

SCHMID, JONES & MEADOWS, PLLC

ATTORNEYS AT LAW
500 WALNUT BUILDING

706 WALNUT STREET
KNOXVILLE, TENNESSEE 37902

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MAILING ADDRESS
POST OFFICE BOX 377
KNOXVILLE, TN 37901-0377

May 14, 1998

Honorable Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423-0001

RECORDATION NO. 21447 FILED
JUN 4 '98 3-29 PM

RECEIVED
SURFACE TRANSPORTATION
BOARD
JUN 4 3 29 PM '98

Dear Secretary Williams:

I have enclosed two (2) originals of the document described below, to be recorded pursuant to Section 11301 of Title 49 of the United States Code.

~~primary~~ ^{primary} The Amended, Restated and Consolidated Security Agreement (the "Agreement") is a ~~second~~ document amending three primary documents recorded with the Interstate Commerce Commission ("Commission") under recordation numbers 18890, 19000 and 19066 (the "Prior Security Documents").

The parties to the Agreement are as follows:

The Grantors of the Security Interest (the "Grantors"):

- Rio Grande Pacific Corporation
- Idaho Northern & Pacific Railroad Company
- Wichita, Tillman & Jackson Railway Company
- Nebraska Central Railroad Company
- Switchmaster Corporation of America

The Chief Executive Offices for each of the Grantors is located at:

4420 West Vickery Boulevard, Suite 110
Fort Worth, Texas 76107

Secured Party:

NationsBank of Tennessee, N.A.
550 Main Avenue
Knoxville, Tennessee 37902

Please index this Agreement under each of the names listed above.

Honorable Vernon A. Williams, Secretary
Page 2
May 14, 1998

Included in the property covered by the Agreement are:

the rolling stock, locomotives, railcars, boxcars, hopper cars listed on Exhibit "A" attached to the Agreement and as further described in the Prior Security Documents and all machinery, tools, implements and other railroad related appliances, fixtures, apparatus, facilities, material and supplies used in connection with or pertaining to such rolling stock, locomotives, railcars, boxcars and hopper cars.

A fee of ~~\$2400~~ ^{A 26.00} is enclosed pursuant to the schedule of filing fees appearing at 49 C.F.R. §1002(f)(83). Please return the original and any extra copies not needed to:

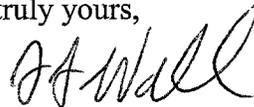
Schmid, Jones & Meadows, PLLC
P.O. Box 377
Knoxville, TN 37901-0377
Attn: Jeffrey J. Wall, Esq.

The Agreement should be indexed as follows:

Amended, Restated and Consolidated Security Agreement creating a security interest in certain rolling stock, locomotives, railcars, boxcars, hopper cars and other railroad equipment owned by the Grantors.

If you have any questions or require any further information, please contact me at the phone number or address listed above. Thank you for your assistance.

Very truly yours,



JEFFREY J. WALL

Attorney for:

NationsBank of Tennessee, N.A.

JJW/jlp
Enclosures

RECEIVED
SURFACE TRANSPORTATION
BOARD

SCHMID, JONES & MEADOWS, PLLC

ATTORNEYS AT LAW
500 WALNUT BUILDING
706 WALNUT STREET
KNOXVILLE, TENNESSEE 37902

JUN 4 3 29 PM '98 MAILING ADDRESS
POST OFFICE BOX 377
KNOXVILLE, TN 37901-0377

TELEPHONE: (423) 540-8777
TELECOPIER: (423) 544-7638

May 27, 1998

Honorable Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423-0001

RECORDATION NO. 21447 FILED
JUN 4 '98 3-29 PM

JUN 2 8 56 AM '98

RECEIVED
SURFACE TRANSPORTATION
BOARD

Dear Secretary Williams:

I enclose Mr. Wall's original letter dated May 14, 1998, as well as the referenced documents to be recorded pursuant to Section 11301 of Title 49 of the United States Code.

Also enclosed is the original check in the amount of \$24.00 as well as a second check in the amount of \$2.00 for a total filing fee of \$26.00. Please file the original document as set out in the May 14, 1998, letter.

If you have any questions or require any further information, please contact me at the phone number or address listed above.

Sincerely yours,

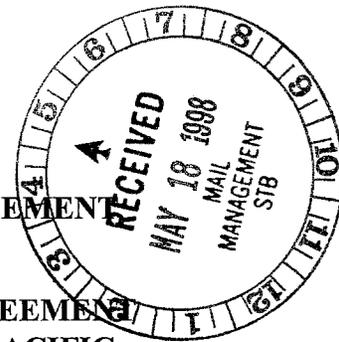
Elizabeth Meadows

ELIZABETH K.B. MEADOWS

EKBM:bh
Enclosures

JUN 4 '98

3-29 PM

**AMENDED, RESTATED AND CONSOLIDATED SECURITY AGREEMENT**

AMENDED, RESTATED AND CONSOLIDATED SECURITY AGREEMENT
 (this "Security Agreement"), dated as of May 8, 1998, made by **RIO GRANDE PACIFIC CORPORATION**, a Texas corporation ("Rio Grande"); **IDAHO NORTHERN & PACIFIC RAILROAD COMPANY**, a Delaware corporation ("Idaho"); **WICHITA, TILLMAN & JACKSON RAILWAY COMPANY**, an Oklahoma corporation ("Wichita"); **NEBRASKA CENTRAL RAILROAD COMPANY**, a Delaware corporation ("Nebraska"); and **SWITCHMASTER CORPORATION OF AMERICA**, a Delaware corporation ("Switchmaster") (hereinafter Rio Grande, Idaho, Wichita, Nebraska and Switchmaster are referred to collectively as the "Grantors") to **NATIONSBANK OF TENNESSEE, N.A.**, a national banking association (the "Bank"), pursuant to the terms of the Loan Agreement dated as of July 5, 1994 by and among Rio Grande, Idaho and the Bank (hereinafter, as the same may from time to time be or have been amended, supplemented or otherwise modified, the "Loan Agreement", and except as otherwise may be defined herein, all capitalized terms herein shall have the meanings set forth in the Loan Agreement):

WITNESSETH:

WHEREAS, pursuant to the terms of the Loan Agreement, the Bank agreed to make (a) the Original Loan in the original principal amount of \$2,200,000, evidenced by the Original Note, and (b) the New Loan in the original principal amount of \$1,000,000, evidenced by the New Note (hereinafter the Original Loan and the New Loan, as modified, amended or restated, are referred to collectively as the "Loans", and the Original Note and the New Note, as modified, amended or restated, are referred to collectively as the "Notes"); and

WHEREAS, the Original Loan was used to finance the acquisition of certain railroad rolling stock and locomotives (collectively, the "Original Loan Railroad Equipment"); and

WHEREAS, the New Loan is being used to purchase additional railroad rolling stock and locomotives for use by one or more of the Grantors (collectively, the "New Loan Railroad Equipment") (hereinafter the Original Loan Railroad Equipment and the New Loan Railroad Equipment are referred to collectively as the "Railroad Equipment");

WHEREAS, pursuant to the terms of the Loan Agreement, the Bank is willing to make the New Loan and continue the Original Loan, but only upon the condition, among others, that the Grantors shall have executed and delivered to the Bank this Security Agreement; and

WHEREAS, this Security Agreement amends, restates and consolidates (i) the Security Agreement dated as of July 5, 1994 made by Idaho for the benefit of the Bank, (ii) the Security Agreement dated as of September 26, 1994 made by Idaho for the benefit of the Bank, and (iii) a Security Agreement dated as of November 15, 1994 made by Idaho for the benefit of the Bank (collectively, the "Prior Security Agreements").

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Defined Terms. The following terms shall have the following meanings when used herein, unless the context otherwise requires (such meanings to be equally applicable to the singular and plural):

"Code": the Uniform Commercial Code as the same may from time to time be in effect in the State of Tennessee.

"Collateral": the meaning assigned to it in Section 2 of this Security Agreement.

"Collateral Account": the meaning assigned to it in Section 3 of this Security Agreement.

"Equipment": any equipment as described in Exhibit A attached hereto and incorporated herein by reference and any equipment described and conveyed by the Prior Security Agreements.

"Event of Default": any of the events specified in Section 9 of this Security Agreement.

"Obligations": collectively, the Loans and any and all other indebtedness or obligations of the Grantors or any of them to the Bank, whether now or hereafter existing, joint or several, joint and several, absolute or contingent, direct or indirect, and whether evidenced by a note or other instrument of indebtedness.

"Proceeds": any "proceeds", as such term is defined in Section 9-306 of the Code.

"Security Agreement": this Amended, Restated and Consolidated Security Agreement, as the same may be further amended, restated, supplemented or otherwise modified from time to time.

Section 2. Grant of Security Interest. As collateral security for the prompt and complete payment and performance when due of all the Obligations and in order to induce the Bank to make and/or continue the Loans, as applicable, each of the Grantors hereby sells, assigns, conveys, mortgages, pledges, hypothecates and transfers to the Bank, a security interest and lien in, all such Grantor's rights, titles and interests in, to and under the following, whether now existing or hereafter acquired (all of which being hereinafter collectively called the "Collateral"):

(i) all Equipment of each such Grantor, including, without limitation, all rolling stock, locomotives, railcars, boxcars, hopper cars and all machinery, tools, implements and other railroad related appliances, fixtures, apparatus and facilities, material and supplies used in connection with or pertaining to the Equipment;

(ii) all of each such Grantor's books of account, records, ledger sheets and documents relating to the foregoing; and

(iii) to the extent not otherwise included, all Proceeds and products of any or all of the foregoing.

Section 3. Rights of the Bank; Limitations on Bank's Obligations; Sales and Collections.

If required by the Bank at any time after the occurrence of an Event of Default, any Proceeds, when collected by any Grantor, shall be promptly deposited by such Grantor in precisely the form received, except for its endorsement when required, in a special bank account maintained by the Bank (the "Collateral Account"), subject to withdrawal by the Bank only, as hereinafter provided, and until so turned over, shall be deemed to be held in trust by such Grantor for and as the Bank's property and shall not be commingled with such Grantor's other funds. Such Proceeds, when deposited, shall continue to be collateral security for all of the Obligations and shall not constitute payment thereof until applied as hereinafter provided. If an Event of Default shall have occurred and be continuing, the Bank shall, at such intervals as it shall determine, apply all or any part of the funds on deposit in the Collateral Account on account of the principal of and/or interest on any of the Obligations, the order and method of such application to be in the discretion of the Bank and any part of such funds which the Bank elects not so to apply and deems not required as collateral security for the Obligations shall be paid over from time to time by the Bank to the applicable Grantor. If an Event of Default shall not be continuing, funds deposited in the Collateral Account from any particular Grantor shall be released immediately to such Grantor.

Section 4. Representations and Warranties. Each Grantor hereby represents and warrants that:

(a) This Security Agreement constitutes a valid obligation of such Grantor, legally binding upon it and enforceable in accordance with its terms. No consent of any other party (including, without limitation, shareholders and creditors of such Grantor) and no consent, license, approval or authorization of, or registration or declaration with, any Governmental Authority, except for filing of this Security Agreement with the Surface Transportation Board, Washington, D.C. ("STB"), in accordance with applicable law, rules or regulations, is required in connection with the execution, delivery, performance, validity or enforceability of this Security Agreement with respect to Collateral in existence on the date hereof.

(b) Except for the security interest granted to the Bank pursuant to this Security Agreement, the Grantors are (or, in the case of after-acquired property, will be) the owners of the Collateral, having good and marketable title thereto, free and clear of any and all liens except for those liens permitted to exist under the Loan Agreement or other Loan Documents.

(c) No security agreement, financing statement, equivalent security or lien instrument or continuation statement covering all or any part of the Collateral is on file or of record in any public office, except such as may have been filed by the Grantor in favor of the Bank or except such as the Bank otherwise has knowledge thereof by the UCC-11 Search Report(s) received by the Bank in connection with this Security Agreement and to which the Bank has expressly consented.

(d) This Security Agreement creates a valid and continuing lien on the Collateral, and once this Security Agreement is filed with the STB, this Security Agreement will evidence a perfected security interest in the Collateral in which a security interest can be perfected by the

filing of this Security Agreement with the STB, in favor of the Bank, which lien and security interest will be prior to all other liens, encumbrances, security interests and rights of others (except for those liens described above) once this Security Agreement is filed. The lien of this Security Agreement is enforceable as such as against creditors of and purchasers from such Grantor. All action necessary or desirable to protect and perfect such security interest in each item of the Collateral has been duly taken, or, concurrently with the execution and filing of this Security Agreement, will be duly taken.

(e) The Grantors' principal places of business and chief executive offices and the places where their records concerning the Collateral are kept are described on Exhibit B attached hereto, and the Grantors will not change such principal places of business or remove such records without the express prior written consent of the Bank.

(f) The only names under which the Collateral is owned, used or sold are the names of the Grantors as described in Exhibit C to this Security Agreement.

(g) Each Exhibit or Schedule hereto contains true and complete information with respect to the subject matter covered thereby.

Section 5. Covenants. The Grantors covenant and agree with the Bank that from and after the date of this Security Agreement and until the Obligations are fully satisfied:

(a) Further Documentation; Pledge of Instruments. From time to time, upon the reasonable written request of the Bank, and at the sole expense of the Grantors, the Grantors will promptly and duly execute and deliver any and all such further instruments and documents and take such further action as the Bank may reasonably deem desirable in obtaining the full benefits of this Security Agreement and of the rights and powers herein granted, including, without limitation, the filing of any financing or continuation statements under the Uniform Commercial Code in effect in any jurisdiction with respect to the liens and security interests granted hereby, conveying the Grantors' interests in the Collateral to the Bank and using their best efforts to obtain waivers from landlords and mortgagees. The Grantors also hereby authorize the Bank to file any such financing or continuation statement without the signature of such Grantors to the extent permitted by applicable law.

(b) Maintenance of Records. The Grantors will keep and maintain at their own cost and expense satisfactory and complete records of the Collateral including, without limitation, a record of all payments received and all credits granted with respect to the Collateral and all other dealings with the Collateral. The Grantors will mark their books and records pertaining to the Collateral to evidence this Security Agreement and the security interests granted hereby. For the Bank's further security, the Grantors agree that the Bank shall have a special property interest in all of such Grantors' books and records pertaining to the Collateral, and the Grantors shall make available to the Bank or its representatives such books and records at any time on reasonable demand of the Bank.

(c) Indemnification. In any suit, proceedings or action brought by the Bank relating to the Collateral, the Grantors will jointly and severally save, indemnify and keep the Bank

harmless from and against all expense, loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment or reduction of liability whatsoever of the obligor thereunder, arising out of a breach by any Grantor of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such obligor or its successors from any Grantor, and all such obligations of any Grantor shall be and remain enforceable against and only against such Grantor(s) and shall not be enforceable against the Bank.

(d) Compliance with Laws, etc. The Grantors will comply, in all material respects, with all acts, rules, regulations, orders, decrees and directions of any governmental authority or any court applicable to the Collateral or any part thereof or to the operation of the Grantors' businesses.

(e) Payment of Obligations. The Grantors will pay promptly when due, all taxes, assessments and governmental charges or levies imposed upon the Collateral or in respect of the income or profits therefrom, as well as all claims of any kind (including claims for labor, materials and supplies), except that no such charge need be paid if (i) the validity thereof is being contested in good faith (ii) such proceedings or negotiations do not involve any danger of the sale, forfeiture or loss of any of the Collateral or any interest therein and (iii) such charge is adequately reserved against on the books of such Grantor(s) in accordance with Generally Accepted Accounting Principles.

(f) Limitation on Liens on Collateral. Except as may otherwise be provided in the Loan Agreement or other Loan Documents, the Grantors will not create, permit or suffer to exist, and will defend the Collateral against and take such other action as is necessary to remove, any lien on the Collateral except permitted liens and will defend the right, title and interest of the Bank in and to any of the Grantors' rights to the Collateral and in and to the Proceeds and products thereof against the claims and demands of all Persons whomsoever.

(g) Maintenance of Insurance. The Grantors will maintain with financially sound and reputable companies, insurance policies (i) insuring the property of the Grantors (excepting rolling stock, locomotives, boxcars, hopper cars or other railcars which, the Grantors may to self-insure in amounts reasonable and customary in the railroad industry) against loss by fire, explosion, theft and such other casualties as are usually insured against by companies engaged in the same or similar businesses and (ii) insuring the Grantors against liability for personal injury and property damage relating to the use, operation or maintenance of the property of the Grantors, such policies to be in such form and in such amounts and coverage as may be reasonably satisfactory to the Bank, with losses payable to the Grantors and the Bank as their respective interests may appear. The Grantors shall, if so requested by the Bank, deliver to the Bank as often as the Bank may reasonably request a report of a reputable insurance broker with respect to the insurance required herein. All insurance shall (i) provide that no cancellation, reduction in amount or change in coverage thereof shall be effective until at least 10 days after receipt by the Bank of written notice thereof, and (ii) be reasonably satisfactory in all material respects to the Bank.

(h) Limitations on Dispositions of Collateral. The Grantors will not sell, transfer, lease or otherwise dispose of any of the Collateral, or attempt, offer or contract to do so except to the extent, if any, in the ordinary course of business or as permitted by the terms of the Loan Agreement or other Loan Documents.

(h) Further Identification of Collateral. The Grantors will furnish to the Bank from time to time all such statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Bank may reasonably request pursuant to the terms of the Loan Agreement and this Security Agreement, and all in reasonable detail.

(i) Notices. Except as may otherwise be provided in the Loan Agreement or the other Loan Documents, the Grantors will advise the Bank promptly, in reasonable detail, (i) of any lien asserted or claim made against any of the Collateral securing indebtedness in excess of \$50,000, (ii) of any material change in the composition of the Collateral, and (iii) of the occurrence of any other event which with the passage of time or notice, or both, would constitute an Event of Default.

(j) Right of Inspection. Upon prior notice to the Grantors, the Bank shall at all times have full and free access during normal business hours to all the books, correspondence and records of the Grantors, and the Bank or its representatives may examine the same, take extracts therefrom and make photographs or photocopies thereof, and the Grantors agree to render to the Bank, at the Grantors' cost and expense, such clerical and other assistance as may be reasonably requested with regard thereto without hindrance or delay. The Bank and its representatives shall at all times also have the right to enter into and upon any premises of the Grantors for the purpose of inspecting the Collateral, observing its use or otherwise protecting its interests therein without hindrance or delay.

(k) Maintenance of Property and Premises. The Grantors will keep and maintain their property and premises in good operating condition, ordinary wear and tear excepted, and the Grantors will provide all maintenance and service and all repairs necessary for such purpose.

(l) Continuous Perfection. The Grantors will not change their respective names, identities or corporate structures in any manner which might make any financing or continuation statement filed hereunder, or previously filed in favor of the Bank, seriously misleading within the meaning of Section 9-402(7) of the Code (or any other then applicable provision of the Code) unless the applicable Grantor shall have given the Bank at least 60 days' prior written notice thereof or shall have delivered to the Bank acknowledgment copies of UCC-3 financing statements (and any other security document amendments) duly executed and duly filed in each jurisdiction in which UCC-1 filings (or such other security document filings) were and are required in order to perfect the security interest and lien granted by this Security Agreement in the Collateral and shall have taken all action (or made arrangements to take such action substantially simultaneously with such change if it is impossible to take such action in advance) necessary or reasonably requested by the Bank to amend such financing statement, continuation statement or other filed security document so that it is not seriously misleading.

Section 6. Bank's Appointment as Attorney-in-Fact.

(a) The Grantors hereby irrevocably constitute and appoint the Bank and any officer or agent thereof, with full power of substitution, as their true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of each Grantor and in the name of each Grantor or in the Bank's own name, from time to time in the Bank's discretion, for the purpose of carrying out the terms of this Security Agreement, including, but not limited to, (i) furnishing documents or information about the Loans to any potential purchaser of the Collateral (such authorization provided by the Grantors for the purposes of complying with Tenn. Code Ann. § 45-10-103, and all amendments thereof), and (ii) taking any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Security Agreement, provided, however, that this right will become effective only upon the occurrence of an Event of Default. This power of attorney is a power coupled with an interest and shall be irrevocable.

(b) The powers conferred on the Bank hereunder are solely to protect its interests in the Collateral and shall not impose any duty upon it to exercise any such powers. The Bank shall be accountable only for amounts that it actually receives as a result of the exercise of such powers and neither it nor any of its officers, directors, employees or agents shall be responsible to the Grantors for any act or failure to act, except for the Bank's own gross negligence, willful misconduct or unlawful act.

Section 7. Performance by Bank of Grantors' Obligations. If the Grantors fail to perform or comply with any of their agreements contained herein or in any other Loan Document and the Bank, as provided for by the terms of this Security Agreement or such other Loan Document, shall itself perform or comply, or otherwise cause performance or compliance, with such agreement, the expenses of the Bank incurred in connection with such performance or compliance, together with interest thereon at the highest rate provided for in respect of the Notes made under the Loan Agreement, shall be payable by the Grantors to the Bank on demand and shall constitute Obligations secured hereby.

Section 8. Events of Default. Each of the following shall constitute an "Event of Default" under this Security Agreement:

(a) Failure of the Borrower to pay any Obligation to the Bank when the same shall become due and payable, whether at maturity, as a result of the Bank's demand for payment or otherwise, and the expiration of all grace periods with respect thereto; or

(b) Failure of any Grantor to perform or observe any covenant set forth herein and ten (10) days shall have elapsed after the Bank has provided written notice to such Grantor or the Borrower of such default, provided, however, that this requirement of notice and cure provided herein shall not apply to any of the covenants set forth in Section 5(f)(h)(k) and (m) hereof; or

(c) Discovery by the Bank that any representation or warranty made by any Grantor herein, or any statement or representation made in any certificate, report or opinion delivered

pursuant hereto or in connection herewith was materially untrue or is breached in any material respect; or

(d) The occurrence of an Event of Default, under or with respect to the Loan Agreement; any Note, or any other Loan Document or other agreement, document or instrument executed in connection with any Obligations, and the expiration of all applicable grace or cure periods with respect thereto.

Section 9. Remedies; Rights Upon Default.

(a) If an Event of Default shall occur and be continuing:

(i) All payments received by any Grantor by the sale or other disposition of the Collateral shall be held by such Grantor in trust for the Bank, shall be segregated from other funds of such Grantor and shall forthwith upon receipt by such Grantor, be turned over to the Bank, in the same form as received by such Grantor (duly indorsed by such Grantor to the Bank, if required); and

(ii) Any and all such payments so received by the Bank (whether from any Grantor or otherwise) may, in the sole discretion of the Bank, be held by the Bank as collateral security for, and/or then or at any time thereafter applied in whole or in part by the Bank, against all or any part of the Obligations (including, without limitation, the Notes) in such order as the Bank shall elect. Any balance of such payments held by the Bank and remaining after payment in full of all the Obligations shall be paid over to such Grantor or to whomsoever may be lawfully entitled to receive the same.

(b) The Bank may exercise in addition to all other rights and remedies granted to it in this Security Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the Code.

(c) The Grantors hereby authorize the Bank to take whatever marketing and sale activities as are deemed reasonable by the Bank to sell the Collateral and agree to cooperate with the Bank or its representatives in such marketing and sale efforts, including but not limited to entering into a marketing or sale agreement for the marketing, sale or lease of the Collateral satisfactory to the Bank in its sole judgment.

(d) The Grantors also agree to pay all costs of the Bank, including reasonable attorneys' fees, arbitration costs, etc. incurred with respect to the collection of any of the Obligations and the enforcement of any of its rights hereunder.

(e) The Grantors hereby waive presentment, demand, protest or any notice (to the extent permitted by applicable law) of any kind in connection with this Security Agreement or any Collateral, except as otherwise provided herein or in the Loan Agreement.

(f) The Bank shall give the Grantors ten (10) days prior written notice of (i) any public sale of any Collateral and (ii) the date after which any private sale of any Collateral may be made, except as otherwise required by applicable law.

Section 10. Limitation on Bank's Duty in Respect of Collateral. Beyond the safe custody thereof, the Bank shall not have any duty as to any Collateral in its possession or control or in the possession or control of any agent or nominee of it or any income thereon or as to the preservation of rights against prior or other parties or any other rights pertaining thereto.

Section 11. Notices. All notices hereunder to any party hereto shall be delivered in the manner and according to the terms set forth in the Loan Agreement.

Section 12. Severability. Any provision of this Security 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 hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 13. No Waiver; Cumulative Remedies; Amendments. The Bank and each Grantor shall not by any act, delay, omission or otherwise be deemed to have waived any of its or their rights or remedies hereunder and no waiver shall be valid unless in writing, signed by the parties to be charged, and then only to the extent therein set forth. A waiver by the Bank or any Grantor of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which such party would otherwise have had on any future occasion. No failure to exercise nor any delay in exercising on the part of the Bank or any Grantor, any right, power or privilege hereunder, shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or future exercise thereof or the exercise of any other right, power or privilege. The rights and remedies hereunder provided are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights and remedies provided by law. None of the provisions of this Security Agreement may be waived, altered, modified or amended except by an instrument in writing, duly executed by the parties hereto.

Section 14. Successors and Assigns; Governing Law. This Security Agreement and all obligations of the Grantors hereunder shall be binding upon the successors and assigns of the Grantors and inure to the benefit of the Bank and its successors and assigns. This Security Agreement shall be governed by, and be construed and interpreted in accordance with, the laws of the State of Tennessee without regard to conflicts of law principles except as may otherwise be required by applicable federal or state law.

Section 15. Counterparts. This Security Agreement may be signed in any number of counterparts with the same effect as if the signatures hereto and thereto were upon the same instrument.

Section 16. ARBITRATION.

(a) GENERAL PROVISION. ANY CONTROVERSY OR CLAIM BETWEEN OR AMONG THE PARTIES HERETO INCLUDING, BUT NOT LIMITED TO, THOSE ARISING OUT OF OR RELATING TO THIS SECURITY AGREEMENT, THE LOAN AGREEMENT, THE NOTES OR ANY OTHER LOAN DOCUMENT OR ANY OTHER INSTRUMENT, INCLUDING ANY CLAIM BASED ON OR ARISING FROM AN ALLEGED TORT, SHALL BE DETERMINED BY BINDING ARBITRATION IN ACCORDANCE WITH THE FEDERAL ARBITRATION ACT (OR IF NOT APPLICABLE, THE APPLICABLE STATE LAW), THE RULES OF PRACTICE AND PROCEDURE FOR THE ARBITRATION OF COMMERCIAL DISPUTES OF J.A.M.S./ENDISPUTE ("J.A.M.S.") AND THE "SPECIAL RULES" SET FORTH BELOW. IN THE EVENT OF ANY INCONSISTENCY, THE SPECIAL RULES SHALL CONTROL. JUDGMENT UPON ANY ARBITRATION AWARD MAY BE ENTERED IN ANY COURT HAVING JURISDICTION. ANY PARTY TO THIS SECURITY AGREEMENT MAY BRING AN ACTION, INCLUDING A SUMMARY OR EXPEDITED PROCEEDING, TO COMPEL ARBITRATION OF ANY CONTROVERSY OR CLAIM TO WHICH THIS SECURITY AGREEMENT APPLIES IN ANY COURT HAVING JURISDICTION OVER SUCH ACTION.

(b) SPECIAL RULES. THE ARBITRATION SHALL BE CONDUCTED IN THE CITY OF THE BORROWER'S DOMICILE AT THE TIME OF THIS SECURITY AGREEMENT'S EXECUTION AND ADMINISTERED BY J.A.M.S. WHO WILL APPOINT AN ARBITRATOR. IF J.A.M.S. IS UNABLE OR LEGALLY PRECLUDED FROM ADMINISTERING THE ARBITRATION, THEN THE AMERICAN ARBITRATION ASSOCIATION WILL SERVE. ALL ARBITRATION HEARINGS WILL BE COMMENCED WITHIN 90 DAYS OF THE DEMAND FOR ARBITRATION. FURTHER, THE ARBITRATOR SHALL ONLY, UPON A SHOWING OF CAUSE, BE PERMITTED TO EXTEND THE COMMENCEMENT OF SUCH HEARING FOR AN ADDITIONAL 60 DAYS.

(c) RESERVATION OF RIGHTS. NOTHING IN THIS SECURITY AGREEMENT, THE LOAN AGREEMENT, THE NOTES OR ANY LOAN DOCUMENT SHALL BE DEEMED TO (i) LIMIT THE APPLICABILITY OF ANY OTHERWISE APPLICABLE STATUTES OF LIMITATION OR REPOSE AND ANY WAIVER CONTAINED IN THIS SECURITY AGREEMENT, THE LOAN AGREEMENT, THE NOTES OR ANY LOAN DOCUMENT OR (ii) BE A WAIVER BY THE BANK OF THE PROTECTION AFFORDED TO IT BY 12 U.S.C. §91 OR ANY SUBSTANTIALLY EQUIVALENT STATE LAW, OR (iii) LIMIT THE RIGHT OF THE BANK HERETO (A) TO EXERCISE SELF HELP REMEDIES SUCH AS (BUT NOT LIMITED TO) SETOFF, OR (B) TO FORECLOSURE AGAINST ANY REAL OR PERSONAL PROPERTY COLLATERAL, OR (C) TO OBTAIN FROM A COURT PROVISIONAL OR ANCILLARY REMEDIES SUCH AS (BUT NOT LIMITED TO) INJUNCTIVE RELIEF, WRIT OF POSSESSION OR THE APPOINTMENT OF A RECEIVER. THE BANK MAY EXERCISE SUCH SELF HELP RIGHTS, FORECLOSURE UPON SUCH PROPERTY, OR OBTAIN SUCH PROVISIONAL OR ANCILLARY REMEDIES BEFORE, DURING OR AFTER THE PENDENCY OF ANY ARBITRATION PROCEEDING BROUGHT PURSUANT TO THIS SECURITY AGREEMENT, THE LOAN AGREEMENT, THE NOTES OR ANY LOAN DOCUMENT.

NEITHER THE EXERCISE OF SELF HELP REMEDIES NOR THE INSTITUTION OR MAINTENANCE OF AN ACTION FOR FORECLOSURE OR PROVISIONAL OR ANCILLARY REMEDIES SHALL CONSTITUTE A WAIVER OF THE RIGHT OF ANY PARTY, INCLUDING THE CLAIMANT IN SUCH ACTION, TO ARBITRATE THE MERITS OF THE CONTROVERSY OR CLAIM OCCASIONING RESORT TO SUCH REMEDIES.

Section 17. FINAL AGREEMENT. THIS SECURITY AGREEMENT MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE BANK AND THE GRANTORS.

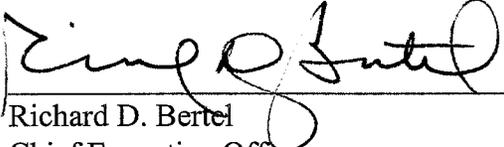
Section 18. Conflicting Terms. If any term or provision of this Security Agreement conflicts with any term or provision of the Loan Agreement, such term or provision of the Loan Agreement shall take precedence and be deemed to apply, except as such term or provision of the Loan Agreement may be limited by applicable law, in which case the terms and provisions of this Security Agreement in such instance shall be deemed to apply.

Section 19. Amendment, Restatement and Consolidation. This Security Agreement amends, restates and consolidates the Prior Security Agreements.

IN WITNESS WHEREOF, the Grantors and the Bank have caused this Security Agreement to be executed by their duly authorized officers as of the date first set forth above.

GRANTORS:

RIO GRANDE PACIFIC CORPORATION

By: 
Richard D. Bertel
Title: Chief Executive Officer

IDAHO NORTHERN & PACIFIC RAILROAD
COMPANY

By: 
Richard D. Bertel
Title: Chief Executive Officer

WICHITA, TILLMAN & JACKSON RAILWAY
COMPANY

By: 
Richard D. Bertel
Title: Chief Executive Officer

NEBRASKA CENTRAL RAILROAD COMPANY

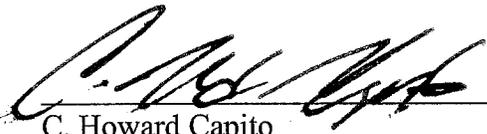
By: 
Richard D. Bertel
Title: Chief Executive Officer

SWITCHMASTER CORPORATION OF
AMERICA

By: 
Richard D. Bertel
Title: Chief Executive Officer

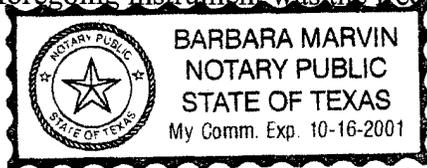
BANK:

NATIONSBANK OF TENNESSEE, N.A.

By: 
C. Howard Capito
Title: Senior Vice President

STATE OF TEXAS
COUNTY OF TARRANT

On this 8th day of May, 1998 before me personally appeared Richard D. Bertel, to me personally known, who being by me duly sworn, says that he is Chief Executive Officer of Rio Grande Pacific Corporation, a Texas corporation, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said 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.

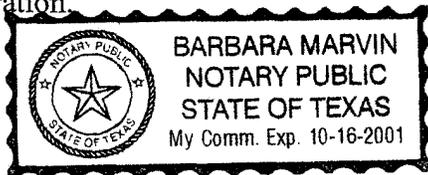


Barbara Marvin
Notary Public

My Commission Expires: 10-16-2001

STATE OF TEXAS
COUNTY OF TARRANT

On this 8th day of May, 1998 before me personally appeared Richard D. Bertel, to me personally known, who being by me duly sworn, says that he is Chief Executive Officer of Idaho Northern & Pacific Railroad Company, a Delaware corporation, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said 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.

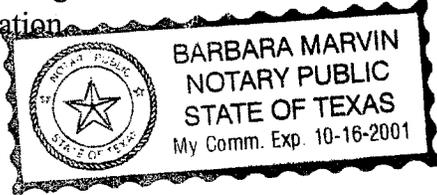


Barbara Marvin
Notary Public

My Commission Expires: 10-16-2001

STATE OF TEXAS
COUNTY OF TARRANT

On this 8th day of May, 1998 before me personally appeared Richard D. Bertel, to me personally known, who being by me duly sworn, says that he is Chief Executive Officer of Wichita, Tillman & Jackson Railway Company, an Oklahoma corporation, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said 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.

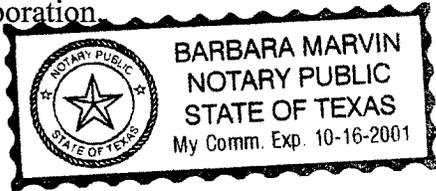


Barbara Marvin
Notary Public

My Commission Expires: 10-16-2001

STATE OF TEXAS
COUNTY OF TARRANT

On this 8th day of May, 1998 before me personally appeared Richard D. Bertel, to me personally known, who being by me duly sworn, says that he is Chief Executive Officer of Nebraska Central Railroad Company, a Delaware corporation, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said 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.

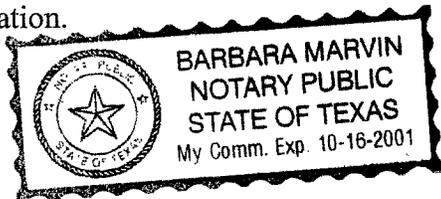


Barbara Marvin
Notary Public

My Commission Expires: 10-16-2001

STATE OF TEXAS
COUNTY OF TARRANT

On this 8th day of May, 1998 before me personally appeared Richard D. Bertel, to me personally known, who being by me duly sworn, says that he is Chief Executive Officer of Switchmaster Corporation of America, a Delaware corporation, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said 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.



Barbara Marvin
Notary Public

My Commission Expires: 10-16-2001

STATE OF TENNESSEE
COUNTY OF KNOX

On this 11th day of May, 1998 before me personally appeared C. Howard Capito, to me personally known, who being by me duly sworn, says that he is the Senior Vice President of NationsBank of Tennessee, N.A., a national banking association organized under the laws of the United States, and that he as such Senior Vice President, being authorized so to do, executed the foregoing instrument for the purpose therein contained, by personally signing the name of the Bank by himself as such Senior Vice President.

Janet A. Esves
Notary Public

My Commission Expires: 10-31-2001

NationsBank
New - To Be Purchased

Confidential

Description		Acq. Date	Acq. Cost	FMV	Source	Date
1*	NCRC 5315 SD-45	5/29/97	175,000	276,000	Mgmt. Est.	May-98
2*	NCRC 5332 SD-45	3/24/97	175,000	275,000	Mgmt. Est.	May-98
3	E-8 - Locomotive		60,000	60,000	Acq. Cost	May-98
4	E-8 - Locomotive		60,000	60,000	Acq. Cost	May-98
5	Passenger Coach		34,000	34,000	Acq. Cost	May-98
6	Passenger Coach		34,000	34,000	Acq. Cost	May-98
7	Passenger Coach		34,000	34,000	Acq. Cost	May-98
8	Passenger Coach		34,000	34,000	Acq. Cost	May-98
9	Lounge Car		34,000	34,000	Acq. Cost	May-98
10	Lounge Car		34,000	34,000	Acq. Cost	May-98
11	Baggage Car		34,000	34,000	Acq. Cost	May-98
12	Capitpillar Hi-Rail Backhoe		135,000	135,000	Acq. Cost	May-98
13	Jackson 925 Tie-Insister		90,000	90,000	Acq. Cost	May-98
14	Mechanical Facility, Norfolk, NE		115,000	115,000	Acq. Cost	May-98
15	Leasehold Improvements - Texan		100,000	100,000	Acq. Cost	May-98
			\$1,148,000	\$1,348,000		

* These two locomotives have been on a capital lease since early 1997, but are being paid off/purchased 3/1/98 and 6/1/98. (Payoff \$100,000 each)



NationsBank
Existing Equipment (Unencumbered)

Confidential

Blue Glauco Pacific Corporation
Hornworth Texas
Revenue Equipment ROSA S Callahan Report
5/1/98

Road No	Description	FMV	Source	Date
1 INPR 046	Caboose	10,000	Mgmt. Est.	May-98
2 INPR 047	Caboose	10,000	Mgmt. Est.	May-98
3 INPR 048	Caboose	10,000	Mgmt. Est.	May-98
4 NCRC 501	Caboose	10,000	Mgmt. Est.	May-98
5 NCRC 502	Caboose	10,000	Mgmt. Est.	May-98
6 INPR 14621	Tank Car	7,500	Mgmt. Est.	May-98
7 INPR 909920	Tank Car	7,500	Mgmt. Est.	May-98
8 INPR 90005	Snow Plow	50,000	Mgmt. Est.	May-98
9 INPR 077	Jordan Spreader	100,000	Mgmt. Est.	May-98
10 INPR 078	Jordan Spreader	100,000	Mgmt. Est.	May-98
		315,000		

EXHIBIT
A

EXHIBIT B

List of Grantors' Principal Places of Business and Chief Executive Offices:

Principal Places of Business

Rio Grande Pacific Corporation
4420 West Vickery Boulevard, Suite 110
Fort Worth, Texas 76107

Idaho Northern & Pacific Railroad Company
4420 West Vickery Boulevard, Suite 110
Fort Worth, Texas 76107

Wichita, Tillman & Jackson Railway Company
4420 West Vickery Boulevard, Suite 110
Fort Worth, Texas 76107

Nebraska Central Railroad Company
4420 West Vickery Boulevard, Suite 110
Fort Worth, Texas 76107

Switchmaster Corporation of America
4420 West Vickery Boulevard, Suite 110
Fort Worth, Texas 76107

Chief Executive Offices

For all above:

4420 West Vickery Boulevard, Suite 110
Fort Worth, Texas 76107

EXHIBIT C

Names of Grantors under which Collateral is Owned, Used or Sold:

- (A) Rio Grande Pacific Corporation
- (B) Idaho Northern & Pacific Railroad Company
- (C) Wichita, Tillman & Jackson Railway Company
- (D) Nebraska Central Railroad Company
- (E) Switchmaster Corporation of America