

RECORDATION NO. 25337 FILED

DEC 09 2004 11-59 AM

SURFACE TRANSPORTATION BOARD

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

December 9, 2004

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 November 18, 2004 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 cars and other equipment now owned or hereafter acquired by Debtor.

Mr. Vernon A. Williams
December 9, 2004
Page Two

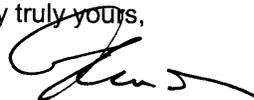
A short summary of the document to appear in the index follows:

Security Agreement

Also enclosed is a check in the amount of \$32.00 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/anm
Enclosures

RECORDATION NO. 25337 FILED

SECURITY AGREEMENT

DEC 09 '04 11:59 AM

SURFACE TRANSPORTATION BOARD

Date: November 18, 2004

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:

Date: November 18, 2004

Original principal amount: Six Million and No/100 Dollars (\$6,000,000.00)

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

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

Maturity date: November 18, 2009

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. Commingle 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.

14. Debtor agrees to promptly identify all railroad cars delivered to Debtor under any purchase agreements covered by this Security Agreement and to execute such other Security Agreements as may be required by Secured Party in order to perfect its security interest in said cars.

DEBTOR:

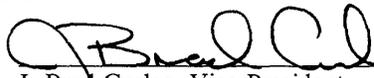
GEORGETOWN RAIL EQUIPMENT COMPANY,
a Texas corporation

By: 
Steven Orrell, President

By: 
Joan D. Maier, Vice President and Assistant
Secretary

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 18 day of November, 2004, by Steven Orrell, President of GEORGETOWN RAIL EQUIPMENT COMPANY, a Texas corporation, on behalf of said corporation.

(Notary Seal)




Notary Public for the State of Texas

STATE OF TEXAS §
 §
COUNTY OF WILLIAMSON §

This instrument was acknowledged before me on the 18 day of November, 2004, by Joan D. Maier, Vice President and Assistant Secretary of GEORGETOWN RAIL EQUIPMENT COMPANY, a Texas corporation, on behalf of said corporation.

(Notary Seal)

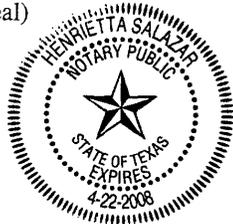


Henrietta Salazar
Notary Public for the State of Texas

STATE OF TEXAS §
 §
COUNTY OF WILLIAMSON §

This instrument was acknowledged before me on the 18 day of November, 2004, by J. Brad Curlee, Vice-President of REGIONS BANK, a state chartered banking association, on behalf of said bank.

(Notary Seal)



Henrietta Salazar
Notary Public for the State of Texas

EXHIBIT "A"

1. All railroad cars and other equipment now owned or hereafter acquired by Debtor;
2. All plans, drawings, schedules, and other agreements, documents, and general intangibles now owned, or hereafter acquired, by Debtor regarding the ownership, purchase, construction, maintenance or use of any of the above-referenced railroad cars and other equipment, including, but not limited to, that certain Agreement dated August 19, 2004, by and between Brant Engineered Products, Ltd., as seller, and Debtor, as buyer, for the construction, purchase and sale of two (2) Self Powered Slot Cars, a copy of which is attached hereto and made a part hereof for all purposes;
3. 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-referenced railroad cars and other equipment;
4. All leases by which any of the above-referenced railroad cars and other equipment is now or hereafter leased to any one or more persons, all rentals and other amounts now or hereafter due, or to become due, in connection with any of the above-referenced railroad cars and other equipment, and all proceeds (including, without limitation, proceeds of insurance) of any and all of the above-referenced railroad cars and other equipment;
5. All accounts and chattel paper (whether or not connected with the above-referenced railroad cars and other equipment) now owned, or hereafter acquired, by Debtor.

Brandt

ENGINEERED PRODUCTS LTD.

August 19, 2004

This agreement is made between:

Brandt Engineered Products Ltd. (Brandt)
 P.O. Box 1876
 302 Mill Street
 Regina, Saskatchewan
 S4P 3E2

And

Georgetown Rail Equipment Company (GREX)
 508 Cedar Drive
 Georgetown, TX United States
 78626

wcl
Two
 Brandt agrees to construct ~~one or more~~ *Two* Self Powered Slot Cars (SPS) in accordance with any attached and approved specifications and similar in function to the other SPS received. It is understood that the whole of this information shall constitute the 'final design'.

Changes, additions or deletions from the 'final design' will each be considered on their own merit, and the costs associated with each will modify the total price of the project.

Construction shall commence upon the signing of this agreement and proceed without interruption until its completion. The estimated delivery of each unit shall follow the following schedule:

Unit #	Estimated Delivery
1	JANUARY 17, 2005
2	FEBRUARY 21, 2005

Due to long lead times on some items the delivery dates will be finalized two weeks after final signing of the contract. All reasonable efforts shall be made to achieve completion at an earlier date.

Upon completion, the slot machine shall be tested by Brandt personnel to ensure that all systems are functioning properly. GREX personnel shall be given free access to Brandt's manufacturing facility, for the purpose of inspecting the slot machine, at any time during regular business hours, throughout the construction and upon completion of the slot machine.

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Brandt

ENGINEERED PRODUCTS LTD.

Brandt will assist, as much as possible, with export documentation and other brokerage arrangements. Freight and Crane charges shall be FOB Regina, Saskatchewan, Canada. Risk of loss shall pass on to GREX at Brandt's plant in Regina.

The base price for each size option of the SPS is detailed in the following table.

SPS Size	Per Unit
3412E EPA and CARB Tier I CAT Engine, 1050 Hp	[REDACTED] US

The following items are included, as well as any additional costs, are as shown in the following table:

Specifications	Additional Cost
140 CFM VMAC Compressor	[REDACTED]
KATO 650 KW Alternator	[REDACTED]
(2) GP-9 Bloomberg Truck sets with D77/D78 Traction Motors	[REDACTED]
GP Base Chassis (-50' Striker Plate to Striker Plate)	[REDACTED]
Draw Bar	[REDACTED]
Opening windows on Cab	[REDACTED]
Window Washer	[REDACTED]
AC/Heater in Cab	[REDACTED]
Sound Insulation of engine and alternator compartment	[REDACTED]
SPS side access when climbing up stairs	[REDACTED]
Commissioning Costs	[REDACTED]
12V and 110V receptacles in cab	[REDACTED]
Installation of Radio	[REDACTED]
Remote Control Display for mounting in Excavator	[REDACTED]
Girolami Remote Control	[REDACTED]
Wired Rear Camera, requires power to be installed at back of slot c/w 10" colour monitor	[REDACTED] US

All applicable taxes shall be extra. It is noted that no Canadian taxes apply.

Brandt

ENGINEERED PRODUCTS LTD.

The schedule of payments shall be as follows:

- 33 1/3% upon signing of this agreement,
- 33 1/3% upon substantial completion, approximately 10-12 weeks after signing,
- 33 1/3% final payment is due immediately after commissioning of each unit or 30 days after leaving Brandt Engineered Products Ltd, whichever occurs first.

Terms: Net 15 days

Brandt shall provide training and commissioning, if necessary up to 5 days per unit, at no additional cost.

In no event shall Brandt be liable for any amount in excess of the purchase price on account of the subject matter of this agreement.

Brandt and GREX waive their right to a jury trial in the event of dispute or disagreement regarding any aspect of this project.

This agreement shall be binding by both parties upon signing and payment of the agreed to 1st payment.

Title shall pass to GREX upon payment in full of the purchase price.

Brandt also agrees to the terms described in Addendum 1.

Brandt warrants the SPS as described in Addendum 2.


Brandt Engineered Products Ltd.


Georgetown Rail Equipment Company

28 Aug 2004.
Date

27 Aug 2004
Date

Brandt

ENGINEERED PRODUCTS LTD.

Addendum 1

Warranties

Kato Traction Alternator

The traction alternator is covered under Kato's standard two-year locomotive equipment warranty.

Caterpillar Engine

The Caterpillar engine is covered by a standard one-year warranty as per the attached sheet. An additional 5-year extended warranty is also available at an additional cost.

VMAC Components

The air compressor is covered under the VMAC basic warranty. They are covered for one year.

Graham White Air Dryer

The air dryer is covered under the Graham White basic warranty. They are covered for one year.

GP-9 Truck Set and Traction Motors

The rebuilt truck sets are warranty from date of purchase for one year. The warranty covers parts replacements but does not cover any associated labor costs.

Girolami Remote Control

Girolami Controls warrants their remote control for a period of one-year parts and one-month labor.

Brandt Engineered Products Ltd.

Brandt Industries Ltd. warrants to the buyer that the Slot Train Power Unit is free from defects in material and workmanship for a period of one year from the time of shipping from Brandt's facility. If a warranty issue arises on an SPS and the problem cannot be resolved verbally within 48 hours, Brandt will supply all labor and parts on site, less any travel costs to rectify the issue.