

LAW OFFICES
McCAMISH, MARTIN & LOEFFLER
A PROFESSIONAL CORPORATION

SUITE 300 - EAST
555 13TH STREET, NW
WASHINGTON, D.C. 20004
(202) 637-6850
TELECOPIER (202) 637-6861

1200 REPUBLIC OF TEXAS PLAZA
175 E. HOUSTON
P.O. BOX 2999
SAN ANTONIO, TEXAS 78299-2999
(512) 225-5500
TELECOPIER (512) 225-1283

SUITE 2060
98 SAN JACINTO BLVD.
AUSTIN, TEXAS 78701
(512) 322-5500
TELECOPIER (512) 322-5515

1-310A031

REGISTRATION NO. 17585

NOV 6 1991 - 3 05 PM

November 5, 1991 INTERSTATE COMMERCE COMMISSION

Secretary
Interstate Commerce Commission
Twelfth Street and Constitution Avenue, N.W.
Washington, DC 20423

Dear Secretary:

I have enclosed three (3) originals of the document described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

This document is a Security Agreement, a primary document, dated October 25, 1991.

Names and addresses of the parties to the document are as follows:

Secured Party:

TEXAS SOUTHERN RAILROAD, INC.
c/o Willard King
8620 N. New Braunfels, Suite 541
San Antonio, Texas 78217

Debtor:

TRANSCISCO TEXAN RAILWAY, INC.
1000 N. Alamo
San Antonio, Texas 78215

The equipment covered by the document is described as follows:

Handwritten signature: F. Ram [unclear]

NOV 6 2 51 PM '91
U.S. DEPT. OF TRANSPORTATION

LAW OFFICES
McCAMISH, MARTIN & LOEFFLER
A PROFESSIONAL CORPORATION

Secretary
Interstate Commerce Commission
Page 2

1. Ex-SF 1389, Budd 1941, Lot 96907, Bar 48 seat Lounge, Newsstand, Nurse Room
2. Ex-NYC 406, Budd 1947, Lot 9610-023, 68-seat Dinner Table Car
3. EX-IC 4128, Pullman Standard 1950, Plan 7605, 68-seat Dining Car
4. EX-IC 4128A, Pullman Standard 1950, Plan 7607, Kitchen Dormitory
5. EX-WP ATSF 1371 (Nambe) 25-seat Club Lounge/Dormitory Lot #979
6. EX-WP 812 (Silver Feather) California Zephyr 70-seat Dome Coach/Lounge, Lot #9656-021
7. EX-CO 1920 48 Seat Diner - BE-OBSERVATION, Lot 9672-017
8. EX-ATSF 500 63 Seat Dome Club Lounge, Lot 6836

including all proceeds, revenues and rents of any and all types from any sale, lease, or other disposition thereof and all leases pertaining thereto.

A fee of \$15.00 is enclosed. Please return the original, stamped with recording verification, and any extra copies not needed by the Commission for recordation to:

McCamish, Martin & Loeffler, P.C.
Attention: O. Jerrold Winski
175 East Houston Street, Suite 1200
P. O. Box 2999
San Antonio, Texas 78299-2999

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

Security Agreement between Texas Southern Railroad, Inc., c/o Willard King, 8620 N. New Braunfels, Suite 841, San Antonio, Texas 78217, Secured Party; and Transcisco Texas Railway, Inc., 1000 N. Alamo, San Antonio, Texas 78215, Debtor; dated October 25, 1991 and covered eight (8) railroad cars as follows:

LAW OFFICES
McCAMISH, MARTIN & LOEFFLER
A PROFESSIONAL CORPORATION

Secretary
Interstate Commerce Commission
Page 3

1. Ex-SF 1389, Budd 1941, Lot 96907, Bar 48 seat Lounge, Newsstand, Nurse Room
2. Ex-NYC 406, Budd 1947, Lot 9610-023, 68-seat Dinner Table Car
3. EX-IC 4128, Pullman Standard 1950, Plan 7605, 68-seat Dining Car
4. EX-IC 4128A, Pullman Standard 1950, Plan 7607, Kitchen Dormitory
5. EX-WP ATSF 1371 (Nambe) 25-seat Club Lounge/Dormitory Lot #979
6. EX-WP 812 (Silver Feather) California Zephyr 70-seat Dome Coach/Lounge, Lot #9656-021
7. EX-CO 1920 48 Seat Diner - BE-OBSERVATION, Lot 9672-017
8. EX-ATSF 500 63 Seat Dome Club Lounge, Lot 6836

including all proceeds, revenues and rents of any and all types from any sale, lease, or other disposition thereof and all leases pertaining thereto.

Thank you for your assistance in this transaction. Please contact me if you have any questions or additional requirements.

Sincerely,



O. Jerrold Winski

Attorney for Texas Southern
Railroad, Inc.

Enclosures

Interstate Commerce Commission
Washington, D.C. 20423

10/20/91
11/6/91

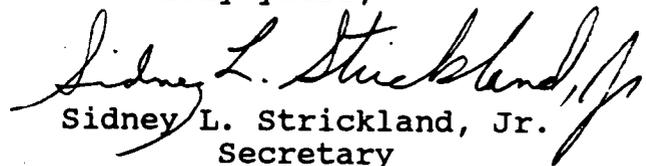
OFFICE OF THE SECRETARY

O, Jerrold Winski
McCarnish Martin & Loeffler
1200 Republic Of Texas Plaza
San Antonio , Texas 78299-2999

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 11/6/91 at 3:05pm , and assigned recordation number(s). 17585

Sincerely yours,


Sidney L. Strickland, Jr.
Secretary

NOV 6 1991 3 45 PM

SECURITY AGREEMENT - EQUIPMENT INTERSTATE COMMERCE COMMISSION

Transcisco Texan Railway, Inc., 1000 N. Alamo, San Antonio, Texas 78215, hereinafter called "Debtor", and Texas Southern Railroad, Inc., c/o Willard King, 8620 N. New Braunfels, Suite 541, San Antonio, Texas 78217, hereinafter called "Secured Party", agree as follows:

Section I. Creation of Security Interest.

Debtor hereby grants to Secured Party a security interest in the Collateral described in Section II of this Security Agreement to secure performance and payment of obligations described in Section III, (the "Indebtedness").

Section II. Collateral.

The Collateral of this Security Agreement is all Mortgaged Property as described in Exhibit A attached hereto and incorporated herein as if set forth verbatim at this point.

Collateral also includes proceeds, revenues and rents of any and all types from any sale, lease or other disposition thereof and all leases pertaining to the Collateral. The inclusion of proceeds in any Financing Statement or in this Security Agreement does not authorize Debtor to sell, dispose of or otherwise use the Collateral in any manner not specifically authorized by this Security Agreement. Prior to an Event of Default (as defined in Section VI hereof), Debtor shall have the right to collect and receive all revenues and rents generated from the leasing of the Collateral.

Section III. Loan.

The Debtor acquired all of the assets (the "Assets") of Secured Party pursuant to the terms of an Acquisition Agreement entered into as of May 15, 1990 (the "Acquisition Agreement") by and between Debtor, Secured Party and Transcisco Industries, Inc. (the "Parent"). Pursuant to the provisions of Section 1.2.2 of the Acquisition Agreement, Debtor, as part of the purchase price for the Assets, delivered to the Secured Party at the closing on the sale of the Assets, June 27, 1990, its promissory note (the "Note") in the principal amount of Four Hundred Thousand Dollars (\$400,000.00), bearing interest and being payable as therein provided. Pursuant to the provisions of Section 9 of the Acquisition Agreement, an Indemnification Agreement (the "Indemnification Agreement") was entered into by and between Debtor, Secured Party and Parent. Pursuant to the provisions of the Indemnification Agreement, various Asserted Claims (as defined

in the Indemnification Agreement) have been presented by Debtor and Parent against Secured Party. The parties have resolved their differences and disputes with regard to the Asserted Claims and have agreed to the dollar amount of Asserted Claims and a corresponding offset against the principal balance of the Note so that the principal balance of the Note as of this date, together with all accrued interest, is Two Hundred Thousand Dollars (\$200,000.00) (the "Adjusted Balance"). In material reliance upon the execution and delivery of this Security Agreement by Debtor, Secured Party has agreed to extend the maturity date of the Note for the payment of the Adjusted Balance until the 31st day of December, 1992. The Adjusted Balance shall not bear interest until June 30, 1992 and thereafter, until maturity, shall bear interest at the Applicable Rate (as defined in the Note), until maturity. From and after maturity, principal and past due interest remaining unpaid shall bear interest at the highest rate permitted by applicable law or, if no such maximum rate is established by applicable law, then at the Applicable Rate, plus two percent (2%) per annum (the "Default Rate")

Section IV. Payment of Indebtedness.

(1) Debtor shall pay to Secured Party any sum or sums due or which may become due pursuant to the Indebtedness incurred by Debtor to Secured Party, in accordance with the terms of such Indebtedness and the terms of this Security Agreement.

(2) Debtor shall pay to Secured Party on demand all expenses and expenditures, including reasonable attorneys' fees and other legal expenses incurred or paid by Secured Party in exercising or protecting its interests, rights and remedies under this Security Agreement, plus interest thereon at the Default Rate and such shall be secured hereby as part of the Indebtedness, but not including attorney fees and other legal expenses incurred by Secured Party in the negotiation, preparation and execution of this Security Agreement and related documents.

(3) At Secured Party's election, Debtor shall pay immediately, without notice, the entire unpaid Indebtedness of Debtor to Secured Party, whether created or incurred pursuant to this Security Agreement or otherwise, upon Debtor's default under Section VI of this Security Agreement.

Section V. Debtor's Representations, Warranties and Agreements.

Debtor represents, warrants, covenants and agrees that:

(1) Debtor has disclosed that there may be financing statements covering the Collateral or its proceeds on file with respect to Debtor in various public offices including, by way of

example, and not as a limitation, certain financing statements as disclosed in Exhibit B.

(2) Debtor's chief place of business is 1000 North Alamo, San Antonio, Texas 78215, and Debtor will immediately notify Secured Party in writing of any change thereof.

(3) The Collateral shall remain in Debtor's possession or control at all times at Debtor's risk of loss, and Secured Party may inspect it at any reasonable time. Debtor may remove the Collateral from the location set forth in Section V(2) above, but shall promptly notify Secured Party, in writing, of the new location of the Collateral and any subsequent relocation of the Collateral. Nothing in this subsection shall prohibit the leasing of all or any part of the Collateral. Debtor shall promptly notify Secured Party of any such leasing, in writing, and provide Secured Party with copies of such leases.

(4) The Collateral will not be misused or abused, wasted or allowed to deteriorate, except for the ordinary wear and tear of its intended primary use, and Debtor will use due care to assure that it will not be used in violation of any statute or ordinance.

(5) Debtor will have and maintain insurance at all times with respect to the Collateral against risks of fire, theft and such other risks as Secured Party may reasonably require, including standard extended coverage. Such insurance policies shall contain such terms, be in a form, for a period and be written by companies reasonably satisfactory to Secured Party and shall contain mortgagee loss payable clause in favor of Secured Party. All policies of insurance shall provide for thirty days' written minimum cancellation notice to Secured Party. Debtor shall furnish Secured Party with certificates or other evidence satisfactory to Secured Party of compliance with the foregoing insurance provisions.

(6) Debtor will sign and execute alone or with Secured Party any financing statement or other documents or procure any documents, and pay all costs, necessary to protect the security interest under this Security Agreement against the rights or interest of third persons.

(7) Debtor will, at his own expense, do, make, procure, execute and deliver all acts, things, writing and assurances as Secured Party may at any time request to protect, assure or enforce its interest, rights and remedies created by, provided in or emanating from this Security Agreement.

(8) Debtor shall keep the Collateral, including the proceeds from any disposition thereof, free from unpaid charges, including taxes, and from voluntary liens, encumbrances, and security interests other than that of Secured Party.

Section VI. Events of Default.

Debtor shall be in default under this Security Agreement upon the happening of any of the following events or conditions (herein called an "Event of Default"):

(1) Debtor's failure to pay when due any Indebtedness (or any portion thereof) secured by this Security Agreement, either principal, interest, or lawful charges.

(2) Failure or omission for any reason whatsoever, of Debtor to punctually perform any of the other obligations, covenants, terms or provisions contained or referred to in this Security Agreement, or in any writing or agreement evidencing or pertaining to any Indebtedness for a period of thirty (30) days after written notice from Secured Party.

(3) Debtor's dissolution, or the appointment of a receiver of all or any part of the property of Debtor; an assignment for the benefit of creditors of Debtor; or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Debtor.

Section VII. Secured Party's Rights and Remedies.

(1) Upon the occurrence of an Event of Default, and at any time thereafter, Secured Party may declare all Indebtedness secured hereby immediately due and payable and shall have the rights and remedies of a secured party under the Uniform Commercial Code of Texas, including without limitation thereto the right to sell, lease or otherwise dispose of any or all of the Collateral and the right to take possession of the Collateral, and for that purpose Secured Party may peaceably enter upon any premises on which the Collateral or any part thereof may be situated and remove the same therefrom. Secured Party may require Debtor to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party which is reasonably convenient to both parties. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Secured Party will send Debtor reasonable notice of the time and place of any public sale thereof or of the time after which any private sale or other disposition thereof is to be made. The requirement of sending reasonable notice shall be met if such notice is mailed, postage prepaid, to Debtor at the address designated at the beginning of this Security Agreement at least five days before the time of the sale or disposition. Expenses of retaking, holding, preparing for sale, selling or the like shall include Secured Party's reasonable

attorneys' fees and legal expenses, plus interest thereon at the Applicable Rate plus two percent (2%) per annum. Any excess proceeds from the sale of the Collateral after the satisfaction of the Indebtedness and the payment of the expenses set forth herein shall be remitted to Debtor.

(2) Secured Party may remedy any default without waiving the default remedied and may waive any default without waiving any other prior or subsequent default.

(3) The remedies of Secured Party hereunder are cumulative, and the exercise of any one or more of the remedies provided for herein shall not be construed as a waiver of any of the other remedies of Secured Party.

Section VIII. Additional Agreements.

(1) The section headings appearing in this Security Agreement have been inserted for convenience only and shall be given no substantive meaning or significance whatever in construing the terms and provisions hereof. Terms used in this Security Agreement which are defined in the Texas Uniform Commercial code (Title I of the Texas Business and Commerce Code) are used with the meanings as therein defined.

(2) The law governing this secured transaction shall be the Texas Uniform Commercial Code (Title I of the Texas Business and Commerce Code) and other applicable local law of Texas and applicable federal law; provided however, the enforcement of this instrument as a lien or security interest upon any portions of the Collateral and all proceedings for enforcement of Secured Party's liens and security interests, or of other rights of Secured Party hereunder as may mandatorily require such application, shall be governed by the local law of the jurisdiction in which such enforcement is sought or proceedings brought, to the extent necessary or prudent to fully preserve, protect, defend and enforce Secured Party's rights hereunder.

(3) This Security Agreement may be executed in multiple counterparts, each of which shall be deemed an original and each of which alone or all of which together shall constitute one and the same instrument.

(4) In the event insurance proceeds are received as the result of the loss, theft, substantial damage or destruction of all or part of the Collateral, such insurance proceeds shall be applied in full or partial satisfaction of the Indebtedness, unless the Secured Party agrees in writing that such insurance proceeds may be used to acquire substitute or replacement equipment which would become subject to the security interest of this Security Agreement and considered Collateral hereunder for all purposes.

(5) With regard to security interests disclosed on Exhibit B, Debtor has caused such security interests to be fully and completely subordinated to the security interest of the Secured Party hereunder and concurrently with the execution of this Security Agreement has delivered to Secured Party written subordination agreements with regard thereto in form and substance satisfactory to Secured Party and has caused the filing of all necessary financing statements to evidence such subordination.

(6) Debtor shall have the right to obtain partial releases of the Collateral from time to time subject to the following:

- (a) No Event of Default shall have occurred and be continuing hereunder;
- (b) The partial release is in conjunction with the cash sale of the Collateral to a party other than the parent, a subsidiary or an affiliate of the Debtor; and
- (c) Debtor pays to Secured Party an amount equal to the gross proceeds received from such sale less "Transaction Costs" as hereafter defined.

For purposes of this Security Agreement, the term "Transaction Costs" shall be limited to the following:

- (i) All business personal property taxes prorated to the date of sale for the year in which such sale occurs (and not for prior years);
- (ii) Reasonable brokerage fees and commissions;
- (iii) Reasonable advertising and marketing costs to specifically promote the sale of the Collateral;
- (iv) Reasonable outside legal documentation costs specifically associated with the sale of the Collateral released hereunder; and
- (v) Applicable public office filing or release fees, if any.

(7) Payment of the Note shall be enforced solely from the Collateral (as defined herein) and no deficiency or other monetary judgment shall ever be taken, enforced, or executed against Debtor or Parent for the payment of the Note; notwithstanding the foregoing, Debtor shall be liable to Secured Party for (i) any damages suffered as a result of intentional or willful fraud or misrepresentation by Debtor; (ii) the fair market value as of the time of an Event of Default (as defined herein) of any Collateral removed or disposed of by Texan other than in accordance with the terms of this Security Agreement, and (iii) the misapplication of any proceeds, to the full extent of said misapplied proceeds,

under any insurance policies resulting from damage to, or loss or destruction of, any portion of the Collateral. The liabilities of Debtor under the immediately preceding sentence shall not be deemed an obligation for repayment of the indebtedness under the Note, but rather shall be deemed to be separate and distinct liabilities. Debtor may be named a party in any action(s) to enforce interests under the Note or this Security Agreement and/or against the Collateral and the Collateral will be fully charged with payment of the Indebtedness.

(8) This Agreement is conditioned upon obtaining the necessary approval of the United States Bankruptcy Court, Northern District of California, Case Number: 91-32674TC, titled "In Re Transcisco Industries, Inc."

DATED the 25th day of October, 1991.

DEBTOR:

TRANSCISCO TEXAN RAILWAY, INC.

BY:

Name:

Title:

Nicholas G. Atkeson
Nicholas G. Atkeson
General Manager

SECURED PARTY:

TEXAS SOUTHERN RAILROAD, INC.

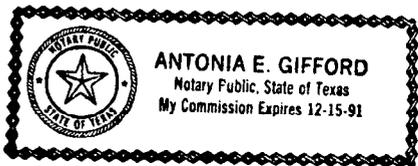
By:

Willard King
Willard King
Authorized Representative

STATE OF TEXAS *
*
COUNTY OF BEXAR *

Before me, the undersigned authority, on this day personally appeared Willard King, Authorized Representative for Texas Southern Railroad, Inc., known to me to be the person whose name is subscribed to the foregoing instrument, who after being by me first duly sworn, acknowledged that he signed same for the purpose and consideration therein expressed and in the capacity therein stated.

Given under my hand and seal of office this the 25th day of OCTOBER, 1991.



Antonia E. Gifford
Notary Public, State of Texas

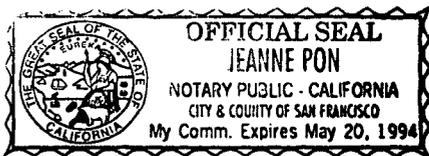
Name: ANTONIA E. GIFFORD

My Commission Expires: 12-15-91

STATE OF CALIFORNIA *
COUNTY OF SAN FRANCISCO *

Before me, the undersigned authority, on this day personally appeared Nicholas G. Atkeson, General Manager of Transcisco Texan Railway, Inc., known to me to be the person whose name is subscribed to the foregoing instrument, who after being by me first duly sworn acknowledged that he signed same for the purpose and consideration therein expressed and in the capacity therein stated.

Given under my hand and seal of office this the 30th day of October, 1991.



Jeanne Pon
Notary Public, State of California

Name: JEANNE PON

My Commission Expires: 5-20-94

EXHIBIT A

MORTGAGED PROPERTY

LIST OF EQUIPMENT - COLLATERAL

1. Ex-SF 1389, Budd 1941, Lot 96907, Bar 48 seat Lounge, Newsstand, Nurse Room
2. Ex-NYC 406, Budd 1947, Lot 9610-023, 68-seat Dinner Table Car
3. EX-IC 4128, Pullman Standard 1950, Plan 7605, 68-seat Dining Car
4. EX-IC 4128A, Pullman Standard 1950, Plan 7607, Kitchen Dormitory
5. EX-WP ATSF 1371 (Nambe) 25-seat Club Lounge/Dormitory Lot #979
6. EX-WP 812 (Silver Feather) California Zephyr 70-seat Dome Coach/Lounge, Lot #9656-021
7. EX-CO 1920 48 Seat Diner - BE-OBSERVATION, Lot 9672-017
8. EX-ATSF 500 63 Seat Dome Club Lounge, Lot 6836

including all proceeds, revenues and rents of any and all types from any sale, lease, or other disposition thereof and all leases pertaining thereto.

EXHIBIT B

<u>DEBTOR</u>	<u>SECURED PARTY</u>	<u>UCC INSTRUMENT NO.</u>	<u>UCC FILING DATE</u>	<u>NOTE DATE</u>	<u>ORIGINAL PRINCIPAL AMOUNT OF NOTE</u>
Transcisco Texan Railway, Inc.	Transcisco Industries, Inc.	9100155752	August 12, 1991	August 1, 1991	\$1,230,550.63
Transcisco Texan Railway, Inc.	Transcisco Rail Services Company	9100155750	August 12, 1991	August 1, 1991	\$ 245,684.66