

14940
RECORDATION NO. Filed 1425

APR 14 1986 - 12 10 PM

Broadway National Bank INTERSTATE COMMERCE COMMISSION

Handwritten: 2/12/86
Date 2/12/86
10-440
Washington, D.C.

April 9, 1986

Mr. James H. Bayne, Secretary
Interstate Commerce Commission
Washington, D.C. 20423

Dear Mr. Bayne:

Enclosed are two copies of the document, described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

This primary document is a security agreement dated April 4, 1986. The names and addresses of the parties to the document are as follows:

- Mortgagor: Texas Southern Railroad, Inc.
P.O. Box 5752
San Antonio, Texas 78201

- Mortgagee: Broadway National Bank
P.O. Box 17001
San Antonio, Texas 78286

- Guarantors: Mr. George B. Pierce
3400 Salado Pkwy., #501
San Antonio, Texas 78217

- Mr. Willard L. King
227 Pinewood
San Antonio, Texas 78216

The equipment covered by the document is described as follows:

- Amtrak #9545 (formerly BN 4730) Budd 1947 stainless steel dome lounge (coach)

- Amtrak #8300 (formerly C + O 1920) Budd 1948 stainless steel dining lounge

Mr. James H. Bayne
April 9, 1986
Page 2

A fee of \$50.00 is enclosed for recordation of one of the enclosed original security agreements as a primary document. Please return the other copy of the security agreement with recording verification to me at the address of the mortgagee above.

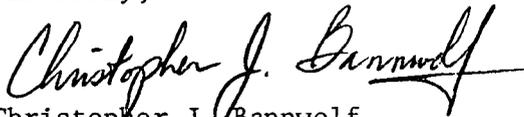
A short summary of the document, to appear in the index, follows:

Security agreement between Texas Southern Railroad, Inc.,
P.O. Box 5752, San Antonio, Texas 78201 and Broadway National
Bank, P.O. Box 17001, San Antonio, Texas 78286 dated April 4,
1986 and covering one Amtrak #9495 (formerly BN 4730) Budd
1947 stainless steel dome lounge (coach) and one Amtrak #8300
(formerly C + O 1920) Budd 1948 stainless steel dining lounge.

Please note that Broadway Bank's lien on the two railroad cars replaces a prior lien filed by New Braunfels Savings & Loan of New Braunfels, Texas. Please refer to the enclosed letter from New Braunfels regarding their release of their lien.

Thank you for your assistance with this transaction. Please contact me immediately if you have any questions or needs.

Sincerely,



Christopher J. Bannwolf
Commercial Lending Officer

CJB/vs

Enclosures

Interstate Commerce Commission
Washington, D.C. 20423

4/19/86

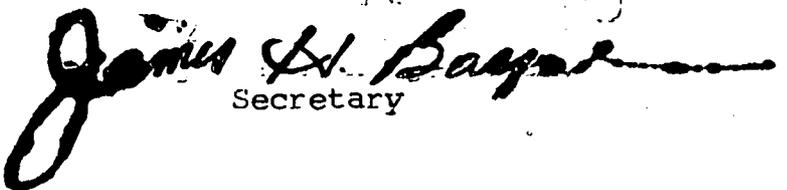
OFFICE OF THE SECRETARY

Christopher J. Barrwolf
Commercial Lending Officer
Broadway National Bank
P.O.Box 17001
San Antonio Texas 78286

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 4/14/86 at 12:10pm and assigned re-
recording number(s). 14940

Sincerely yours,


Secretary

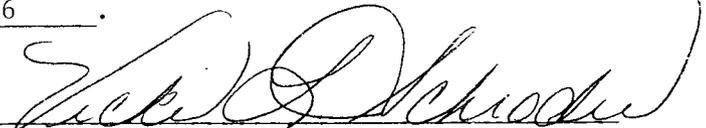
Enclosure(s)

CORPORATE ACKNOWLEDGEMENT

THE STATE OF TEXAS
COUNTY OF BEXAR

Before me, the undersigned authority, on this day personally appeared George B. Pierce, President of TEXAS SOUTHERN RAILROAD, INC., a corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said corporation.

Given under my hand and seal of office on this the 9th day of April, A.D. 19 86.


Notary Public in and for Bexar County, Texas
My Commission expires 4-4-89

SECURITY AGREEMENT
(Equipment or Consumer Goods)

Dated April 4, 19 86

RECORDATION NO. 14940 Filed 1426

APR 14 1986 - 12 12 PM
INTERSTATE COMMERCE COMMISSION

Name & Mailing Address of Debtor TEXAS SOUTHERN RAILROAD, INC. P.O. Box 5752 San Antonio, Texas 78201	Name & Address of Bank BROADWAY NATIONAL BANK P.O. Box 17001 San Antonio, Texas 78286
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1. Upon the terms hereof, for value received, Debtor(s) whose name(s) and mailing address(es) appear above (hereinafter called "Debtor") hereby grants to Bank whose name and address appear above (hereinafter called "Bank") a security interest in:
- A. The following described equipment: 1 - Amtrak #9495 (Formerly BN 4730) Budd 1947 Stainless steel dome lounge (coach). 1 - Amtrak #8300 (Formerly C+O 1920) Budd 1948 Stainless steel dining lounge.
- together with all other equipment now or at any time hereafter owned by Debtor and situated in, on or about the premises where the above equipment is now or hereafter located; all accessions, attachments and other additions to, substitutes and replacements for and improvements of the equipment described or referred to above, whether now owned or at any time hereafter acquired or made, together with all tools, parts and appurtenances now or at any time hereafter used in connection therewith; and all proceeds of the equipment described or referred to above, including insurance payable by reason of loss or damage thereto, and all proceeds of any policy of insurance required thereon by Bank, including any refunds of unearned premiums in connection with any cancellation, adjustment or termination of any such policy of insurance.
- B. The following described consumer goods:
- together with all accessions thereto (including after-acquired accessions) and proceeds thereof, including insurance payable because of loss or damage thereto, and all proceeds of any policy of insurance required thereon by Bank, including any refunds of unearned premiums in connection with any cancellation, adjustment or termination of any such policy of insurance.
2. Debtor is an individual, corporation, partnership, other: _____ whose:
- A. place of business (or chief executive office if more than one place of business) is in the County of Bexar, State of Texas;
- B. residence (if an individual) is in the County of _____, State of _____.
3. The property described or referred to in paragraph 1 above, hereinafter collectively called "collateral," is or will be:
- A. located at Tuttle Power Plant, 9911 Perrin in the County of Bexar, State of Texas;
- B. used only for the purposes shown opposite the boxes checked below:
- (i) for Debtor's personal, family or household purposes;
- (ii) as equipment in Debtor's business (other than farming) and not as inventory;
- (iii) as equipment in Debtor's farming operations; and
- C. attached or affixed to the following described real estate:

If a description of real estate is provided above, the collateral is to become a fixture or fixtures on such real estate, and this agreement may be filed for record in the real estate records as a financing statement. If Debtor does not have an interest of record in such real estate, the name of a record owner is _____.

4. The statement opposite the box checked below is a part of this agreement:
- A. Debtor warrants that the property described or referred to in paragraph 1 above is owned by Debtor, is kept at the location above specified and is in Debtor's possession.
- B. Debtor acknowledges that funds have been advanced by Bank to enable Debtor to purchase or otherwise acquire rights in or use of the property described or referred to in paragraph 1 above, and Debtor covenants that the funds will be used for such purpose, and upon delivery by the seller, such property will be owned by Debtor, will be kept at the location above specified and will be and remain in Debtor's possession.
5. This security interest shall secure payment and performance of Debtor's Obligation to Bank. The term "Obligation," as used herein, means the following: (i) all indebtedness of Debtor to Bank existing at the time of the execution and delivery of this agreement, together with any and all renewals and extensions of the same, or any part thereof; (ii) all indebtedness and liabilities of Debtor to Bank at any time arising under the terms hereof; (iii) all future advances or other value at any time hereafter made or given by Bank to Debtor (or to any one or more of them, if there be more than one), whether or not the advances or value are given pursuant to commitment; and (iv) any and all other debts, liabilities and duties of every kind and character of Debtor (or of any one or more of them, if there be more than one) to Bank, whether now or hereafter existing, and regardless of whether such present or future debts, liabilities or duties are direct or indirect, primary or secondary, joint, several, or joint and several, fixed or contingent, and regardless of whether such present or future debts, liabilities or duties may, prior to their acquisition by Bank, be or have been payable to, or be or have been in favor of, some other person or have been acquired by Bank in a transaction with one other than Debtor (it being contemplated that Bank may make such acquisitions from others) together with any and all renewals and extensions of such debts, liabilities and duties, or any part thereof.
6. Debtor represents and warrants that: (i) Debtor has authority to execute and deliver this security agreement; (ii) the statements above concerning the location of Debtor's place of business (or chief executive office), residence, mailing address and use of the collateral are true and correct; (iii) except for any financing statement which may have been filed by Bank, no financing statement covering the collateral or any part thereof has been filed with any filing officer; (v) no other security agreement covering the collateral or any part thereof has been made, and no security interest, other than the one herein created, has attached or been perfected in the collateral or in any part thereof; and (v) no dispute, right of setoff, counterclaim or defenses exist with respect to any part of the collateral.
7. So long as any part of the Obligation remains unpaid, Debtor covenants and agrees to: (i) use the collateral with reasonable care, skill and caution; (ii) keep the collateral in good repair, working order and condition and promptly make all necessary repairs or replacements to that end; (iii) keep the collateral properly sheltered and not permit it to be damaged or injured; (iv) pay, before delinquent, all taxes and other assessments lawfully levied against the collateral; (v) from time to time promptly execute and deliver to Bank all such other assignments, certificates, supplemental documents, and financing statements and do all other acts or things as Bank may reasonably request in order to more fully evidence and perfect the security interest herein created; (vi) punctually and properly perform all of Debtor's covenants, duties and liabilities under any other security agreement, mortgage, deed of trust, collateral pledge agreement or contract of any kind now or hereafter existing as security for or in connection with payment of the Obligation, or any part thereof; (vii) pay the Obligation in accordance with the terms hereof and in accordance with the terms of the promissory note or notes or other documents evidencing the Obligation, or any part thereof; (viii) promptly furnish Bank with any information or documents which Bank may reasonably request concerning the collateral; (ix) allow Bank to inspect the collateral and all records of Debtor relating thereto or to the Obligation, and to make and take away copies of such records; (x) promptly notify Bank of any change (other than a change requiring advance notice provided for herein) in any fact or circumstances warranted or represented by Debtor in this agreement or in any other document furnished by Debtor to Bank in connection with the collateral or the Obligation; (xi) give written notice to Bank of any change in Debtor's residence, place of business or chief executive office, such notice to be given not less than 15 days before such change is made and to specify the county and state to which Debtor is moving; (xii) promptly notify Bank of any claim, action or proceeding affecting title to the collateral or any part thereof or the security interest herein, and, at the request of Bank, appear in and defend, at Debtor's expense, any such action or proceeding; and (xiii) except as otherwise provided in any note or other instrument evidencing the Obligation, promptly, after being requested by Bank, pay to Bank all amounts actually incurred by Bank as court costs and attorney's fees assessed by a court and incurred by Bank in enforcing this security interest and the reasonable cost actually expended for repossessing, storing, preparing for sale, or selling any of the collateral.
8. So long as any part of the Obligation remains unpaid, Debtor covenants and agrees that, without the prior written consent of Bank, Debtor will not: (i) lease, sell, assign, furnish under any contract of service, transfer or otherwise dispose of the collateral, or any part thereof; (ii) create any other security interest in, mortgage or otherwise encumber the collateral or any part thereof or permit the same to be or become subject to any lien, attachment, execution, sequestration or other legal or equitable process, or any encumbrance of any kind or character, except the security interest herein created; (iii) allow the collateral or any part thereof to become an accession to other goods; (iv) allow the collateral or any part thereof to be affixed or attached to any real estate except that specifically described above; (v) permit any part of the collateral to be located on premises leased to Debtor without first obtaining from the owner or owners of the premises a written agreement, in form and content satisfactory to Bank, whereby such owner or owners agree to subordinate any claims, rights or interests they may at any time have in or to the collateral to Bank's interests and rights in and to the collateral created herein; or (vi) cause or permit the collateral to be removed from the location above specified. Debtor further covenants not to use the collateral or permit the same to be used for any unlawful purpose or in any manner

inconsistent with the provisions or requirements of any policy of insurance thereon. Should any covenant, duty or agreement of Debtor (except Debtor's covenants as to insurance) fail to be performed in accordance with its terms hereunder, Bank may, but shall never be obligated to, perform or attempt to perform such covenant, duty or agreement on behalf of Debtor, and any amount expended by Bank in such performance shall become a part of the Obligation (unless all or any part of the Obligation is governed by Chapter 3 or 4 of the Texas Credit Code and such amount is not a charge authorized therein), and, at the request of Bank, Debtor agrees to promptly pay such amount to Bank at Bank's address stated above.

9. Debtor further covenants and agrees to keep the collateral insured in such amounts, against such risks and with such insurers (i) as set forth in any note or other document evidencing the Obligation or (ii) if no such note or other document provides for insurance and the Obligation is not subject in whole or in part to the Federal Truth in Lending Act or Chapter 3 or 4 of the Texas Credit Code, as required by Bank. All such policies of insurance shall be written for the benefit of Bank and Debtor, as their interests may appear, and shall provide for at least 10 days' prior written notice of cancellation to Bank. At the request of Bank, Debtor shall promptly furnish to Bank evidence of such insurance in form and content satisfactory to Bank. If Debtor fails to perform or observe any applicable covenants as to insurance on the collateral contained or referred to herein, Bank may at its option obtain insurance on only Bank's interest in the collateral, any premium thereby paid by Bank to become a part of the Obligation, bear interest at the rate of 10% per annum from the date Bank advances funds to pay such premium until the amount of such premium is paid by Debtor to Bank and be due, with any such accrued interest, not later than concurrently with the last payment due on the Obligation. Debtor, having granted Bank a security interest in any refunds of unearned premiums in connection with any cancellation, adjustment or termination of any policy of insurance required by Bank and in all proceeds of such insurance, hereby appoints Bank its attorney-in-fact to endorse any check or draft that may be payable to Debtor in order to collect such refunds or proceeds. Any such sums collected by Bank shall be credited, except to the extent applied to the purchase by Bank of similar insurance, to any amounts then owing on the Obligation and, the balance, if any, shall be promptly refunded to Debtor.

10. If Bank advances funds to or for the account of Debtor to enable the latter to purchase or otherwise acquire rights in the collateral or any part thereof such funds may, at Bank's option, be paid (i) directly to the person, firm or corporation from whom Debtor will make such purchase or acquisition or (ii) to Debtor, in which latter event Debtor covenants to promptly pay the same to such person, firm or corporation and forthwith furnish to Bank evidence satisfactory to Bank that such payment has been made.

11. The term "default," as used herein, means the occurrence of any of the following events: (i) the failure of Debtor to pay the Obligation or any part thereof as it becomes due in accordance with the terms of the promissory note or notes or other writings or agreements which evidence it or when accelerated pursuant to any power to accelerate; (ii) the failure of Debtor punctually and properly to perform any covenant, agreement or condition contained herein or in any other security agreement, mortgage, deed of trust, assignment or contract of any kind securing or assuring payment of the Obligation or any part thereof; (iii) the death of Debtor or, if Debtor is a partnership, the death of any partner therein; (iv) the insolvency of Debtor; (v) the levy against the collateral or any part thereof of any execution, attachment, sequestration or other writ; (vi) the appointment of a receiver of Debtor or of the collateral or any part thereof; (vii) the adjudication of Debtor as a bankrupt; (viii) the filing, by way of petition or answer, of any petition or other pleading seeking adjudication of Debtor as a bankrupt, an adjustment of Debtor's debts or any other relief under any bankruptcy, reorganization, debtor's relief or insolvency laws now or hereafter existing; (ix) when Bank in good faith believes that the prospect of payment of the Obligation or performance by Debtor of any of Debtor's covenants, agreements or other duties hereunder, is impaired; or (x) the receipt by Bank of information establishing that any representation or warranty made by Debtor herein or in any other document delivered by Debtor to Bank in connection herewith is false, misleading or erroneous.

12. Upon the occurrence of a default, in addition to any and all other rights and remedies which Bank may then have hereunder, under the Texas Business and Commerce Code (hereinafter called "Code") or otherwise, Bank at its option may: (i) declare the entire unpaid balance of principal of and all earned interest on the Obligation immediately due and payable, without notice, demand, or presentment, which are hereby waived; (ii) require Debtor to assemble the collateral and make it available to Bank at a place to be designated by Bank which is reasonably convenient to both parties; (iii) render unusable any equipment which may be part of the collateral; (iv) reduce its claim to judgment, foreclose or otherwise enforce its security interest in all or any part of the collateral by any available judicial procedure; (v) after notification, if any, provided for in paragraph 13 hereof, sell, lease, or otherwise dispose of, at the office of Bank, on the premises of Debtor or elsewhere, as chosen by Bank, all or any part of the collateral, in its then condition or following any commercially reasonable preparation or processing, and any such sale or other disposition may be as a unit or in parcels, by public or private proceedings, and by way of one or more contracts (it being agreed that the sale of any part of the collateral shall not exhaust Bank's power of sale, but sales may be made from time to time until all of the collateral has been sold or until the Obligation has been paid in full), and at any such sale it shall not be necessary to exhibit the collateral; (vi) at its discretion, retain the collateral in satisfaction of the Obligation whenever the circumstances are such that Bank is entitled to do so under the Code; (vii) apply by appropriate judicial proceedings for appointment of a receiver for the collateral or any part thereof, and Debtor hereby consents to any appointment; (viii) buy the collateral at any public sale; and (ix) buy the collateral at any private sale if the collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations. Bank shall be entitled to apply the proceeds of any sale or other disposition of the collateral in the following order: first to the payment of the reasonable costs actually expended for repossessing, storing, preparing for sale or selling the collateral, and next toward payment of the balance of the Obligation in such order and manner as Bank in its discretion may deem advisable. Bank shall account to Debtor for any surplus. If the proceeds are not sufficient to pay the Obligation in full, Debtor shall remain liable for any deficiency.

13. Reasonable notification of the time and place of any public sale of the collateral or reasonable notification of the time after which any private sale or other intended disposition of the collateral is to be made shall be sent to Debtor and to any other person entitled under the Code to notice; provided, that if the collateral is perishable, threatens to decline speedily in value, or is of a type customarily sold on a recognized market, Bank may sell or otherwise dispose of the collateral without notification, advertisement or other notice of any kind. It is agreed that notice sent or given not less than five calendar days prior to the taking of the action to which the notice relates is reasonable notification and notice for the purposes of this paragraph.

14. Should any part of the collateral come into the possession of Bank, whether before or after default, Bank may use or operate the collateral for the purpose of preserving it or its value, pursuant to the order of a court of appropriate jurisdiction or in accordance with any other rights held by Bank in respect of the collateral. Debtor covenants to promptly reimburse and pay to Bank, at Bank's request, the amount of all reasonable expenses incurred by Bank in connection with its custody, preservation, use or operation of the collateral (unless all or any part of the Obligation is subject to chapter 3 or 4 of the Texas Credit Code and such expenses are not charges authorized therein) and all such expenses shall be a part of the Obligation. It is agreed, however, that the risk of accidental loss or damage to the collateral is on Debtor, and Bank shall have no liability whatever for failure to obtain or maintain insurance or to determine whether any insurance ever in force is adequate as to amount or as to the risks insured.

15. Bank shall have the right at any time to execute and file this agreement as a financing statement, but the failure of Bank to do so shall not impair the validity or enforceability of this agreement.

16. All rights and remedies of Bank hereunder are cumulative of each other and of every other right or remedy which Bank may otherwise have at law or in equity or under any other contract or document for the enforcement of the security interest herein or the collection of the Obligation, and the exercise of one or more rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of other rights or remedies.

17. Should any part of the Obligation be payable in installments, the acceptance by Bank at any time and from time to time of part payment of the aggregate amount of all installments then matured shall not be deemed to be a waiver of the default then existing. No waiver by Bank of any default shall be deemed to be a waiver of any other subsequent default, nor shall any such waiver by Bank be deemed to be a continuing waiver. No delay or omission by Bank in exercising any right or power hereunder, or under any other documents executed by Debtor as security for or in connection with the Obligation, shall impair any such right or power or be construed as a waiver thereof or any acquiescence therein, nor shall any single or partial exercise of any such right or power preclude other or further exercise thereof, or the exercise of any other right or power of Bank hereunder or under such other documents.

18. If the Obligation or any part thereof is given in renewal or extension or applied toward the payment of indebtedness secured by mortgage, pledge, security agreement or other lien, Bank shall be, and is hereby, subrogated to all of the rights, titles, security interests and other liens securing the indebtedness so renewed, extended or paid.

19. No provision herein or in any promissory note, instrument, or any other loan document executed by Debtor evidencing the Obligation shall require the payment or permit the collection of interest in excess of the maximum permitted by law. If any excess of interest in such respect is provided for herein or in any such promissory note, instrument, or any other loan document, the provisions of this paragraph shall govern, and Debtor shall not be obligated to pay the amount of such interest to the extent that it is in excess of the amount permitted by law. The intention of the parties being to conform strictly to the usury laws now in force, all promissory notes, instruments and other loan documents executed by Debtor evidencing the Obligation shall be held subject to reduction to the amount allowed under said usury laws as now or hereafter construed by the courts having jurisdiction.

20. IN THE EVENT OF A DEFAULT HEREUNDER, IN ADDITION TO ALL OTHER REMEDIES AVAILABLE TO BANK, BANK SHALL HAVE THE RIGHT TO ENTER UPON THE PREMISES WHERE THE COLLATERAL IS LOCATED, TAKE POSSESSION OF THE COLLATERAL AND REMOVE THE SAME WITH OR WITHOUT JUDICIAL PROCESS (IF SUCH TAKING WITHOUT JUDICIAL PROCESS CAN BE DONE LAWFULLY AND WITHOUT BREACH OF THE PEACE), AND DEBTOR DOES HEREBY EXPRESSLY WAIVE ANY RIGHT TO ANY NOTICE, LEGAL PROCESS OR JUDICIAL HEARING PRIOR TO SUCH TAKING OF POSSESSION BY BANK. DEBTOR UNDERSTANDS THAT THE RIGHT TO PRIOR NOTICE AND HEARING IS A VALUABLE RIGHT AND AGREES TO THE WAIVER THEREOF AS A PART OF THE CONSIDERATION FOR AND AS AN INDUCEMENT TO BANK TO EXTEND CREDIT NOW AND HEREAFTER TO DEBTOR. IN CONNECTION WITH SUCH ACTION BY BANK IN TAKING POSSESSION OF THE COLLATERAL, BANK MAY TAKE POSSESSION OF ANY PROPERTY LOCATED IN THE COLLATERAL AND HOLD OR STORE SUCH PROPERTY FOR DEBTOR AT DEBTOR'S EXPENSE.

DEBTOR ACKNOWLEDGES RECEIPT OF A SIGNED COPY OF THIS SECURITY AGREEMENT
EXECUTED BY DEBTOR ON THE DATE ABOVE STATED.

TEXAS SOUTHERN RAILROAD, INC.
DEBTOR
By George B. Pierce
George B. Pierce, President

TEXAS SOUTHERN RAILROAD, INC.
DEBTOR
By Willard L. King
Willard L. King, Treasurer

CORPORATE ACKNOWLEDGEMENT

THE STATE OF TEXAS
COUNTY OF BEXAR

Before me, the undersigned authority, on this day personally appeared George B. Pierce, President of TEXAS SOUTHERN RAILROAD, INC., a corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said corporation.

Given under my hand and seal of office on this the 9th day of April, A.D. 19 86.


Notary Public in and for Bexar County, Texas
My Commission expires 4-4-89

Broadway National Bank

San Antonio, Texas

Loan No. _____

Amount Financed \$ 50,000.00	Maturity: 10 qtrly. pmt. @ 5,000. + int., bal. due 10-4-88 Rate: 2% over BNB Prime floating	Name of Maker: TEXAS SOUTHERN RAILROAD, INC.
Disbursement of Proceeds: Loan Department Check # Payable to New Braunfels Savings & Loan		Customer # Date of Note: April 4, 1986
Collateral: 1 - Amtrak #9495 (Formerly BN 4730) Budd 1947 Stainless steel dome lounge (coach). 1 - Amtrak #8300 (Formerly C+O 1920) Budd 1948 Stainless steel dining lounge.		Original Date: Original Amount: Collateral Code: EQ Purpose Code: 220 Officer: CJB/vs

For value received, each of the undersigned (called Maker whether one or more) jointly and severally promises to pay to the order of the bank named above (called Bank) at its office in the city named above in immediately available current funds of the United States of America, the principal sum of FIFTY THOUSAND DOLLARS AND NO CENTS-----

Dollars, together with interest on such principal sum, or so much thereof as may be advanced and outstanding, at the rate checked below:

- A fixed rate of _____ percent per annum.
- A variable rate (called the Variable Rate) based on the prime or base percent per annum rate of interest (called the Base Rate) charged by Broadway National Bank for short-term loans to substantial and responsible commercial borrowers, each change in the Variable Rate to be effective, without notice to Maker, on the effective date of each change in the Base Rate. The Variable Rate shall be:
- The Base Rate plus 2.00 percentage points.
- _____

Interest charges will be calculated for actual days elapsed on the basis of a 365-day year. In no event shall the rate charged hereunder exceed the maximum rate of interest permitted by applicable law, and if application of any variable rate or any other circumstance would cause the rate of interest hereunder to exceed such maximum rate, the rate of interest hereunder automatically shall be reduced to such maximum rate.

Payment shall be due as checked below:

- Principal and interest shall be due on demand or, if no demand is made, on _____.
- Principal shall be due _____. Interest shall be due _____.
- Payment shall be due in 10 quarterly installments, with the first installment of \$ 5,000.00 due 7-4-86, and installments of the same amount due on the 4th day of each quarter thereafter until a final installment equal to the total unpaid balance is due on 10-4-88.
- _____

Interest:

- Is included in above installments.
- Is in addition to above installments and shall be due quarterly, beginning 7-4-86.
- _____

Bank may require payment by Maker and any surety, indorser or guarantor without first resorting to any security. Maker and all other parties liable hereon consent to the release or discharge of any party liable hereon (including any of the undersigned) and to the release, impairment or substitution of any collateral for this note by Bank.

If default occurs in the payment of any principal or interest when due hereunder, or upon the occurrence of any default or failure to perform any covenant, agreement or obligation to be performed under any document or instrument executed in connection with or as security for this note, or if Bank in good faith believes that the prospect of payment of this note is impaired, Bank may declare the entirety of this note, principal and interest, immediately due and payable, but failure to do so at any time shall not constitute a waiver of Bank's right to do so at any other time.

All past due principal and interest shall bear interest from maturity of such principal or interest at the maximum rate of interest permitted by applicable law. If default occurs in the payment of this note at maturity, whether maturity may occur by acceleration or otherwise, or this note is collected through probate, bankruptcy or other proceedings, Maker promises to pay all costs and expenses of collection and enforcement. If this note is placed in the hands of an attorney for collection, Maker promises to pay, in addition to all other costs and expenses of collection and enforcement, an additional amount equal to 15% of the principal and interest then due, as attorney's fees.

Maker and every surety, indorser and guarantor of this note waive presentment for payment, protest, notice of dishonor, grace and notice of acceleration and all other notice, filing of suit and diligence in collecting this note and the enforcing of any of the security rights of Bank, and consent and agree that time of payment hereof may be extended without notice at any time and from time to time, and for periods of time whether or not for a term or terms in excess of the original term hereof, without notice or consideration to, or consent from, any of them.

If checked, Bank may disburse the principal of this note to Maker in one or more advances from time to time, and Maker shall be entitled to prepay the principal or interest of this note from time to time and at any time, in whole or in part, without premium or penalty, and thereafter, prior to the final maturity date hereof, request Bank to make additional advances of principal hereunder; provided, however, that at no time hereunder will outstanding principal advances exceed the principal sum set out above. No advances or payments on this note, including the total payment of the unpaid balance of principal prior to maturity, shall affect or impair the validity or enforcement of this note as to any future advances hereunder.

Address P.O. Box 5752

San Antonio, Texas 78201

Telephone 340-5677

TEXAS SOUTHERN RAILROAD, INC.

BY George B. Pierce
George B. Pierce, President

Willard L. King
Willard L. King, Treasurer