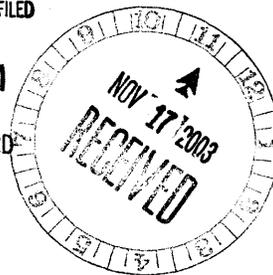


RECORDATION NO. 22456-E FILED

October 31, 2003

NOV 18 '03 2:40 PM



**Nathan
Sommers
+
Jacobs
Gorman**

SURFACE TRANSPORTATION BOARD

Surface Transportation Board
1925 K Street, N.W.
Suite 700
Washington, D.C. 20423

Re: Recordation of Security Agreement (executed in renewal, extension and modification of prior Security Agreement), original prior Security Agreement was filed under Recordation No. 22456.

To whom it may concern:

I have enclosed one (1) original and one(1) certified copy of the document described below to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

The document is a security agreement dated as of October 31, 2003 (the "Security Agreement"), which was executed in renewal, extension and modification of, and not in discharge or novation of that certain Security Agreement dated as of March 15, 2002, which was executed in renewal, extension and modification of, and not in discharge or novation of that certain Security Agreement dated as of September 27, 1999 (as amended), and is a secondary document.

The names and addresses of the parties to the Security Agreement are as follows:

Secured Party:

Southwest Bank of Texas, N.A.
Five Post Oak Park
4400 Post Oak Parkway
Houston, Texas 77027

Debtor:

Southwest Rail Industries, Inc.
601 South East Street
Weimar, Texas 78962

A description of the equipment covered by the Security Agreement is as follows:

(a) Four Hundred Thirty-Eight (438) rail cars, specifically described on Exhibit "A" attached hereto (the "Railcars");

(b) all Debtor's right title and interest to all tangible personal property incorporated into the Railcars or acquired for incorporation into the Railcars, including all machinery, equipment, fixtures and other personalty of every nature and description incorporated into the Railcars or acquired for incorporation into the Railcars, whether now owned or hereafter acquired, and all appurtenances,

A Professional Corporation

ATTORNEYS AND COUNSELLORS
2800 POST OAK BOULEVARD 16151 FLOOR
HOUSTON, TEXAS 77056-0102
PHONE: 713.892.4863

DIRECT: 713.892.4863 | FAX: 713.892.4800
EMAIL: AMCLAUGHLIN@NATHANSOMMERS.COM

accessions and additions thereto and substitutions and replacements therefor, wheresoever located, including all tools, parts and accessories used in connection therewith;

(c) all of Debtor's accounts, accounts receivable, contract rights, investment securities, financial assets, general intangibles, instruments, documents, chattel paper and funds on deposit with Secured Party, whether now owned or hereafter acquired, including, without limitation, all lease receivables and note receivables, all cash, notes, drafts and acceptances arising therefrom, or other proceeds of any sale, lease or other disposition of inventory, and all proceeds (including insurance proceeds) and products thereof;

(d) all of Debtors right, title and interest in and to any and all leases covering the Railcars (the "Leases");

(e) all rights, remedies and privileges of Debtor to enforce the Leases;

(f) all other general intangibles of Debtor arising from or relating to the Leases; and

(g) all products and proceeds thereof (including insurance proceeds).

A short summary of the Security Agreement to appear in the index is as follows:

Security Agreement dated as of October 31, 2003 between Southwest Bank of Texas, N.A., Five Post Oak Park, 4400 Post Oak Parkway, Houston, Texas 77027 ("Secured Party") and Southwest Rail Industries, Inc., 601 South East Street, Weimar, Texas 78962 ("Debtor"), which was executed in renewal, extension and modification of, and not in discharge or novation of, that certain Security Agreement dated as of March 15, 2002, which was executed in renewal, extension and modification of, and not in discharge or novation of, that certain Security Agreement dated as of September 27, 1999, as amended by First Amendment to Security Agreement dated as of November 1, 1999, Second Amendment to Security Agreement dated as of February 15, 2000 and Third Amendment to Security Agreement dated as of November 1, 2001, and covering (a) Four Hundred Thirty-Eight (438) rail cars, specifically described on Exhibit "A" attached hereto (the "Railcars"); (b) all Debtor's right title and interest to all tangible personal property incorporated into the Railcars or acquired for incorporation into the Railcars, including all machinery, equipment, fixtures and other personalty of every nature and description incorporated into the Railcars or acquired for incorporation into the Railcars, whether now owned or hereafter acquired, and all appurtenances, accessions and additions thereto and substitutions and replacements therefor, wheresoever located, including all tools, parts and accessories used in connection therewith; (c) all of Debtor's accounts, accounts receivable, contract rights, investment securities, financial assets, general intangibles, instruments, documents, chattel paper and funds on deposit with Secured Party, whether now owned or hereafter acquired, including, without limitation, all lease receivables and note receivables, all cash, notes, drafts and acceptances arising therefrom, or other proceeds of any sale, lease or other disposition of inventory, and all proceeds (including insurance proceeds) and products thereof; (d) all of Debtors right, title and interest in and to any and all leases covering the Railcars (the "Leases"); (e) all rights, remedies and privileges of Debtor to enforce the Leases; (f) all other general intangibles of Debtor arising from or relating to the Leases; and (g) all products and proceeds thereof (including insurance proceeds).

A fee of \$30.00 is enclosed. Please return one (1) file stamped copy to the undersigned after recording.

Sincerely,



Ana M. McLaughlin
Legal Assistant

:AMM

encl
J3251.60.wpd

Car	Car	
Initial	Number	
SRIX	37	
SRIX	221	
SRIX	222	
SRIX	223	
SRIX	224	
SRIX	225	
SRIX	226	
SRIX	227	
SRIX	228	
SRIX	244	
SRIX	245	
SRIX	246	
SRIX	254	
SRIX	255	
SRIX	256	
SRIX	1205	
SRIX	1207	
SRIX	1254	
SRIX	1255	
SRIX	2300	
SRIX	2301	
SRIX	2303	
SRIX	2304	
SRIX	2311	
SRIX	2314	
SRIX	2316	
SRIX	2317	
SRIX	2319	
SRIX	2323	
SRIX	2339	
SRIX	2349	
SRIX	2553	
SRIX	3200	
SRIX	3204	
SRIX	10001	
SRIX	10002	
SRIX	10003	
SRIX	10004	
SRIX	10005	
SRIX	10006	
SRIX	10007	

Car	Car	
Initial	Number	
SRIX	17034	
SRIX	17035	
SRIX	17036	
SRIX	17037	
SRIX	17039	
SRIX	17041	
SRIX	17042	
SRIX	17043	
SRIX	17044	
SRIX	17053	
SRIX	17054	
SRIX	17055	
SRIX	20100	
SRIX	20101	
SRIX	20102	
SRIX	20103	
SRIX	20106	
SRIX	20206	
SRIX	20207	
SRIX	20208	
SRIX	20209	
SRIX	20210	
SRIX	20512	
SRIX	20513	
SRIX	20514	
SRIX	20515	
SRIX	20516	
SRIX	20517	
SRIX	20518	
SRIX	20519	
SRIX	20521	
SRIX	20522	
SRIX	20700	
SRIX	20701	
SRIX	20702	
SRIX	20703	
SRIX	20704	
SRIX	20705	
SRIX	20706	
SRIX	21000	
SRIX	21001	

Car	Car	
Initial	Number	
SRIX	21002	
SRIX	21003	
SRIX	21004	
SRIX	21005	
SRIX	21006	
SRIX	21007	
SRIX	21008	
SRIX	21009	
SRIX	21010	
SRIX	21011	
SRIX	21012	
SRIX	21013	
SRIX	21014	
SRIX	21015	
SRIX	21016	
SRIX	21017	
SRIX	21018	
SRIX	21019	
SRIX	21020	
SRIX	21524	
SRIX	21525	
SRIX	22001	
SRIX	22002	
SRIX	22011	
SRIX	23502	
SRIX	23503	
SRIX	23504	
SRIX	23505	
SRIX	23506	
SRIX	23507	
SRIX	23530	
SRIX	23531	
SRIX	23532	
SRIX	23533	
SRIX	23534	
SRIX	23535	
SRIX	23536	
SRIX	23537	
SRIX	23538	
SRIX	23539	
SRIX	23540	

Car	Car	
Initial	Number	
SRIX	23541	
SRIX	23542	
SRIX	23543	
SRIX	23544	
SRIX	23549	
SRIX	23550	
SRIX	23551	
SRIX	23552	
SRIX	23553	
SRIX	24003	
SRIX	24004	
SRIX	24005	Stencilled PPRX 18
SRIX	25011	
SRIX	25012	
SRIX	25013	
SRIX	25014	
SRIX	25015	
SRIX	25016	
SRIX	25017	
SRIX	25018	
SRIX	25020	
SRIX	25021	
SRIX	30049	
SRIX	30050	
SRIX	30112	
SRIX	30113	
SRIX	30114	
SRIX	30115	
SRIX	30116	
SRIX	30117	
SRIX	30118	
SRIX	30119	
SRIX	30120	
SRIX	30121	
SRIX	30122	
SRIX	30123	
SRIX	30124	
SRIX	30125	
SRIX	30126	
SRIX	30127	
SRIX	30128	

Car	Car	
Initial	Number	
SRIX	34012	
SRIX	34013	
SRIX	34014	
SRIX	34015	
SRIX	34016	
SRIX	34017	
SRIX	34018	
SRIX	34020	
SRIX	34060	
SRIX	34075	
SRIX	34076	
SRIX	34077	
SRIX	45300	
SRIX	45301	
SRIX	45302	
SRIX	45303	
SRIX	45304	
SRIX	45305	
SRIX	45306	
SRIX	45307	
SRIX	45308	
SRIX	45309	
SRIX	45310	
SRIX	45311	
SRIX	45312	
SRIX	45313	
SRIX	45314	
SRIX	45315	
SRIX	45316	
SRIX	45317	
SRIX	45318	
SRIX	45319	
SRIX	45320	
SRIX	45321	
SRIX	45322	
SRIX	45323	
SRIX	45324	
SRIX	45325	
SRIX	45326	
SRIX	45327	
SRIX	45328	

Car	Car	
Initial	Number	
SRIX	45373	
SRIX	45374	
SRIX	45375	
SRIX	45376	
SRIX	45377	
SRIX	45378	
SRIX	45379	
SRIX	45380	
SRIX	45381	
SRIX	45382	
SRIX	45383	
SRIX	45384	
SRIX	45385	
SRIX	45386	
SRIX	45387	
SRIX	45388	
SRIX	45389	
SRIX	45390	
SRIX	45391	
SRIX	45392	
SRIX	45393	
SRIX	45394	
SRIX	45395	
SRIX	45396	
SRIX	45397	
SRIX	45398	
SRIX	251200	
SRIX	251300	
SRIX	252200	
SRIX	252400	
SRIX	252500	
SRIX	219800	
SRIX	219600	
SRIX	252600	
SRIX	252700	
SRIX	252900	
SRIX	253000	
SRIX	253100	
SRIX	253200	
SRIX	253300	

Car	Car	
Initial	Number	
SRIX	23596	
SRIX	23597	
SRIX	23598	
SRIX	23599	
SRIX	33631	
SRIX	33632	
SRIX	33633	
SRIX	33634	
SRIX	33635	
SRIX	33636	
SRIX	33637	
SRIX	33638	
SRIX	33639	
SRIX	33640	
SRIX	33641	
SRIX	33642	
SRIX	33643	
SRIX	33644	
SRIX	33645	
SRIX	33646	
SRIX	33647	
SRIX	33648	
SRIX	33649	
SRIX	33650	
SRIX	33651	
SRIX	33652	
SRIX	33653	
SRIX	33654	
SRIX	33655	

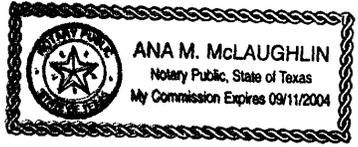
RECORDATION NO. 22456-E FILED

NOV 18 '03 2:40 PM

SURFACE TRANSPORTATION BOARD

State of Texas §
 §
County of Harris §

On this 31st day of October, 2003, I certify that the attached document is a true, exact, complete and unaltered photocopy made by me of the Security Agreement dated as of October 31, 2003 between Southwest Rail Industries, Inc. and Southwest Bank of Texas, N.A..



Ana M. McLaughlin
Notary Public, State of Texas

RECORDATION NO. _____ FILED

SECURITY AGREEMENT

NOV 18 '03

2-40 PM

SURFACE TRANSPORTATION BOARD

THIS SECURITY AGREEMENT dated as of October 31, 2003 (this "Agreement"), is by and between SOUTHWEST RAIL INDUSTRIES, INC., a Texas corporation (the "Debtor"), and SOUTHWEST BANK OF TEXAS, N.A., a national banking association ("Secured Party").

RECITALS:

A. Debtor and Secured Party have entered into that certain Loan Agreement dated as of October 31, 2003 (such Loan Agreement, as the same may be amended or modified from time to time, is referred to herein as the "Loan Agreement").

B. Secured Party has conditioned its obligations under the Loan Agreement upon, among other things, the execution and delivery of this Agreement by Debtor.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

Security Interest

Section 1.01. Security Interest. Debtor hereby grants to Secured Party a security interest in the following property, whether now owned or existing or hereafter arising or acquired and wherever arising or located (such property being hereinafter sometimes called the "Collateral"):

(a) Four Hundred Thirty-Eight (438) rail cars, specifically described on Exhibit "A" attached hereto (the "Railcars");

(b) all Debtor's right title and interest to all tangible personal property incorporated into the Railcars or acquired for incorporation into the Railcars, including all machinery, equipment, fixtures and other personalty of every nature and description incorporated into the Railcars or acquired for incorporation into the Railcars, whether now owned or hereafter acquired, and all appurtenances, accessions and additions thereto and substitutions and replacements therefor, wheresoever located, including all tools, parts and accessories used in connection therewith;

(c) all of Debtor's accounts, accounts receivable, contract rights, investment securities, financial assets, general intangibles, instruments, documents, chattel paper

and funds on deposit with Secured Party, whether now owned or hereafter acquired, including, without limitation, all lease receivables and note receivables, all cash, notes, drafts and acceptances arising therefrom, or other proceeds of any sale, lease or other disposition of inventory, and all proceeds (including insurance proceeds) and products thereof;

(d) all of Debtors right, title and interest in and to any and all leases covering the Railcars (the "Leases");

(e) all rights, remedies and privileges of Debtor to enforce the Leases;

(f) all other general intangibles of Debtor arising from or relating to the Leases; and

(g) all products and proceeds thereof (including insurance proceeds).

All terms used in this Agreement that are defined in the Uniform Commercial Code as adopted in the state of Texas shall have the meanings specified in the Uniform Commercial Code as adopted by the State of Texas.

Section 1.02. Obligations. The Collateral shall secure the following obligations, indebtedness, and liabilities (all such obligations, indebtedness, and liabilities being hereinafter sometimes called the "Obligations"):

(a) the obligations and indebtedness of Debtor to Secured Party evidenced by the Notes (as defined in the Loan Agreement);

(b) the obligations and indebtedness of Debtor to Secured Party under the Loan Agreement;

(c) all future advances by Secured Party to Debtor;

(d) all costs and expenses, including, without limitation, all attorneys' fees and legal expenses, incurred by Secured Party to preserve and maintain the Collateral, collect the obligations herein described, and enforce this Agreement;

(e) all other obligations, indebtedness, and liabilities of Debtor to Secured Party, now existing or hereafter arising, regardless of whether such obligations, indebtedness, and liabilities are similar, dissimilar, related, unrelated, direct, indirect, fixed, contingent, primary, secondary, joint, several, or joint and several; and

(f) all extensions, renewals, and modifications of any of the foregoing.

ARTICLE II

Representations and Warranties

To induce Secured Party to enter into this Agreement and the Loan Agreement, Debtor represents and warrants to Secured Party that:

Section 2.01. Title. Except for the security interest granted herein, Debtor owns, and with respect to Collateral acquired after the date hereof Debtor will own, the Collateral free and clear of any lien, security interest, or other encumbrance.

Section 2.02. Financing Statements. No financing statement, security agreement, or other lien or security instrument covering all or any part of the Collateral is on file in any public office, except as may have been filed in favor of Secured Party.

Section 2.03. No Consent. The approval and authorization of the Surface Transportation Board of the Department of Transportation, the Association of American Railroads, the Interstate Commerce Commission or any other entity is not needed for the execution, delivery, and performance of this Agreement and the other Loan Documents to which Debtor is a party.

Section 2.04. Jurisdiction of Organization; Legal Name. Debtor is a Texas corporation. Debtor's legal name set forth in its Articles of Incorporation filed with the Texas Secretary of State, as amended to date, and its organization number, respectively are: Southwest Rail Industries, Inc. and 1497673-0.

Section 2.05. Principal Place of Business. The principal place of business and chief executive office of Debtor, and the office where Debtor keeps its books and records, is located at the address of Debtor listed in the Loan Agreement.

Section 2.06. Lease. The Leases are in full force and effect, and no default exists under any Lease.

ARTICLE III

Covenants

Debtor covenants and agrees with Secured Party that until the Obligations are paid and performed in full:

Section 3.01. Maintenance. Debtor shall maintain the Collateral in good operating condition and repair and shall not permit any waste or destruction of the Collateral or any part

Section 3.07. Inspection Rights. Debtor shall permit Secured Party and its representatives to examine or inspect the Collateral wherever located and to examine, inspect, and copy Debtor's books and records at any reasonable time and as often as Secured Party may desire.

Section 3.08. Notification. Debtor shall promptly notify Secured Party of (a) any lien, security interest, encumbrance, or claim made or threatened against the Collateral, (b) any material change in the Collateral, including, without limitation, any material damage to or loss of the Collateral, and (c) any investigation, action or complaint filed by or with the Surface Transportation Board or the Association of American Railroads.

Section 3.09. Organizational Changes. Debtor shall not, without the prior written consent of Secured Party, change its name, identity, organizational structure or state of organization (including, without limitation, through any merger or reorganization). Debtor shall not do business under any trade name, unless such trade name has been disclosed to Secured Party and a financing statement satisfactory to Secured Party has been filed in favor of Secured Party. Debtor shall not change its principal place of business, chief executive office, or the place where it keeps its books and records unless it shall have given Secured Party thirty (30) days prior written notice thereof and shall have taken all action deemed necessary or desirable by Secured Party to cause its security interest in the Collateral to be perfected with the priority required by this Agreement.

Section 3.10. Compliance with Laws. Debtor shall comply with 49 USCS §§ 10101 et seq., and all applicable laws, rules, regulations, and orders of any court or governmental authority, including but not limited to the Surface Transportation Board of the Department of Transportation, or the Association of American Railroads.

ARTICLE IV

Rights of Secured Party

Section 4.01. Power of Attorney. Debtor hereby irrevocably constitutes and appoints Secured Party and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the name of Debtor or in its own name, upon the occurrence of an Event of Default, to take any and all action and to execute any and all documents and instruments which Secured Party at any time and from time to time deems necessary or desirable to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, Debtor hereby gives Secured Party the power and right on behalf of Debtor and in its own name to do any of the following, without notice to or the consent of Debtor:

(a) to demand, sue for, collect, or receive in the name of Debtor or in its own name, any money or property at any time payable or receivable on account of or in exchange for any of the Collateral and, in connection therewith, endorse checks, notes, drafts, acceptances, money orders, documents of title, or any other instruments for the payment of money under the Collateral or any policy of insurance;

(b) to pay or discharge taxes, liens, security interests, or other encumbrances levied or placed on or threatened against the Collateral;

(c) to send requests for verification to account debtors and other obligors;

(d) to notify post office authorities to change the address for delivery of mail of Debtor to an address designated by Secured Party and to receive, open, and dispose of mail addressed to Debtor; and

(e) (i) to direct lessees and any other parties liable for any payment under any of the Collateral to make payment of any and all monies due and to become due thereunder directly to Secured Party or as Secured Party shall direct; (ii) to receive payment of and receipt for any and all monies, claims, and other amounts due and to become due at any time in respect of or arising out of any Collateral; (iii) to sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, proxies, stock powers, verifications, and notices in connection with accounts and other documents relating to the Collateral; (iv) to insure, and to make, settle, compromise, or adjust claims under any insurance policy covering any of the Collateral; and (v) to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Secured Party were the absolute owner thereof for all purposes, and to do, at Secured Party's option and Debtor's expense, at any time, or from time to time, all acts and things which Secured Party deems necessary to protect, preserve, or realize upon the Collateral and Secured Party's security interest therein.

This power of attorney is a power coupled with an interest and shall be irrevocable. Secured Party shall be under no duty to exercise or withhold the exercise of any of the rights, powers, privileges, and options expressly or implicitly granted to Secured Party in this Agreement, and shall not be liable for any failure to do so or any delay in doing so. Secured Party shall not be liable for any act or omission or for any error of judgment or any mistake of fact or law in its individual capacity or in its capacity as attorney-in-fact except acts or omissions resulting from its willful misconduct. This power of attorney is conferred on Secured Party solely to protect, preserve, and realize upon its security interest in the Collateral. Secured Party shall not be responsible for any decline in the value of the Collateral and shall not be required to take any steps to preserve rights against prior parties or to protect, preserve, or maintain any security interest or lien given to secure the Collateral.

Section 4.02. Performance by Secured Party. If Debtor fails to perform or comply with any of its agreements contained herein, Secured Party itself may, at its sole discretion, cause or attempt to cause performance or compliance with such agreement and the expenses of Secured Party, together with interest thereon at the maximum nonusurious per annum rate permitted by applicable law, shall be payable by Debtor to Secured Party on demand and shall constitute Obligations secured by this Agreement. Notwithstanding the foregoing, it is expressly agreed that Secured Party shall not have any liability or responsibility for the performance of any obligation of Debtor under this Agreement.

Section 4.03. Assignment by Secured Party. Secured Party may from time to time assign the Obligations and any portion thereof or the Collateral and any portion thereof, and the assignee shall be entitled to all of the rights and remedies of Secured Party under this Agreement in relation thereto.

ARTICLE V

Default

Section 5.01. Events of Default. The term "Event of Default" shall mean an Event of Default as defined in the Loan Agreement.

Section 5.02. Rights and Remedies. Upon the occurrence of an Event of Default, Secured Party shall have the following rights and remedies:

(a) Secured Party may declare the Obligations or any part thereof immediately due and payable, without notice, demand, presentment, notice of dishonor, notice of acceleration, notice of intent to accelerate, notice of intent to demand, protest, or other formalities of any kind, all of which are hereby expressly waived by Debtor; provided, however, that upon the occurrence of an Event of Default under Section 12.1(d) or Section 12.1(e) of the Loan Agreement, the Obligations shall become immediately due and payable without notice, demand, presentment, notice of dishonor, notice of acceleration, notice of intent to accelerate, notice of intent to demand, protest, or other formalities of any kind, all of which are hereby expressly waived by Debtor.

(b) In addition to all other rights and remedies granted to Secured Party in this Agreement and in any other instrument or agreement securing, evidencing, or relating to the Obligations or any part thereof, Secured Party shall have all of the rights and remedies of a secured party under the Uniform Commercial Code as adopted by the State of Texas. Without limiting the generality of the foregoing, Secured Party may (i) without demand or notice to Debtor, collect, receive, or take possession of the Collateral or any part thereof and for that purpose Secured Party may enter upon any

premises on which the Collateral is located and remove the Collateral therefrom or render it inoperable, and/or (ii) sell, lease, or otherwise dispose of the Collateral, or any part thereof, in one or more parcels at public or private sale or sales, at Secured Party's offices or elsewhere, for cash, on credit, or for future delivery. Upon the request of Secured Party, Debtor shall assemble the Collateral and make it available to Secured Party at any place designated by Secured Party that is reasonably convenient to Debtor and Secured Party. Debtor agrees that Secured Party shall not be obligated to give more than five (5) days written notice of the time and place of any public sale or of the time after which any private sale may take place and that such notice shall constitute reasonable notice of such matters. Debtor shall be liable for all expenses of retaking, holding, preparing for sale, or the like, and all attorneys' fees, legal expenses, and all other costs and expenses incurred by Secured Party in connection with the collection of the Obligations and the enforcement of Secured Party's rights under this Agreement. Secured Party may apply the Collateral against the Obligations in such order and manner as Secured Party may elect in its sole discretion. Debtor shall remain liable for any deficiency if the proceeds of any sale or disposition of the Collateral are insufficient to pay the Obligations in full. Debtor waives all rights of marshalling in respect of the Collateral.

(c) Secured Party may cause any or all of the Collateral held by it to be transferred into the name of Secured Party or the name or names of Secured Party's nominee or nominees.

(d) Secured Party reserves all rights and remedies available to Secured Party under 49 USCS §§ 10101 et seq, and all other rights and remedies available to Secured Party through the Surface Transportation Board of the Department of Transportation, the Association of American Railroads, and any other governmental authority having jurisdiction over the Collateral.

ARTICLE VI

Miscellaneous

Section 6.01. No Waiver; Cumulative Remedies. No failure on the part of Secured Party to exercise and no delay in exercising, and no course of dealing with respect to, any right, power, or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power, or privilege under this Agreement preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. The rights and remedies provided for in this Agreement are cumulative and not exclusive of any rights and remedies provided by law.

Section 6.02. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Debtor and Secured Party and their respective heirs, successors, and assigns, except that Debtor may not assign any of its rights or obligations under this Agreement without the prior written consent of Secured Party.

Section 6.03. Amendment. The provisions of this Agreement may be amended or waived only by an instrument in writing signed by the Parties hereto.

Section 6.04. Notices. All notices and other communications provided for in this Agreement shall be given as provided in the Loan Agreement.

Section 6.05. Applicable Law; Venue; Service of Process. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas and the applicable laws of the United States of America. This Agreement has been entered into in Harris County, Texas, and it shall be performable for all purposes in Harris County, Texas. The venue of, and provisions regarding service of process in connection with any action or proceeding hereunder shall be determined as provided in the Loan Agreement.

Section 6.06. Headings. The headings, captions, and arrangements used in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

Section 6.07. Survival of Representations and Warranties. All representations and warranties made in this Agreement or in any certificate delivered pursuant hereto shall survive the execution and delivery of this Agreement, and no investigation by Secured Party shall affect the representations and warranties or the right of Secured Party to rely upon them.

Section 6.08. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 6.09. Waiver of Bond. In the event Secured Party seeks to take possession of any or all of the Collateral by judicial process, Debtor hereby irrevocably waives any bonds and any surety or security relating thereto that may be required by applicable law as an incident to such possession, and waives any demand for possession prior to the commencement of any such suit or action.

Section 6.10. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 6.11. Obligations Absolute. The obligations of Debtor under this Agreement shall be absolute and unconditional and, except upon payment and performance of the Obligations in full, shall not be released, discharged, reduced, or in any way impaired by any circumstance whatsoever, including, without limitation, any amendment, modification, extension, or renewal of this Agreement, the Obligations, or any document or instrument evidencing, securing, or otherwise relating to the Obligations, or any release or subordination of collateral, or any waiver, consent, extension, indulgence, compromise, settlement, or other action or inaction in respect of this Agreement, the Obligations, or any document or instrument evidencing, securing, or otherwise relating to the Obligations, or any exercise or failure to exercise any right, remedy, power, or privilege in respect of the Obligations. Secured Party shall not have any liability or responsibility for the performance of any obligation of Debtor under this Agreement.

Section 6.12. Renewal, Extension and Modification of Prior Security Agreements. In connection with the indebtedness evidenced by the promissory notes previously executed by Debtor, Debtor and Secured Party have entered into that certain Security Agreement dated March 15, 2002 (the "Prior Agreement"). The security interests created by this Agreement are in renewal, extension and modification of, and not in discharge or novation of the security interests created by the Prior Agreement.

Section 6.13. **ENTIRE AGREEMENT**. **THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (AS DEFINED IN THE LOAN AGREEMENT) EMBODY THE FINAL, ENTIRE AGREEMENT AMONG THE PARTIES HERETO AND SUPERSEDE ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS, AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF THE PARTIES HERETO. THERE ARE NO ORAL AGREEMENTS AMONG THE PARTIES HERETO.**

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of, although not necessarily on, the day and year first written above.

DEBTOR:

SOUTHWEST RAIL INDUSTRIES, INC.

By: 
Robert R. Huette
President

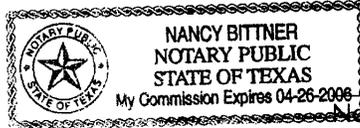
SECURED PARTY:

SOUTHWEST BANK OF TEXAS, N.A.

By: 
Carmen Dunmire
Senior Vice President

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

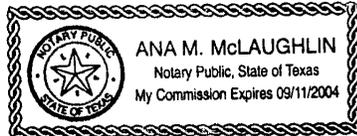
On this 28th day of October, 2003, this instrument was acknowledged before me by Robert R. Huette, President of Southwest Rail Industries, Inc., a Texas corporation, on behalf of such corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



Nancy Bittner
Notary Public, State of Texas

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

On this 29th day of October, 2003, this instrument was acknowledged before me by Carmen Dunmire as Senior Vice President of Southwest Bank of Texas, N.A., a national association, on behalf of such association, and she acknowledged that the execution of the foregoing instrument was the free act and deed of said association.



Ana M. McLaughlin
Notary Public, State of Texas

Exhibit "A"

Railcars

Car	Car	
Initial	Number	
SRIX	37	
SRIX	221	
SRIX	222	
SRIX	223	
SRIX	224	
SRIX	225	
SRIX	226	
SRIX	227	
SRIX	228	
SRIX	244	
SRIX	245	
SRIX	246	
SRIX	254	
SRIX	255	
SRIX	256	
SRIX	1205	
SRIX	1207	
SRIX	1254	
SRIX	1255	
SRIX	2300	
SRIX	2301	
SRIX	2303	
SRIX	2304	
SRIX	2311	
SRIX	2314	
SRIX	2316	
SRIX	2317	
SRIX	2319	
SRIX	2323	
SRIX	2339	
SRIX	2349	
SRIX	2553	
SRIX	3200	
SRIX	3204	
SRIX	10001	
SRIX	10002	
SRIX	10003	
SRIX	10004	
SRIX	10005	
SRIX	10006	
SRIX	10007	

Car	Car	
Initial	Number	
SRIX	10008	
SRIX	16101	
SRIX	16102	
SRIX	16103	
SRIX	16105	
SRIX	16106	
SRIX	16107	
SRIX	16110	
SRIX	16111	
SRIX	16112	
SRIX	16113	
SRIX	16114	
SRIX	16115	
SRIX	16116	
SRIX	17005	
SRIX	17007	
SRIX	17008	
SRIX	17009	
SRIX	17010	
SRIX	17011	
SRIX	17012	
SRIX	17013	
SRIX	17014	
SRIX	17015	
SRIX	17016	
SRIX	17017	
SRIX	17018	
SRIX	17019	
SRIX	17020	
SRIX	17021	
SRIX	17022	
SRIX	17023	
SRIX	17024	
SRIX	17025	
SRIX	17026	
SRIX	17027	
SRIX	17028	
SRIX	17029	
SRIX	17030	
SRIX	17031	
SRIX	17032	

Car	Car	
Initial	Number	
SRIX	17034	
SRIX	17035	
SRIX	17036	
SRIX	17037	
SRIX	17039	
SRIX	17041	
SRIX	17042	
SRIX	17043	
SRIX	17044	
SRIX	17053	
SRIX	17054	
SRIX	17055	
SRIX	20100	
SRIX	20101	
SRIX	20102	
SRIX	20103	
SRIX	20106	
SRIX	20206	
SRIX	20207	
SRIX	20208	
SRIX	20209	
SRIX	20210	
SRIX	20512	
SRIX	20513	
SRIX	20514	
SRIX	20515	
SRIX	20516	
SRIX	20517	
SRIX	20518	
SRIX	20519	
SRIX	20521	
SRIX	20522	
SRIX	20700	
SRIX	20701	
SRIX	20702	
SRIX	20703	
SRIX	20704	
SRIX	20705	
SRIX	20706	
SRIX	21000	
SRIX	21001	

Car	Car	
Initial	Number	
SRIX	21002	
SRIX	21003	
SRIX	21004	
SRIX	21005	
SRIX	21006	
SRIX	21007	
SRIX	21008	
SRIX	21009	
SRIX	21010	
SRIX	21011	
SRIX	21012	
SRIX	21013	
SRIX	21014	
SRIX	21015	
SRIX	21016	
SRIX	21017	
SRIX	21018	
SRIX	21019	
SRIX	21020	
SRIX	21524	
SRIX	21525	
SRIX	22001	
SRIX	22002	
SRIX	22011	
SRIX	23502	
SRIX	23503	
SRIX	23504	
SRIX	23505	
SRIX	23506	
SRIX	23507	
SRIX	23530	
SRIX	23531	
SRIX	23532	
SRIX	23533	
SRIX	23534	
SRIX	23535	
SRIX	23536	
SRIX	23537	
SRIX	23538	
SRIX	23539	
SRIX	23540	

Car	Car	
Initial	Number	
SRIX	23541	
SRIX	23542	
SRIX	23543	
SRIX	23544	
SRIX	23549	
SRIX	23550	
SRIX	23551	
SRIX	23552	
SRIX	23553	
SRIX	24003	
SRIX	24004	
SRIX	24005	Stencilled PPRX 18
SRIX	25011	
SRIX	25012	
SRIX	25013	
SRIX	25014	
SRIX	25015	
SRIX	25016	
SRIX	25017	
SRIX	25018	
SRIX	25020	
SRIX	25021	
SRIX	30049	
SRIX	30050	
SRIX	30112	
SRIX	30113	
SRIX	30114	
SRIX	30115	
SRIX	30116	
SRIX	30117	
SRIX	30118	
SRIX	30119	
SRIX	30120	
SRIX	30121	
SRIX	30122	
SRIX	30123	
SRIX	30124	
SRIX	30125	
SRIX	30126	
SRIX	30127	
SRIX	30128	

Car	Car	
Initial	Number	
SRIX	30129	
SRIX	30130	
SRIX	30131	
SRIX	30132	
SRIX	30133	
SRIX	30134	
SRIX	30135	
SRIX	30136	
SRIX	30137	
SRIX	30138	
SRIX	30139	
SRIX	30140	
SRIX	30141	
SRIX	30142	
SRIX	33010	
SRIX	33020	
SRIX	33030	
SRIX	33040	
SRIX	33050	
SRIX	33060	
SRIX	33090	
SRIX	33130	
SRIX	33140	
SRIX	33170	
SRIX	33180	
SRIX	33200	
SRIX	33240	
SRIX	33260	
SRIX	33270	
SRIX	33501	
SRIX	33547	
SRIX	33617	
SRIX	33618	
SRIX	33619	
SRIX	33620	
SRIX	33621	
SRIX	33622	
SRIX	33623	
SRIX	34004	
SRIX	34010	
SRIX	34011	

Car	Car	
Initial	Number	
SRIX	34012	
SRIX	34013	
SRIX	34014	
SRIX	34015	
SRIX	34016	
SRIX	34017	
SRIX	34018	
SRIX	34020	
SRIX	34060	
SRIX	34075	
SRIX	34076	
SRIX	34077	
SRIX	45300	
SRIX	45301	
SRIX	45302	
SRIX	45303	
SRIX	45304	
SRIX	45305	
SRIX	45306	
SRIX	45307	
SRIX	45308	
SRIX	45309	
SRIX	45310	
SRIX	45311	
SRIX	45312	
SRIX	45313	
SRIX	45314	
SRIX	45315	
SRIX	45316	
SRIX	45317	
SRIX	45318	
SRIX	45319	
SRIX	45320	
SRIX	45321	
SRIX	45322	
SRIX	45323	
SRIX	45324	
SRIX	45325	
SRIX	45326	
SRIX	45327	
SRIX	45328	

Car	Car	
Initial	Number	
SRIX	45329	
SRIX	45330	
SRIX	45331	
SRIX	45332	
SRIX	45333	
SRIX	45334	
SRIX	45335	
SRIX	45336	
SRIX	45337	
SRIX	45338	
SRIX	45339	
SRIX	45340	
SRIX	45341	
SRIX	45342	
SRIX	45343	
SRIX	45344	
SRIX	45345	
SRIX	45347	
SRIX	45348	
SRIX	45349	
SRIX	45350	
SRIX	45351	
SRIX	45352	
SRIX	45353	
SRIX	45354	
SRIX	45355	
SRIX	45356	
SRIX	45357	
SRIX	45358	
SRIX	45359	
SRIX	45360	
SRIX	45362	
SRIX	45363	
SRIX	45364	
SRIX	45365	
SRIX	45366	
SRIX	45367	
SRIX	45369	
SRIX	45370	
SRIX	45371	
SRIX	45372	

Car	Car	
Initial	Number	
SRIX	45373	
SRIX	45374	
SRIX	45375	
SRIX	45376	
SRIX	45377	
SRIX	45378	
SRIX	45379	
SRIX	45380	
SRIX	45381	
SRIX	45382	
SRIX	45383	
SRIX	45384	
SRIX	45385	
SRIX	45386	
SRIX	45387	
SRIX	45388	
SRIX	45389	
SRIX	45390	
SRIX	45391	
SRIX	45392	
SRIX	45393	
SRIX	45394	
SRIX	45395	
SRIX	45396	
SRIX	45397	
SRIX	45398	
SRIX	251200	
SRIX	251300	
SRIX	252200	
SRIX	252400	
SRIX	252500	
SRIX	219800	
SRIX	219600	
SRIX	252600	
SRIX	252700	
SRIX	252900	
SRIX	253000	
SRIX	253100	
SRIX	253200	
SRIX	253300	

Car	Car	
Initial	Number	
SRIX	23555	
SRIX	23556	
SRIX	23557	
SRIX	23558	
SRIX	23559	
SRIX	23560	
SRIX	23561	
SRIX	23562	
SRIX	23563	
SRIX	23564	
SRIX	23565	
SRIX	23566	
SRIX	23567	
SRIX	23568	
SRIX	23569	
SRIX	23570	
SRIX	23571	
SRIX	23572	
SRIX	23573	
SRIX	23574	
SRIX	23575	
SRIX	23576	
SRIX	23577	
SRIX	23578	
SRIX	23579	
SRIX	23580	
SRIX	23581	
SRIX	23582	
SRIX	23583	
SRIX	23584	
SRIX	23585	
SRIX	23586	
SRIX	23587	
SRIX	23588	
SRIX	23589	
SRIX	23590	
SRIX	23591	
SRIX	23592	
SRIX	23593	
SRIX	23594	
SRIX	23595	

Car	Car	
Initial	Number	
SRIX	23596	
SRIX	23597	
SRIX	23598	
SRIX	23599	
SRIX	33631	
SRIX	33632	
SRIX	33633	
SRIX	33634	
SRIX	33635	
SRIX	33636	
SRIX	33637	
SRIX	33638	
SRIX	33639	
SRIX	33640	
SRIX	33641	
SRIX	33642	
SRIX	33643	
SRIX	33644	
SRIX	33645	
SRIX	33646	
SRIX	33647	
SRIX	33648	
SRIX	33649	
SRIX	33650	
SRIX	33651	
SRIX	33652	
SRIX	33653	
SRIX	33654	
SRIX	33655	