

NationsBank
Austin Banking Center
P. O. Box 908
Austin, TX 78781-0908

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RECORDATION NO. 21723 FILED

OCT 19 '98

1-38 PM

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RECEIVED
SURFACE TRANSPORTATION
BOARD

NationsBank

October 7, 1998

Surface Transportation Board
1925 K Street NW
Washington, DC 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 20, 1998.

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, N.A., a national banking association, Post Office Box 908, Austin, Texas 78781.

A description of the equipment covered by the document follows:

GREX 3410, Railroad Slot Car
GREX 3420, Railroad Slot Car

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.



Member FDIC

A fee of ~~\$24.00~~ ^{\$26.00} is enclosed. Please return the original to:

Brian Gordon
NationsBank, N.A.
P.O. Box 908
Austin, TX 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 20, 1998, and covering GREX 3390, Consist of Eleven Slot Train Cars, GREX 3400, Consist of Eleven Slot Train Cars, and GREX 3410, Consist of Eleven Slot Train Cars; 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,

NATIONSBANK, N.A.



Brian Gordon
Vice President

BG:dms

Enclosures

SECURITY AGREEMENT

OCT 19 '98

1-38PM

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, 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) Two railroad slot cars (the "Slot Cars") identified by Nos. GREX 3410 and GREX 3420;

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

(c) 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., the Slot Cars and said other equipment now or hereafter described in any Addendum to this Security Agreement);

(d) 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;

(e) 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

(f) 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 March 10, 1997, and signed by Debtor and NationsBank of Texas, N.A., a national banking association that has now merged into Secured Party, as amended. For emphasis, the indebtedness secured by the Security Interests shall include all promissory notes previously signed by Debtor and now held by Secured Party, regardless of whether such promissory notes, or any thereof, were originally made payable to Secured Party or NationsBank of Texas, N.A. 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.

14. ARBITRATION. ANY CONTROVERSY OR CLAIM BETWEEN OR AMONG THE PARTIES HERETO INCLUDING BUT NOT LIMITED TO THOSE ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY RELATED AGREEMENTS OR INSTRUMENTS, INCLUDING ANY CLAIM BASED ON OR ARISING FROM AN ALLEGED TORT, SHALL BE DETERMINED BY BINDING ARBITRATION IN ACCORDANCE WITH THE FEDERAL ARBITRATION ACT (OR IF NOT APPLICABLE, THE APPLICABLE STATE LAW). THE RULES OF PRACTICE AND PROCEDURE FOR THE ARBITRATION OF COMMERCIAL DISPUTES OF JUDICIAL ARBITRATION AND MEDIATION SERVICES, INC. (J.A.M.S.), AND THE "SPECIAL RULES" SET FORTH BELOW. IN THE EVENT OF ANY INCONSISTENCY, THE SPECIAL RULES SHALL CONTROL. JUDGMENT UPON ANY ARBITRATION AWARD MAY BE ENTERED IN ANY COURT HAVING JURISDICTION. ANY PARTY TO THIS AGREEMENT MAY BRING AN ACTION, INCLUDING A SUMMARY OR EXPEDITED PROCEEDING, TO COMPEL ARBITRATION OF ANY CONTROVERSY OR CLAIM TO WHICH THIS AGREEMENT APPLIES IN ANY COURT HAVING JURISDICTION OVER SUCH ACTION.

(a) SPECIAL RULES. THE ARBITRATION SHALL BE CONDUCTED IN THE CITY OF DEBTOR'S DOMICILE AT TIME OF THIS AGREEMENT'S EXECUTION AND ADMINISTERED BY J.A.M.S. WHO WILL APPOINT AN ARBITRATOR; IF J.A.M.S. IS UNABLE OR LEGALLY PRECLUDED FROM ADMINISTERING THE ARBITRATION, THEN THE AMERICAN ARBITRATION ASSOCIATION WILL SERVE. ALL ARBITRATION HEARINGS WILL BE COMMENCED WITHIN 90 DAYS OF THE DEMAND FOR ARBITRATION; FURTHER, THE ARBITRATOR SHALL ONLY, UPON A SHOWING OF CAUSE, BE PERMITTED TO EXTEND THE COMMENCEMENT OF SUCH HEARING FOR UP TO AN ADDITIONAL 60 DAYS.

(b) RESERVATION OF RIGHTS. NOTHING IN THIS AGREEMENT SHALL BE DEEMED TO (I) LIMIT THE APPLICABILITY OF ANY OTHERWISE APPLICABLE STATUTES OF LIMITATION OR REPOSE AND ANY

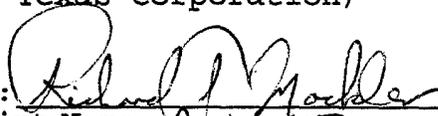
WAIVERS CONTAINED IN THIS AGREEMENT; OR (II) BE A WAIVER BY SECURED PARTY OF THE PROTECTION AFFORDED TO IT BY 12 U.S.C. SEC. 91 OR ANY SUBSTANTIALLY EQUIVALENT STATE LAW; OR (III) LIMIT THE RIGHT OF SECURED PARTY HERETO (A) TO EXERCISE SELF HELP REMEDIES SUCH AS (BUT NOT LIMITED TO) SETOFF, OR (B) TO FORECLOSE AGAINST ANY REAL OR PERSONAL PROPERTY COLLATERAL, OR (C) TO OBTAIN FROM A COURT PROVISIONAL OR ANCILLARY REMEDIES SUCH AS (BUT NOT LIMITED TO) INJUNCTIVE RELIEF, WRIT OF POSSESSION OR THE APPOINTMENT OF A RECEIVER. SECURED PARTY MAY EXERCISE SUCH SELF HELP RIGHTS, FORECLOSE UPON SUCH PROPERTY, OR OBTAIN SUCH PROVISIONAL OR ANCILLARY REMEDIES BEFORE, DURING OR AFTER THE PENDENCY OF ANY ARBITRATION PROCEEDING BROUGHT PURSUANT TO THIS AGREEMENT. NEITHER THIS EXERCISE OF SELF HELP REMEDIES NOR THE INSTITUTION OR MAINTENANCE OF AN ACTION FOR FORECLOSURE OR PROVISIONAL OR ANCILLARY REMEDIES SHALL CONSTITUTE A WAIVER OF THE RIGHT OF ANY PARTY, INCLUDING THE CLAIMANT IN ANY SUCH ACTION, TO ARBITRATE THE MERITS OF THE CONTROVERSY OR CLAIM OCCASIONING RESORT TO SUCH REMEDIES.

15. NOTICE OF FINAL AGREEMENT. THIS WRITTEN LOAN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Dated: 9/28/98, 1998.

DEBTOR:

GEORGETOWN RAIL EQUIPMENT COMPANY
(a Texas corporation)

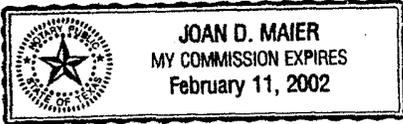
By: 
Print Name: Richard J. Mockler
Title: Treasurer

THE STATE OF TEXAS

§
§
§

COUNTY OF TRAVIS

This instrument was acknowledged before me on the 28th day of September, 1998, by Richard T. Mockler, Treasurer of GEORGETOWN RAIL EQUIPMENT COMPANY, a Texas corporation, on behalf of such corporation.



Joan D. Maier
Notary Public, State of Texas
Print Name: Joan D. Maier
My commission expires: 2/11/02

The undersigned hereby accepts the above Security Agreement.

Dated: 9/20, 1998.

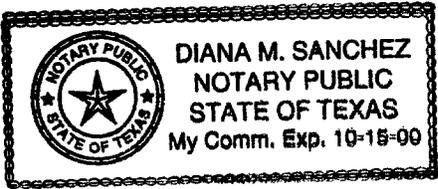
SECURED PARTY:

NATIONSBANK, N.A.
(a national banking association)

By: B. Gordon
Print Name: BRIAN GORDON
Title: VICE PRESIDENT

THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

This instrument was acknowledged before me on the 30th day of
September, 1998, by Brian Gordon, Vice President,
of NATIONSBANK, N.A., a national banking
association, on behalf of such association.



Diana Sanchez
Notary Public, State of Texas
Print Name: _____
My commission expires: _____

CERTIFICATE OF AUTHENTICITY

The undersigned Diana Sanchez, a Notary Public for the State of Texas, hereby certifies that (i) a copy of a certain Security Agreement dated September 28, 1998, 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.

Date: October 6, 1998

Diana M Sanchez
Notary Public, State of Texas

