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CIVIL TRIAL LAW AND
PERSONAL INJURY TRIAL LAW
TEXAS BOARD OF LEGAL SPECIALIZATION

July 29, 1996

RECORDATION NO. 20227 FILED 1425

AUG 19 1996 - 1 35 PM

INTERSTATE COMMERCE COMMISSION

Vernon A. Williams, Secretary
Surface Transportation Board
12th and Constitution, Room 2311
Washington, D.C. 20423

Dear Mr. Williams:

I have enclosed two originals 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 / Collateral Assignment, a primary document, dated July 26, 1996. The parties to the document are:

ITG, Inc. (Debtor)

South Texas Bank, fsb (Secured Party)

The equipment covered by the document is comprised of Twelve (12) aluminum body railroad cars described as follows:

CAR INITIAL NUMBERS: 11000 through 11011, inclusive
CAR OWNER MARKS: ITGX
CLASS OF CARS: LO C111
NUMBER OF CARS: Twelve (12)
CAPACITY OF CARS: 100-ton/2605 cu. ft.

The document also covers the Debtor's interest in and to that certain Railroad Car Lease Agreement No. ITG-2380, dated March 6, 1996 by and between Debtor (as lessor) and Lone Star Industries, Inc. (as lessee) covering and affecting the twelve (12) aluminum body railroad cars described above.

A fee of \$21.00 is enclosed. Please return a recorded original to W. Lee Keeling, Walker, Keeling & Carroll, L.L.P., P.O. Box 108, Victoria, Texas 77902.

WALKER, KEELING & CARROLL, L.L.P.

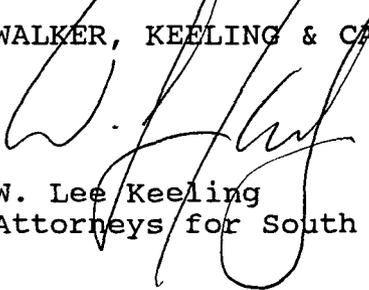
Vernon A. Williams, Secretary
July 29, 1996
Page 2

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

Security Agreement/Collateral Assignment between ITG, INC., P.O. Box 1777, Victoria, Texas 77902 (as debtor) and SOUTH TEXAS BANK, FSB, 1205 N. Navarro St., Victoria, Texas 77901 (as secured party) covering (i) 12 aluminum body 100 ton railroad cars, Class LO C111, marked ITGX initial nos. 11000 through 11001, inclusive; and (ii) debtor's interest in Railroad Car Lease Agreement No. ITG-2380, dated March 6, 1996 by and between Debtor (as lessor) and Lone Star Industries, Inc. (as lessee) covering 12 railcars above described.

Very truly yours,

WALKER, KEELING & CARROLL, L.L.P.



W. Lee Keeling
Attorneys for South Texas Bank, fsb

WLK:lsm

SURFACE TRANSPORTATION BOARD

8/19/96

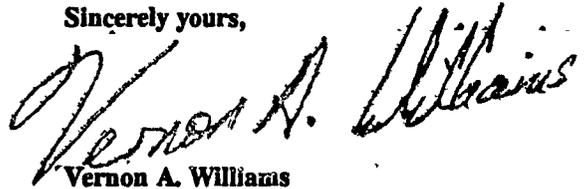
W. Lee Keeling
Walker, Keeling & Carroll, L.L.P.
210 East Constitution
P. O. Box 108
Victoria, Texas 77902-0108

Sir:

Dear

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on ~~8-19-96~~ ⁸⁻¹⁹⁻⁹⁶ at 1:35 PM, and 3:35 PM assigned recordation number(s).
20227 and 20227-A.

Sincerely yours,



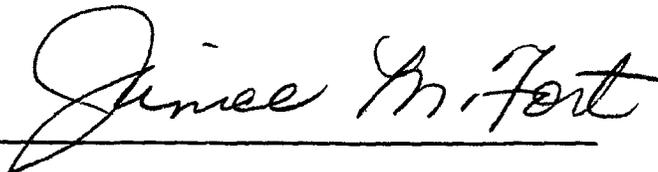
Vernon A. Williams
Secretary

Enclosure(s)

42.00

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

Signature



SECURITY AGREEMENT / COLLATERAL ASSIGNMENT

ITG, INC. ("Debtor"), a Texas corporation, whose address is P.O. Box 1777, 106 North Main Street, Victoria, Texas 77901, and SOUTH TEXAS BANK, FSB ("Secured Party"), a federal savings bank, whose address is 1205 North Navarro Street, Victoria, Texas 77901, agree as follows:

ARTICLE I - Creation of Security Interest

In order to secure the prompt and unconditional payment of the indebtedness herein referred to and the performance of the obligations, covenants, agreements and undertakings herein described, Debtor hereby grants to Secured Party a security interest in and mortgages, assigns, transfers, delivers, pledges, sets over and confirms to Secured Party all of Debtor's remedies, powers, privileges, rights, titles and interests (including all power of Debtor, if any, to pass greater title than it has itself) of every kind and character now owned or hereafter acquired, created or arising in and to the following:

- 1. the railroad cars more particularly listed and described on Exhibit A attached to and made a part of this Security Agreement for all purposes, as amended from time to time by writings signed by Debtor and Secured Party;
2. the railroad car lease agreement(s) more particularly listed and described on Exhibit B attached to and made a part of this Security Agreement for all purposes, as amended from time to time by writings signed by Debtor and Secured Party;

all parts, accessories, repairs, accessions, appurtenances and additions to and substitutions for any of the foregoing and all products and proceeds of any of the foregoing; all maintenance records, licenses, certifications or other documents relating to the foregoing; and all accounts receivable, rights to payment, and other general intangibles arising from any contract of sale or lease of railroad cars so listed and described, including but not limited to all receivables, rents, revenues, income and profits payable to Debtor hereinafter arising in any way under any railroad car lease agreements so listed and described. All of the properties and interests described in this Article are herein collectively called the "Collateral." The inclusion of proceeds does not authorize Debtor to sell, dispose of or otherwise use the Collateral in any manner not authorized herein.

ARTICLE II - Secured Indebtedness

- 1. This Agreement is made to secure all of the following present and future debt and obligations:

- (a) All indebtedness now and hereafter evidenced and to be evidenced by (i) the promissory note dated concurrently herewith in the face amount of ONE HUNDRED THIRTY FIVE THOUSAND and no/100 Dollars (\$135,000.00), bearing interest at the rate or rates therein stated, principal and interest payable to the order of Secured Party on the dates therein stated, with final payment due on July 26, 1996, executed by Debtor and (ii) any and all modifications, extensions, renewals, rearrangements, replacements and increases of such note (collectively, the "Note").
(b) All other obligations, if any, described or referred to in any other place in this Agreement.
(c) Any and all sums and the interest which accrues on them as provided in this Agreement which Secured Party may advance or which Debtor may owe Secured Party pursuant to this Agreement on account of Debtor's failure to keep, observe or perform any of Debtor's covenants under this Agreement.
(d) All present and future debts and obligations under or pursuant to (i) any papers ("Credit Documents") now or in the future governing, evidencing, guaranteeing or securing or otherwise relating to payment of all or any part of the debt evidenced by the Note, or (ii) all supplements, amendments, restatements, renewals, extensions, rearrangements, increases, expansions or replacements of them.

2. The term "Debt" means and includes every Note and all other debt and obligations described or referred to in Section 1 of this Article II. The Debt includes interest and other obligations accruing or arising after (a) commencement of any case under any bankruptcy or similar laws by or against Debtor or any other person or entity now or hereafter primarily or secondarily obligated to pay all or any part of the Debt (Debtor and each such other person or entity being herein called an "Obligor") or (b) the obligations of any Obligor shall cease to exist by operation of law or for any other reason. The Debt also includes all reasonable attorneys' fees and any other expenses incurred by Secured Party in enforcing any of the Credit Documents.

ARTICLE III - Representations and Warranties

Debtor represents and warrants as follows:

- (a) Debtor is the legal and equitable owner and holder of good and marketable title to the Collateral free of any adverse claim and free of any security interest or encumbrance except only for the security interest granted hereby in the Collateral and those other security interests (if any) expressly referred to or described in this Agreement (such warranty to supersede any provision contained in this Agreement limiting the liability of Debtor). Debtor agrees to defend the Collateral and its proceeds against all claims and demands of any person at any time claiming the Collateral, its proceeds or any interest in either. Debtor has not heretofore signed any financing statement directly or indirectly affecting the Collateral or any part of it which has not been completely terminated of record, and no such financing statement signed by Debtor is now on file in any public office except only those statements (if any) true and correct copies of which Debtor has actually delivered to Secured Party.
(b) The location of Debtor is the address set forth at the beginning of this Agreement and in this regard, Debtor's location is defined to mean (i) Debtor's place of business if Debtor has only one such place of business; (ii) Debtor's chief executive office if Debtor has more than one place of business; or (iii) Debtor's residence if Debtor has no place of business.
(c) All of Debtor's books and records with regard to the Collateral are maintained and kept at the address of Debtor set forth in this Agreement.
(d) No part of the Collateral is covered by a certificate of title or subject to any certificate of title law.
(e) Debtor has never changed its name, whether by amendment of its organizational documents or otherwise.

(f) Debtor is duly organized, validly existing and in good standing under the laws of the state of its organization and has full legal right, power and authority to carry on its business as presently conducted and to execute, deliver and perform its obligations under this Agreement, is duly qualified to do business and in good standing in each jurisdiction in which the nature of the business it conducts makes such qualification necessary or desirable and the execution, delivery and performance of this Agreement by Debtor has been duly authorized by all necessary action under Debtor's organizational documents and otherwise.

(g) Debtor's execution, delivery and performance of this Agreement do not and will not require (i) any consent of any other person or entity or (ii) any consent, license, permit, authorization or other approval (including foreign exchange approvals) of any court, arbitrator, administrative agency or other governmental authority, or any notice to, exemption by, any registration, declaration or filing with or the taking of any other action in respect of, any such court, arbitrator, administrative agency or other governmental authority.

(h) Neither execution or delivery of this Agreement, nor the fulfillment of or compliance with its terms and provisions will (i) violate any constitutional provision, law or rule, or any regulation, order or decree of any governmental authority or the basic organizational documents of Debtor or (ii) conflict with or result in a breach of the terms, conditions or provisions of, or cause a default under, any agreement, instrument, franchise, license or concession to which Debtor is a party or bound.

(i) Debtor has duly and validly executed, issued and delivered this Agreement. It is in proper legal form for prompt enforcement and it is Debtor's valid and legally binding obligation, enforceable in accordance with its terms. Debtor's obligations under it rank and will rank at least equal in priority of payment with all of Debtor's other debt (except only for debt preferred by operation of law or debt disclosed in writing to Secured Party to be senior before Debtor's execution and delivery of this Agreement).

(j) All information supplied to Secured Party, and all statements made to Secured Party by or on behalf of Debtor before, concurrently with or after Debtor's execution of this Agreement are and will be true, correct, complete, valid and genuine in all material respects. Each of Debtor's financial statements furnished to Secured Party fairly present the financial condition of Debtor as of its date and for the period then ended. No material adverse change has occurred in the financial condition reflected in any such statement since its date, and all assets listed on such statements are subject to Debtor's management, control and disposition and--except as shown therein--are available to satisfy any claims rightfully made pursuant to this Agreement.

(k) Debtor has filed all tax returns required to be filed and paid all taxes shown thereon to be due, including interest and penalties, except for taxes being diligently contested in good faith and for payment of which adequate reserves have been set aside.

(l) There is no action, suit or proceeding pending--or, to the best of Debtor's knowledge, threatened--against or affecting Debtor or the Collateral, at law or in equity, or before or by any governmental authority, which might result in any material adverse change in Debtor's business or financial condition or in the Collateral or in Debtor's other property or Debtor's interest in it.

(m) Debtor is not in default with respect to any order, writ, injunction, decree or demand of any court or other governmental authority, in the payment of any debt for borrowed money or under any agreement or other papers evidencing or securing any such debt.

(n) Debtor is not a party to any contract or agreement which materially and adversely affects its business, property, assets or financial condition.

(o) Debtor is now solvent, and no bankruptcy or insolvency proceedings are pending or contemplated by or--to Debtor's knowledge--against Debtor. Debtor's liabilities and obligations under this Agreement do not and will not render Debtor insolvent, cause Debtor's liabilities to exceed Debtor's assets or leave Debtor with too little capital to properly conduct all of its business as now conducted or contemplated to be conducted.

(p) No representation or warranty contained in this Agreement and no statement contained in any certificate, schedule, list, financial statement or other papers furnished to Secured Party by or on behalf of Debtor contains--or will contain--any untrue statement of material fact, or omits--or will omit--to state a material fact necessary to make the statements contained herein or therein not misleading.

(q) The liens and security interests of this Agreement will constitute valid and perfected first and prior liens and security interests on the Collateral, subject to no other liens, security interests or charges whatsoever.

(r) None of the proceeds of the Note or the other Debt will be used for the purpose of purchasing or carrying, directly or indirectly, any margin stock or for any other purpose which would make such credit a "purpose credit" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System.

(s) Debtor possesses all permits, licenses, patents, trademarks, tradenames and copyrights required to conduct its business.

(t) Debtor is in compliance with all applicable legal requirements and Debtor manages and operates (and will continue to manage and operate) its businesses in accordance with good industry practices.

(u) No event has occurred which could result in Debtor's liability to the Pension Benefit Guaranty Corporation ("PBGC"). Debtor has met all requirements with respect to funding of each plan (a "Plan") maintained for any of Debtor's or the Note maker's employees subject to Title IV of the Employee Retirement Benefit Act of 1974, as amended, and related regulations ("ERISA"), if any exists. No event or condition has occurred that would permit any lien under ERISA to attach to any of the Collateral.

ARTICLE IV - Covenants

1. Debtor covenants and agrees with Secured Party as follows:

(a) Debtor shall furnish to Secured Party such instruments as may be required by Secured Party to assure the transferability of the Collateral when and as often as may be requested by Secured Party.

(b) Debtor will cause to be paid before delinquency all taxes, charges, liens and assessments heretofore or hereafter levied or assessed against the Collateral, or any part thereof, or against Secured Party for or on account of the Debt

or the interest created by this Agreement and will furnish Secured Party with receipts showing payment of such taxes and assessments at least ten (10) days before the applicable default date therefor.

(c) If the validity or priority of this Agreement or of any rights, titles, security interests or other interests created or evidenced hereby shall be attacked, endangered or questioned or if any legal proceedings are instituted with respect thereto, Debtor will give prompt written notice thereof to Secured Party and at Debtor's own cost and expense will diligently endeavor to cure any defect that may be developed or claimed, and will take all necessary and proper steps for the defense of such legal proceedings, and Secured Party (whether or not named as a party to legal proceedings with respect thereto) is hereby authorized and empowered to take such additional steps as in its judgment and discretion may be necessary or proper for the defense of any such legal proceedings or the protection of the validity or priority of this Agreement and the rights, titles, security interests and other interests created or evidenced hereby, and all expenses so incurred of every kind and character shall constitute sums advanced pursuant to Section 3 of Article IV of this Agreement.

(d) Debtor will, on request of Secured Party, (i) promptly correct any defect, error or omission which may be discovered in the contents of this Agreement or in any other instrument executed in connection herewith or in the execution or acknowledgment thereof; (ii) execute, acknowledge, deliver and record or file such further instruments (including further security agreements, financing statements and continuation statements) and do such further acts as may be necessary, desirable or proper to carry out more effectively the purposes of this Agreement and such other instruments and to subject to the security interests hereof and thereof any property intended by the terms hereof and thereof to be covered hereby and thereby including specifically any renewals, additions, substitutions, replacements or appurtenances to the then Collateral; and (iii) execute, acknowledge, deliver, procure and record or file any document or instrument (including specifically any financing statement) deemed advisable by Secured Party to protect the security interest hereunder against the rights or interests of third persons, and Debtor will pay all costs connected with any of the foregoing.

(e) Notwithstanding the security interest in proceeds granted herein, Debtor will not, except as otherwise expressly permitted herein, sell, lease, exchange, lend, rent, assign, transfer or otherwise dispose of, or pledge, hypothecate or grant any security interest in, or permit to exist any lien, security interest, charge or encumbrance against, all or any part of the Collateral or any interest therein or permit any of the foregoing to occur or arise or permit title to the Collateral, or any interest therein, to be vested in any other party, in any manner whatsoever, by operation of law or otherwise, without the prior written consent of Secured Party. Debtor shall not, without the prior written consent of Secured Party, (i) acquire any such Collateral under any arrangement whereby the seller or any other person retains or acquires any security interest in such Collateral or (ii) return or give possession of any such Collateral to any supplier or any other person except in the ordinary course of business.

(f) To the extent not prohibited by applicable law, Debtor will pay all costs and expenses and reimburse Secured Party for any and all expenditures of every character incurred or expended from time to time, regardless of whether or not a default shall have occurred, in connection with (i) the preparation, negotiation, documentation, closing, renewal, revision, modification, increase, review or restructuring of any loan or credit facility secured by this Agreement, including legal, accounting, auditing, architectural, engineering and inspection services and disbursements, or in connection with collecting or attempting to enforce or collect the Note or this Agreement, (ii) Secured Party's evaluating, monitoring, administering and protecting any of the Collateral and (iii) Secured Party's creating, perfecting and realizing upon Secured Party's security interests in and liens on any of the Collateral, and all costs and expenses relating to Secured Party's exercising any of its rights and remedies under any Credit Document or at law, including all appraisal fees, consulting fees, filing fees, taxes, brokerage fees and commissions, title review and abstract fees, Uniform Commercial Code and/or Surface Transportation Board Equipment Register search fees, other fees and expenses incident to title searches, reports and security interests, escrow fees, attorneys' fees, legal expenses, court costs, other fees and expenses incurred in connection with any complete or partial liquidation of any of the Collateral and all fees and expenses for any professional services relating to any of the Collateral or any operations conducted in connection with it; provided, that no right or option granted by Debtor to Secured Party or otherwise arising pursuant to any provision of this or any other instrument shall be deemed to impose or admit a duty on Secured Party to supervise, monitor or control any aspect of the character or condition of any of the Collateral or any operations conducted in connection with it for the benefit of Debtor or any other person or entity other than Secured Party. Debtor agrees to indemnify, defend and hold Secured Party, its shareholder's, directors, officers, agents, attorneys, advisors and employees (collectively "Indemnified Parties") harmless from and against any and all loss, liability, obligation, damage, penalty, judgment, claim, deficiency, expense, action, suit, cost and disbursement of any kind or nature whatsoever (including interest, penalties, attorneys' fees and amounts paid in settlement), imposed on, incurred by or asserted against the Indemnified Parties growing out of or resulting from any Credit Document or any transaction or event contemplated therein. Any amount to be paid under this Section by Debtor to Secured Party shall be a demand obligation owing by Debtor to Secured Party and shall bear interest from the date of expenditure until paid at the Past Due Rate (hereinafter defined).

(g) Debtor shall account fully and faithfully for and, if Secured Party so elects, shall promptly pay or turn over to Secured Party the proceeds in whatever form received from the sale or disposition or realization in any manner of any of the Collateral, whether the Debt is mature or not. Debtor shall at all times keep the Collateral and its proceeds separate and distinct from other property of Debtor and shall keep accurate and complete records of the Collateral and its proceeds.

(h) Debtor will not change its address, location, name, identity or, if applicable, structure without notifying Secured Party of such change in writing at least thirty (30) days before the effective date of such change and unless Debtor shall have taken such action, satisfactory to Secured Party, to have caused the security interest of Secured Party in the Collateral to be at all times fully perfected and in full force and effect.

(i) Debtor will not use, or allow the use of, the Collateral in any manner which constitutes a public or private nuisance or which makes void, voidable or cancelable, or increases the premium of, any insurance then in force with respect thereto. Debtor will not do or suffer to be done any act whereby the value of any part of the Collateral may be lessened.

(j) Debtor agrees to provide, maintain and keep in force or to cause lessees of the Collateral to provide, maintain and keep in force casualty, liability and other insurance for that portion of the Collateral which is tangible personal property as required by Secured Party. Debtor agrees that all required insurance will be written on forms acceptable to Secured Party and by companies having a Best's Insurance Guide Rating of not less than A or A+ and which are otherwise acceptable to Secured Party, and that such insurance (other than third party liability insurance) shall be written or endorsed so that all losses are payable to Secured Party. Debtor shall, so often as shall be necessary to exhibit continuous and uninterrupted insurance coverage of the Collateral, deliver or cause to be delivered to Secured Party insurance certificates evidencing the effectiveness and limits of insurance coverage required hereby. Each policy of insurance shall expressly prohibit cancellation or modification of insurance without thirty (30) days' written notice to Secured Party. Debtor agrees to furnish due proof of payment of the premiums for all such insurance to Secured Party promptly after each such payment is made and in any case at least fifteen (15) days before payment becomes delinquent. Debtor hereby assigns to Secured Party the exclusive right to collect any and all monies that may become payable under any insurance policies covering any part of the Collateral, or any risk to or about the Collateral. Foreclosure of this Agreement shall automatically constitute foreclosure upon all policies of insurance insuring any part of or risk to the Collateral and all claims thereunder arising from post-foreclosure events. The successful bidder or bidders for the Collateral at foreclosure, as their respective interests may appear, shall automatically accede to all of Debtor's rights in, under and to such policies and all post-foreclosure event claims, and such bidder(s) shall be named as insured(s) on request,

whether or not the bill of sale to any such successful bidder mentions insurance. All proceeds of insurance which was paid for by Debtor or by anyone other than Secured Party or another holder of any of the Debt and which proceeds are actually received by Secured Party before foreclosure shall be applied in payment of the Debt or, at the option of Secured Party, shall be paid to Debtor or to such other person as is legally entitled to them. Unless Secured Party or Secured Party's representative reserves at the foreclosure sale the right to collect any uncollected insurance proceeds recoverable for events occurring before foreclosure (in which event the successful bidder at the sale, if not Secured Party, shall have no interest in such proceeds and Secured Party shall apply them, if and when collected, to the Debt in such order and manner as Secured Party shall then elect and remit any remaining balance to Debtor or to such other person or entity as is legally entitled to them), all proceeds of all such insurance which are not so reserved by Secured Party at the foreclosure sale and are not actually received by Secured Party until after foreclosure shall be the property of the successful bidder or bidders at foreclosure, as their interests may appear, and Debtor shall have no interest in them and shall receive no credit for them. Secured Party shall have no duty to Debtor or anyone else to either require or provide any insurance or to determine the adequacy or disclose any inadequacy of any insurance. If Secured Party elects at any time or for any reason to purchase insurance relating to the Collateral, it shall have no obligation to cause Debtor or anyone else to be named as an insured, to cause Debtor's or anyone else's interests to be insured or protected or to inform Debtor or anyone else that his or its interests are uninsured or underinsured.

(k) If Debtor has represented to Secured Party that Debtor is not a natural person, then it and its directors, partners, venturers, trustee(s) or principals agree to maintain its existence as such and to obtain and maintain all franchises and permits necessary for it continuously to be in good standing in the State of Texas and in the state of its organization (if not Texas) with full power and authority to conduct its regular business and to own and operate its property until final termination of this Agreement.

(l) Debtor will conduct its business in full compliance with all requirements of governmental and quasi-governmental authorities having jurisdiction over Debtor or the Collateral and will comply with and punctually perform all of the covenants, agreements and obligations imposed upon it or the Collateral. Debtor will furnish to Secured Party copies of notices and reports received or sent by Debtor to or from each governmental and quasi-governmental authority within three (3) days of the receipt or giving thereof.

(m) Debtor will pay punctually and discharge when due, or renew or extend, any debt incurred by it and will discharge, perform and observe the covenants, provisions and conditions to be performed, discharged and observed on the part of Debtor in connection therewith, or in connection with any agreement or other instrument relating thereto or in connection with any mortgage, pledge or lien existing at any time upon any of the property or assets of Debtor; provided, however, that nothing contained in this section shall require Debtor to pay, discharge, renew or extend any such indebtedness or to discharge, perform or observe any such covenants, provisions and conditions so long as Debtor shall be diligently and in good faith contesting any claims which may be asserted against it with respect to any such indebtedness or any such covenants, provisions and conditions and shall set aside on its books reserves with respect thereto deemed adequate by Secured Party.

(n) Immediately upon acquiring knowledge of any material adverse change in the assets, liabilities, financial condition, business, operations, affairs or circumstances of any Obligor, Debtor will notify Secured Party in writing thereof, setting forth the nature of such change in reasonable detail. Debtor will take, and will cause to be taken, all such steps as are necessary or appropriate to remedy promptly any such change.

(o) Immediately upon acquiring knowledge thereof, Debtor will notify Secured Party by telephone (and confirm such notice in writing within two (2) days) of the existence of any Event of Default, specifying the nature and duration thereof and what action Debtor has taken, is taking and proposes to take with respect thereto. In no event shall silence by Secured Party be deemed a waiver of a default or of an Event of Default. Debtor will take all such steps as are necessary or appropriate to remedy promptly any such default or Event of Default.

(p) Immediately upon obtaining knowledge of the institution of any proceedings arising out of injury or damage to the Collateral, or any portion thereof, Debtor will notify Secured Party in writing of the pendency of such proceedings. Secured Party may participate in any such proceedings, and Debtor shall from time to time deliver to Secured Party all instruments requested by it to permit such participation. Debtor shall, at its expense, diligently prosecute any such proceedings, and shall consult with Secured Party, its attorneys and experts, and cooperate with them in the carrying on or defense of any such proceedings.

(q) Debtor shall furnish to Secured Party from time to time such information relating to the Collateral or Debtor's financial condition and affairs as Secured Party may from time to time request or as may be required from time to time by any Credit Document.

(r) Debtor shall at all times maintain proper books of record and account in accordance with sound accounting practice in which true, full and correct entries will be made of all its dealings and business affairs, and will set aside on its books adequate reserves for depletion, depreciation, obsolescence and/or amortization of its property, and all other reserves which, in accordance with sound accounting practice, should be set aside, and will write down, to the estimated salvage value thereof, all property not useful in its business. Secured Party shall be entitled to have such books examined and audited at any time by Secured Party's agents.

(s) Until the occurrence of an Event of Default (as hereinafter defined), Debtor may use the Collateral in any lawful manner not inconsistent with this Agreement or with the terms or conditions of any policy of insurance thereon and may also lease such Collateral in the ordinary course of business, provided however, that Debtor shall collaterally assign and/or grant to Secured Party a security interest (upon such terms and conditions as Secured Party shall require) in and to Debtor's right, title and interest in any agreement whereby any or all of the railroad cars comprising the Collateral are leased or otherwise made available for use by others. A sale in the ordinary course of business does not include a transfer in partial or total satisfaction of a debt. Until the occurrence of an Event of Default, Debtor may also use and consume any raw materials or supplies, the use and consumption of which are necessary to carry on Debtor's business.

(t) The Collateral will be used in the business of Debtor.

2. As regards Collateral comprised of Debtor's rights in, to and under railcar leases (and without in any way impairing any of Debtor's other obligations hereunder): (a) Debtor covenants and agrees that it shall (i) perform all of the terms and conditions of any leases comprising any part of the Collateral, (ii) upon Secured Party's request, execute additional assignments of and/or grant additional security interests in any leases then covering any or all of the other Collateral to Secured Party by assignment(s) and/or security agreement(s) in form and substance satisfactory to Secured Party and (iii) at the request of Secured Party, record such leases and the assignment(s) and/or security agreements covering them in the equipment register maintained by the Surface Transportation Board, United States Department of Transportation; (b) Debtor shall give immediate notice to Secured Party of any notice Debtor receives from any lessee under any leases specifying any claimed default by any party under such leases; (c) Debtor shall enforce the lessees' obligations under the leases in accordance with reasonable commercial practices; (d) Debtor shall defend, at Debtor's expense, any proceeding pertaining to the leases, including, if Secured Party so requests, any such proceeding to which Secured Party is a party; (e) Debtor shall neither create nor permit any encumbrance

upon its interest as lessor under the leases, except for this Agreement; (f) Debtor shall not encumber or assign, or permit the encumbrance or assignment of, any leases or rental or other amounts coming due under any of them without the prior written consent of Secured Party; (g) Debtor shall from time to time furnish to Secured Party, within thirty (30) days after demand therefor, true, correct and complete copies of all leases covering or affecting any portion of the Collateral; and (h) Debtor shall not in any event collect any rental more than one (1) month in advance of the time it will be earned (and if Debtor does so, in addition to any other rights or remedies available by reason of such Event of Default, all Rental so collected more than one (1) month in advance of the time it is earned shall be delivered to Secured Party to be applied to the Debt).

3. If Debtor should fail to comply with any of its agreements, covenants or obligations under this Agreement, the Note or any other Credit Document, then Secured Party (in Debtor's name or in Secured Party's own name) may perform them or cause them to be performed for Debtor's account and at Debtor's expense, but shall have no obligation to perform any of them or cause them to be performed. Any and all expenses thus incurred or paid by Secured Party shall be Debtor's obligations to Secured Party due and payable on demand, or if no demand is sooner made, then they shall be due on or before four (4) years after the respective dates on which they were incurred, and each shall bear interest from the date Secured Party pays it until the date Debtor repays it to Secured Party, at the maximum nonusurious rate of interest from time to time permitted by whichever of applicable Texas or federal law from time to time permits the higher nonusurious interest rate (the "Ceiling Rate"); or, only if applicable law imposes no maximum nonusurious rate, then at the same rate as is provided for in the Note for interest on past due principal (the "Past Due Rate"). At all times, if any, as Chapter One ("Chapter One") of Title 79, Texas Revised Civil Statutes shall establish the Ceiling Rate for any purpose under this Agreement, the Ceiling Rate shall be the "indicated rate ceiling" as defined in Chapter One from time to time in effect. Upon making any such payment or incurring any such expense, Secured Party shall be fully and automatically subrogated to all of the rights of the person, corporation or body politic receiving such payment. Any amounts owing by Debtor to Secured Party pursuant to this or any other provision of this Agreement shall automatically and without notice be and become a part of the Debt and shall be secured by this and all other instruments securing the Debt. The amount and nature of any such expense and the time when it was paid shall be fully established by the affidavit of Secured Party or any of Secured Party's officers or agents. Without notice to Debtor or any other person or entity, the Ceiling Rate and the Past Due Rate shall automatically fluctuate upward and downward as and in any amount by which the maximum nonusurious rate of interest permitted by such applicable law and the rate of interest as provided for in the Note for interest on past due principal fluctuate, respectively. The exercise of the privileges granted to Secured Party in this Section shall in no event be considered or constitute a cure of the default or a waiver of Secured Party's right at any time after an Event of Default to declare the Debt to be at once due and payable, but is cumulative of such right and of all other rights given by this Agreement, the Note and the Credit Documents and of all rights given Secured Party by law.

ARTICLE V – Powers of Secured Party Relating to Leases

1. Debtor hereby authorizes and directs each railcar lessee and each other person or entity otherwise obligated to make payment in respect of any of the Collateral (each a "Collateral Obligor") to pay over to Secured Party, its officers, agents or assigns, upon demand by Secured Party, all or any part of the Collateral without making any inquiries as to the status or balance of the Debt and without any notice to or further consent of Debtor. Debtor hereby agrees to indemnify each Collateral Obligor and hold each Collateral Obligor harmless from all expenses and losses which it may incur or suffer as a result of any payment it makes to Secured Party pursuant to this paragraph. To facilitate the rights of Secured Party hereunder, Debtor hereby authorizes Secured Party, its officers, employees, agents or assigns:

(a) to notify Collateral Obligors of Secured Party's security interest in the Collateral and to collect rentals or other payments due on account of the Collateral without further notice to or further consent by Debtor, and Debtor hereby constitutes and appoints Secured Party the true and lawful attorney of Debtor (such agency being coupled with an interest), irrevocably, with power of substitution, in the name of Debtor or in its own name or otherwise, to take any of the actions described in the following clauses;

(b) to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for rentals and any and all other amounts which may be or become due or payable under the Collateral and to settle and/or adjust all disputes and/or claims directly with any Collateral Obligor and to compromise, extend the time for payment, arrange for payment in installments, otherwise modify the terms of, or release, any of the Collateral, on such terms and conditions as Secured Party may determine (without thereby incurring responsibility to or discharging or otherwise affecting the liability of Debtor to Secured Party under this Agreement or otherwise);

(c) to execute, sign, endorse, transfer and deliver (in the name of Debtor or in its own name or otherwise) any and all drafts, checks, money orders and other instruments given in payment or in part payment of rents and other amounts coming due under the Collateral and any other documents necessary to evidence, perfect and realize upon the security interests and obligations of this Agreement;

(d) in its discretion to file any claim or take any other action or proceeding which Secured Party may deem necessary or appropriate to protect and preserve the rights, titles and interests of Secured Party hereunder;

(e) to cause title to any or all of the Collateral to be transferred into the name of Secured Party or any nominee or nominees of Secured Party.

2. The powers conferred on Secured Party pursuant to this Article V are conferred solely to protect Secured Party's interest in the Collateral and shall not impose any duty or obligation on Secured Party to perform any of the powers herein conferred. No exercise of any of the rights provided for in this Article V shall constitute a retention of collateral in satisfaction of the indebtedness as provided for in Section 9.505 of the Uniform Commercial Code of Texas.

ARTICLE VI – Events of Default

The occurrence of any of the following events shall constitute an Event of Default (herein so called) under this Agreement:

(a) any part of the Debt is not paid when due, whether by lapse of time or acceleration or otherwise.

(b) any Obligor fails to perform, observe or comply with—or defaults under—any of the terms, covenants, conditions or provisions of any Credit Document.

(c) any Obligor fails to perform, observe or comply with—or defaults under—any negative covenant or agreement under any Credit Document or any other covenant or agreement under any Credit Document which prohibits or restricts the taking or omitting to take any action without the consent of Secured Party or which requires the taking of action upon the request of Secured Party.

(d) any representation or warranty made in any Credit Document or in any other report or other paper now or hereafter provided to Secured Party pursuant or incident to any Credit Document or the Debt proves to have been untrue or misleading in any material respect as of the date made or deemed made.

(e) Debtor shall be in breach of or default under any agreement whereby any or all of the railroad cars comprising the Collateral are leased or otherwise made available for use by others, or there shall otherwise occur, without the prior written consent of Secured Party, any event authorizing the cancellation or termination of any such agreement at the option of any party thereto other than Debtor.

(f) any Obligor: (i) voluntarily suspends transaction of business; (ii) becomes insolvent or fails generally to pay its debts as they mature; (iii) commences a voluntary case in bankruptcy or a voluntary petition seeking reorganization or to effect a plan or other arrangement with creditors; (iv) makes an assignment for the benefit of creditors; (v) applies for or consents to the appointment of a receiver or trustee for any such party or for any substantial portion of its property; or (vi) makes an assignment to an agent authorized to liquidate any substantial part of its assets.

(g) in respect of any Obligor: (i) an involuntary case shall be commenced with any court or other authority seeking reorganization or a creditor's arrangement of any such party; (ii) an order of any court or other authority shall be entered appointing any receiver or trustee for any such party or for any substantial portion of its property; or (iii) a writ or warrant of attachment or any similar process shall be issued by any court or other authority against any substantial portion of the property of any such party and such petition seeking liquidation, reorganization, creditor's arrangement or such order appointing a receiver or trustee is not vacated or stayed, or such writ, warrant of attachment or similar process is not vacated, released or bonded off within thirty (30) days after its entry or levy.

(h) any one or more final judgments for the payment of money shall be rendered against any Obligor and the same shall remain unstayed or undischarged for a period of thirty (30) days.

(i) any Obligor shall be prevented or relieved by any governmental authority from performing or observing any material term, covenant or condition of any Credit Document.

(j) any Obligor shall fail to pay when due any principal of or interest on any borrowed money obligation or the holder of such other obligation declares--or may declare--such obligation due before its stated maturity because of default.

(k) any Obligor shall be in default under or in violation of any law, statute, ordinance, decree, requirement, order, judgment, rule or regulation (or interpretation of any of them) of the United States of America, any State of the United States of America or any political subdivision of any of them, or of any agency, department, commission, board, bureau or court or other tribunal having jurisdiction over any such party or any such party's property.

(l) any Obligor shall claim--or any court shall find or rule--that Secured Party does not have a valid lien on the Collateral or any other security which may have been provided by such Obligor.

(m) the sale, encumbrance or abandonment (except as otherwise expressly permitted by this Agreement or as otherwise agreed to in writing by Secured Party) of any property now or hereafter covered by this Agreement or any other instrument now or hereafter securing the Debt, or the making of any levy, seizure or attachment of or on any such property or the loss, theft, substantial damage or destruction of any such property.

(n) Debtor shall have concealed, removed, or permitted to be concealed or removed, any part of its property, with intent to hinder, delay or defraud any of its creditors, or made or suffered a transfer of any of its property which may be fraudulent under any bankruptcy, fraudulent conveyance or similar law, or shall have made any transfer of its property to or for the benefit of a creditor at a time when other creditors similarly situated have not been paid, or, while insolvent, shall have suffered or permitted any creditor to obtain a lien upon any of its property through legal proceedings or distraint which is not vacated within thirty (30) days from its date.

(o) any Obligor fails to pay when due any amount which he or it is liable to pay to the PBGC or its successor or to a Plan, or notice of intent to terminate any Plan is filed under ERISA, or PBGC commences proceedings under ERISA to terminate any Plan or to cause a trustee to be appointed to administer any Plan, or a proceeding is commenced by any fiduciary of any Plan to enforce Section 515 or Section 4219(c)(5) of ERISA or PBGC becomes entitled to obtain a decree adjudicating that any Plan must be terminated.

(p) a default, an event of default or a similar event (however denominated) shall occur under any Credit Document.

ARTICLE VII -- Remedies in Event of Default

1. Upon the occurrence of an Event of Default, and at any time thereafter:

(a) Secured Party shall have the option of declaring, without notice to any person, all Debt to be immediately due and payable.

(b) Secured Party is authorized, in any legal manner and without breach of the peace, to take possession of the Collateral (Debtor hereby WAIVING all claims for damages arising from or connected with any such taking) and of all books, records and accounts relating thereto and to exercise without interference from Debtor any and all rights which Debtor has with respect to the management, possession, operation, protection or preservation of the Collateral, including the right to sell or rent the same for the account of Debtor and to deduct from such sale proceeds or such rents all costs, expenses and liabilities of every character incurred by Secured Party in collecting such sale proceeds or such rents and in managing, operating, maintaining, protecting or preserving the Collateral and to apply the remainder of such sales proceeds or such rents on the Debt in such manner as Secured Party may elect. Before any sale, Secured Party may, at its option, complete the processing of any of the Collateral and/or repair or recondition the same to such extent as Secured Party may deem advisable and any sums expended therefor by Secured Party shall be reimbursed by Debtor. Secured Party may take possession of Debtor's premises to complete such processing, repairing and/or reconditioning, using the facilities and other property of Debtor to do so, to store any Collateral and to conduct any sale as provided for herein, all without compensation to Debtor. All costs, expenses, and liabilities incurred by Secured Party in collecting such sales proceeds or such rents, or in managing, operating, maintaining, protecting or preserving such properties, or in processing, repairing and/or reconditioning the Collateral if not paid out of such sales proceeds or such rents as hereinabove provided, shall constitute a demand obligation owing by Debtor and shall bear interest from the date of expenditure until paid at the Past Due Rate, all of which shall constitute a portion of the Debt. If necessary to obtain the possession provided for above, Secured Party may invoke any and all legal remedies to dispossess Debtor, including specifically one or more actions for forcible entry and detainer. In connection with any action taken by Secured Party pursuant to this paragraph, Secured Party shall not be liable for any loss sustained by Debtor resulting from any failure to sell or let the Collateral, or any part thereof, or from other act or omission of Secured Party with respect to the

Collateral unless such loss is caused by the willful misconduct and bad faith of Secured Party, nor shall Secured Party be obligated to perform or discharge any obligation, duty, or liability under any sale or lease agreement covering the Collateral or any part thereof or under or by reason of this instrument or the exercise of rights or remedies hereunder.

(c) Secured Party may, without notice except as hereinafter provided, sell the Collateral or any part thereof at public or private sale (with or without appraisal or having the Collateral at the place of sale) for cash, upon credit, or for future delivery, and at such price or prices as Secured Party may deem best, and Secured Party may be the purchaser of any and all of the Collateral so sold and may apply upon the purchase price therefor any of the Debt and thereafter hold the same absolutely free from any right or claim of whatsoever kind. Upon any such sale Secured Party shall have the right to deliver, assign and transfer to the purchaser thereof the Collateral so sold. Each purchaser at any such sale shall hold the property sold absolutely free from any claim or right of whatsoever kind, including any equity or right of redemption, stay or appraisal which Debtor has or may have under any rule of law or statute now existing or hereafter adopted. To the extent notice is required by applicable law, Secured Party shall give Debtor written notice at the address set forth herein (which shall satisfy any requirement of notice or reasonable notice in any applicable statute) of Secured Party's intention to make any such public or private sale. Such notice (if any is required by applicable law) shall be personally delivered or mailed, postage prepaid, at least ten (10) calendar days before the date fixed for a public sale, or at least (10) calendar days before the date after which the private sale or other disposition is to be made, unless the Collateral is of a type customarily sold on a recognized market, is perishable or threatens to decline speedily in value. Such notice (if any is required by applicable law), in case of public sale, shall state the time and place fixed for such sale or, in case of private sale or other disposition other than a public sale, the time after which the private sale or other such disposition is to be made. Any public sale shall be held at such time or times, within the ordinary business hours and at such place or places, as Secured Party may fix in the notice of such sale. At any sale the Collateral may be sold in one lot as an entirety or in separate parcels as Secured Party may determine. Secured Party shall not be obligated to make any sale pursuant to any such notice. Secured Party may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at any time and place fixed for the sale, and such sale may be made at any time or place to which the same may be so adjourned. In case of any sale of all or any part of the Collateral on credit or for future delivery, the Collateral so sold may be retained by Secured Party until the selling price is paid by the purchaser thereof, but Secured Party shall incur no liability in case of the failure of such purchaser to take up and pay for the Collateral so sold, and in case of any such failure, such Collateral may again be sold upon like notice. Each and every method of disposition described in this Section shall constitute disposition in a commercially reasonable manner. Each Obligor, to the extent applicable, shall remain liable for any deficiency.

(d) Secured Party shall have all the rights of a secured party after default under the Uniform Commercial Code of Texas and under Subchapter I, Chapter 113 of Title 49 of the United States Code (and regulations promulgated thereunder) and in conjunction with, in addition to or in substitution for those rights and remedies:

a) Secured Party may require Debtor to assemble the Collateral and make it available at a place Secured Party designates which is mutually convenient to allow Secured Party to take possession or dispose of the Collateral; and

b) it shall not be necessary that Secured Party take possession of the Collateral or any part thereof before the time that any sale pursuant to the provisions of this Article is conducted and it shall not be necessary that the Collateral or any part thereof be present at the location of such sale; and

c) before application of proceeds of disposition of the Collateral to the Debt, such proceeds shall be applied to the reasonable expenses of retaking, holding, preparing for sale or lease, selling, leasing and the like and the reasonable attorneys' fees and legal expenses incurred by Secured Party, each Obligor, to the extent applicable, to remain liable for any deficiency; and

d) the sale by Secured Party of less than the whole of the Collateral shall not exhaust the rights of Secured Party hereunder, and Secured Party is specifically empowered to make successive sale or sales hereunder until the whole of the Collateral shall be sold; and, if the proceeds of such sale of less than the whole of the Collateral shall be less than the aggregate of the Debt, this Agreement and the security interest created hereby shall remain in full force and effect as to the unsold portion of the Collateral just as though no sale had been made; and

e) in the event any sale hereunder is not completed or is defective in the opinion of Secured Party, such sale shall not exhaust the rights of Secured Party hereunder and Secured Party shall have the right to cause a subsequent sale or sales to be made hereunder; and

f) any and all statements of fact or other recitals made in any bill of sale or assignment or other instrument evidencing any foreclosure sale hereunder as to nonpayment of any indebtedness or as to the occurrence of any default, or as to Secured Party having declared all of such indebtedness to be due and payable, or as to notice of time, place and terms of sale and the Collateral to be sold having been duly given, as to any other act or thing having been duly done by Secured Party, shall be taken as prima facie evidence of the truth of the facts so stated and recited; and

g) Secured Party may appoint or delegate any one or more persons as agent to perform any act or acts necessary or incident to any sale held by Secured Party, including the sending of notices and the conduct of sale, but in the name and on behalf of Secured Party; and

h) demand of performance, advertisement and presence of property at sale are hereby WAIVED and Secured Party is hereby authorized to sell hereunder any evidence of debt it may hold as security for the Debt. All demands and presentments of any kind or nature are expressly WAIVED by Debtor. Debtor WAIVES the right to require Secured Party to pursue any other remedy for the benefit of Debtor and agrees that Secured Party may proceed against any Obligor for the amount of the Debt owed to Secured Party without taking any action against any other Obligor or any other person or entity and without selling or otherwise proceeding against or applying any of the Collateral in Secured Party's possession.

2. All remedies herein expressly provided for are cumulative of any and all other remedies existing at law or in equity and are cumulative of any and all other remedies provided for in any other instrument securing the payment of the Debt, or any part thereof, or otherwise benefiting Secured Party, and the resort to any remedy provided for hereunder or under any such other instrument or provided for by law shall not prevent the concurrent or subsequent employment of any other appropriate remedy or remedies.

3. Secured Party may resort to any security given by this Agreement or to any other security now existing or hereafter given to secure the payment of the Debt, in whole or in part, and in such portions and in such order as may seem best to Secured Party in its sole and uncontrolled discretion, and any such action shall not in anywise be considered as a waiver of any of the rights, benefits or security interests evidenced by this Agreement.

4. To the full extent Debtor may do so, Debtor agrees that Debtor will not at any time insist upon, plead, claim or take the benefit or advantage of any law now or hereafter in force providing for any appraisement, valuation, stay, extension or redemption, and Debtor, for Debtor, Debtor's heirs, devisees, executors, administrators, personal representatives, successors,

receivers, trustees and assigns, and for any and all persons ever claiming any interest in the Collateral, to the extent permitted by law, hereby WAIVES and releases all rights of redemption, valuation, appraisal, stay of execution, notice of intention to mature or to declare due the whole of the Debt, notice of election to mature or to declare due the whole of the Debt and all rights to a marshaling of the assets of Debtor, including the Collateral, or to a sale in inverse order of alienation in the event of foreclosure of the security interest hereby created.

ARTICLE VIII -- Additional Agreements

1. Upon full payment of the Debt, complete performance of all of the obligations of the Obligors under the Credit Documents and final termination of Secured Party's obligations--if any--to make any further advances under the Note or to provide any other financial accommodations to any Obligor, all rights under this Agreement shall terminate and the Collateral shall become wholly clear of the security interest evidenced hereby, and upon written request by Debtor such security interest shall be released by Secured Party in due form and at Debtor's cost.

2. Secured Party may waive any default without waiving any other prior or subsequent default. Secured Party may remedy any default without waiving the default remedied. The failure by Secured Party to exercise any right, power or remedy upon any default shall not be construed as a waiver of such default or as a waiver of the right to exercise any such right, power or remedy at a later date. No single or partial exercise by Secured Party of any right, power or remedy hereunder shall exhaust the same or shall preclude any other or further exercise thereof, and every such right, power or remedy hereunder may be exercised at any time and from time to time. No modification or waiver of any provision hereof nor consent to any departure by Debtor therefrom shall in any event be effective unless the same shall be in writing and signed by Secured Party and then such waiver or consent shall be effective only in the specific instances, for the purpose for which given and to the extent therein specified. No notice to nor demand on Debtor in any case shall of itself entitle Debtor to any other or further notice or demand in similar or other circumstances. Acceptance by Secured Party of any payment in an amount less than the amount then due on the Debt shall be deemed an acceptance on account only and shall not in any way affect the existence of a default hereunder.

3. Secured Party may at any time and from time to time in writing (a) waive compliance by Debtor with any covenant herein made by Debtor to the extent and in the manner specified in such writing; (b) consent to Debtor's doing any act which hereunder Debtor is prohibited from doing, or consent to Debtor's failing to do any act which hereunder Debtor is required to do, to the extent and in the manner specified in such writing; (c) release any part of the Collateral, or any interest therein, from the security interest of this Agreement; or (d) release any party liable, either directly or indirectly, for the Debt or for any covenant herein or in any other instrument now or hereafter securing the payment of the Debt, without impairing or releasing the liability of any other party. No such act shall in any way impair the rights of Secured Party hereunder except to the extent specifically agreed to by Secured Party in such writing.

4. Secured Party shall not be required to take any steps necessary to preserve any rights against prior parties to any of the Collateral.

5. The security interest and other rights of Secured Party hereunder shall not be impaired by any indulgence, moratorium or release granted by Secured Party, including but not limited to (a) any renewal, extension or modification which Secured Party may grant with respect to the Debt, (b) any surrender, compromise, release, renewal, extension, exchange or substitution which Secured Party may grant in respect of any item of the Collateral, or any part thereof or any interest therein, or (c) any release or indulgence granted to any endorser, guarantor or surety of the Debt.

6. Secured Party may call at Debtor's place or places of business at intervals to be determined by Secured Party and, without hindrance or delay, inspect, audit, check and make extracts from and copies of the books, records, journals, orders, receipts, correspondence and other data relating to the Collateral or to any transaction between Debtor and Secured Party, and Debtor shall assist Secured Party in such actions.

7. Secured Party may render and send to Debtor a statement of account showing loans made, all other charges, expenses and items charged to Debtor, payment by Debtor against the loans, proceeds collected and applied to the loans, other appropriate debts and credits, and a total of Debtor's indebtedness on the loans as of the date of the statement of account, and the statement of account shall be considered correct in all respects and accepted by and conclusively binding upon Debtor, except for specified objections which Debtor makes in writing within five (5) days from the date upon which the statement of account is sent.

8. A carbon, photographic or other reproduction of this Agreement or of any financing statement relating to this Agreement shall be sufficient as a financing statement. Debtor will cause all financing statements and continuation statements relating hereto to be recorded, filed, re-recorded and refiled in such manner and in such places as Secured Party shall reasonably request and will pay all such recording, filing, re-recording, and refiling taxes, fees and other charges. Debtor acknowledges that an original or properly verified and authenticated copy of this Agreement will be filed in the Equipment Register maintained by the Surface Transportation Board, United States Department of Transportation pursuant to 49 U.S.C. §11301. Debtor will, from time to time at the request of Secured Party supply acknowledgements, affidavits and other instruments and/or acts as may be deemed necessary or advantageous to obtaining and/or maintaining a perfected interest in the Collateral in favor of Secured Party pursuant to statutes, regulations and procedures applicable to said register.

9. In the event the ownership of the Collateral or any part thereof becomes vested in a person other than Debtor, Secured Party may, without notice to Debtor, deal with such successor or successors in interest with reference to this Agreement and to the Debt in the same manner as with Debtor, without in any way vitiating or discharging Debtor's liability hereunder or upon the Debt. No sale of the Collateral, and no forbearance on the part of Secured Party and no extension of the time for the payment of the Debt given by Secured Party shall operate to release, discharge, modify, change or affect, in whole or in part, the liability of Debtor hereunder for the payment of the Debt or the liability of any other person hereunder for the payment of the Debt, except as agreed to in writing by Secured Party.

10. Any other or additional security taken for the payment of any of the Debt shall not in any manner affect the security given by this Agreement.

11. To the extent that proceeds of the Debt are used to pay indebtedness secured by any outstanding lien, security interest, charge or prior encumbrance against the Collateral, such proceeds have been advanced by Secured Party at Debtor's request and Secured Party shall be subrogated to any and all rights, security interests and liens owned by any owner or holder of such outstanding liens, security interests, charges or encumbrances, irrespective of whether said liens, security interests, charges or encumbrances are released.

12. If any part of the Debt cannot be lawfully secured by this Agreement, or if the lien, assignments and security interests of this Agreement cannot be lawfully enforced to pay any part of the Debt, then and in either such event, at the option of Secured Party, all payments on the Debt shall be deemed to have been first applied against that part of the Debt.

13. Secured Party may assign this Agreement so that the assignee shall be entitled to the rights and remedies of Secured Party hereunder and in the event of such assignment, Debtor will assert no claims or defenses it may have against the assignee except those granted in this Agreement.

14. This Agreement shall not be changed orally but shall be changed only by agreement in writing signed by Debtor and Secured Party. No course of dealing between the parties, no usage of trade and no parole or extrinsic evidence of any nature shall be used to supplement or modify any of the terms or provisions of this Agreement.

15. Any notice, request or other communication required or permitted to be given hereunder shall be given in writing by delivering it against receipt for it, by depositing it with an overnight delivery service or by depositing it in a receptacle maintained by the United States Postal Service, postage prepaid, registered or certified mail, return receipt requested, addressed to the respective parties at the addresses shown herein (and if so given, shall be deemed given when mailed. Actual notice, however and from whomever given or received, shall always be effective when received.

16. This Agreement shall be binding upon Debtor, and the heirs, devisees, executors, administrators, personal representatives, trustees, beneficiaries, conservators, receivers, successors and assigns of Debtor, including all successors in interest of Debtor in and to all or any part of the Collateral, and shall benefit Secured Party and its successors and assigns.

17. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws, the legality, validity and enforceability of the remaining provisions of this Agreement shall not be affected thereby, and this Agreement shall be liberally construed so as to carry out the intent of the parties to it. Each waiver in this Agreement is subject to the overriding and controlling rule that it shall be effective only if and to the extent that (a) it is not prohibited by applicable law and (b) applicable law neither provides for nor allows any material sanctions to be imposed against Secured Party for having bargained for and obtained it.

18. Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of any of the Collateral in its possession if it takes such action for that purpose as Debtor requests in writing, but failure of Secured Party to comply with such request shall not of itself be deemed a failure to have exercised reasonable care, and no failure of Secured Party to take any action so requested by Debtor shall be deemed a failure to exercise reasonable care in the custody or preservation of such Collateral. Secured Party shall not be responsible in any way for any depreciation in the value of the Collateral, nor shall any duty or responsibility whatsoever rest upon Secured Party to take any steps to preserve rights against prior parties or to enforce collection of the Collateral by legal proceedings or otherwise, the sole duty of Secured Party, its successors and assigns, being to receive collections, remittances and payments on such Collateral as and when made and received by Secured Party and, at Secured Party's option, to apply the amount or amounts so received, after deduction of any collection costs incurred, as payment upon any of the Debt or to hold the same for the account and order of Debtor.

19. In the event Debtor instructs Secured Party, in writing or orally, to deliver any or all of the Collateral to a third person, and Secured Party agrees to do so, the following conditions shall be conclusively deemed to be a part of Secured Party's agreement, whether or not they are specifically mentioned to Debtor at the time of such agreement: (i) Secured Party shall assume no responsibility for checking the genuineness or authenticity of any person purporting to be a messenger, employee or representative of such third person to whom Debtor has directed Secured Party to deliver the Collateral, or the genuineness or authenticity of any document of instructions delivered by such person; (ii) Debtor will be considered by requesting any such delivery to have assumed all risk of loss as to the Collateral; (iii) Secured Party's sole responsibility will be to deliver the Collateral to the person purporting to be such third person described by Debtor, or a messenger, employee or representative thereof; and (iv) Secured Party and Debtor hereby expressly agree that the foregoing actions by Secured Party shall constitute reasonable care.

20. The pronouns used in this Agreement are in the masculine and neuter genders but shall be construed as feminine, masculine or neuter as occasion may require. "Secured Party", "Obligor" and "Debtor" as used in this Agreement include the heirs, devisees, executors, administrators, personal representatives, trustees, beneficiaries, conservators, receivers, successors and assigns of those parties.

21. The section headings appearing in this Agreement have been inserted for convenience only and shall be given no substantive meaning or significance whatever in construing the terms and provisions of this Agreement. Terms used in this Agreement which are defined in the Texas Uniform Commercial Code are used with the meanings as therein defined. Wherever the term "including" or a similar term is used in this Agreement, it shall be read as if it were written "including by way of example only and without in any way limiting the generality of the clause or concept referred to."

22. This Agreement is performable in Victoria County, Texas, which shall be a proper place of venue for suit on or in respect of this Agreement. Debtor irrevocably agrees that any legal proceeding in respect of this Agreement shall be brought in the district courts of Victoria County, Texas or the United States District Court for the Southern District of Texas, Victoria Division. **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE APPLICABLE LAWS OF THE STATE OF TEXAS AND THE UNITED STATES OF AMERICA FROM TIME TO TIME IN EFFECT.**

23. This Agreement and the other Credit Documents embody the entire agreement and understanding between Secured Party and Debtor with respect to their subject matter and supersede all prior conflicting or inconsistent agreements, consents and understandings relating to such subject matter. Debtor acknowledges and agrees there is no oral agreement between Debtor and Secured Party which has not been incorporated in this Agreement and the other Credit Documents.

24. Secured Party may from time to time and at any time, without any necessity for any notice to or consent by Debtor or any other person or entity, release all or any part of the Collateral from the security interests of this Agreement, with or without cause, including as a result of any determination by Secured Party that the Collateral or any portion thereof contains or has been contaminated by or releases or discharges any hazardous or toxic waste, material or substance.

25. Secured Party is hereby authorized at any time and from time to time following the occurrence of an Event of Default, without notice to any person or entity (and Debtor hereby WAIVES any such notice) to the fullest extent permitted by law, to set-off and apply any and all monies, securities and other properties of Debtor now or in the future in the possession, custody or control of Secured Party, or on deposit with or otherwise owed to Debtor by Secured Party--including all such monies, securities and other properties held in general, special, time, demand, provisional or final accounts or for safekeeping or as collateral or otherwise (but excluding those accounts clearly designated as escrow or trust accounts held by Debtor for others unaffiliated with Debtor)--against any and all of Debtor's obligations to Secured Party now or hereafter existing under this Agreement or any of the Credit Documents, irrespective of whether Secured Party shall have made any demand hereunder or thereunder. Secured Party agrees to use reasonable efforts to promptly notify Debtor after any such set-off and application, provided that failure to give--or delay in giving--any such notice shall not affect the validity of such set-off and application or impose any liability on Secured Party. Secured Party's rights under this Section are in addition to other rights and remedies (including other rights of set-off) which Secured Party may have.

EXECUTED as of the 26th day of July, 1996.

SOUTH TEXAS BANK, FSB

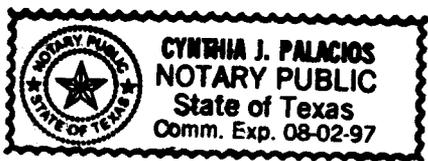
ITG, INC.

By: Billy Perkins
Name: Billy Perkins
Title: First Vice President

By: Michael Sagebiel
Name: Michael Sagebiel
Title: President

THE STATE OF TEXAS §
 §
COUNTY OF VICTORIA §

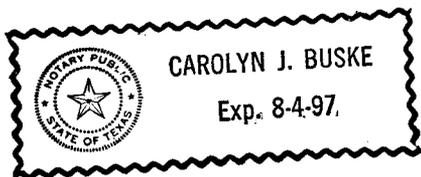
This instrument was acknowledged before me on this 26th day of July, 1996, by MICHAEL SAGEBIEL, President of ITG, Inc., a Texas corporation, on behalf of said corporation.



Cynthia J. Palacios
Notary Public in and for
the State of Texas
Name printed: _____
My Commission Expires: _____

THE STATE OF TEXAS §
 §
COUNTY OF VICTORIA §

This instrument was acknowledged before me on this 29th day of July, 1996, by BILLY PERKINS, ^{FIRST} Vice President of South Texas Bank, fsb, a federal savings bank, on behalf of said bank.



Carolyn J. Buske
Notary Public in and for
the State of Texas
Name printed: _____
My Commission Expires: _____

EXHIBIT A

Twelve (12) aluminum body railroad cars described as follows:

CAR INITIAL NUMBERS: 11000 through 11011, inclusive
CAR OWNER MARKS: ITGX
CLASS OF CARS: LO C111
NUMBER OF CARS: Twelve (12)
CAPACITY OF CARS: 100-ton/2605 cu. ft.

Prior to purchase by Debtor, these cars were marked as follows:

<u>New Reporting Mark</u>	<u>Old Reporting Mark</u>
ITGX 11000	SOU 4032
ITGX 11001	SOU 4007
ITGX 11002	SOU 4150
ITGX 11003	SOU 4037
ITGX 11004	SOU 4059
ITGX 11005	SOU 4185
ITGX 11006	SOU 4111
ITGX 11007	SOU 4095
ITGX 11008	SOU 4159
ITGX 11009	SOU 4058
ITGX 11010	SOU 4024
ITGX 11011	SOU 4073

EXHIBIT B

1. Railroad Car Lease Agreement No. ITG-2380, dated March 6, 1996 by and between Debtor (as lessor) and Lone Star Industries, Inc. (as lessee) covering and affecting the twelve (12) aluminum body railroad cars referred to and described in Exhibit A, attached.