (a) If all or any part of the indebtedness is not paid at maturity, Debtors, upon demand by Secured Party, shall deliver the collateral and proceeds of collateral to Secured Party at such place as Secured Party shall designate, and Secured Party may dispose of the collateral in any commercially reasonable manner. Any notification required to be given by Secured Party to Debtors regarding any sale or other disposition of collateral shall be considered reasonable if mailed at least five days before the sale or other disposition.
- (b) The proceeds of any collection or disposition of collateral shall be applied first to Secured Party's attorney fees and expenses, as provided in paragraph 8, and then to the indebtedness, and Debtors shall be liable for any deficiency remaining.
- (c) Upon the occurrence of an event of default, as defined in paragraph 6 above, (i) without notice or demand to Debtors, Secured Party shall be entitled to notify Debtors' account debtors and obligors to make all payments directly to Secured Party, and Secured Party shall have the right to take all actions that Secured Party considers necessary or desirable to collect upon the collateral, including without limitation prosecuting actions against, or settling or compromising disputes and claims with, Debtors' account debtors and obligors, and (ii) upon demand by Secured Party, Debtors shall immediately deliver to Secured Party, at such place as Secured Party shall designate, all proceeds of the collateral and all books, records, agreements, leases, documents, and instruments evidencing or relating

to the collateral.

All rights and remedies of Secured Party shall be cumulative and may be exercised from time to time at his will.

8. Expenses. Debtors shall reimburse Secured Party on demand for all attorney fees, legal expenses, and other expenses that Secured Party incurs in protecting and enforcing its rights under this agreement. This includes fees and expenses incurred in trying to take possession of collateral from Debtors, a trustee or receiver in bankruptcy, or any other person. Secured Party may apply any proceeds of collection or disposition of collateral to Secured Party's reasonable attorney fees, legal expenses, and other expenses.
9. Amendments and Waivers. No provision of this agreement may be modified or waived except by a written agreement signed by Secured Party. Secured Party will continue to have all of its rights under this agreement even if it does not fully and promptly exercise them on all occasions. Secured Party may, at its option, (a) waive any default, or defer an action on any default; (b) extend or modify the time or manner of payment of the indebtedness or waive or modify any term or condition relating to the indebtedness; (c) release collateral or other security for the indebtedness; (d) release any person liable for any of the indebtedness, including any borrower or Guarantor; or (e) make advances or other extensions of credit secured by this agreement; all without giving Debtors notice or obtaining Debtors' consent. Any such action by Secured Party will not release or impair its security interest in the collateral or Debtors' obligations under this agreement. Secured Party's security interest in the collateral and Debtors' obligations under this agreement will not be released or impaired if Secured Party fails to obtain, perfect, or

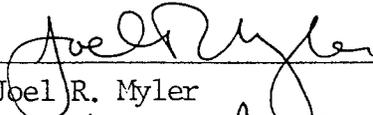
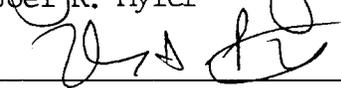
secure priority of any other security for the indebtedness that is agreed to be given, or is given, by anyone else. Secured Party is not required to sue upon or otherwise enforce payment of the indebtedness or any other security before exercising its rights under this agreement.

10. Notices. Any notice to Debtors or to Secured Party shall be deemed to be given if and when mailed, with postage prepaid, to the respective address of Debtors or Secured Party appearing on the first page of this agreement, or if and when delivered personally.
11. Other. In this agreement, maturity of any of the indebtedness means the time when that indebtedness has become due and payable, for any reason (including, for example, acceleration due to default or bankruptcy). This agreement will be governed by, and interpreted according to, Michigan law.
12. Binding Effect. This agreement shall be binding upon and inure to the benefit of Debtors and Secured Party and their respective heirs, personal representatives, successors, and assigns.

Debtors and Secured Party have executed this Security Agreement on the date listed on the first page of this agreement.

DEBTORS:

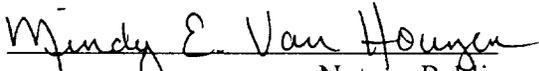
TRAIN L.L.C.

  
\_\_\_\_\_  
Joel R. Myler  
  
\_\_\_\_\_

  
\_\_\_\_\_  
By: Neil K. Klein  
Its: Member/Manager

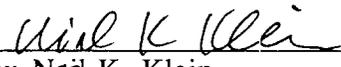
Thomas A. Pessetti

The foregoing instrument was acknowledged be me this 16 day of February, 1996, by Neil K. Klein, of Train L.L.C., a Michigan corporation, ~~on behalf of the corporation.~~ Limited Liability Company, on behalf of the Company, as a Member

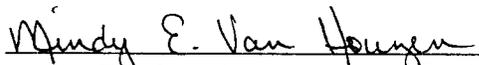
  
\_\_\_\_\_  
Mindy E. Van Houzen Notary Public  
Grand Traverse County, Michigan  
My Commission expires: 3-26-99

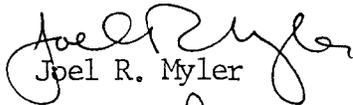
DEPOT COMPANY L.L.C.

  
\_\_\_\_\_  
  
\_\_\_\_\_

  
\_\_\_\_\_  
By: Neil K. Klein  
Its: Member/Manager

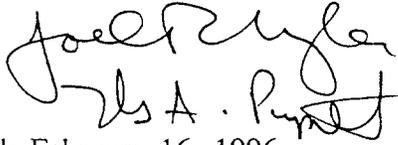
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\_\_\_\_\_  
Mindy E. Van Houzen Notary Public  
Grand Traverse County, Michigan  
My Commission expires: 3-26-99.

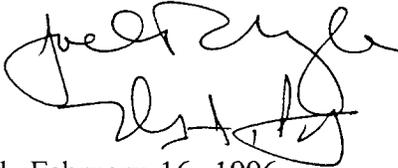
  
Joel R. Myler

  
Thomas A. Pezzetti

Dated: February 16, 1996

  
Joel R. Myler

Dated: February 16, 1996

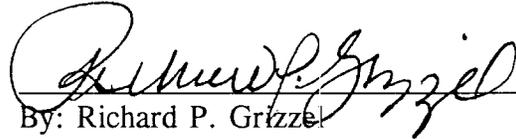
  
Thomas A. Pezzetti

Dated: February 16, 1996

  
Daniel J. Kelly

By: Daniel J. Kelly

Its: Member

  
Richard P. Grizzel

By: Richard P. Grizzel

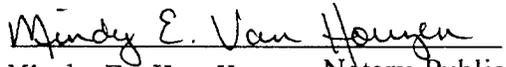
Its: Member

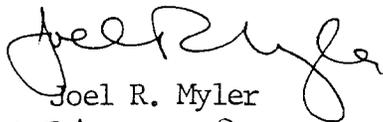
  
Robert F. Follett

By: Robert F. Follett

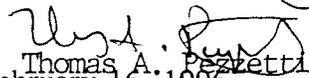
Its: Member

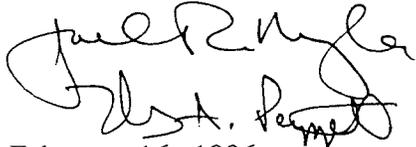
The foregoing instrument was acknowledged be me this 16th day of February, 1996, by Daniel J. Kelly, Richard P. Grizzel, and Robert F. Follett, of the Depot Company L.L.C., a Michigan corporation, on behalf of the corporation. Michigan Limited Liability Company, on behalf of the Company, as a Member

  
Mindy E. Van Houzen Notary Public  
Grand Traverse County, Michigan  
My Commission expires: 3-26-99.

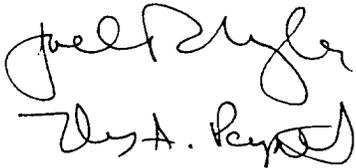


Joel R. Myler

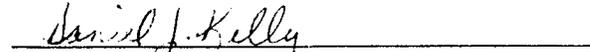
  
Thomas A. Pezetti  
Dated: February 16, 1996



Dated: February 16, 1996



Dated: February 16, 1996



By: Daniel J. Kelly

Its: Member



By: Richard P. Grizzel

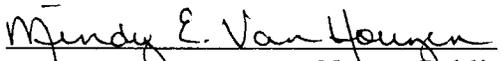
Its: Member

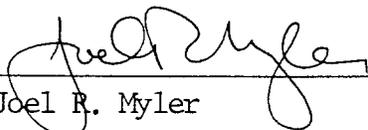


By: Robert F. Follett

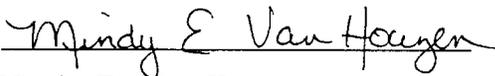
Its: Member

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Mindy E. Van Houzen Notary Public  
Grand Traverse County, Michigan  
My Commission expires: 3-26-99.

  
Joel R. Myler

SECURED PARTY  
  
Martin G. Lagina

  
Mindy E. Van Houzen

The foregoing instrument was acknowledged be me this 16 day of February, 1996, by  
Martin G. Lagina.

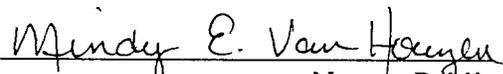
  
Mindy E. Van Houzen Notary Public  
Grand Traverse County, Michigan  
My Commission expires: 3-26-99.

EXHIBIT "A"

A certain train and related equipment commonly known as the "Mountain Monarch", consisting of the following:

1. Railroad Baggage Coach remodeled to Kitchen Car No. STR731
2. 2-Pullman Chair cars converted to Dining Cars Nos. 7529 & 7524
3. Railroad Locomotive No. 102 Serial No. F7A6098B EMO 17852
4. Railroad Locomotive No. 103 Serial No. F7AF2C98 EMO 11073
5. Package Electric Set Caterpillar Model 3408 TA Serial No. 78Z02273
6. Package Electric Set Caterpillar Model 3408 TA Serial No. 78<sup>Z</sup>02283
7. Miscellaneous personal property including approximately 56 tables and 224 chairs
8. All kitchen, dining and other equipment located on or attached to the above described dining, kitchen cars and/or locomotives.

DISTRICT OF COLUMBIA ) SS.:

CERTIFICATE OF TRUE COPY

I, Allen H. Harrison, Jr., a member of the Bars of the District of Columbia and the Commonwealth of Virginia, do hereby certify that I have compared the attached document with an executed original counterpart thereof and find the said attached copy to be in all respects a true, correct and complete copy of the aforesaid executed original counterpart.

IN WITNESS WHEREOF, the undersigned has hereto affixed his signature this 20<sup>th</sup> day of February, 1996.

A handwritten signature in cursive script, reading "Allen H. Harrison, Jr.", is written over a horizontal line.

Subscribed and sworn to before me  
this 20<sup>th</sup> day of February, 1996

Diane G. Hauslein  
Notary Public, D.C.

My Commission expires: 9.30.96