GRAVES, DOUGHERTY, HEARON & MOODY
A PROFESSIONAL CORPORATION

515 CONGRESS AVENUE
SUITE 2300
AUSTIN, TEXAS 78701
(512) 480-5600
FAX: (512) 478-1976

OTHER LOCATIONS:
KERRVILLE
SAN ANTONIO

MAILING ADDRESS:
POST OFFICE BOX 98
AUSTIN, TEXAS 78767

WRITER'S DIRECT NUMBER:
(512) 480-5639

June 10, 1997

RECORDATION NO. 20716 FILED
JUN 16 '97 9-32AM

RECEIVED
SURFACE TRANSPORTATION BOARD
JUN 16 9 32 AM '97

Surface Transportation Board
1925 K Street N.W.
Washington, D.C. 20423-0001

ATTN: MS. JANICE FORT

Ladies and Gentlemen:

Enclosed with this letter is our cover letter of May 9, 1997, a check in the amount of $24.00 to cover the appropriate filing fee, and an original and one copy of the original of the Security Agreement that we desire to file of record. Also enclosed is a copy of the note you provided to us when you returned the documents we had previously attempted to file.

We have corrected our error in the filing fee by enclosing the appropriate filing fee. We are not certain of what our error was with respect to the original and the copy of the original. We are enclosing an original and a copy of an original. If there is some problem with those documents, we would greatly appreciate your calling the undersigned collect at the above-listed telephone number.

RECEIVED
SURFACE TRANSPORTATION BOARD
JUN 16 9 32 AM '97

We appreciate your courtesy in this matter.

Very truly yours,

GRAVES, DOUGHERTY, HEARON & MOODY

By: Owen L. Roberts
Owen L. Roberts
Attorney for NationsBank of Texas, N.A.

Enclosures

RECEIVED
SURFACE TRANSPORTATION
BOARD
JUN 16 9 32 AM '97

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May 9, 1997

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JUN 16 '97 9-32 AM

MAY 14 12 58 PM '97
RECEIVED
SURFACE TRANSPORTATION
BOARD

Surface Transportation Board
1925 K Street N.W.
Washington, D.C. 20423

ATTN: MS. JANICE FORT

Ladies and Gentlemen:

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

This document is a Mortgage or Security Agreement, a primary document, dated March 10, 1997.

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

The Mortgagor or Debtor: GEORGETOWN RAIL EQUIPMENT COMPANY, a Texas corporation, 701 East University, Georgetown, Texas 78626.

The Mortgagee or Secured Party: NATIONSBANK OF TEXAS, N.A., a national banking association, Post Office Box 908, Austin, Texas 78781.

A description of the equipment covered by the document follows:

One railroad dump train (commonly called "Dump Train No. 2") consisting of one railroad transfer car identified by No. GREX 2200 and sixteen railroad hopper cars identified by Nos. GREX 2201 through GREX 2216, all of which are permanently coupled with a slackless drawbar system;

One railroad dump train (commonly called "Dump Train No. 3") consisting of one railroad transfer car identified by No. GREX 2300 and fifteen railroad hopper cars identified by Nos. GREX 2301 through GREX 2315, all of which are permanently coupled with a slackless drawbar system; and

All substitutes and replacements for, accessions, attachments and other additions to, and tools, parts and equipment used in connection with, all, or any part, of the above-described equipment.

A fee of $22.00 is enclosed. Please return the original to:

Owen L. Roberts
Graves, Dougherty, Hearon & Moody
Post Office Box 98
Austin, Texas 78767

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

Security Agreement, or Mortgage, between Georgetown Rail Equipment Company, a Texas corporation, 701 East University, Georgetown, Texas 78626, as Debtor, or Mortgagor, and NationsBank of Texas, N.A., a national banking association, Post Office Box 908, Austin, Texas 78781, as Secured Party, or Mortgagee, dated March 10, 1997, and covering (i) one railroad dump train consisting of one railroad transfer car identified by No. GREX 2200 and sixteen railroad hopper cars identified by Nos. GREX 2201 through GREX 2216, all of which are permanently coupled with a slackless drawbar system; (ii) one railroad dump train consisting of one railroad transfer car identified by No. GREX 2300 and fifteen railroad hopper cars identified by Nos. GREX 2301 through GREX 2315, all of which are permanently coupled with a slackless drawbar system; and all substitutes and replacements for, accessions, attachments and other additions to, and tools, parts and equipment used in connection with, all, or any part, of said equipment.

Very truly yours,

GRAVES, DOUGHERTY, HEARON & MOODY

By: Owen L. Roberts
Owen L. Roberts
Attorney for NationsBank of Texas, N.A.

Enclosures

RECORDATION NO. 20216 FILED

JUN 16 '97 9-32AM

CERTIFICATE OF AUTHENTICITY

The undersigned, Lisa Nicholas, a Notary Public for the State of Texas, hereby certifies that (i) a copy of a certain Security Agreement dated March 10, 1997, and signed by GEORGETOWN RAIL EQUIPMENT COMPANY, a Texas corporation, is attached to this Certificate, and (ii) I have compared said copy with the original of said Security Agreement and found the copy to be complete and identical in all respects to such original document.

Dated: May 9, 1997.

NOTARY PUBLIC STATE OF TEXAS
LISA NICHOLAS
Notary Public, State of Texas
My Commission Expires
APRIL 19, 2001

Lisa Nicholas
Notary Public, State of Texas

RECORDATION NO 20716 FILED
JUN 16 '97 9-32 AM

RECEIVED
SURFACE TRANSPORTATION BOARD
JUN 16 9 32 AM '97

SECURITY AGREEMENT

This Security Agreement is signed and delivered by **GEORGETOWN RAIL EQUIPMENT COMPANY** ("Debtor"), a Texas corporation whose address is 701 E. University, Georgetown, Williamson County, Texas 78626, for the benefit of **NATIONSBANK OF TEXAS, N.A.** ("Secured Party"), a national banking association whose address is P. O. Box 908, Austin, Texas 78781. Debtor agrees as follows:

1. Debtor grants to Secured Party a continuing security interest in the following-described personal property (all of which is hereinafter sometimes called the "Collateral"):

(a) One railroad dump train (commonly referred to by Debtor as "Dump Train No. 2") consisting of one railroad transfer car identified by No. GREX 2200 and sixteen railroad hopper cars identified by Nos. GREX 2201 through GREX 2216, all of which are permanently coupled with a slackless drawbar system;

(b) One railroad dump train (commonly referred to by Debtor as "Dump Train No. 3") consisting of one railroad transfer car identified by No. GREX 2300 and fifteen railroad hopper cars identified by Nos. GREX 2301 through GREX 2315, all of which are permanently coupled with a slackless drawbar system;

(c) All other equipment now or hereafter described in any Addendum to this Security Agreement that is signed by Debtor;

(d) All plans, drawings, schedules, and other agreements, documents, and general intangibles now owned, or hereafter acquired, by Debtor regarding the ownership, construction, maintenance or use of any of the above-described equipment (i.e., Dump Train No. 2, Dump Train No. 3 and said other equipment now or hereafter described in any Addendum to this Security Agreement);

(e) All substitutes and replacements for, accessions, attachments and other additions to, and tools, parts and equipment used in connection with, all, or any part, of the above-described equipment;

533671

(f) All leases by which any of the above-described equipment is now or hereafter leased to any one (1) or more persons, all rentals and other amounts now or hereafter due, or to become due, in connection with any of the above-described equipment, and all proceeds (including, without limitation, proceeds of insurance) of any and all of the above-described equipment; and

(g) All accounts and chattel paper (whether or not connected with the above-described equipment) now owned, or hereafter acquired, by Debtor.

The term "Code," as used herein, means the Texas Uniform Commercial Code-Secured Transactions.

2. The security interests granted by this Security Agreement (the "Security Interests") shall constitute continuing security for the payment of any and all indebtedness, obligations and liabilities now or hereafter owed to Secured Party, by Debtor, whether primary or secondary, fixed or contingent, direct or indirect, joint, several, or joint and several, whether arising in connection with, or evidenced by, notes, advances, overdrafts, bookkeeping entries, guaranty agreements, lien or secured interest agreements, or other method or means, whether acquired by Secured Party in a transaction with Debtor or any other person, and whether originally owed to Secured Party or to one or more other persons. Repayment of all indebtedness, obligations and liabilities, and performance of all other obligations, of Debtor to Secured Party shall not terminate the Security Interests; but, subject to the last sentence of this Section 2, the Security Interests shall remain in full force and effect to secure all future advances, indebtedness and other obligations, regardless of any additional

security that may be taken as to any past or future indebtedness or other obligations. The Security Interests also secure all of Debtor's obligations under this Security Agreement. In particular, but not by way of limitation, the Security Interests secure payment of all indebtedness now or hereafter evidenced by any one (1) or more of the "Notes," as that term is defined in that one (1) certain Loan Agreement dated of even date herewith and signed by Debtor and Secured Party. The aforesaid notwithstanding, Secured Party shall, upon written request of Debtor, release all the Security Interests at any time when (i) there is no outstanding indebtedness secured by the Security Interests, and (ii) Secured Party has no obligation, contingent or otherwise, to advance any funds to Debtor.

3. Debtor warrants and represents to Secured Party, and covenants with Secured Party, that:

(a) Debtor is the full owner of the Collateral free and clear of all security interests, other than the Security Interests, and Debtor has authority to grant the Security Interests; no financing statement, security agreement, or registration, other than one (1) or more financing statements and security agreements in favor of Secured Party, as secured party, and one (1) or more registrations of Debtor, as owner, is on file covering the Collateral or any part thereof;

(b) Debtor's chief executive office is located at Debtor's above-stated address, and Debtor will immediately notify Secured Party in writing of any change in Debtor's chief executive office;

(c) Other than leases of equipment for periods of not more than one year each, neither the Collateral, nor any part thereof, will be sold, transferred, rented, leased, pledged, or made subject to a security agreement, without the written consent of Secured Party; and neither the Collateral, nor any part thereof, will be misused or abused, wasted or allowed to

deteriorate, except for ordinary wear and tear from its intended use;

(d) Debtor will sign and deliver to Secured Party, upon request of Secured Party, any one or more Financing Statements or other documents, or procure and deliver to Secured Party any documents, and pay all connected costs, necessary to perfect the Security Interests and protect the Security Interests against the rights or interests of any and all third persons;

(e) Debtor will protect its title to, and possession of, the Collateral and will pay promptly, when due and before becoming delinquent, all taxes and assessments now existing or hereafter levied or assessed against the Collateral or any part thereof;

(f) Secured Party's exercise of its rights and remedies hereunder, with respect to the Collateral will not contravene any law or governmental regulation binding on or affecting Debtor or any of Debtor's properties, and will not result in or require the creation of any lien, security interest or other charge or encumbrance upon or with respect to any of its properties;

(g) This Security Agreement creates a valid, first-priority security interest in favor of Secured Party in all of the Collateral; and

(h) Debtor shall keep Secured Party advised at all times of the state, or states, in which all of the equipment included in the Collateral is located.

4. If Debtor fails to perform any act that Debtor is required by this Agreement to perform, then Secured Party may perform that act on behalf of Debtor. The unreimbursed portion of any sum paid by Secured Party, including without limitation the costs, expenses and attorney's fees paid in any suit affecting the Collateral, in performing that act shall bear interest from the date that sum is paid by Secured Party until reimbursed by Debtor at the highest rate allowed by law; and, that sum and all accrued interest thereon shall be paid by Debtor to Secured Party upon

demand, at Secured Party's above-stated address, and shall be a part of the indebtedness hereby secured and recoverable as such in all respects.

5. If Debtor fails to pay timely any indebtedness now or hereafter owed to Secured Party by Debtor, or if Debtor fails to perform timely any other obligation now or hereafter owed to Secured Party by Debtor, whether such obligation is owed under this Agreement, any of the Notes described herein, or any other written agreement (and whether or not such other written agreement is connected with the transaction in which this Agreement is signed), or if any warranty or representation made by Debtor to Secured Party is untrue or incorrect, then Debtor shall be in default hereunder. At any time when Debtor is in default hereunder, Secured Party shall have (i) the right to accelerate the maturity of any or all indebtedness then owed to Secured Party by Debtor, (ii) the right to refuse to advance any additional funds to Debtor, and (iii) all rights specified in this Agreement, as well as all other rights and remedies provided by law or equity.

6. Secured Party shall not be required to have actual possession of any portion of the Collateral, or to have any portion of the Collateral present at the location of a sale, when any foreclosure sale of any of the Collateral is held by, or on behalf of, Secured Party; but, good and indefeasible title shall pass as a result of any such foreclosure sale wheresoever the Collateral may then be. If a foreclosure sale of any of the Collateral is

conducted by, or on behalf of, Secured Party, Secured Party may deliver to the purchaser thereof a Bill of Sale therefor, binding Debtor to warrant and forever defend the title to the Collateral. Any statement made in such Bill of Sale may be relied on as true and correct by such purchaser. Out of the proceeds of any foreclosure sale of any of the Collateral, Secured Party may first pay all reasonable expenses connected with such sale, including without limitation, all reasonable attorney's fees and legal expenses incurred by Secured Party in connection therewith; and Secured Party shall apply the balance remaining toward the payment of indebtedness and obligations secured hereby, in such order of priority as Secured Party may elect. If, after application of the proceeds of any sale as aforesaid, any surplus remains, then that surplus shall be paid to the persons legally entitled thereto under the Code; but, if there be any deficiency, Debtor shall be fully liable therefor.

7. Secured Party, in addition to the rights and remedies specified in the immediately preceding paragraph, shall have all of the rights and remedies of a secured party under the Code; and Secured Party shall be entitled to avail itself of all such other rights and remedies as they now or hereafter exist at law or in equity for the collection of any indebtedness secured hereby, the enforcement of each covenant contained herein, and the foreclosure of any of the Security Interests. The resort to any remedy provided hereunder or by the Code, or by any other law of Texas,

shall not prevent the concurrent or subsequent employment of any other appropriate remedy or remedies by Secured Party.

8. Secured Party may remedy any default hereunder, without waiving same, or may waive any default without waiving any prior or subsequent default (but no waiver by Secured Party shall be effective unless made in a signed, written document). Secured Party may remedy any default hereunder without creating any obligation or liability on the part of Secured Party either to remedy any other default, or to take any other action whatsoever.

9. The Security Interests shall neither be affected by, nor affect, any other security taken for the payment of any indebtedness, liability or obligation hereby secured, or any part thereof; and any extensions may be made of that indebtedness and those security interests, and any releases may be executed with regard thereto, without affecting the priority of the Security Interests or the validity thereof with reference to any third person; and the holder of said indebtedness shall not be limited by any election of remedies if he chooses to foreclose any security interests by lawsuit. The right to sell under the terms hereof and the terms of the Code shall exist cumulative with said lawsuit; and one method shall not bar or be a defense to the other, but both methods may be exercised at the same or different times.

10. Debtor shall preserve the liability of all obligors on the Collateral and shall preserve the priority of all security therefor. At any time, whether Debtor is in default hereunder or

not, Secured Party may notify persons obligated on any of the Collateral to make payments to Secured Party and Secured Party may take control of all proceeds of any Collateral. Upon Secured Party's demand, Debtor shall promptly endorse any and all payments received as proceeds of any of the Collateral to Secured Party. Secured Party is authorized to make any endorsement in Debtor's name and behalf.

11. Debtor shall, at all times, maintain accurate books and records covering the Collateral. Secured Party shall have the right to inspect the Collateral, and to inspect and audit those books and records, at any time and from time to time.

12. Debtor shall upon demand pay to Secured Party the amount of any and all expenses, including the reasonable fees and disbursements of Secured Party's counsel and of any experts and agents, which Secured Party reasonably incurs in connection with (i) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any of the Collateral; (ii) the exercise or enforcement of any of the rights of Secured Party hereunder; and (iii) the failure by Debtor to perform or observe any of the covenants contained herein.

13. The law governing the secured transaction in connection with which this Security Agreement is executed and delivered shall

be the Code and any and all other applicable laws of the State of Texas and the United States.

Dated: ~~February~~ March 10, 1997.

DEBTOR:

GEORGETOWN RAIL EQUIPMENT COMPANY
(a Texas corporation)

By: _____
Print Name: E. deS. Snead
Title: President

THE STATE OF TEXAS)
)
COUNTY OF Williamson)

This instrument was acknowledged before me on the 10th day of March, 1997, by Edwin deS. Snead, President of GEORGETOWN RAIL EQUIPMENT COMPANY, a Texas corporation, on behalf of such corporation.

Joan A. Danielson
NOTARY PUBLIC, State of Texas

My commission expires:
2-10-98

Print Name: Joan A. Danielson

JOAN A. DANIELSON
NOTARY PUBLIC
STATE OF TEXAS
My Commission Expires 2-10-98

U:\OLROBERT\GEORGETO\SEC.AGR,02/14/97