



DEPOT  
840 North Pontiac Trail  
Walled Lake, Michigan 48088  
313/669-1248

OFFICE  
26795 Captains Lane  
Franklin, Michigan 48025  
313/851-7957

July 31, 2000

RECORDATION NO. 23042 FILED

Secretary  
Surface Transportation Board  
Washington D.C. 20423

AUG 7 '00 10-21 AM  
TS  
SURFACE TRANSPORTATION BOARD



Re: Coe Sun, Inc. and Coe Rail, Inc. Security Agreement

Dear Secretary:

I have enclosed an original and one copy/counterpart of the document described below, to be recorded pursuant to Section 11301 of Title 49 of the U.S. Code.

This document is a Security Agreement, a primary document, dated July 26, 2000.

The name and address of the parties to the documents are as follows:

Debtor/Purchaser: Coe Sun, Inc. , 26795 Captains Lane, Franklin, Michigan  
Secured Party/Vendor: Coe Rail, Inc. , 26795 Captains Lane, Franklin, Michigan

A description of the equipment covered by the document follows:

- |                  |               |
|------------------|---------------|
| a. EMD/GM Engine | No. CRLE 407  |
| b. EMD/GM Engine | No. CRLE 416  |
| c. Kitchen Car   | No. CRLE 1235 |
| d. Dining Car    | No. CRLE 1234 |
| e. Dining Car    | No. CRLE 1236 |

**Type of Equipment: locomotives, dining cars and kitchen car.**

A fee of \$26.00 is enclosed. Please return the original and any extra copies not needed by the Board for recordation to:

Coe Rail, Inc.  
26795 Captains Lane  
Franklin, Michigan 48025

Secretary, Surface Board Transportation  
July 31, 2000  
Page 2 of 2

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

Security Agreement between Coe Rail, Inc. and Coe Sun, Inc. dated July 26, 2000 and covering two dining cars, one kitchen car, and two EMD/GM Engines.

Very truly yours,

COE RAIL, INC.

By:   
Its: President

Enclosure

SECURITY AGREEMENT

AUG 7 '00 10-21 AM

SURFACE TRANSPORTATION BOARD

WHEREAS, Coe Sun, Inc., a Michigan corporation ("Debtor") is indebted to Coe Rail, Inc. a Michigan corporation (the "Secured Party") as evidenced by a certain promissory note (the "Note") of even date.

NOW, THEREFORE, for valuable consideration the receipt and sufficiency of which is hereby acknowledged,

IT IS AGREED AS FOLLOWS:

1. DEFINITIONS

1.1 Terms defined in this Section 1 have the meanings so stated.

1.2 All terms not defined in this Section which are defined in the Michigan Uniform Commercial Code shall have the meanings so defined therein.

1.3 "Collateral" means all of Debtor's right title and interest in certain railroad rolling stock more specifically:

- (a) EMD/GM Engine No. CRLE 407
- (b) EMD/GM Engine No. CRLE 416
- (c) Kitchen Car No. CRLE 1235
- (d) Dining Car No. CRLE 1234
- (e) Dining Car No. CRLE 1236

1.4 This section has been purposely omitted.

1.5 This section has been purposely omitted.

1.6 This section has been purposely omitted.

1.7 "Debtor" means Coe Sun, Inc. and its successors and assigns.

1.8 "Effective Date" means the date upon which this agreement is signed.

1.9 "Event of Default" has the meaning set forth in Section 8.1.

1.10 "Indebtedness" means any amounts now or hereafter owing to the Secured Party.

2. **GRANT OF SECURITY INTEREST**

2.1 In order to secure the payment of the Indebtedness, and the full and prompt performance by Debtor of its obligations and undertakings in this Agreement, Debtor hereby grants to Secured Party a valid and properly perfected security interest in the Collateral.

3. **DEBTOR'S REPRESENTATIONS AND WARRANTIES**

Debtor represents and warrants to Secured Party that on the Effective Date and as of each day thereafter until all of the Indebtedness is paid:

3.1 Debtor is a corporation organized and existing under the laws of the State of Michigan and in good standing under said laws, and has the power and has been authorized to enter into this Agreement and to perform its obligations under this Agreement.

3.2 Debtor is the owner of the Collateral free and clear of all liens, encumbrances and security interests except such as may be expressly permitted by this Agreement or as set forth in Section 7.1.

3.3 There is no litigation pending or threatened against Debtor which involves the possibility of any judgment or order which would materially or adversely affect any of the Collateral or Debtor's right to carry on its business.

3.4 Such of the Collateral as is tangible personal property is in Debtor's possession at the addresses of the Debtor specified next to Debtor's signature to this Agreement.

3.5 The chief place of business of the Debtor, and the office where Debtor keeps its books and records (including those concerning its accounts and contract rights) are at the first address set forth next to the Debtor's signature to this Agreement.

4. **DEBTOR'S AFFIRMATIVE COVENANTS**

Debtor covenants and agrees it will:

4.1 Pay the Indebtedness and each installment thereof, as required by the Note.

4.2 Perform all of its obligations and undertakings under this Agreement and the Note.

4.3 Pay to Secured Party, on demand, reasonable compensation for the

performance of services of any professional retained by the Secured Party under this Agreement or the Note, and pay Secured Party all costs, charges and expenses, including reasonable attorney fees, incurred by the Secured Party in connection therewith.

4.4 Execute and deliver to Secured Party, upon demand, such Financing Statements as Secured Party may request under the Michigan Uniform Commercial Code, and such other assignments, agreements and documents as may be reasonably necessary to fully consummate all of the transactions contemplated therein, including but not limited to applications for certificates of title showing Secured Party as secured party for all vehicles now owned or hereafter acquired.

4.5 Insure the Collateral against loss or damage by fire, with extended coverage, and such other risks ordinarily insured against by other owners or users of such property in similar businesses for the full insurable value thereof, by policies of insurance in such form and with such companies and in such amounts as may be satisfactory to Secured Party. All such insurance policies covering the risks referred to shall contain standard loss payable clauses naming Secured Party as loss payee as his interests may appear along with other secured parties, and all proceeds payable thereunder shall be payable to the parties named in the policies as their interests may appear. A certificate to the above effect from each insurance company shall be delivered to Secured Party and shall provide that the insurance policy cannot be cancelled without thirty days' prior notice to Secured Party.

4.6 Pay promptly when due all taxes, assessments and other governmental charges upon and relating to the ownership or use of any of its property or its income, gross receipts or otherwise.

4.7 Furnish Secured Party with copies of all documents and financial statements upon request by Secured Party.

4.8 Maintain full, accurate, and complete books of account with respect to all of its transactions, property, and business in accordance with generally accepted accounting principles.

4.9 Permit Secured Party to inspect its books and records and to physically examine the Collateral, during normal business hours.

4.10 This paragraph has been purposely omitted.

4.11 Continue to conduct its business in generally the same manner as said

business is presently being conducted.

4.12 Deliver to Secured Party such reports, lists, schedules and financial statements as Debtor may be required to furnish to any person having a security interest having priority over the security interest and mortgage created by this Agreement, within five (5) days after same are furnished by Debtor.

4.13 Furnish to Secured Party within thirty (30) days of the end of each quarter, a balance sheet as of the end of that quarter (including an aging of Debtor's accounts receivable) and a statement of that quarter's operation as well as a statement that no default exists under this Agreement, certified to by Debtor's Chief Financial Officer.

4.14 Furnish to Secured Party within ninety (90) days of the end of each fiscal year (or thirty days after receipt by Debtor, if sooner), the following certified to by Debtor's Chief Financial Officer:

- a) a balance sheet as of the year end including an aging of accounts receivable, and
- b) a statement of operations for the year.

4.15 Furnish to Secured Party such other information as may be reasonably requested by Secured Party.

## 5. DEBTOR'S NEGATIVE COVENANTS

Debtor covenants and agrees that, without the written consent of Secured Party or except as may be expressly permitted in this Agreement, it will not:

5.1 Sell or otherwise dispose of any of the Collateral except in the ordinary course of business or remove any of the Collateral from the State of Michigan without prior notification to Secured Party, or change its chief place of business, or change the place where it keeps its records relating to accounts and contract rights.

5.2 Grant, create, suffer or permit any security interest, lien or encumbrances upon the Collateral, other than the security interest hereby created and the security interests to which Secured Party agrees to be subordinate under Section 7.1.

5.3 Liquidate.

5.4 Breach any of its obligations or covenants in the Plan.

5.5 Incur any debts or obligations, absolutely or contingently, outside of the normal course of its business.

5.6 Purchase or redeem or otherwise acquire any of its capital stock.

5.7 This section has been purposely omitted.

5.8 This Section has been purposely omitted.

5.9 Merge with, consolidate with, invest in, participate in the organization of or acquire, in whole or in part, any other company or entity.

**6. PROVISIONS APPLICABLE TO SPECIFIC TYPES OF COLLATERAL**

6.1 Until the occurrence of an Event of Default, Debtor may (a) operate a school in the ordinary course of business for cash or on customary credit terms, (b) collect its accounts and contract rights and (c) use the proceeds thereof in the ordinary course of business. Said privileges may be revoked by Secured Party upon written notice after the occurrence of an Event of Default.

6.2 Upon the giving of notice under Section 6.1, Secured Party shall have the right to notify account debtors including government agencies of the existence of Secured Party's security interest, and to direct account debtors to make payments directly to Secured Party of amounts owing to them to Debtor; and to settle, compromise, sell, assign, extend or renew any account or contract right; and to discharge and release any account debtor in the name of Debtor.

6.3 Debtor hereby irrevocably appoints Secured Party as its attorney-in-fact, after the occurrence of an Event of Default, to demand and receive all mail addressed to Debtor; to open said mail; to instruct the postmaster to deliver said mail to Secured Party or to his direction; and to endorse the name of Debtor upon any instrument or other evidence of payment payable to Debtor which may come into the possession of Secured Party, or to deposit same to the account of Secured Party; and to execute, and in the name of Debtor, assignments or transfers of any chattel paper relating to any account.

6.4 Secured Party may at any time verify the existence and amount of accounts.

**7. SUBORDINATION OF SECURITY INTEREST**

7.1 The security interest granted to Secured Party hereunder is and shall be subordinate to prior existing and validly perfected security interests.

8. **DEFAULT**

8.1 As used in this Agreement, an Event of Default means any of the following:

- (a) Failure by Debtor to make any payment or deposit when due or within ten (10) days thereafter;
- (b) The breach by Debtor of any covenant or agreement of Debtor (except to make a payment) contained in this Agreement; provided that Debtor shall have ten days after mailing to it of written notice, certified mail, return receipt requested, of said breach (except failure to provide financial statements under Section 4.7 as to which Debtor shall have ten days) to cure said breach;
- (c) The discovery by Secured Party of any material misrepresentation made by Debtor to Secured Party in this Agreement;
- (d) The delivery of schedules or financial information Secured Party which is false or misleading in any material respect;
- (e) The cessation of substantially all of the business activities of Debtor;
- (f) The entry of an Order for Relief against Debtor under the Bankruptcy Code; or
- (g) Acceleration of debt or foreclosure under the terms of any security agreement or mortgage having priority over the security interests created pursuant to this Agreement.
- (h) The sale by current shareholders of Debtor of more than 50% of the common stock of Debtor whether in one sale or more than one sale and whether at one time or over a period of time or the sale of substantially all of the Debtor's assets.

8.2 All of the Indebtedness shall become immediately due and payable to Secured Party upon written demand by Secured Party after an Event of Default.

8.3 If Debtor fails to pay such amounts forthwith upon such demand, Secured Party, in her own name or as Secured Party of an express trust, may institute proceedings for the collection of the Indebtedness and may, in addition to any other rights and remedies contained in this Agreement, and any other agreements, instruments and documents heretofore, now or hereafter executed by Debtor and delivered to Secured Party, exercise all of the rights and remedies of a secured party under the Michigan Uniform Commercial Code; and Secured Party shall have the right to enter upon the various premises of Debtor where the Collateral may then be maintained, kept and located, and remove therefrom such Collateral, all without costs or charges to Secured Party, and Secured Party shall have the right to enter and remain upon the various premises of Debtor and to use the same, together with materials, supplies, books and records of Debtor, for the purpose of liquidating or collecting the Collateral, and conducting and preparing for sales of the Collateral, whether by foreclosure, auction or otherwise. If Secured Party requests, Debtor will assemble the Collateral and make it available to the Secured Party at a place designated by him which is reasonably convenient to Secured Party and Debtor. All of the foregoing rights and remedies are cumulative and non-exclusive.

8.4 Any notice required to be given by Secured Party of a sale, other disposition or other intended action by Secured Party with respect to any of the Collateral shall constitute reasonable and fair notice to Debtor of any such action, if deposited in the United States mails, postage prepaid, and duly addressed to Debtor at least ten calendar days prior to such proposed action.

9. **THIS SECTION HAS BEEN PURPOSELY OMITTED**

10. **MISCELLANEOUS**

10.1 This Agreement is binding upon and for the benefit of the parties and their successors, any may be assigned by Secured Party to any successor.

10.2 This Section has been purposely omitted.

10.3 This Agreement may not be altered or modified except by an agreement in writing signed by all parties hereto.

10.4 No waiver by Secured Party of any default shall be binding upon Secured Party unless in writing signed by him. No waiver of any default by Secured Party shall be construed to be a waiver of any other default or series of defaults.

10.5 Any notice or demand required or permitted under this Agreement shall be deemed to have been given when deposited in the United States mail with postage prepaid, addressed to the parties at the addresses set forth next to their signatures, or at such other address as may be set forth in a written notice given by any party to the other party.

10.6 This Agreement shall become effective on the Effective Date.

10.7 When Debtor has paid the Indebtedness in full the security interest shall terminate. The Secured Party shall file a termination statement as to the security interest, and Debtor's covenants and obligations under this Agreement shall terminate.

10.8 If Secured Party deems it necessary or advisable to commence any legal proceedings for the enforcement of his rights under this Agreement, said proceedings may be commenced summarily in the Court, and Debtor consents to the summary jurisdiction of the Court for such purpose.

10.9 This Section has been purposely omitted.

10.10 A carbon, photographic or other reproduction of this Agreement shall be sufficient as a financing statement, even though only the original hereof contains an original signature.



**CORPORATE ACKNOWLEDGEMENT**

I, *G. H. Cox*, certify that I am president of Coe Sun, Inc. that the instrument was signed on behalf of the corporation by authority of its Board of Directors, and that I acknowledge that the execution of the foregoing instrument was the free act and deed of the corporation. I further declare and status under penalty of perjury that the foregoing is true and correct.

Executed on *7/31/*, 2000.

WITNESSES:

*[Signature]*  
*[Signature]*

COE SUN, INC.

By: *G. H. Cox*

Its: President

**AFFIDAVIT**

STATE OF MICHIGAN        )  
  ) SS.  
COUNTY OF OAKLAND     )

I hereby declare under penalty of perjury that I have compared the original Security Agreement executed by Coe Sun, Inc. and Coe Rail, Inc. executed July 26, 2000 with a copy of the Security Agreement and found the copy to be complete and identical in all respects to the original document, and that, under the penalty of perjury, the foregoing is true and correct.

Further, deponent says not.

COE SUN, INC.   
\_\_\_\_\_  
Its: President

Dated: 7/31/, 2000