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20006-2973

OF COUNSEL
URBAN A. LESTER

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July 10, 1996

14698-E

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 Supplemental Security Agreement No. Three, dated as of June 19, 1996, a secondary document as defined in the Board's Rules for the Recordation of Documents.

The enclosed document relates to the Agreement previously filed with the Board under Recordation Number 19699

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

Borrowers: WATCO, Inc.
315 West Third Street
Bellevue, Washington 98009

Inman Service Company, Inc.
315 West Third Street
Bellevue, Washington 98009

Lender: MetLife Capital Corporation
10900 N.E. 4th Street, Suite 500
Bellevue, Washington 98009

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

four (4) GP-9 locomotives identified in the Agreement

Countrywide - Bill of Materials

JUL 10 12 00 PM '96

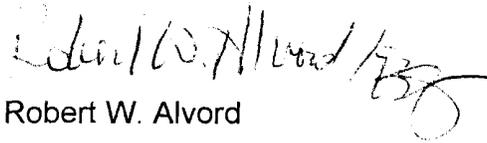
SURFACE TRANSPORTATION BOARD

Mr. Vernon A. Williams
July 10, 1996
Page 2

Also enclosed is a check in the amount of \$21.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return one stamped copy of the enclosed document to the undersigned.

Very truly yours,


Robert W. Alvord

RWA/bg
Enclosures

SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C. 20423-0001

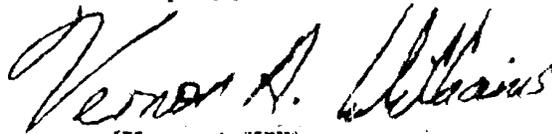
7/10/96

Robert W. Alvord
Alvord And Alvord
918 Sixteenth Street, NW, Ste. 200
Washington, DC., 20006-2973

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 7/10/96 at 12:05PM, and assigned recordation number(s). 19698-E.

Sincerely yours,



Vernon A. Williams
Secretary

Enclosure(s)

\$ 21.00 The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid and in no way indicates acknowledgment that the fee paid is correct. This is accepted subject to review of the document which has been assigned the transaction number corresponding to the one typed on this receipt. In the event of an error or any questions concerning this fee, you will receive a notification after the Commission has had an opportunity to examine your document.

Signature



19698-F

SUPPLEMENTAL SECURITY AGREEMENT NO. Three
LOAN #2023195-003

This Supplemental Security Agreement is executed by **WATCO, Inc., Co-Borrower and Inman Service Company, Inc., Co-Borrower** ("Borrower") pursuant to the terms of a Loan and Security Agreement dated **October 24, 1995** between Borrower and MetLife Capital Corporation ("Lender"). All capitalized terms used herein that are not otherwise defined herein shall have the respective meanings given to such terms in the Loan and Security Agreement.

In order to provide security for the payment and performance of Borrower's obligations under the Loan Documents, Borrower has granted to Lender a first priority security interest in the Collateral. In addition to said grant, Borrower intends by this Supplemental Security Agreement to grant to Lender a first priority security interest in the items of Equipment identified herein.

1. To further secure the payment and performance of all of Borrower's obligations to lender under the Loan Documents, Borrower hereby grants to Lender a first priority security interest in the items of Collateral described below, including all present and future additions, attachments and accessories thereto, all substitutions therefor and replacements thereof and all proceeds thereof, including all proceeds of insurance:

Qty.	Model/Mfr.	Description	Serial No.	Cost or Appraised Value
One(1)	GP 9	Locomotive No. MBRR 102		\$40,000.00
One(1)	GP 7	Locomotive No. MBRR 104		\$35,000.00
One(1)	GP 9	Locomotive Unit #1722		\$50,000.00
One(1)	GP 9	Locomotive Unit #1717		\$50,000.00
TOTAL				\$175,000.00

2. Borrower hereby (a) affirms that the representations and warranties set forth in Section 5 of the Loan and Security Agreement are true and correct as of the date hereof; (b) represents and warrants that Lender has a first priority security interest in the Collateral; and (c) represents and warrants that the above described equipment will be maintained at the following location(s):

<p>Three (3) Locomotives at:</p> <p>315 West Third Street Pittsburg, KS 66762</p>	<p>One(1) MBRR 104 at: c/o Union Camp 100 Jensen Road Prattville, AL 36067</p>
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- 3. The Loan Amount for loans to be made pursuant to this Supplemental Security Agreement is **\$175,000.00**.
- 4. The Commitment Expiration Date for loans to be made pursuant to this Supplemental Security Agreement is **February 28, 1997**.
- 5. The amount of liability insurance required to be maintained by Borrower pursuant to Section 6(d) of the Loan and Security Agreement is **\$2,000,000.00**.
- 6. All of the terms and provisions of the Loan and Security Agreement are hereby incorporated in and made a part of this Supplemental Security Agreement to the same extent as if fully set forth herein.

In witness whereof, Borrower has executed and delivered this Supplemental Security Agreement this 19 day of June, 1996.

Borrower: WATCO, Inc., Co-Borrower

By: Charles R. Webb

(Print Name) Charles R. Webb

Title: President

Borrower: Inman Service Company, Inc., Co-Borrower

By: Donald D. Orlander

(Print Name): Donald D. Orlander

Title: Controller

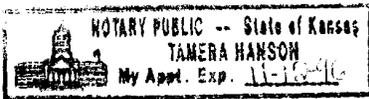


ACKNOWLEDGEMENT

State of Kansas

County of Clayton

On this 19th day of June, 1996, before me, a Notary Public, personally appeared Walter R. Webb, President ~~and~~ _____ respectively of **WATCO, Inc.** who executed the foregoing instrument and acknowledged that said instrument was the free and voluntary act, for the uses and purposes therein mentioned.



[NOTARIAL SEAL]

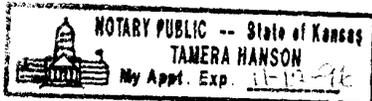
Tamera Hanson
NOTARY PUBLIC
My commission expires: Nov. 19, 1996

ACKNOWLEDGEMENT

State of Kansas

County of Clayton

On this 17th day of June, 1996, before me, a Notary Public, personally appeared Dennis E. Gandy, Controller ~~and~~ _____ respectively of **Inman Services Company, Inc.** who executed the foregoing instrument and acknowledged that said instrument was the free and voluntary act, for the uses and purposes therein mentioned.



[NOTARIAL SEAL]

Tamera Hanson
NOTARY PUBLIC
My commission expires: Nov. 19, 1996