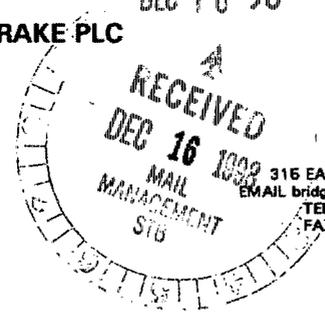


DEC 16 '98

2-39 PM

**BRIDGES, YOUNG, MATTHEWS & DRAKE PLC**  
ATTORNEYS AT LAW  
A PROFESSIONAL LIMITED COMPANY  
P. O. BOX 7808  
PINE BLUFF, ARKANSAS 71611



315 EAST EIGHTH AVE.  
EMAIL bridges@arkansas.net  
TEL: 870-634-6632  
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December 10, 1998

PAUL B. YOUNG  
OF COUNSEL

F. G. BRIDGES (1886-1968)  
FRANK G. BRIDGES, JR. (1906-1973)  
STEPHEN A. MATTHEWS  
TED N. DRAKE  
JOSEPH A. STRODE  
JACK A. McNULTY  
TERRY F. WYNNE  
JAMES L. MOORE, III  
MICHAEL J. DENNIS  
DAVID L. SIMS  
R. SCOTT MORGAN  
JEFFREY H. DIXON  
CARY E. YOUNG  
JAMES C. MOSER, JR.  
JOHN P. TALBOT

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED  
NO. Z 544 321 254

DEC 16 2 39 PM '98

RECEIVED  
SURFACE TRANSPORTATION  
BOARD

Mr. Vernon Williams, Secretary  
Surface Transportation Board  
1925 K NW, Room 715  
Washington, DC 20423-0001

Dear Secretary Williams:

I have enclosed an original and two counterparts of the document described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

This document is a Security Agreement, a primary document, dated December 4, 1998.

The names and addresses of the parties to the document are as follows:

Debtor: Arkansas Short Line Railroads, Inc., 4416 South Arkansas, Russellville, AR 72801

Secured Party: Southern Union Resources Limited Partnership LLLP, P. O. Box 51, Malvern, AR 72104

A description of the equipment covered by the document follows:

Included in the property covered by the aforesaid Security Agreement are railroad equipment, railroad cars, locomotives, and other rolling stock intended for use related to interstate commerce, or interests therein, owned by Arkansas Short Line Railroads, Inc. at the date of said Security Agreement or thereafter acquired by it or its successor as owners of the lines of railway covered by the Security Agreement.

December 10, 1998  
Page 2

A fee of \$26.00 is enclosed. Please return the original and any extra copies not needed by the Board for recordation to me at my address of P. O. Box 7808, Pine Bluff, AR 71611. A self-addressed, stamped envelope is enclosed for your convenience.

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

Security Agreement between Debtor, Arkansas Short Line Railroads, Inc., 4416 South Arkansas, Russellville, Arkansas 72801, and Secured Party, Arkansas Southern Union Resources Limited Partnership LLLP, P. O. Box 51, Malvern, Arkansas 72104, dated December 4, 1998, and covering all of debtor's railroad equipment, railroad cars, locomotives, and other rolling stock owned by it at the date of said Security Agreement or thereafter acquired by it.

Thank you for your assistance. Please do not hesitate to contact me should you need any additional information.

Very truly yours,



David L. Sims, Attorney for  
Arkansas Southern Union  
Resources Limited Partnership LLLP

DLS:ar  
Enclosure

DEC 16 '98 2:39 PM

**SECURITY AGREEMENT**

**THIS SECURITY AGREEMENT** ("Agreement") made between Arkansas Short Line Railroads, Inc., an Arkansas corporation ("Debtor"), whose address is 4416 South Arkansas, Russellville, AR 72801, and Southern Union Resources Limited Partnership LLLP, an Arkansas limited liability limited partnership ("Secured Party"), whose address is P. O. Box 51, Malvern, AR 72104, upon the following terms.

1. Debtor grants a security interest to Secured Party in the following personal property now owned or owned in the future (the "Collateral"):

All of Debtor's inventory held for ultimate sale or lease, on which has been or will be supplied under contracts of service, or which are raw materials, work in process, or materials used or consumed in Debtor's business;

All of Debtor's equipment including, but not limited to, all machinery, vehicles, furniture, fixtures, manufacturing equipment, farm machinery and equipment, shop equipment, office and record keeping equipment, and parts and tools;

All of Debtor's accounts, instruments, documents, chattel paper, and other rights to payment including, but not limited to (a) payment for goods sold or leased or for services rendered, whether or not Debtor has earned such payment by performance, and (b) rights to payment arising out of all present and future debt instruments, chattel paper and loans and obligations receivable; and including any above rights and interests (including all liens and security interests) which Debtor may have by law or agreement against any account debtor or obligation of Debtor;

All of Debtor's railroad equipment, railroad cars, locomotives, and other rolling stock, including but not limited to, that identified on the attached Exhibit "A";

All of Debtor's rights, title and interest in and to Debtor's railroad line including, but not limited to, all tracks, land trussels, culverts, poles, and pole lines, signals, appurtenances, buildings, turnouts, Surface Transportation Board permits and permits from any other governmental authority having jurisdiction; and

All additions to, and replacements, accessions, parts, repairs, improvements, accessories, amendments, attachments, modifications, substitutions, products, and proceeds of, any of the collateral described herein.

2. This Agreement secures an indebtedness in the original principal sum of Seven Hundred Fifty-Four Thousand and No/100 Dollars (\$754,000.00), represented by a promissory note of even date, and all renewals or extensions of this indebtedness, future advances and any additional indebtedness which Debtor may owe to Secured Party. The promissory note and any additional notes of Debtor to Secured Party are incorporated in this Agreement by reference.

3. Debtor shall have the right to sell inventory Collateral in the ordinary course of business. Debtor shall not sell any other Collateral without the written consent of Secured Party.

4. The Collateral shall be kept at Debtor's places of business at Russellville, Arkansas and at El Dorado, Arkansas, except Collateral may be kept at other locations provided that Debtor provides Secured Party with written notice of such locations.

5. The Collateral shall at all times remain personal property and shall not become affixed to any realty.

6. Debtor shall maintain adequate records, in accordance with generally accepted accounting practices, of all transactions so that any time and from time to time a true and complete financial condition of Debtor may be readily determined; make available at Secured Party's request such records for Secured Party's inspection; furnish promptly to Secured Party and in such form as Secured Party may request any additional financial or other information concerning the assets, liabilities, operations and transactions of Debtor, and permit Secured Party to make and obtain copies of any such records or information.

7. Debtor agrees with Secured Party that, so long as any of Debtor's liabilities or obligations to Secured Party or to First Financial Bank remain unsatisfied, it will not permit any of its assets or funds to be used by any corporate officer for any personal purpose.

8. Debtor agrees with Secured Party that, so long as any of Debtor's liabilities or obligations to Secured Party or to First Financial Bank remain unsatisfied, it will not create or suffer to exist any lien, mortgage, security interest, or encumbrance upon any of the Collateral or other property of Debtor, without the prior written consent of Secured Party, except those in favor of Secured Party and those in favor of First Financial Bank of even date.

9. Debtor agrees to properly comply with all laws, statutes, ordinances and governmental regulations applicable to it or to any of its property, business operations and transactions, and to

notify Secured Party immediately of the institution of any suit or any administrative proceeding involving it as a party, which might adversely affect its operations, financial condition, property or business.

10. Debtor agrees to notify Secured Party immediately if it becomes aware of the occurrence of any default, or of any fact, condition or event which, only with the giving of notice or passage of time or both, would become a default, or of the failure of the Debtor to observe any of its undertakings, under this Agreement or other related documents with Secured Party or under any agreement with First Financial Bank.

11. Debtor agrees to pay all taxes and legal assessments upon the Collateral, to keep the Collateral in good repair and free from all liens, and to insure the Collateral against loss or damage by fire and all other perils in the amount of the indebtedness secured by this Agreement, or if less, the full insurable value of the Collateral. The insurance shall be with an insurance company acceptable to Secured Party and contain a loss payable clause in favor of Secured Party as the interest of Secured Party may appear. A certificate of insurance requiring the insurance company to notify Secured Party within ten (10) days prior to cancellation of the policy shall be furnished to Secured Party by Debtor. Debtor further agrees to prevent waste. Secured Party shall have the right to inspect the Collateral at any reasonable time.

12. If Debtor fails to pay any taxes or legal assessments, or to keep the Collateral in good repair and free from liens, or to keep the Collateral insured as required by this Agreement, Secured Party may do so. All sums expended by Secured Party for these purposes shall be added to and become a part of the principal indebtedness secured by this Agreement, shall bear interest from the date of each expenditure at the same rate as the principal indebtedness, and shall be due and payable upon demand.

13. If Debtor fails to pay any indebtedness secured by this Agreement when due, or fails to pay any indebtedness to First Financial Bank (or its successors or assigns) when due, or defaults on any of Debtor's other obligations under this Agreement or Mortgages or other related documents and default continues for a period of thirty (30) days, or defaults on any of Debtor's other obligations under any other agreement with First Financial Bank, Secured Party shall have the right to declare the remaining indebtedness due and payable at once and pursue any available remedies. Secured Party may require Debtor to assemble the Collateral and make it available to Secured Party at a place designated by Secured Party which is reasonably convenient to both parties.

14. The time of making payments and performing the obligations of this Agreement is of the essence.

15. Debtor agrees to join in executing such additional documents as Secured Party may require, including but not limited to financing statements (and amendments to financing statements), to pay or reimburse Secured Party for all costs of filing or recording these documents in such public offices as Secured Party may designate, and to take such other steps as Secured Party shall direct in order to perfect Secured Party's interest in the Collateral. A carbon, photographic, or other reproduction of this security agreement or of a financing statement shall be sufficient as a financing statement.

16. Secured Party's failure to exercise any rights under this Agreement at any time shall not constitute a waiver of these rights upon any subsequent breach or default.

17. This Agreement may be altered or amended only in writing signed by the parties, and shall bind and benefit the parties and their successors in interest.

18. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, however, all of which together shall constitute but one and the same instrument.

DATED this 4th day of December, 1998.

**ARKANSAS SHORT LINE RAILROADS, INC.**

By: William K. Robbins, Jr. President  
Title: William K. Robbins, Jr., President

**SOUTHERN UNION RESOURCES LIMITED  
PARTNERSHIP LLLP**

By: Union Forest Corporation,  
General Partner

By: Richard A. Grigsby, President  
Title: Richard A. Grigsby, President

**ACKNOWLEDGMENT**

STATE OF ARKANSAS  
COUNTY OF UNION

On this day personally appeared before me, a Notary Public within and for the above County and State, duly qualified, commissioned and acting, William K. Robbins, Jr., to me well known, who stated he was the President of Arkansas Short Line Railroads, Inc., an Arkansas corporation, and was duly authorized in his capacity to execute this instrument in the name and on behalf of the corporation, and stated he had executed and delivered this instrument for the consideration and purposes and in the capacities set forth therein.

WITNESS my hand and seal this 4th day of December, 1998.

Patricia Crosby  
NOTARY PUBLIC  
PUBLIC  
10-12-2005  
UNION COUNTY, ARKANSAS

My commission expires:  
10-12-05

**ACKNOWLEDGMENT**

STATE OF ARKANSAS  
COUNTY OF UNION

On this day personally appeared before me, a Notary Public within and for the above County and State, duly qualified, commissioned and acting, Richard A. Grigsby, to me well known, who stated he was the President of Union Forest Corporation, an Arkansas corporation, General Partner of Southern Union Resources Limited Partnership LLLP, an Arkansas limited liability limited partnership, and was duly authorized in his capacity to execute this instrument in the name and on behalf of the partnership, and stated he had executed and delivered this instrument for the consideration and purposes and in the capacities set forth therein.

WITNESS my hand and seal this 4th day of December, 1998.

Patricia Crosby  
NOTARY PUBLIC  
PUBLIC  
10-12-2005  
UNION COUNTY, ARKANSAS

My commission expires:  
10-12-05

## Exhibit A

<u>Unit Number</u>	<u>Manufacturer</u>	<u>Model #</u>	<u>H.P.</u>	<u>Weight</u>	<u>Serial #</u>
DR 15	G.M.	SW-1	600	100t	8613
DR 16	G.M.	SW-1	600	100t	1474
DR 17	G.M.	SW-7	1200	125t	10526
DR 18	ALCO	S-1	660	100t	75901
DR 19	ALCO	S-3	660	100t	78140
OUCH 63	G.M.	SW-9	1200	125t	18298
OUCH 64	G.M.	NW-2	1200	125t	868

ALL OF THE SELLERS RIGHTS, TITLE AND INTEREST IN AND TO THE SAID LINE INCLUDING ALL TRACKS, LAND TRUSSELS, CULVERTS, POLES AND POLE LINES, SIGNALS, APPURTENANCES, BUILDING, TURNOUTS AND ICC PERMITS.