

REGISTRATION NO 27293 FILED 1425
OCT 5 - 1996 10 09 AM

September 12, 1995
(the "Date")

SURFACE TRANSPORTATION BOARD
DEPARTMENT OF TRANSPORTATION
1201 Constitution Avenue N W
Attn Room 2311
Washington, D.C. 20423

OCT 9 9 54 AM '96
RECEIVED
SURFACE TRANSPORTATION
BOARD

Dear Surface Transportation Board.

I have enclosed two (2) executed originals of the document described below to be recorded, along with our cashier's check in the amount of \$22 00

This document is a Security Agreement, primary document, dated effective September 12, 1996.

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

Debtor	ON-TRACK RAILCAR SERVICES, INC 4582 - E Kingwood Drive, Suite 504 Kingwood, Texas 77345-0060
Secured Party	TEXAS COMMERCE BANK NATIONAL ASSOCIATION 712 Main Street P O. Box 2558 Houston, Texas 77252-2558

A description of the equipment covered by the document follows.

Debtor's inventory or equipment of the following description:
Six (6) DOT 111A100W1
General Purpose Railroad Tank
Cars, LUCX 2005, 2006, 2018, 2032, 2034, 2045
together with all other rolling stock of Debtor now owned or hereafter acquired by Debtor,
and all additions and accessions thereto and proceeds thereof

Please return the file-stamped original and any extra copies not needed by the Board for recordation to:

TEXAS COMMERCE BANK NATIONAL ASSOCIATION
712 Main Street
P O Box 2558
Houston, Texas 77252-2558 X
Attn: Sonia Macias

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

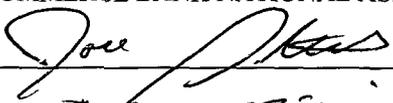
Security Agreement between On-Track Railcar Services, Inc. and Texas Commerce Bank National Association, dated effective September 12, 1996 and covering Debtor's inventory or equipment of the following of the following description:

Six (6) DOT 111A100W1
General Purpose Railroad Tank
Cars, LUCX 2005, 2006, 2018, 2032, 2034, 2045
together with all other rolling stock of Debtor now owned or hereafter acquired by Debtor,
and all additions and accessions thereto and proceeds thereof

Thank you for your attention to this matter. Please do not hesitate to call should you have any questions (713) 750-2327

Sincerely,

TEXAS COMMERCE BANK NATIONAL ASSOCIATION

By 

Name: JOE STELINA

Title AVP

SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C. 20423-0001

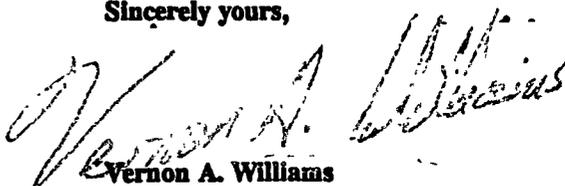
10/9/96

Texas Commerce Bank National Association
712 Main Street
P. O. Box 2558
Houston, Texas 77252-2558

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 10/9/96 at 10:00 AM, and assigned recordation number(s). 20298.

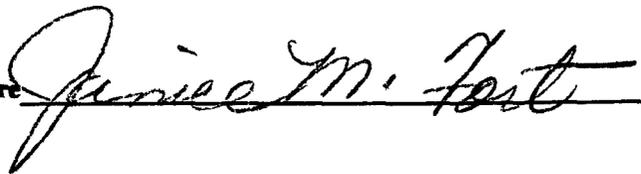
Sincerely yours,


Vernon A. Williams
Secretary

Enclosure(s)

\$ 22.00 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



20298
JUL 11 1996 10 02 AM

SECURITY AGREEMENT -- EQUIPMENT (ROLLING STOCK)
(this "Agreement")

ON-TRACK RAILCAR SERVICES, INC , 4582 - E Kingwood Drive, Suite 504, Kingwood, Harris County, Texas 77345-0060 (Debtor), and TEXAS COMMERCE BANK NATIONAL ASSOCIATION, 712 Main Street, P O. Box 2558, Houston, Harris County, Texas 77252-2558 ("Secured Party"), agree as follows

1. **DEFINITIONS** (a) "Collateral" means all Equipment and all Proceeds, including but not limited to all lease payments, rentals, per diem mileage, mileage credits, excess mileage credits and any and all other revenues or monies generated by or attributable to the Equipment, together with all books and records of Debtor, whether in paper or electronic form, relating to the Collateral. "Equipment" means all rolling stock equipment described following the signature lines of this Agreement. Equipment includes all accessions and appurtenances to, renewals or replacements of or substitutions for all Equipment, and all documents or certificates of title relating to all Equipment. (b) "Obligations" means all debts, obligations and liabilities of every kind and character of Debtor, whether joint or several, contingent or otherwise, now or hereafter existing in favor of Secured Party, including without limitation all liabilities arising under or from any note, open account, overdraft, letter of credit, endorsement, surety agreement, guaranty, interest rate swap or other derivative product, acceptance, foreign exchange contract or depository service contract, whether payable to Secured Party or to a third party and subsequently acquired by Secured Party. Debtor and Secured Party specifically contemplate that Debtor may hereafter become further indebted to Secured Party (c) "Past Due Rate" means the highest nonusurious rate of interest that Secured Party may contract for, charge or receive under applicable law, or 18% if applicable law does not specify such a rate (d) "Proceeds" means all products and proceeds, in cash or otherwise, of all Collateral (e) "Security Interest" means the security interests created by this Agreement. (f) "UCC" means the Texas Uniform Commercial Code, as amended from time to time All terms defined in the UCC are used in this Agreement as defined in the UCC unless otherwise defined in this Agreement.

2. **CREATION OF SECURITY INTEREST.** To secure the payment and performance of the Obligations, Debtor grants to Secured Party a security interest in and assigns to Secured Party all Collateral which Debtor owns or later acquires

3. **DEBTOR'S REPRESENTATIONS.** (a) Debtor is the sole lawful owner of the Collateral, free and clear of all encumbrances, and has the right and power to transfer the Collateral to Secured Party. No financing statement covering the Collateral, other than in favor of Secured Party, is on file in any public office (b) This Agreement constitutes the legal, valid and binding obligation of Debtor, enforceable in accordance with its terms (c) The Collateral and the Debtor's use thereof comply with all applicable laws, rules and regulations, and Debtor has obtained any consents necessary to execute, deliver and perform its obligations under this Agreement (d) The address set forth above is Debtor's place of business, if Debtor has only one place of business, Debtor's chief executive office, if Debtor has more than one place of business, or Debtor's residence, if Debtor has no place of business. (e) The Collateral is free from damage caused by fire or other casualty. (f) Except as disclosed on attached schedules or unless the box in Section 1 is checked, no Collateral is covered by a certificate of title or subject to a certificate of title law, or subject to registration with the Federal Aviation Administration, Coast Guard, Interstate Commerce Commission or Surface Transportation Board of the Department of Transportation.

4. **DEBTOR'S AGREEMENTS.** (a) Debtor will warrant and defend its title to and Secured Party's interest in the Collateral against any adverse claimant. (b) Notwithstanding the security interest in Proceeds granted herein, Debtor will not sell, transfer, assign or otherwise dispose of any interest in the Collateral, except as authorized in this Agreement or in writing by Secured Party, and Debtor will keep the Collateral (including Proceeds) free from unpaid charges, including taxes and assessments, and from all encumbrances other than those in favor of Secured Party (c) Debtor will furnish Secured Party all information Secured Party may request with respect to the Collateral. Debtor will notify Secured Party promptly of any event that could have a material adverse effect on the aggregate value of the Collateral or

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on the Security Interest, or any change in Debtor's location, name, identity or organizational structure (d) Debtor will keep accurate books and records regarding the Collateral and will allow Secured Party to inspect the Collateral and to inspect and make copies (including electronic copies) of its books and records during regular business hours. Secured Party may make test verifications of the Collateral

5. **FURTHER ASSURANCES** Secured Party may file this Agreement or any financing statements wherever Secured Party believes necessary to perfect the Security Interest. A photographic or other reproduction of this Agreement or any financing statement relating to this Agreement will be sufficient as a financing statement. Debtor will take such action as Secured Party may at any time require to protect, assure or enforce the Security Interest. If any Collateral is located on or in leased property, Debtor will furnish Secured Party an executed landlord's waiver satisfactory to Secured Party. Debtor will promptly deliver to Secured Party any part of the Collateral that constitutes instruments, and will make a designation on all of its chattel paper, instruments and negotiable documents to reflect the Security Interest.

6. **DEBTOR'S USE OF COLLATERAL; INSURANCE.** (a) Debtor will keep the Equipment at the address set forth above or other locations of which Debtor notifies Secured Party in writing from time to time, except for temporary removal in connection with ordinary use. In no event, however, shall the Equipment be removed from the contiguous United States of America. (b) Debtor will properly maintain the Equipment and will comply with all applicable laws, rules and regulations in the use, sale and production of the Equipment. Debtor will replace obsolete or worn-out Equipment with comparable new Equipment, and may sell obsolete or worn-out Equipment which has been replaced with comparable new Equipment. (c) **DEBTOR WILL MAINTAIN INSURANCE ON THE COLLATERAL** against all customary risks for goods of the same type and use, including without limitation fire and theft, and any other risks designated by Secured Party including public liability. **DEBTOR MAY FURNISH INSURANCE THROUGH EXISTING POLICIES DEBTOR OWNS OR CONTROLS OR THROUGH NEW POLICIES ISSUED BY ANY COMPANY AUTHORIZED TO TRANSACT BUSINESS IN TEXAS** Secured Party will be named on a customary loss payee endorsement to all such insurance, providing for payment to Secured Party and Debtor (and no other person) as their interests appear, and providing for at least 30 days written notice to Secured Party before cancellation. Secured Party is irrevocably appointed attorney-in-fact for Debtor to obtain, adjust, settle and cancel such insurance. Secured Party may apply all proceeds of insurance to repayment of the Obligations, whether Debtor is in default or not.

7. **COSTS AND EXPENSES** Debtor will pay, or reimburse Secured Party for, all costs and expenses of every character incurred from time to time in connection with this Agreement (and all modifications and renewals) and the Obligations, including costs and expenses incurred (a) for mortgage or recording taxes, (b) to satisfy any obligation of Debtor under this Agreement or to protect the Collateral, (c) in connection with the evaluation, monitoring or administration of the Obligations or the Collateral (whether or not an Event of Default has occurred), and (d) in connection with the exercise of Secured Party's rights and remedies. Costs and expenses include reasonable fees and expenses of outside counsel and other outside professionals and charges imposed for the services of attorneys and other professionals employed by Secured Party or its affiliates. Any amount owing under this Section will be due and payable on demand and will bear interest from the date of expenditure by Secured Party until paid at the Past Due Rate. If any part of the Obligations is governed by Chapter 3, 4, 5 or 15 of the Texas Credit Code, this Section is limited to the extent required by those chapters.

8. **DEFAULT** Each of the following events or conditions is an "Event of Default:" (a) Debtor fails to pay when due (or within any contractually agreed grace period) any of the Obligations, (b) any event occurs that gives Secured Party the immediate right to declare any of the Obligations due and payable in full prior to final maturity, (c) any warranty, representation or statement contained in this Agreement or made in connection with this Agreement or any of the Obligations was false or misleading in any respect when made; (d) Debtor violates any covenant, condition or agreement contained in this Agreement or any other document relating to the Obligations; (e) any Collateral is lost, stolen, substantially damaged, destroyed,

abandoned, levied upon, seized or attached; or (f) Debtor conceals or removes any part of the Collateral with intent to hinder, delay or defraud the Secured Party. After an Event of Default occurs, Secured Party may, without notice to any person, declare the Obligations to be immediately due and payable. Debtor WAIVES all notices, including without limitation notice of dishonor and default, notice of intent to accelerate and notice of acceleration.

9 SECURED PARTY'S RIGHTS AND REMEDIES After an Event of Default occurs, Secured Party will have all rights and remedies of a secured party after default under the UCC and other applicable law. Secured Party may require Debtor to assemble the Collateral and make it available at a reasonably convenient place Secured Party designates. Except for the safe custody of any Collateral in its possession and accounting for moneys actually received by it, Secured Party will have no duty as to any Collateral, including any duty to preserve rights against prior parties. Debtor irrevocably appoints Secured Party Debtor's attorney-in-fact to endorse any checks or other instruments included in the Collateral, or to take any other action to enforce, collect or compromise the Collateral. Secured Party is not required to take possession of any Collateral prior to any sale, nor to have any Collateral present at any sale. Secured Party may sell part of the Collateral without waiving its right to proceed against the remaining Collateral. If any sale is not completed or is defective in the opinion of Secured Party, Secured Party may make a subsequent sale of the same Collateral. Any bill of sale or other instrument evidencing any foreclosure sale will be prima facie evidence of factual matters stated or recited therein. If a sale of Collateral is conducted in conformity with customary practices of banks disposing of similar property, the sale will be deemed commercially reasonable, but Secured Party will have no obligation to advertise or to sell Collateral on credit. Written notice to Debtor mailed 10 days prior to public or private sale is reasonable notice. By exercising its rights, Secured Party will not become liable for, and Debtor will not be released from, any of Debtor's duties or obligations under the contracts and agreements included in the Collateral. Secured Party may purchase Collateral at any public sale, and may credit the purchase price against the Obligations. All remedies in this Agreement are cumulative of any and all other legal, equitable or contractual remedies available to Secured Party. Debtor WAIVES any rights to a marshaling of assets or sale in inverse order of alienation, and any rights to notice except as provided in the UCC.

10 ADDITIONAL AGREEMENTS. (a) This Agreement will remain in effect until Secured Party executes and delivers to Debtor a written termination statement. (b) No modification or waiver of the terms of this Agreement will be effective unless in writing and signed by Secured Party. Secured Party may waive any default without waiving any other prior or subsequent default. Secured Party's failure to exercise or delay in exercising any right under this Agreement will not operate as a waiver of such right. No single or partial exercise of any right under this Agreement will preclude any other or further exercise of that right or any other right. (c) Any notice required or permitted under this Agreement will be given in writing by United States mail, by hand delivery or delivery service, or by telegraphic, telex, telecopy or cable communication, sent to the intended addressee at the address shown in this Agreement, or to such different address as the addressee designates by 10 days notice. Notice by United States mail will be effective when mailed. All other notices will be effective when received. Written confirmation of receipt will be conclusive. (d) If any provision of this Agreement is unenforceable or invalid, that provision will not affect the enforceability or validity of any other provision. If the application of any provision of this Agreement to any person or circumstance is illegal or unenforceable, that application will not affect the legality or enforceability of the provision as to any other person or circumstance. (e) If more than one person executes this Agreement as Debtor, their obligations under this Agreement are joint and several, and the term Collateral includes any property described in Section 1 that is owned by any Debtor individually or jointly with any other Debtor, and the term "Obligations" includes both several and joint obligations of each Debtor. (f) The section headings in this Agreement are for convenience only and shall not be considered in construing this Agreement. (g) This Agreement may be executed in any number of counterparts and by different parties in separate counterparts, each of which will constitute one and the same agreement. (h) This Agreement benefits the Secured Party and its successors and assigns and is binding on Debtor and its heirs, legal representatives, successors and assigns. (i) If any of the Obligations are subject to Chapter 3, 4, 5 or 15 of the Texas Credit Code or Regulation AA of the Board of

Governors of the Federal Reserve System (collectively, the "Consumer Restrictions"), (1) nothing in this Agreement waives any rights which cannot be legally waived under the Consumer Restrictions, and (2) the Collateral securing such Obligations does not include any assignment of wages or any non-possessory, non-purchase money security interest in household goods (j) This Agreement is governed by the laws of the State of Texas. (k) Secured Party is executing this Agreement for the purpose of acknowledging the following notice, and Secured Party's failure to execute this Agreement will not invalidate this 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

DEBTOR. ON-TRACK RAILCAR SERVICES, INC.

By: *Geri L. Ward*

Name GERI L WARD

Title PRESIDENT

Date 9-26-96

SECURED PARTY TEXAS COMMERCE BANK NATIONAL ASSOCIATION

By: *Joe Stellin*

Name JOE STELLIN

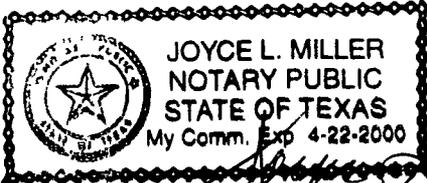
Title AVP

Description of rolling stock

Six (6) DOT 111A100W1
General Purpose Railroad Tank
Cars, LUCX 2005, 2006, 2018, 2032, 2034, 2045
together with all other rolling stock of Debtor, whether now
owned or hereafter acquired, together with all proceeds
thereof

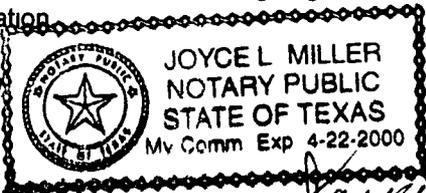
STATE OF TEXAS §
COUNTY OF HARRIS §

On this 26th day of September, 1996, before me, personally appeared GERI L WARD, to me personally known, who being by me duly sworn, says that s(he) is the President of ON-TRACK RAILCAR SERVICES, INC, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and (s)he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation

(SEAL) 
Signature of Notary Public *Joyce L Miller*
My commission expires 4/22/2000

STATE OF TEXAS §
COUNTY OF HARRIS §

On this 26th day of September, 1996, before me, personally appeared , to me personally known, who being by me duly sworn, says that s(he) is the of TEXAS COMMERCE BANK NATIONAL ASSOCIATION, a national banking association, that said instrument was signed and sealed on behalf of said national banking association, and (s)he acknowledged that the execution of the foregoing instrument was the free act and deed of said national banking association.

(SEAL) 
Signature of Notary Public *Joyce L Miller*
My commission expires 4/22/2000