

McALLEN NATIONAL BANK



July 29, 2004



VIA FEDERAL EXPRESS AIRBILL NO. 8385 4050 6233
Mr. Vernon Williams, Secretary
Surface Transportation Board
Recordation Dept.
1925 K Street NW, Suite 700
Washington, D.C. 20423

RECORDATION NO. **25121** FILED

AUG 04 '04 10-44 AM

SURFACE TRANSPORTATION BOARD

Re: Texas Railcar Leasing Company, Inc.

Dear Mr. Williams:

I have enclosed an (2) two original and (2) two certified copies of the documents described below, to be recorded, pursuant to Section 11303, Title 49 of the U.S. Code.

The documents described are two Security Agreements, being the primary documents, dated May 3, 2004. A description of the equipment covered by the documents are as follows:

Security Agreement : Forty (44) 100-ton hopper railcars identified as follows:

<u>TRLX</u>	<u>TRLX</u>	<u>TRLX</u>
5750	5751	5752
5753	5754	5755
5756	5757	5758
5759	5759	5760
5761	5762	5763
5764	5765	5766
5767	5768	5769
5770	5771	5772
5773	5774	5775
5776	5777	5778
5779	5780	5781
5782	5783	5784
5785	5786	5784
5788	5789	5790
5791	5792	5793

Mr. Vernon Williams
Correspondence
Page Two

Security Agreement: Thirteen(13) 100-ton hopper railcars identified as follows

<u>TRLX</u>	<u>TRLX</u>	<u>TRLX</u>
5794	5795	5796
5797	5798	5799
5800	80282	80283
80284	80285	80286
80287		

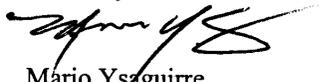
A fee of \$60.00 is enclosed. Please return the originals and the extra copies, if they are not needed by the Commission for recordation, to Mario Ysaguirre, Senior Vice President, McAllen National Bank, 1801 S. McColl Road, McAllen, TX 78502.

A short summary of the documents to appear in the index are as follows:

1st *Security Agreement* by Texas Railcar Leasing Company, Inc., P.O. Box 1330, McAllen, Texas, dated May 3, 2004, covering forty (14) 100 ton hopper railcars.

2nd *Security Agreement* by Texas Railcar Leasing Company, Inc., P.O. Box 1330, McAllen, Texas, dated May 3, 204, covering thirteen (13) 100 ton hopper railcars.

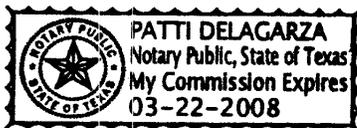
Sincerely,



Mario Ysaguirre,
Senior Vice President

/tlh
Enclosures

This instrument was acknowledged before me on the 29 day of July, 2004, by Mario Ysaguirre, Senior Vice President of McAllen National Bank, McAllen, Texas on behalf of said corporation.



Notary Public in and for the State of Texas

SECURITY AGREEMENT

DATE OF AGREEMENT
05/03/2004

DEBTOR'S NAME(S) TEXAS RAILCAR LEASING COMPANY, A Texas Corporation	SECURED PARTY'S NAME AND ADDRESS MCALLEN NATIONAL BANK P.O. BOX 5555 MCALLEN, TX 78503
DEBTOR'S ADDRESS PO BOX 1330 MCALLEN, TX 78505	

I. **GRANT OF SECURITY INTEREST.** For value received, the undersigned (referred to as "Debtor" whether one or more) grants to Secured Party named above a security interest in the Collateral described below to secure the payment of the "Indebtedness" (as defined below) and performance of all Debtor's obligations and agreements in this Agreement or other documents evidencing the Indebtedness. For purposes of this Agreement, any term used in the Uniform Commercial Code, as adopted and revised from time to time in the State of Texas in the Texas Business and Commerce Code ("UCC") and not defined in this Agreement has the meaning given to the term in the UCC. Debtor's location (if other than the address reflected above) is in the state of TEXAS.

II. **DESCRIPTION OF COLLATERAL.** The "Collateral" shall include: **PURCHASE MONEY INTEREST CLAIMED.** All equipment of whatever kind or nature, wherever located, now owned or hereafter acquired, and all returns, repossessions, exchanges, substitutions, replacements, attachments, parts, accessories, and acccessions thereto and thereof and all proceeds thereof, (whether in the form of cash, instruments, chattel paper, general intangibles, accounts or otherwise); including, but not limited to the following 1221 100 ton -13 5,750 cubic feet and discharge gondola railcars: 100 TON COV. HOPPER RAILCARS. Bm

TRLX 5794 80282	TRLX 5795 80283	TRLX 5796 80284	TRLX 5797 80285	TRLX 5798 80286	TRLX 5799 80287	TRLX 5800
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RECORDATION NO. 25121 FILED

AUG 04 '04 10:44 AM

SURFACE TRANSPORTATION BOARD

This term "Collateral" also includes to the extent not listed above as original collateral:

- (1) **After-Acquired Property.** After-acquired property; provided, however, the security interest will not attach to (a) consumer goods, other than an accession when given as additional security, unless the Debtor acquires rights in them within 10 days after the Secured Party gives value; or (b) a commercial tort claim.
- (2) **Proceeds.** Proceeds, products, additions, substitutions and acccessions of the Collateral.
- (3) **Deposits.** Unless prohibited by law, any property (excluding Individual Retirement Accounts and other qualified retirement accounts), tangible or intangible, in possession of Secured Party at any time during the term of this Agreement, or any indebtedness due from Secured Party to Debtor, and any deposit or credit balances due from Secured Party to Debtor, and Secured Party may at any time while the whole or any part of the Indebtedness remains unpaid, whether before or after maturity thereof, be appropriated, held or applied toward payment of the Indebtedness or any obligation of Debtor to Secured Party.

III. **SECURED INDEBTEDNESS.** The security interest granted under this Agreement secures the following (referred to as the "Indebtedness"): (1) the performance of all of the agreements, obligations, covenants and warranties of Debtor as set forth in this Agreement or any other agreement between Debtor and Secured Party; (2) all liabilities of Debtor to Secured Party of every kind and description, including (a) all promissory notes given from Debtor to Secured Party, (b) all future advances from Secured Party to Debtor, whether in the form of a loan for a similar or different purpose than any other loan to Debtor, (c) Debtor's overdrafts, whether business or personal, (d) direct or indirect liabilities, (e) liabilities due to or become due and whether absolute or contingent, and (f) liabilities now existing or hereafter arising and however evidenced; (3) all extensions, renewals and deferrals of liabilities of Debtor to Secured Party for any term or terms, to which the undersigned hereby consents; (4) all interest and other finance charges due to or become due on the liabilities of Debtor to Secured Party; (5) All expenditures by Secured Party involving the performance or enforcement of Debtor's obligations, agreements, covenants and warranties under this Agreement or any other agreement between Debtor and Secured Party; and (6) All costs, attorneys' fees and other expenditures of Secured Party in the collection and enforcement of any obligation or liability of Debtor to Secured Party and in the collection and enforcement, sale or other liquidation of any of the Collateral.

IV. **GENERAL PROVISIONS.**

- 1. **WAIVERS.** No act, delay or omission, including Secured Party's written express waiver of a remedy after any default under this Agreement, shall constitute a waiver of any of Secured Party's rights and remedies not expressly waived in writing under this Agreement or any other agreement between the parties. All of Secured Party's rights and remedies are cumulative and may be exercised singly or concurrently. The waiver or exercise of any one or more rights or remedies will not be a waiver or a bar to the exercise of any other rights or remedies upon any subsequent default. No waiver, change, modification or discharge of any of Secured Party's rights or remedies or Debtor's duties as specified or allowed by this Agreement will be effective unless in writing and signed by a duly authorized officer of Secured Party. Acceptance of any partial or late payment shall not constitute a waiver of any requirement of this Agreement or impose any additional notification duties upon Secured Party. Debtor and all other signers, including guarantors, waive presentment, notice of dishonor and protest, notice of default, notice of intention to accelerate and notice of acceleration and consent to any and all extensions of time for any term or terms regarding payment due, partial payments, or renewals before or after maturity. Debtor and all other signers, including guarantors, further consent to substitution, impairment, release or nonperfection with regard to the Collateral, and the addition or release of or agreement not to sue any party or guarantor.
- 2. **AGREEMENT BINDING ON ASSIGNS.** This Agreement inures to the benefit of Secured Party's successors and assigns, and is binding upon Debtor's heirs, executors, administrators, representatives, successors and permitted assigns (and all persons who become bound as a debtor to this Security Agreement), but no person taking from or representing Debtor has any right to advances under any instrument or document secured by this Agreement.
- 3. **CHANGES IN TERMS.** Secured Party reserves the right to change any of the terms of this Agreement in accordance with applicable law and the provisions of this Agreement.
- 4. **TERM OF AGREEMENT.** This Agreement, and the security interest created by this Agreement, will remain in force until all of the Indebtedness is paid in full, unless the security interest created by this Agreement is earlier released by Secured Party in writing.
- 5. **RIGHTS OF SECURED PARTY ASSIGNABLE.** Secured Party, at any time and at its option, may pledge, transfer or assign its rights under this Agreement in whole or in part, and any transferee or assignee shall have all Secured Party's rights or the parts of them so pledged, transferred or assigned. Debtor's rights under this Agreement or in the Collateral may not be assigned without Secured Party's prior written consent.

6. **JOINT AND SEVERAL RESPONSIBILITY OF DEBTOR AND SURETIES.** The responsibilities of Debtor and any co-debtor, guarantor, surety or accommodation party under this Agreement are joint and several, and the references to Debtor in this Agreement shall be deemed to refer to each such person, including any person who pledges Collateral even if such pledgor is not otherwise liable under any promissory note, guaranty or other instrument secured by this Agreement.

7. **SEPARABILITY OF PROVISIONS.** If any provision of this Agreement shall for any reason be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such invalid or unenforceable provision had never existed.

9. **ENTIRE AGREEMENT.** This Agreement, together with any mortgage of real estate which may be Collateral, constitutes the entire agreement between the parties with respect to the subjects addressed herein. This Agreement may be amended or modified only by a writing signed by Secured Party specifying that it is a modification, amendment or addition to this Agreement.

- V. **EVENTS OF DEFAULT.** Debtor shall be in default under this Agreement upon the happening of any one or more of the following events or conditions, called "Events of Default" in this Agreement:
 - 1. If any warranty, covenant, agreement, representation, financial information or statement made or furnished to Secured Party by Debtor, any guarantor or surety, or otherwise on Debtor's behalf to induce Secured Party to enter into this Agreement, or in conjunction with it, is violated or proves to have been false in any material respect when made or furnished.
 - 2. If any payment required in this Agreement or under any other agreement or obligation of Debtor to Secured Party or to others is not made when due or in accordance with the terms of the applicable contract.
 - 3. If Debtor defaults in the performance of any covenant, obligation, warranty, or provision contained in this Agreement or any other agreement, mortgage or obligation of Debtor to Secured Party or to others, including without limitation Debtor's failure to insure the Collateral or unlawful use of the Collateral.
 - 4. If any event or condition exists or occurs which results in acceleration of the maturity of any obligation of Debtor to Secured Party or to others under any note, mortgage, indenture, agreement, or undertaking.
 - 5. If anyone makes any levy against or seizes, garnishes or attaches any of the Collateral; if Debtor consensually encumbers any of the Collateral; or if Debtor sells, leases, or otherwise disposes of any of the Collateral without Secured Party's prior written consent as required by this Agreement or any mortgage executed in connection with this Agreement.
 - 6. If the Collateral is lost, stolen, substantially damaged or destroyed.
 - 7. If, in Secured Party's judgment, the Collateral becomes unsatisfactory or insufficient in character or value, and upon request Debtor fails to provide additional Collateral as required by Secured Party.
 - 8. If at any time Secured Party, in its sole discretion, believes the prospect of payment or performance of any duty, covenant, warranty or obligation secured by this Agreement is impaired;
 - 9. If Debtor or any guarantor or surety dies, dissolves, terminates existence, or becomes insolvent; if a receiver is appointed over any part of Debtor's property or any part of the Collateral; if Debtor makes an assignment for the benefit of creditors; or if any proceeding is commenced under any bankruptcy or insolvency law by or against Debtor or any guarantor or surety for Debtor.
 - 10. If the Collateral is removed from the location specified in this Agreement or in a separate notice to Secured Party without Secured Party's prior written consent, except for temporary periods in the normal and customary use of the Collateral.
 - 11. Secured Party shall receive at any time following the Closing a filing office report indicating that Secured Party's security interest is not prior to all other security interests or other interests reflected in the report.

VI. **ADDITIONAL PROVISIONS.** The undersigned specifically agree to all of the "Additional Provisions" on the reverse side of this Agreement.

SECURED PARTY'S SIGNATURE MCALLEN NATIONAL BANK	DEBTORS' SIGNATURE(S) TEXAS RAILCAR LEASING COMPANY, A Texas Corporation By: <u>GRACE P. NOVELL, PRESIDENT EXEC. V.P.</u>
By: <u>Mario Ysaguirre</u> MARIO YSAGUIRRE, SR. VICE	



Loan# 22501

WE HEREBY CERTIFY THIS TO BE A TRUE AND CORRECT COPY OF THE ORIGINAL INSTRUMENT.

DATE OF AGREEMENT 05/03/2004

SECURITY AGREEMENT

MCALLEN NATIONAL BANK BY *[Signature]*

DEBTOR'S NAME(S)		SECURED PARTY'S NAME AND ADDRESS	
TEXAS RAILCAR LEASING COMPANY, A Texas Corporation		MCALLEN NATIONAL BANK	
DEBTOR'S ADDRESS		P.O. BOX 5555	
PO BOX 1330		MCALLEN, TX 78503	
MCALLEN, TX 78505			

I. GRANT OF SECURITY INTEREST. For value received, the undersigned (referred to as "Debtor" whether one or more) grants to Secured Party named above a security interest in the Collateral described below to secure the payment of the "Indebtedness" (as defined below) and performance of all Debtor's obligations and agreements in this Agreement or other documents evidencing the Indebtedness. For purposes of this Agreement, any term used in the Uniform Commercial Code, as adopted and revised from time to time in the State of Texas in the Texas Business and Commerce Code ("UCC"), and not defined in this Agreement has the meaning given to the term in the UCC. Debtor's location (if other than the address reflected above) is in the state of TEXAS.

II. DESCRIPTION OF COLLATERAL. The "Collateral" shall include: PURCHASE MONEY INTEREST CLAIMED. All equipment of whatever kind or nature, wherever located, now owned or hereafter acquired, and all returns, repossessions, exchanges, substitutions, replacements, attachments, parts, accessories, and accessions thereto and thereof and all proceeds thereof, (whether in the form of cash, instruments, chattel paper, general intangibles, accounts or otherwise); including, but not limited to the following 122T 100 ton -15 5,750 cubic feet ~~asset discharge goods~~ *100 TON COV. HOPPER RAILCARS. (Bm)*

TRLX	TRLX	TRLX	TRLX	TRLX	TRLX	TRLX
5794	5795	5796	5797	5798	5799	5800
80282	80283	80284	80285	80286	80287	

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- (2) Proceeds. Proceeds, products, additions, substitutions and accessions of the Collateral.
- (3) Deposits. Unless prohibited by law, any property (excluding Individual Retirement Accounts and other qualified retirement accounts), tangible or intangible, in possession of Secured Party at any time during the term of this Agreement, or any indebtedness due from Secured Party to Debtor, and any deposit or credit balances due from Secured Party to Debtor, and Secured Party may at any time while the whole or any part of the Indebtedness remains unpaid, whether before or after maturity thereof, be appropriated, held or applied toward payment of the Indebtedness or any obligation of Debtor to Secured Party.

III. SECURED INDEBTEDNESS. The security interest granted under this Agreement secures the following (referred to as the "Indebtedness"): (1) the performance of all of the agreements, obligations, covenants and warranties of Debtor as set forth in this Agreement or any other agreement between Debtor and Secured Party; (2) all liabilities of Debtor to Secured Party of every kind and description, including (a) all promissory notes given from Debtor to Secured Party, (b) all future advances from Secured Party to Debtor, whether in the form of a loan for a similar or different purpose than any other loan to Debtor, (c) Debtor's overdrafts, whether business or personal, (d) direct or indirect liabilities, (e) liabilities due or to become due and whether absolute or contingent, and (f) liabilities now existing or hereafter arising and however evidenced; (3) all extensions, renewals and deferrals of liabilities of Debtor to Secured Party for any term or terms, to which the undersigned hereby consents; (4) all interest and other finance charges due or to become due on the liabilities of Debtor to Secured Party; (5) All expenditures by Secured Party involving the performance or enforcement of Debtor's obligations, agreements, covenants and warranties under this Agreement or any other agreement between Debtor and Secured Party; and (6) All costs, attorneys' fees and other expenditures of Secured Party in the collection and enforcement of any obligation or liability of Debtor to Secured Party and in the collection and enforcement, sale or other liquidation of any of the Collateral.

6. JOINT AND SEVERAL RESPONSIBILITY OF DEBTOR AND SURETIES. The responsibilities of Debtor and any co-debtor, guarantor, surety or accommodation party under this Agreement are joint and several, and the references to Debtor in this Agreement shall be deemed to refer to each such person, including any person who pledges Collateral even if such pledgor is not otherwise liable under any promissory note, guaranty or other instrument secured by this Agreement. 7. SEPARABILITY OF PROVISIONS. If any provision of this Agreement shall for any reason be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such invalid or unenforceable provision had never existed. GOVERNING LAW. This Agreement shall be construed and enforced in accordance with the laws of the State of Texas, except to the extent that the UCC provides for application of the law where the Debtor or the collateral is located (if other than Texas) as the case may be. 9. ENTIRE AGREEMENT. This Agreement, together with any mortgage of real estate which may be Collateral, constitutes the entire agreement between the parties with respect to the subjects addressed herein. This Agreement may be amended or modified only by a writing signed by Secured Party specifying that it is a modification, amendment or addition to this Agreement.

IV. GENERAL PROVISIONS. 1. WAIVERS. No act, delay or omission, including Secured Party's written express waiver of a remedy after any default under this Agreement, shall constitute a waiver of any of Secured Party's rights and remedies not expressly waived in writing under this Agreement or any other agreement between the parties. All of Secured Party's rights and remedies are cumulative and may be exercised singly or concurrently. The waiver or exercise of any one or more rights or remedies will not be a waiver or a bar to the exercise of any other rights or remedies upon any subsequent default. No waiver, change, modification or discharge of any of Secured Party's rights or remedies or Debtor's duties as specified or allowed by this Agreement will be effective unless in writing and signed by a duly authorized officer of Secured Party. Acceptance of any partial or late payment shall not constitute a waiver of any requirement of this Agreement or impose any additional notification duties upon Secured Party. Debtor and all other signers, including guarantors, waive presentment, notice of dishonor and protest, notice of default, notice of intention to accelerate and notice of acceleration and consent to any and all extensions of time for any term or terms regarding payment due, partial payments, or renewals before or after maturity. Debtor and all other signers, including guarantors, further consent to substitution, impairment, release or nonperfection with regard to the Collateral, and the addition or release of or agreement not to sue any party or guarantor. 2. AGREEMENT BINDING ON ASSIGNS. This Agreement inures to the benefit of Secured Party's successors and assigns, and is binding upon Debtor's heirs, executors, administrators, representatives, successors and permitted assigns (and all persons who become bound as a debtor to this Security Agreement), but no person taking from or representing Debtor has any right to advances under any instrument or document secured by this Agreement. 3. CHANGES IN TERMS. Secured Party reserves the right to change any of the terms of this Agreement in accordance with applicable law and the provisions of this Agreement. 4. TERM OF AGREEMENT. This Agreement, and the security interest created by this Agreement, will remain in force until all of the Indebtedness is paid in full, unless the security interest created by this Agreement is earlier released by Secured Party in writing. 5. RIGHTS OF SECURED PARTY ASSIGNABLE. Secured Party, at any time and at its option, may pledge, transfer or assign its rights under this Agreement in whole or in part, and any transferee or assignee shall have all Secured Party's rights or the parts of them so pledged, transferred or assigned. Debtor's rights under this Agreement or in the Collateral may not be assigned without Secured Party's prior written consent.

V. EVENTS OF DEFAULT. Debtor shall be in default under this Agreement upon the happening of any one or more of the following events or conditions, called "Events of Default" in this Agreement: 1. If any warranty, covenant, agreement, representation, financial information or statement made or furnished to Secured Party by Debtor, any guarantor or surety, or otherwise on Debtor's behalf to induce Secured Party to enter into this Agreement, or in conjunction with it, is violated or proves to have been false in any material respect when made or furnished. 2. If any payment required in this Agreement or under any other agreement or obligation of Debtor to Secured Party or to others is not made when due or in accordance with the terms of the applicable contract. 3. If Debtor defaults in the performance of any covenant, obligation, warranty, or provision contained in this Agreement or any other agreement, mortgage or obligation of Debtor to Secured Party or to others, including without limitation Debtor's failure to insure the Collateral or unlawful use of the Collateral. 4. If any event or condition exists or occurs which results in acceleration of the maturity of any obligation of Debtor to Secured Party or to others under any note, mortgage, indenture, agreement, or undertaking. 5. If anyone makes any levy against or seizes, garnishes or attaches any of the Collateral; if Debtor consensually encumbers any of the Collateral; or if Debtor sells, leases, or otherwise disposes of any of the Collateral without Secured Party's prior written consent as required by this Agreement or any mortgage executed in connection with this Agreement. 6. If the Collateral is lost, stolen, substantially damaged or destroyed. 7. If, in Secured Party's judgment, the Collateral becomes unsatisfactory or insufficient in character or value, and upon request Debtor fails to provide additional Collateral as required by Secured Party. 8. If at any time Secured Party, in its sole discretion, believes the prospect of payment or performance of any duty, covenant, warranty or obligation secured by this Agreement is impaired. 9. If Debtor or any guarantor or surety dies, dissolves, terminates existence, or becomes insolvent; if a receiver is appointed over any part of Debtor's property or any part of the Collateral; if Debtor makes an assignment for the benefit of creditors; or if any proceeding is commenced under any bankruptcy or insolvency law by or against Debtor or any guarantor or surety for Debtor. 10. If the Collateral is removed from the location specified in this Agreement or in a separate notice to Secured Party without Secured Party's prior written consent, except for temporary periods in the normal and customary use of the Collateral. 11. Secured Party shall receive at any time following the Closing a filing office report indicating that Secured Party's security interest is not prior to all other security interests or other interests reflected in the report. VI. ADDITIONAL PROVISIONS. The undersigned specifically agree to all of the "Additional Provisions" on the reverse side of this Agreement.

SECURED PARTY'S SIGNATURE	DEBTOR'S SIGNATURE(S)
MCALLEN NATIONAL BANK	TEXAS RAILCAR LEASING COMPANY, A Texas Corporation
<i>[Signature]</i>	<i>[Signature]</i>
By: MARIO YSAGUIRRE, SR. VICE	By: GRACE P. NOVELL, PRESIDENT EXEC. V.P.