

RECORDATION NO. 23883 FILED

FEB 27 '02

11-59 AM

SURFACE TRANSPORTATION BOARD

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ELIAS C. ALVORD (1942)  
ELLSWORTH C. ALVORD (1964)

OF COUNSEL  
URBAN A. LESTER

February 27, 2002

Mr. Vernon A. Williams  
Secretary  
Surface Transportation Board  
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are three (3) copies of a Security Agreement dated February 21, 2002 a primary document as defined in the Board's Rules for the Recordation of Documents.

The names and addresses of the parties to the enclosed document are:

Debtor : Georgetown Rail Equipment Company  
508 Cedar Drive  
Georgetown, TX 78628

Secured Party: Regions Bank  
P.O. Box 249  
Hutto, TX 78634

A description of the railroad equipment covered by the enclosed document is:

All railroad equipment NOW OWNED OR HEREAFTER ACQUIRED, including  
Railroad dump trains (93 railcars) within the series GREX 2200 – GREX 4010  
and 17 railroad slot cars within the series GREX 3300 – GREX 5020

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Mr. Vernon A. Williams  
February 27, 2002  
Page Two

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

Security Agreement

Also enclosed is a check in the amount of \$28.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return stamped copies of the enclosed document to the undersigned.

Very truly yours,



Robert W. Alvord

RWA/anr  
Enclosures

RECORDATION NO. 23883 FILED

**SECURITY AGREEMENT**

FEB 27 '02

11-59 AM

SURFACE TRANSPORTATION BOARD

Date: February 21, 2002

Debtor: GEORGETOWN RAIL EQUIPMENT COMPANY, a Texas corporation

Debtor's Mailing Address: 508 Cedar Drive, Georgetown, Williamson County, Texas 78628

Secured Party: REGIONS BANK, a state chartered banking association

Secured Party's Mailing Address: P.O. Box 249, Hutto, Williamson County, Texas 78634

Classification of Collateral: goods, accounts, chattel paper, documents, general intangibles and equipment

Collateral: All of Debtor's interest in that certain personal property, and all supporting obligations and proceeds of such property, described on Exhibit "A" attached hereto and made a part hereof for all pertinent purposes.

**Obligation**

Note One (the "Term Loan"):

Date: February 21, 2002

Original principal amount: Two Million Two Hundred Thousand and No/100 Dollars (\$2,200,000.00)

Borrower (Obligor): GEORGETOWN RAIL EQUIPMENT COMPANY, a Texas corporation

Lender (Secured Party): REGIONS BANK, a state chartered banking association

Maturity date: February 21, 2007

Terms of payment: As therein provided.

Note Two (the "Advancing Term Loan"):

Date: February 21, 2002

Original principal amount: Five Million and No/100 Dollars (\$5,000,000.00)

Borrower (Obligor): GEORGETOWN RAIL EQUIPMENT COMPANY, a Texas corporation

Lender (Secured Party): REGIONS BANK, a state chartered banking association

Maturity date: February 21, 2007

Terms of payment: As therein provided.

Note Three (the "Line of Credit Loan"):

Date: February 21, 2002

Original principal amount: One Million Five Hundred Thousand and No/100 Dollars (\$1,500,000.00)

Borrower (Obligor): GEORGETOWN RAIL EQUIPMENT COMPANY, a Texas corporation

Lender (Secured Party): REGIONS BANK, a state chartered banking association

Maturity date: February 21, 2003

Terms of payment: As therein provided.

Other debt/Future advances: The security interest also secures all other present and future debts and liabilities of Debtor and/or Obligor to Secured Party, including future advances.

Debtor's Representations Concerning Debtor and Locations:

Debtor's chief executive office is located at: 508 Cedar Drive, Georgetown, Williamson County, Texas 78628.

Debtor's state of organization is Texas; Debtor's name, as shown in its organizational documents, as amended, is exactly as set forth above; and Debtor's organizational identification number is 0126446400.

Debtor's federal tax identification number is 74-2662968.

Debtor's records concerning the Collateral are located at: 508 Cedar Drive, Georgetown,  
Williamson County, Texas 78628.

Debtor grants to Secured Party a security interest in the Collateral and all its proceeds to secure the Obligation and all renewals of the Obligation. Debtor authorizes Secured Party to file a financing statement describing the Collateral.

A. Debtor represents and warrants the following:

1. No financing statement covering the Collateral is filed in any public office except any financing statement in favor of Secured Party.
2. Debtor owns the Collateral and has the authority to grant this security interest, free from any setoff, claim, restriction, security interest, or encumbrance except liens for taxes not yet due.
3. None of the Collateral is an accession to any goods, is commingled with other goods, is or will become an accession or part of a product or mass with other goods, or is or will become covered by a document except as provided in this agreement.
4. All information about Debtor's financial condition is or will be accurate when provided to Secured Party.
5. None of the Collateral is affixed to real estate.
6. Each account and chattel paper in the Collateral is and will be the valid, legally enforceable obligation of a third-party account debtor or obligor.
7. If any Collateral or proceeds include obligations of third parties to Debtor, the transactions creating those obligations conform and will conform in all respects to applicable state and federal consumer credit law.
8. The chattel paper Collateral is in tangible, not electronic, form and has only one original counterpart. No person, other than Debtor or Secured Party, has actual or constructive possession of any chattel paper Collateral.

B. Debtor agrees to—

1. Defend the Collateral against all claims adverse to Secured Party's interest; pay all taxes imposed on the Collateral; keep the Collateral free from liens, except for liens in favor of Secured Party or for taxes not yet due; keep the Collateral in Debtor's possession and ownership

except as otherwise provided in this agreement; maintain the Collateral in good condition; and protect the Collateral against waste, except for ordinary wear and tear.

2. Pay all Secured Party's expenses, including reasonable attorney's fees, incurred to obtain, preserve, perfect, defend, and enforce this agreement or the Collateral and to collect or enforce the Obligation. These expenses will bear interest from the date of advance at the rate stated in the Notes for matured, unpaid amounts and are payable on demand at the place where the Obligation is payable. These expenses and interest are part of the Obligation and are secured by this agreement.

3. Sign and deliver to Secured Party any documents or instruments that Secured Party considers necessary to obtain, maintain, and perfect this security interest in the Collateral. This includes a certificate of title so that Secured Party may have the certificate reissued with its lien noted thereon.

4. Notify Secured Party immediately of any event of default and of any material change (a) in the Collateral, (b) in Debtor's Mailing Address, (c) in the location of any Collateral, (d) in any other representation or warranty in this agreement, and (e) that may affect this security interest, and of any change (f) in Debtor's name and (g) of any location set forth above to another state.

5. Use the Collateral primarily according to the stated classification.

6. Maintain accurate records of the Collateral at the address set forth above; furnish Secured Party any requested information related to the Collateral; and permit Secured Party to inspect and copy all records relating to the Collateral.

7. Permit Secured Party to inspect the Collateral.

8. Preserve the liability of all obligors on the Collateral and preserve the priority of all security for the Collateral.

9. On Secured Party's demand, hold payments, including instruments, items, and money received as proceeds of the Collateral, separate and in an express trust for Secured Party and deposit all such payments received as proceeds of the Collateral in a special bank account designated by Secured Party, who alone will have power of withdrawal.

10. Inform Secured Party immediately of the rejection of property, a delay in delivery or performance, or a claim made in regard to any Collateral.

11. As trustee for Secured Party, keep returned property segregated from Debtor's other property until Secured Party has been paid the amount loaned against the related account and deliver the property on demand to Secured Party.

12. Pay Secured Party the unpaid amount of an account in the Collateral under any of the following conditions: if the account is not paid when due; if a purchaser rejects the property or services covered by the account; or if Secured Party rejects the account as unsatisfactory. Secured Party may retain the account in the Collateral and may charge any deposit account of Debtor with the unpaid amount.

13. Cause each chattel paper in the Collateral to have only one original counterpart and, at the request of Secured Party, (a) immediately deliver to Secured Party all current and after-acquired chattel paper Collateral in Debtor's possession and either endorse it to Secured Party's order or give Secured Party appropriate executed powers, (b) obtain the acknowledgment of any other person in possession of chattel paper Collateral of Secured Party's security interest in the Collateral, or (c) mark each chattel paper in the Collateral with a legend indicating that it is subject to a security interest under this agreement.

C. Debtor agrees not to—

1. Sell, transfer, or encumber any of the Collateral, except in the ordinary course of Debtor's business.

2. Except as permitted in this agreement, permit the Collateral to be affixed to any real estate, to become an accession to any goods, to be commingled with other goods, to become a fixture, accession, or part of a product or mass with other goods, or to be covered by a document, except a document in the possession of Secured Party.

3. Change its name or jurisdiction of organization, merge or consolidate with any person, or convert to a different entity without notifying Secured Party in advance and taking action to continue the perfected status of the security interest in the Collateral.

4. Change the state in which Debtor's place of business (or chief executive office if Debtor has more than one place of business) is located, change its name, or convert to a different entity without notifying Secured Party in advance and taking action to continue the perfected status of the security interest in the Collateral.

5. Change Debtor's name or state of residence without notifying Secured Party in advance and taking action to continue the perfected status of the security interest in the Collateral.

6. Modify any agreement related to the Collateral without the prior, written consent of Secured Party, which consent shall not be unreasonably withheld, other than in the ordinary course of business.

7. Comingle the Collateral or any proceeds with any of Debtor's other funds or property after a default under this Agreement.

D. Insurance and Risk of Loss

1. Debtor will insure the Collateral in accordance with Secured Party's reasonable requirements regarding choice of carrier, casualties insured against, and amount of coverage. Policies must be written in favor of Debtor, be endorsed to name Secured Party as an additional insured or as otherwise directed in writing by Secured Party, and provide that Secured Party will receive at least ten days' notice before cancellation. Debtor must provide copies of the policies or certificates to Secured Party.

2. Debtor assumes all risk of loss to the Collateral.

3. Debtor appoints Secured Party as attorney-in-fact to collect any returned unearned premiums and proceeds of any insurance on the Collateral and to endorse and deliver to Secured Party any payment from such insurance made payable to Debtor. Debtor's appointment of Secured Party as Debtor's agent is coupled with an interest and if Debtor is an individual will survive any disability of Debtor.

E. Default and Remedies

1. A default exists if—

- a. An Event of Default occurs under that certain Loan Agreement of even date by and between Debtor/Obligor and Secured Party;
- b. the Collateral is assigned for the benefit of creditors; or
- c. any of the Collateral is impaired by loss, theft, damage, or destruction, unless the Collateral is promptly replaced with collateral of like kind and quality or restored to its former condition.

2. If a default exists, Secured Party may—

- a. demand, collect, convert, redeem, settle, compromise, receipt for, realize on, sue for, and adjust the Collateral either in Secured Party's or Debtor's name, as Secured Party desires, or take control of any proceeds of the Collateral and apply the proceeds against the Obligation;
- b. take possession of any Collateral not already in Secured Party's possession, without demand or legal process, and for that purpose Debtor grants Secured Party the right to enter any premises where the Collateral may be located;
- c. without taking possession, sell, lease, or otherwise dispose of the Collateral at any public or private sale in accordance with law;
- d. exercise any rights and remedies granted by law or this agreement;
- e. notify obligors on the Collateral to pay Secured Party directly and enforce Debtor's rights against such obligors; and

f. as Debtor's agent, make any endorsements in Debtor's name and on Debtor's behalf.

3. Foreclosure of this security interest by suit does not limit Secured Party's remedies, including the right to sell the Collateral under the terms of this agreement. Secured Party may exercise all remedies at the same or different times, and no remedy is a defense to any other. Secured Party's rights and remedies include all those granted by law and those specified in this agreement.

4. Secured Party's delay in exercising, partial exercise of, or failure to exercise any of its remedies or rights does not waive Secured Party's rights to subsequently exercise those remedies or rights. Secured Party's waiver of any default does not waive any other default by Debtor. Secured Party's waiver of any right in this agreement or of any default is binding only if it is in writing. Secured Party may remedy any default without waiving it.

5. Secured Party has no obligation to clean or otherwise prepare the Collateral for sale.

6. At any time Secured Party may contact obligors on the Collateral directly to verify information furnished by Debtor.

7. Secured Party has no obligation to collect any of the Collateral and is not liable for failure to collect any of the Collateral, for failure to preserve any rights pertaining to the Collateral, or for any act or omission on the part of Secured Party or Secured Party's officers, agents, or employees, except willful misconduct.

8. Secured Party has no obligation to satisfy the Obligation by attempting to collect the Obligation from any other person liable for it. Secured Party may release, modify, or waive any collateral provided by any other person to secure any of the Obligation. If Secured Party attempts to collect the Obligation from any other person liable for it or releases, modifies, or waives any collateral provided by any other person, that will not affect Secured Party's rights against Debtor. Debtor waives any right Debtor may have to require Secured Party to pursue any third person for any of the Obligation.

9. If Secured Party must comply with any applicable state or federal law requirements in connection with a disposition of the Collateral, such compliance will not be considered to adversely affect the commercial reasonableness of a sale of the Collateral.

10. Secured Party may sell the Collateral without giving any warranties as to the Collateral. Secured Party may specifically disclaim any warranties of title or the like. This procedure will not be considered to adversely affect the commercial reasonableness of a sale of the Collateral.

11. If Secured Party sells any of the Collateral on credit, Debtor will be credited only with payments actually made by the purchaser and received by Secured Party for application to the indebtedness of the purchaser. If the purchaser fails to pay for the Collateral, Secured Party may resell the Collateral and Debtor will be credited with the proceeds of the sale.

12. If Secured Party purchases any of the Collateral being sold, Secured Party may pay for the Collateral by crediting the purchase price against the Obligation.

13. Secured Party has no obligation to marshal any assets in favor of Debtor or against or in payment of the Notes, any of the Other Obligation[s], or any other obligation owed to Secured Party by Debtor or any other person.

14. If the Collateral is sold after default, recitals in the bill of sale or transfer will be prima facie evidence of their truth and all prerequisites to the sale specified by this agreement and by law will be presumed satisfied.

F. General

1. Secured Party may at any time—

- a. take control of proceeds of insurance on the Collateral and (if there exists a default under this Agreement) reduce any part of the Obligation accordingly or (if there exists no default under this Agreement) permit Debtor to use the funds to repair or replace the Collateral and
- b. purchase single-interest insurance coverage that will protect only Secured Party if Debtor fails to maintain insurance, and premiums for the insurance will become part of the Obligation.

2. Notice is reasonable if it is mailed, postage prepaid, to Debtor at Debtor's Mailing Address at least ten days before any public sale or ten days before the time when the Collateral may be otherwise disposed of without further notice to Debtor.

3. This security interest will attach to an after-acquired commercial tort claim only to the extent permitted by law.

4. This security interest will neither affect nor be affected by any other security for any of the Obligation. Neither extensions of any of the Obligation nor releases of any of the Collateral will affect the priority or validity of this security interest.

5. This agreement binds, benefits, and may be enforced by the successors in interest of Secured Party and will bind all persons who become bound as debtors to this agreement. Assignment of any part of the Obligation and Secured Party's delivery of any part of the Collateral will fully discharge Secured Party from responsibility for that part of the Collateral.

If such an assignment is made, Debtor will render performance under this agreement to the assignee. Debtor waives and will not assert against any assignee any claims, defenses, or setoffs that Debtor could assert against Secured Party except defenses that cannot be waived. All representations, warranties, and obligations are joint and several as to each Debtor.

6. This agreement may be amended only by an instrument in writing signed by Secured Party and Debtor.

7. The unenforceability of any provision of this agreement will not affect the enforceability or validity of any other provision.

8. This agreement will be construed according to Texas law, without regard to choice-of-law rules of any jurisdiction. This agreement is to be performed in Williamson County, Texas, the county of Secured Party's Mailing Address.

9. Interest on the Obligation secured by this agreement will not exceed the maximum amount of nonusurious interest that may be contracted for, taken, reserved, charged, or received under law. Any interest in excess of that maximum amount will be credited on the principal of the Obligation or, if that has been paid, refunded. On any acceleration or required or permitted prepayment, any such excess will be canceled automatically as of the acceleration or prepayment or, if already paid, credited on the principal of the Obligation or, if the principal of the Obligation has been paid, refunded. This provision overrides any conflicting provisions in this and all other instruments concerning the Obligation.

10. In no event may this agreement secure payment of any debt subject to title IV of the Texas Finance Code or create a lien otherwise prohibited by law.

11. When the context requires, singular nouns and pronouns include the plural.

12. The term Notes includes all extensions and renewals of the Notes and all amounts secured by the Notes.

13. Any term defined in sections 1.101 to 11.108 of the Texas Business and Commerce Code and not defined in this agreement has the meaning given to the term in the Code.

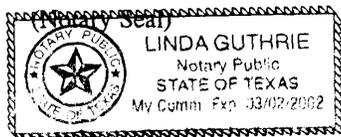
DEBTOR:

GEORGETOWN RAIL EQUIPMENT COMPANY,  
a Texas corporation

By:   
Steven Orrell, President

STATE OF TEXAS           §  
  §  
COUNTY OF WILLIAMSON   §

This instrument was acknowledged before me on the 22 day of February, 2002, by Steven Orrell, President of GEORGETOWN RAIL EQUIPMENT COMPANY, a Texas corporation, on behalf of said corporation.



  
Notary Public for the State of Texas

GEORGETOWN RAIL EQUIPMENT COMPANY,  
a Texas corporation

By: \_\_\_\_\_

*John Kinnear*  
John Kinnear, Secretary

STATE OF TEXAS

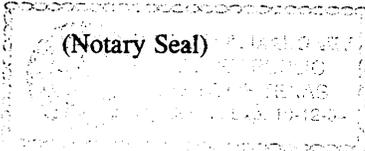
§

COUNTY OF TARRANT

§

§

This instrument was acknowledged before me on the 21 day of February, 2002, by John Kinnear, Secretary of GEORGETOWN RAIL EQUIPMENT COMPANY, a Texas corporation, on behalf of said corporation.



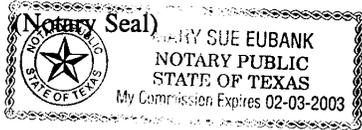
*John D. McLaughlin*  
Notary Public for the State of Texas

GEORGETOWN RAIL EQUIPMENT COMPANY,  
a Texas corporation

By: Richard P. Mockler  
Richard Mockler, Treasurer

STATE OF TEXAS                   §  
  §  
COUNTY OF Ellis               §

This instrument was acknowledged before me on the 21<sup>st</sup> day of February, 2002, by Richard Mockler, Treasurer of GEORGETOWN RAIL EQUIPMENT COMPANY, a Texas corporation, on behalf of said corporation.



Mary Sue Eubank  
Notary Public for the State of Texas

SECURED PARTY:

REGIONS BANK, a state chartered banking association

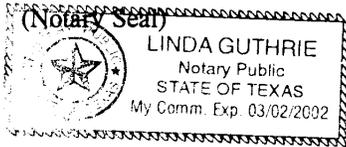
By:   
J. Brad Curlee, Vice-President

STATE OF TEXAS

§  
§  
§

COUNTY OF WILLIAMSON

This instrument was acknowledged before me on the 22 day of February, 2002, by J. Brad Curlee, Vice-President of REGIONS BANK, a state chartered banking association, on behalf of said bank.



  
Notary Public for the State of Texas

EXHIBIT "A"

1. Railroad dump train consisting of seventeen railroad cars identified by Nos. GREX 2200 through GREX 2216, respectively, permanently coupled with a slackless drawbar system;
2. Railroad dump train consisting of sixteen railroad cars identified by Nos. GREX 2300 through GREX 2315, respectively, permanently coupled with a slackless drawbar system;
3. Railroad dump train consisting of sixteen railroad cars identified by Nos. GREX 2500 through GREX 2515, respectively, permanently coupled with a slackless drawbar system;
4. Railroad dump train consisting of sixteen railroad cars identified by Nos. GREX 2600 through GREX 2615, respectively, permanently coupled with a slackless drawbar system;
5. ~~Railroad dump train consisting of sixteen railroad cars identified by Nos. GREX 2700 through GREX 2715, respectively, permanently coupled with a slackless drawbar system;~~ *See*
6. Railroad dump train consisting of ten railroad cars identified by Nos. GREX 4000 through GREX 4009, respectively, permanently coupled with a slackless drawbar system;
7. Railroad dump train consisting of two railroad cars identified by Nos. GREX 4001 and GREX 4010, respectively, permanently coupled with a slackless drawbar system;
8. Railroad dump train consisting of sixteen railroad cars identified by Nos. GREX 2900 through GREX 2915, respectively, permanently coupled with a slackless drawbar system;
9. Seventeen railroad slot cars identified by Nos. GREX 3300, GREX 3320, GREX 3330, GREX 3340, GREX 3350, GREX 3360, GREX 3370, GREX 3380, GREX 3390, GREX 3400, GREX 3410, GREX 3420, GREX 3430, GREX 3440, GREX 5000, GREX 5010, and GREX 5020, respectively;
10. Fifteen Caterpillar 215 Units identified by body Nos. 04HG1328, 04HG01948, 04HG2766, 14Z00651, 4HG01000, 04HG02611, 4HG02878, 9TF01527, 04HG02209, 9YB03249, 04HG02186, 9TF01957, 9TF01325 and 9TF01593, respectively;
11. All other railroad cars and other equipment now owned or hereafter acquired by Debtor;
12. All plans, drawings, schedules, and other agreements, documents, and general intangibles now owned, or hereafter acquired, by Debtor regarding the ownership, construction, maintenance or use of any of the above-described railroad cars and other equipment;
13. All substitutes and replacements for, accessions, attachments and other additions to, and tools, parts and equipment used in connection with, all, or any part, of the above-described equipment;

14. All leases by which any of the above-described railroad cars and other equipment is now or hereafter leased to any one(1) or more persons, all rentals and other amounts now or hereafter due, or to become due, in connection with any of the above-described equipment, and all proceeds (including, without limitation, proceeds of insurance) of any and all of the above-described railroad cars and other equipment;
15. All accounts and chattel paper (whether or not connected with the above-described equipment) now owned, or hereafter acquired, by Debtor.