1-182A116

WHEELER & MITCHELSON
CHARTERED
ATTORNEYS AT LAW
FOURTH AND BROADWAY
POST OFFICE BOX 610
PITTSBURG, KANSAS
66762-0610

CHAS. C. WHEELER (1897-1953)
FRED MITCHELSON
JOHN H. MITCHELSON
KEVIN F. MITCHELSON
SAMUEL J. MARSH

AREA CODE 316
TELEPHONE
231-4650
TELECOPIER
231-1453

June 28, 1991

RECORDATION NO. 17407 FILED 1425

JUL 1 1991 3 45 PM

INTERSTATE COMMERCE COMMISSION

VIA FEDERAL EXPRESS

Mr. Sidney L. Strickland, Jr., Secretary
Interstate Commerce Commission
Room 2303
12th & Constitution Avenue, N.W.
Washington, D.C. 20423

Attention: Mrs. Mildred Lee

Re: Documents for Recordation
WATCO, Inc.

Dear Secretary:

I have enclosed an original and one duly executed counterpart of the documents 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 June 28, 1991.

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

Debtor/Mortgagor: WATCO, Inc.,
a Kansas corporation
1230 Walnut
Coffeyville, Kansas 67337

Secured Creditor/Mortgagee: BANK IV Pittsburg, N.A.
Third and Broadway
P.O. Box 599
Pittsburg, Kansas 66762

A description of the equipment covered by the document follows:

	Locomotive No.	Serial No.	Description	Present Location
1.	WATX 1	5757	SW-1200 HP EMD Diesel Electric Locomotive	WATCO, Inc., DeRidder, LA
2.	WATX 2	--	SW-1200 HP EMD Diesel Electric Locomotive	WATCO, Inc., DeRidder, LA
3.	WATX 3	30645	SW-1200 HP EMD Diesel Electric Locomotive	WATCO, Inc., DeRidder, LA

	Locomotive No.	Serial No.	Description	Present Location
4.	WATX 4	520A-109	CF-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	WATCO, Inc., El Paso, TX
5.	WATX 5	51-D-239	CF-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	WATCO, Inc., El Paso, TX
6.	WATX 6	2633	16-567BC CF-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	WATCO, Inc., Wallula, WA
7.	WATX 7	2606	16-567BC CF-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	WATCO, Inc., Wallula, WA
8.	WATX 8	54-M-73	12-567C SW- 1000 HP Diesel Electric Locomotive	WATCO, Inc., East Helena, MT
9.	WATX 9	52-C-184	12-567BC SW- 1200 HP Diesel Electric Locomotive	WATCO, Inc., KS City, MO
10.	WATX 10	71-H3-7011	SW- 1200 HP Diesel Electric Locomotive	WATCO, Inc., KS City, MO
11.	WATX 11/ WATX 103	--	CF-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	WATCO, Inc., Pampa, TX
12.	WATX 17	--	8158858 GP-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	WATCO, Inc., Prattville, AL
13.	WATX 18	--	8158858 GP-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	WATCO, Inc., Prattville, AL
14.	WATX 19	--	SW- 1200 Baldwin 12 Diesel Electric Locomotive (formerly MKT)	WATCO, Inc., Chouteau, OK
15.	WATX 1002	--	CF-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	WATCO, Inc., Springfield, OR

	Locomotive No.	Serial No.	Description	Present Location
16.	WATX 1003	--	GP-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	SKO R.R., Borger, TX
17.	WATX 1004	--	GP-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	SKO R.R., Borger, TX
18.	SEK 102	--	GP-7 1500 HP Diesel Electric Locomotive (formerly MKT)	SEK R.R., Coffeyville, KS
19.	SEK 103	--	GP-7 1500 HP Diesel Electric Locomotive (formerly MKT)	SEK R.R., Coffeyville, KS
20.	SEK 106	--	GP-7 1500 HP Diesel Electric Locomotive (formerly MKT)	SEK R.R., Coffeyville, KS
21.	SEK 117	--	GP-7 1500 HP Diesel Electric Locomotive (formerly MKT)	SEK R.R., Coffeyville, KS
22.	SEK 123	--	GP-7 1500 HP Diesel Electric Locomotive (formerly MKT)	SEK R.R., Coffeyville, KS
23.	SEK 143	--	SW-__ 1500 HP Diesel Electric Locomotive (formerly MKT)	SEK R.R., Coffeyville, KS
24.	SEK 1001/ DCF&B 1001	--	CF-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	SEK R.R., Coffeyville, KS
25.	ORR 1000	--	CF-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	SKO R.R., Coffeyville, KS
26.	SKO 2174	--	GP-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	SKO R.R., Coffeyville, KS

	Locomotive No.	Serial No.	Description	Present Location
27.	SKO 2178	--	GP-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	SKO R.R., Coffeyville, KS
28.	SKO 2184	--	GP-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	SKO R.R., Coffeyville, KS
29.	SKO 2186	--	GP-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	SKO R.R., Coffeyville, KS
30.	SKO 2187	--	GP-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	SKO R.R., Coffeyville, KS
31.	SKO 2188	--	GP-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	SKO R.R., Coffeyville, KS
32.	SKO 2191	--	GP-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	SKO R.R., Coffeyville, KS

Included in the property covered by the aforesaid Security Agreement are railroad cars, locomotives and other rolling stock intended for use related to interstate commerce, or interests therein, and any and all leases with respect thereto, owned by WATCO, Inc. at the date of said Security Agreement or thereafter acquired by it or its successors as owners of the lines of railway covered by the Security Agreement.

A fee of $15.00 is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to the undersigned, Kevin F. Mitchelson, Wheeler & Mitchelson, Chartered, Fourth and Broadway, P.O. Box 610, Pittsburg, Kansas 66762.

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

Security Agreement between WATCO, Inc., a Kansas corporation, 1230 Walnut, Coffeyville, Kansas 67337, Debtor/Mortgagor, and BANK IV Pittsburg, N.A., Third and Broadway, P.O. Box 599, Pittsburg, Kansas 66762, Secured Creditor/Mortgagee, dated June

28, 1991, and covering 32 locomotives owned by WATCO, Inc., leases with respect thereto, inventory, machinery and equipment, currently owned and hereafter acquired, additions and accessions thereto, and proceeds thereof.

Very best regards,

WHEELER & MITCHELSON, CHARTERED

BY: Kevin F. Mitchelson
Attorneys for Secured Creditor
BANK IV Pittsburg, N.A.

KFM:ik

BANK IV

Security Agreement

17407

JUL 1 1991 -3 45 PM

INTERSTATE COMMERCE COMMISSION

Security Agreement
(Receivables, Inventory, Equipment, Farm Products, Other)

This Security Agreement is entered into as of June 28, 19 91 by and between WATCO, Inc., a Kansas corporation ("Borrower") and Bank IV Pittsburg, National Association ("Bank").

1. **DEFINITIONS**

1.1. **"Obligations"** means all indebtedness, obligations and liabilities of Borrower to Bank of every kind and description, direct or indirect, secured or unsecured, joint or several, absolute or contingent, due or to become due, whether for payment or performance, now existing or hereafter arising, regardless of how the same arise or by what instrument, agreement or book account they may be evidenced, or whether evidenced by any instrument, agreement or book account, including, without limitation, all loans (including any loan by renewal or extension), all indebtedness, all undertakings to take or refrain from taking any action, all indebtedness, liabilities or obligations owing from Borrower to others which Bank may have obtained by purchase, negotiation, discount, assignment or otherwise, and all interest, taxes, fees, charges, expenses and attorneys' fees chargeable to Borrower or incurred by Bank under this Agreement, or any other document or instrument delivered in connection herewith.

1.2. **"Receivables"** means all accounts, instruments, documents, chattel paper, general intangibles (including, without limitation, choses in action, tax refunds, and insurance proceeds); any other obligations or indebtedness owed to Borrower from whatever source arising; all rights of Borrower to receive any payments in money or kind; all guarantees of Receivables and security therefor; all cash or noncash proceeds of all of the foregoing; all of the right, title and interest of Borrower in and with respect to the goods, services or other property which gave rise to or which secure any of the Receivables and insurance policies and proceeds relating thereto, and all of the rights of Borrower as an unpaid seller of goods or services, including, without limitation, the rights of stoppage in transit, replevin, reclamation and resale; and all of the foregoing, whether now existing or hereafter created or acquired, **and including, without limitation, all receivables listed on any schedule attached hereto, and any schedule which may hereafter be delivered by Borrower to Bank.**

1.3. **"Inventory"** means all goods, merchandise and other personal property now owned or hereafter acquired by Borrower which are held for sale or lease, or are furnished or to be furnished under any contract of service or are raw materials, work-in-process, supplies or materials used or consumed in Borrower's business, and all products thereof, and all substitutions, replacements, additions or accessions therefor and thereto; all cash or noncash proceeds of all of the foregoing, including insurance proceeds, **and including, without limitation, all inventory listed on any schedule attached hereto, and any schedule which may hereafter be delivered by Borrower to Bank.**

1.4. **"Equipment"** means all machinery and equipment and furniture and fixtures of Borrower now owned or hereafter acquired by Borrower, and used or acquired for use in the business of Borrower (including farming or ranching), together with all accessions thereto and all substitutions and replacements thereof and parts therefor; all cash or noncash proceeds of all of the foregoing, including insurance proceeds; **and including, without limitation, all Equipment listed on any schedule attached hereto, and any schedule which may hereafter be delivered by borrower to Bank.**

1.5. **"Farm Products"** means all crops, livestock and supplies used or produced in farming or ranching operations, whether now owned or hereafter acquired by Borrower, and all cash or noncash proceeds of all of the foregoing and all products thereof, **including, without limitation, all Farm Products listed on any schedule attached hereto, and any schedule which may hereafter be delivered by Borrower to Bank.**

1.6. **"Collateral"** means all property designated in Section 2 hereof as subject to a security interest in favor of Bank, whether now owned or hereafter acquired, all cash or noncash proceeds thereof, all additions and accessions thereto, all substitutions and replacements therefor, and all products and increases thereof.

To the extent not defined in this Section 1 and unless the context otherwise requires, all terms used in this Agreement shall have the meanings attributed to them by Article 9 of the Uniform Commercial Code in effect in Kansas as of the date hereof.

2. **GRANT OF SECURITY INTEREST**

To secure the payment and performance of the Obligations, Borrower hereby pledges, assigns and transfers to Bank and grants to Bank a continuing security interest in and to all of the following Collateral:

- ☒ if marked here, all Receivables; ☐ if marked here, one or more schedules of Receivables are attached;
- ☒ if marked here, all Inventory; ☒ if marked here, one or more schedules of Inventory are attached;
- ☒ if marked here, all Equipment; ☒ if marked here, one or more schedules of Equipment are attached;
- ☐ if marked here, all Farm Products; N/A ☐ if marked here, one or more schedules of Farm Products are attached;
- ☒ if marked here, the following described Collateral:

See Exhibit A attached hereto and incorporated herein by reference.

The Obligations secured shall include, without limitation, Borrower's promissory note dated June 28, 19 91 in the principal amount of $ 1,700,000.00, and any extensions, renewals, or rearrangements thereof or substitutions therefor., and any other indebtedness of Borrower under Loan Agreement dated June 28, 1991.

3. **BORROWER'S REPRESENTATIONS AND WARRANTIES**

Borrower represents and warrants to Bank that:

3.1. **Borrower's Name and Address**

A. Borrower's complete and correct corporate, ~~partnership, joint venture, individual, or other~~ name is set forth above.

B. The street address of Borrower's ~~sole place of business or (if Borrower has more than one place of business) Borrower's~~ chief executive office is:

1230 Walnut Street — Coffeyville
Number and Street — City
Montgomery — Kansas — 67337
County — State — Zip Code

C. Borrower's mailing address (for use on financing statement) is:

1230 Walnut Street — Coffeyville
Number and Street — City
Montgomery — Kansas — 67337
County — State — Zip Code

3.2. **Location of Collateral**

A. The Collateral and all of Borrower's records pertaining thereto will be kept or located at the following place(s) (include address of all places of business if more than one):

1230 Walnut Street — Coffeyville
Number and Street — City
Montgomery — Kansas — 67337
County — State — Zip Code

or as set forth on Exhibit A attached hereto.

Form 2988

B. If the Collateral includes crops, the real estate on which the crops are growing or to be grown is legally described as follows:
N/A

C. If the Collateral includes fixtures, the real estate to which the Collateral is or will be affixed is legally described and the name of the record owner is as follows:

Description: Parts of Sections 2, 11 and 12, Township 35 South, Range 16 East of the Sixth Principal Meridian, Montgomery County, Kansas.

Record Owner: WATCO, Inc., a Kansas corporation

3.3. **Ownership.** Borrower owns the Collateral free and clear of all security interests, liens or other encumbrances (other than Bank's); Borrower will defend the Collateral against all claims and demands of any persons at any time claiming any interest in the Collateral. *

3.4. **Authority to Contract.** This agreement has been duly authorized, executed and delivered; it is a valid and legally binding contract enforceable in accordance with its terms; its execution and delivery will not violate or cause a breach of any agreement or restriction of any kind by which Borrower is bound or to which Borrower is subject.

3.5. **No Misrepresentation.** No representation, warranty or statement by Borrower contained herein or in any certificate or other document furnished or to be furnished by Borrower pursuant hereto contains or at the time of delivery shall contain any untrue statement of material fact, or omits, or shall omit at the time of delivery, to state a material fact necessary to make it not misleading.

4. **SPECIFIC REPRESENTATIONS, WARRANTIES AND COVENANTS WITH RESPECT TO COLLATERAL**

4.1. **Inventory.** If Inventory is a part of the Collateral:

4.1.1. Borrower shall notify the Bank, no later than thirty (30) days prior to any change of any location where the Inventory is or may be kept, and execute such additional documents, in accordance with Section 5.5 hereof, as may be required to perfect or maintain perfected Bank's security interest;

4.1.2. Borrower shall not sell, lease or otherwise transfer any interest in the Inventory except that Borrower may, until an Event of Default occurs, hold, process, sell, use or consume Inventory in the ordinary course of Borrower's business, excluding, however, any sale or transfer made in partial or total satisfaction of a debt;

4.1.3. Borrower shall keep current stock, cost and sales records of the Inventory, accurately itemizing and describing the types and quantities of Inventory, and the cost and selling price thereof and all books, records and documents relating to the Inventory are and will be genuine, complete and correct;

4.1.4. None of the Inventory is, or at any time or times hereafter will be, stored with a bailee, without the prior written consent of Bank; and

4.1.5. Borrower shall, at Bank's request, deliver to Bank any and all evidence of ownership of, certificates of title to, or other documents evidencing any interest in, any and all of the Inventory.

*except for a first lien in certain assets in favor of R.C. Inman pursuant to Purchase Agreement dated June 14, 1991.

4.2. **Equipment.** If Equipment is part of the Collateral:

4.2.1. If Equipment is or shall be affixed to any real estate, including any buildings owned or leased by Borrower or used by Borrower in the operation of its business, Borrower shall provide Bank with disclaimers and waivers necessary to make the security interest in the Equipment valid against Borrower and other persons holding an interest in such real estate including a lessor or mortgagee;

4.2.2. Borrower shall keep and maintain all Equipment in good operating condition and repair, make all necessary repairs thereto and replacement of parts thereof so that the value and operating efficiency thereof shall at all times be maintained and preserved; and Borrower shall keep complete and accurate books and records with respect to Equipment, including maintenance records;

4.2.3. Borrower shall deliver to Bank any and all evidence of ownership of, and certificates of title to, any and all of the Equipment;

4.2.4. Borrower shall not, without the written consent of Bank, sell, offer to sell, lease or in any other manner dispose of any Equipment; and

4.2.5. Borrower shall notify Bank no later than thirty (30) days prior to any change of any location where the Equipment is or may be kept, and execute such additional documents, in accordance with Section 5.5 hereof, as may be required to perfect or maintain perfected Bank's security interest.

4.3. **Receivables.** If Receivables are a part of the Collateral:

4.3.1. Borrower will notify Bank, no later than thirty (30) days prior to any change in address of the chief executive office or chief place of business of Borrower or of the change of the location where records pertaining to Receivables or returns of Inventory are kept, and execute such additional documents, in accordance with Section 5.5 hereof, as may be required to perfect or maintain perfected Bank's security interest;

4.3.2. All books, records, and documents relating to any of the Receivables (including computer records) are and will be genuine and in all respects what they purport to be; and the amount of each Receivable shown on the books and records of Borrower is and will be the correct amount actually owing or to be owing at maturity of such Receivable; each Receivable is enforceable and is not subject to any set off, credit, adjustment allowance, defense or dispute;

4.3.3. Until Bank directs otherwise, Borrower shall collect the Receivables, subject to the direction and control of Bank at all times; any proceeds of Receivables collected by Borrower shall not be commingled with other funds of Borrower and shall, upon the request of Bank, be immediately delivered to Bank in the form received, except for necessary endorsements to permit collection; Bank may in its sole discretion, allow Borrower to use such funds to such extent and for such periods, if any, as Bank elects;

4.3.4. Borrower shall notify Bank if any Receivables arise out of contracts with the United States or any department, agency or instrumentality thereof, and Borrower shall execute any instruments and take any steps to perfect the assignment of the rights of Borrower to Bank as required under the Federal Assignment of Claims Act or any similar act or regulation; and

4.3.5. Borrower shall provide Bank, at its request, from time to time with: confirmatory assignment schedules; copies of all invoices relating to the Receivables; detailed Receivables agings; evidence of shipment or delivery of Inventory; and, such further information and/or schedules as Bank may reasonably require, all in a form satisfactory to Bank.

4.4. **Farm Products.** If Farm Products are part of the Collateral:

4.4.1. Borrower shall notify the Bank, no later than thirty (30) days prior to any change of any location where Farm Products are, or may be, stored or kept, and execute such additional documents, in accordance with Section 5.5 hereof, as may be required to perfect or maintain perfected Bank's security interest;

4.4.2. Borrower shall not sell or otherwise dispose of Farm Products without the prior written consent of the Bank; provided, however, that Borrower's failure to obtain Bank's prior written consent shall not constitute a breach hereof if all cash or noncash proceeds of disposition are immediately delivered or made payable to Bank. Borrower shall provide Bank, from time to time upon request, a list of all potential or prospective purchasers of Collateral from Borrower; and

4.4.3. Borrower shall not permit to attach to any part of the Collateral any lien for agricultural production inputs.

5. **GENERAL COVENANTS**

Borrower covenants and agrees that so long as any Obligations remain outstanding:

5.1. **No Encumbrances.** Borrower shall not mortgage, pledge, grant or permit to exist a security interest in or lien or encumbrance upon any of the Collateral except in favor of Bank and Borrower shall pay when due all taxes and assessments upon the Collateral; Bank may pay and discharge any security interest, lien, or encumbrance upon the Collateral, and may pay for the repair, preservation, and maintenance of the Collateral, and Borrower agrees to reimburse Bank on demand for all payments so made and until reimbursement is made the amount of such payments shall bear interest at the highest rate applicable to the Obligations secured hereby and shall be considered a part of the Obligations.

5.2. **Information.** Borrower shall promptly and in form satisfactory to Bank furnish Bank with such information concerning the Collateral as Bank may reasonably request from time to time.

5.3. **Insurance.** Borrower shall maintain casualty insurance coverage on the Collateral in such amounts and such types as may be requested by Bank, and in any event, as are ordinarily carried by similar businesses; and in the case of all policies insuring property in which Bank shall have a security interest of

any kind whatsoever, all such insurance policies shall provide that the proceeds thereof shall be payable to Borrower and Bank, as their respective interests may appear. All said policies or certificates thereof, including all endorsements thereof and those required hereunder, shall be deposited with Bank; and such policies shall contain provisions that no such insurance may be cancelled or decreased without ten (10) days' prior written notice to Bank; and in the event of acquisition of additional insurable Collateral, Borrower shall cause such insurance coverage to be increased or amended in such manner and to such extent as prudent business judgment would dictate. If Borrower shall at any time or times hereafter fail to obtain and/or maintain any of the policies of insurance required herein, or fail to pay any premium in whole or in part relating to any such policies, Bank may, but shall not be obligated to, obtain and/or cause to be maintained insurance coverage with respect to the Collateral, including, at Bank's option, the coverage provided by all or any of the policies of Borrower and pay all or any part of the premium therefor, without waiving any Event of Default by Borrower, and any sums so disbursed by Bank shall be additional Obligations of Borrower to Bank payable on demand. Bank shall have the right to settle and compromise any and all claims under any of the policies required to be maintained by Borrower hereunder and Borrower hereby appoints Bank as its attorney-in-fact, with power to demand, receive and receipt for all monies payable thereunder, to execute in the name of Borrower or Bank or both any proof of loss, notice, draft or other instruments in connection with such policies or any loss thereunder and generally to do and perform any and all acts as Borrower, but for this appointment, might or could perform;

5.4. **Inspection.** Borrower shall permit Bank, through its authorized attorneys, accountants and representatives, to inspect and examine the Collateral and the books, accounts, records, ledgers and assets of every kind and description of Borrower with respect thereto at all reasonable times.

5.5. **Additional Documentation.** Borrower shall at any time and from time to time upon request of Bank, execute and deliver to Bank, in form and substance satisfactory to Bank, such documents as Bank shall deem necessary or desirable to perfect or maintain perfected the security interest of Bank in the Collateral or which may be necessary to comply with the provisions of the law of the State of Kansas or the law of any other jurisdiction in which Borrower may then be conducting business or in which any of the Collateral may be located; Borrower hereby constitutes and appoints Bank, and any officer, employee, or agent of Bank, as Borrower's true and lawful attorney-in-fact to execute any such document.

5.6 **Notice of Changes.** Borrower will promptly notify Bank of any change in Borrower's name or in the legal form in which Borrower conducts business, or in the address of Borrower's place or places of business or chief executive office.

6. **EVENTS OF DEFAULT AND ACCELERATION**

6.1. **Events of Default.** The occurrence of any one or more of the following events shall constitute an Event of Default hereunder:

6.1.1. Default in the payment of any principal, interest or other charges in respect to any of the Obligations as and when due;

6.1.2. Default in the observance or performance of any covenant or agreement of Borrower herein set forth or set forth in any agreement, note, or instrument heretofore, now or hereafter executed by Borrower in favor of Bank;

6.1.3. Any representation, warranty, certificate, schedule or other information made or furnished by Borrower to Bank herein or pursuant hereto is or shall be untrue or materially misleading;

6.1.4. Loss, theft, damage or destruction of any material portion of the Collateral for which there is either no insurance coverage or for which in the opinion of Bank there is insufficient insurance coverage; or the making of any levy, seizure or attachment upon the Collateral;

6.1.5. Insolvency of Borrower, or a creditor's committee is appointed for the business of Borrower; or Borrower makes an assignment for the benefit of creditors; or a petition in bankruptcy or for reorganization or to effect a plan or arrangement with creditors is filed by Borrower; or Borrower applies for or permits the appointment of a receiver or trustee for any or all of its property or assets or any such receiver or trustee shall have been appointed for any or all property or assets of Borrower; or any of the above actions or proceedings whatsoever are commenced by or against Borrower or any guarantor of or any party liable for any of the Obligations;

6.1.6. Any proceeding is filed or commenced by or against Borrower or any guarantor of any of the Obligations for dissolution or liquidation; or Borrower or any guarantor dies (if an individual) or voluntarily or involuntarily terminates or is dissolved; or

6.1.7. Bank reasonably deems itself insecure.

6.2. **Right to Accelerate.** If any Event of Default shall occur, then or at any time thereafter, while such Event of Default shall continue, Bank may declare all Obligations to be due and payable, without notice, protest, presentment or demand and shall have all of the rights and remedies enumerated herein after the occurrence of an Event of Default.

7. **RIGHTS AND REMEDIES**

Bank shall have, by way of example and not of limitation, the rights and remedies set forth in Paragraphs 7.1. (i) through (v), inclusive and 7.3 at all times prior to and/or after the occurrence of an Event of Default and shall have all of the rights and remedies enumerated herein after the occurrence of an Event of Default.

7.1. **Bank's Collection Rights.** Bank, and any officer or agent of Bank is hereby constituted and appointed as true and lawful attorney-in-fact of Borrower with power: (i) if Receivables are part of the Collateral, to notify or require Borrower to notify any and all account debtors or parties against which Borrower has a claim that the Receivables have been assigned to Bank and/or that Bank has a security interest therein and that all payments should be made to Bank; (ii) to endorse the name of Borrower upon any instruments of payment (including payments made under any policy of insurance) that may come into possession of Bank in full or part payment of any amount owing to Bank; (iii) to sign and endorse the name of Borrower upon any invoice, freight or express bill, bill of lading, storage or warehouse receipt, drafts against account debtors or other obligors and if Receivables are a part of Collateral, to sign and endorse the name of Borrower on any assignments, verifications and notices in connection with Receivables and any instrument or document relating thereto or to rights of Borrower therein; (iv) to notify the post office authorities to change the address for delivery of mail of Borrower to an address designated by Bank and to receive, open and dispose of all mail addressed to Borrower; (v) if Receivables are a part of the Collateral, to send requests for verification to account debtors or other obligors; (vi) to sell, assign, sue for, collect or compromise payment of all or any part of the Collateral in the name of Borrower or in its own name, or make any other disposition of Collateral, or any part thereof, which disposition may be for cash, credit or any combination thereof, and Bank may purchase all or any part of the Collateral at public, or if permitted by law, private sale, and in lieu of actual payment of such purchase price, may set-off the amount of such price against the Obligations, granting to Bank, as the attorney-in-fact of Borrower, full power of substitution and full power to do any and all things necessary to be done in and about the premises as fully and effectually as Borrower might or could do but for this appointment, and hereby ratifying all that said attorney-in-fact shall lawfully do or cause to be done by virtue hereof. Neither Bank nor its agents shall be liable for any acts or omissions or for any error of judgment or mistake of fact or law in its capacity as such attorney-in-fact. This power of attorney is coupled with an interest and shall be irrevocable so long as any Obligations shall remain outstanding.

7.2. **Right to Take Possession.** Bank shall have the right to enter and/or remain upon the premises of Borrower without any obligation to pay rent to Borrower or others, or any other place or places where any of the Collateral is located and kept and (i) remove Collateral therefrom to the premises of Bank or any agent of Bank, for such times as Bank may desire, in order to maintain, collect, sell and/or liquidate the Collateral, or (ii) use such premises, together with materials, supplies, books and records of Borrower, to maintain possession and/or the condition of the Collateral, and to prepare the Collateral for selling, liquidating or collecting. Bank may require Borrower to assemble the Collateral and make it available to Bank at a place to be designated by Bank which is reasonably convenient to both parties.

7.3. **Setoff.** Bank shall have a security interest in and shall have the right to set off, without notice to Borrower, any and all deposits or other sums at any time or times credited by or due from Bank to Borrower, whether in a special account or other account or represented by a certificate of deposit (whether or not matured) which deposits and other sums shall at all times constitute additional security for the Obligations and may be set off against all or any part of the Obligations at any time if Borrower is primary obligor with respect to such Obligations, or, at or after the maturity of Obligations, if Borrower is secondary obligor.

7.4. **UCC Remedies.** Bank shall have, in addition to any other rights and remedies contained in this Agreement and any other agreements, guaranties, notes, instruments and documents heretofore, now or at any time or times hereafter executed by Borrower and delivered to Bank, all of the rights and remedies of a secured party under the Uniform Commercial Code in force in the State of Kansas, as of the date of this agreement, all of which rights and remedies shall be cumulative, and nonexclusive, to the extent permitted by law.

7.5. **Disposition of Collateral.** Any notice required to be given by Bank of a sale or other disposition or other intended action by Bank with respect to any of the Collateral, or otherwise, made in accordance with the terms of this Agreement at least five (5) days prior to such proposed action, shall constitute fair and reasonable notice to Borrower of any such action. In the event any of the Collateral is used in conjunction with any real estate, the sale of the Collateral in conjunction with and as one parcel with any such real estate of Borrower, shall be deemed to be a commercially reasonable manner of sale. The net proceeds realized by Bank upon any such sale or other disposition, after deduction of the expenses of retaking, holding, preparing for sale, selling or the like and reasonable attorneys' fees and any other expenses incurred by Bank, shall be applied toward satisfaction of the Obligations hereunder. Bank shall account to Borrower for any surplus realized upon such sale or other disposition and Borrower shall remain liable for any deficiency. The commencement of any action, legal or equitable, shall not affect the security interest of Bank in the Collateral until the Obligations hereunder or any judgment therefor are fully paid.

8. **GENERAL PROVISIONS**

8.1. **No Waiver.** The failure of Bank at any time or times hereafter to require strict performance by Borrower of any of the provisions, warranties, terms and conditions contained in this Agreement or in any other agreement, guaranty, note, instrument or document now or at any time or times hereafter executed by Borrower and delivered to Bank shall not waive, affect or diminish any right of Bank at any time or times thereafter to demand strict performance thereof; and no rights of Bank hereunder shall be deemed to have been waived by any act or knowledge of Bank, its agents, officers or employees, unless such waiver is contained in an instrument in writing signed by an officer of Bank and directed to Borrower specifying such waiver. No waiver by Bank of any of its rights shall operate as a waiver of any other of its rights or any of its rights on a future occasion.

8.2. **Notices.** Any demand or notice required or permitted to be given hereunder shall be deemed effective when deposited in the United States mail, and sent by certified mail, return receipt requested, postage prepaid, addressed to Bank at the mailing address of Bank's principal office or to Borrower at Borrower's mailing address, as applicable, or to such other address as may be provided by the party to be notified, on ten (10) days' prior written notice to the other party.

8.3. **Entire Agreement; Amendments.** This Agreement contains the entire understanding between the parties hereto with respect to the transactions contemplated herein and such understanding shall not be modified except in writing signed by or on behalf of the parties hereto.

8.4. **Illegality.** Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law; should any portion of this Agreement be declared invalid for any reason in any jurisdiction, such declaration shall have no effect upon the remaining portions of this Agreement; furthermore, the entirety of this Agreement shall continue in full force and effect in all other jurisdictions and said remaining portions of this Agreement shall continue in full force and effect in the subject jurisdiction as if this Agreement had been executed with the invalid portions thereof deleted.

8.5. **Waiver of Bond.** In the event Bank seeks to take possession of any or all of the Collateral by court process, Borrower hereby irrevocably waives any bonds and any surety or security relating thereto required by any statute, court rule or otherwise as an incident to such possession, and waives any demand for possession prior to the commencement of any suit or action to recover with respect thereto.

8.6. **Binding Effect.** The provisions of this Agreement shall be binding upon and shall inure to the benefit of the heirs, administrators, successors and assigns of Bank and Borrower; provided, however, Borrower may not assign any of its rights or delegate any of its Obligations hereunder without the prior written consent of Bank.

8.7. **Governing Law.** This Agreement is and shall be deemed to be a contract entered into and made pursuant to the laws of the State of Kansas and shall in all respects be governed, construed, applied and enforced in accordance with the laws of the said State of Kansas; Borrower hereby consents to the in personam jurisdiction over Borrower of the district courts of the State of Kansas and the United States District Court for the District of Kansas in any action brought under this Agreement, and Borrower agrees that proper venue of such an action shall lie in the district in which Bank's principal office is located.

8.8. **Attorneys' Fees and Expenses.** If, prior hereto and/or at any time or times hereafter, Bank shall employ counsel in connection with the execution and consummation of the transactions contemplated by this Agreement or to commence, defend or intervene, file a petition, complaint, answer, motion or other pleadings, or to take any action in or with respect to any suit or proceeding (bankruptcy or otherwise) relating to this Agreement, the Collateral or any other agreement, guaranty, note, instrument or document heretofore, now or at any time or times hereafter executed by Borrower and delivered to Bank, or to protect, collect, lease, sell, take possession of or liquidate any of the Collateral, or to attempt to enforce or to enforce any security interest in any of the Collateral, or to enforce any rights of Bank hereunder, whether before or after the occurrence of any Event of Default, or to collect any of the Obligations, then in any of such events, all of the reasonable attorneys' fees arising from such services, and any expenses, costs and charges relating thereto, shall to the extent allowable by law be part of the Obligations, payable on demand and secured by the Collateral.

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

8.10. **Miscellaneous.** Each reference herein to Bank shall be deemed to include its successors and assigns, and each reference to Borrower and any pronouns referring thereto as used herein shall be construed in the masculine, feminine, neuter, singular or plural, as the context may require, and shall be deemed to include the legal representatives, successors and assigns of Borrower, all of whom shall be bound by the provisions hereof. The term "Borrower" as used herein shall, if this Agreement is signed by more than one Borrower, mean, unless this Agreement otherwise provides or unless the context otherwise requires, the "Borrower and each of them" and each and every representation, promise, agreement and undertaking shall be joint and several, except that the granting of the security interest, right of setoff and lien shall be by each Borrower in its several respective property. In the event that there is more than one Borrower, any loan which is secured by this Agreement shall be deemed to be made at the request of and for the benefit of each Borrower.

8.11. **Headings.** The section headings herein are included for convenience only and shall not be deemed to be a part of this Agreement.

9. **SPECIAL PROVISIONS APPLICABLE TO BORROWER, IF ANY:** NONE

(SEAL)

XXXX

(SEAL)

XXXX

BORROWER:

WATCO, INC.

~~Borrower~~

By: Charles R. Webb

Charles R. Webb Title President

By: _____

Title

BANK:

BANK IV PITTSBURG, N.A.

~~Borrower~~

By: Jeffrey G. Elliott

Jeffrey G. Elliott Title

Assistant Vice President

By: _____

Title

Individual Borrower

Individual Borrower

EXHIBIT "A"

UP	21860	TA LIT82 20 WALLULA WA NOV 21 0405	1
UP	22683	TA UT82 20 WALLULA WA NOV 21 0405	2
UP	22831	TA XLIT82123 WALLULA WA NOV 24 1215	3
UP	78053	TA LIT82 01 WALLULA WA DEC 02 0219	4
UP	81116	TA LIT82 01 WALLULA WA DEC 02 0219	5
UP	81891	TA LIT82 01 WALLULA WA DEC 02 0219	6
MP	710709	TA LIT82 01 WALLULA WA DEC 02 0219	7
MP	710748	TA LIT82 01 WALLULA WA DEC 02 0219	8
MP	710820	TA LIT82 01 WALLULA WA DEC 02 0219	9
MP	710854	TA LIT82 01 WALLULA WA DEC 02 0219	10
MP	710892	TA LIT82 13 WALLULA WA DEC 14 0014	11
MP	710893	TA LIT82 01 WALLULA WA DEC 02 0219	12
MP	710915	TA LIT82 01 WALLULA WA DEC 02 0219	13
MP	710921	TA LIT82 01 WALLULA WA DEC 02 0219	14
MP	710937	TA LIT82 01 WALLULA WA DEC 02 0219	15
MP	710941	TA LIT82 01 WALLULA WA DEC 02 0219	16
MP	710981	TA LIT82 01 WALLULA WA DEC 02 0219	17
MP	711075	ID BN WALWALLA WA NOV 15 0931	18
MP	711094	TA LIT82 13 WALLULA WA DEC 14 0014	19
MP	711626	TA UT82 05 WALLULA WA DEC 06 0100	20
MP	711699	TA LIT82 01 WALLULA WA DEC 02 0219	21
MP	711715	TA LIT82 01 WALLULA WA DEC 02 0219	22
MP	711721	TA LIT82 19 WALLULA WA DEC 20 0412	23
MP	711745	TA LIT82 01 WALLULA WA DEC 02 0219	24
MP	711767	TA LIT82 02 WALLULA WA DEC 03 0400	25
MP	711810	TA LIT82 01 WALLULA WA DEC 02 0219	26
MP	711904	TA UT82 01 WALLULA WA DEC 02 0219	27
MP	712112	TA LIT82 01 WALLULA WA DEC 02 0219	28
MP	712239	TA LIT82 01 WALLULA WA DEC 02 0219	29
MP	715217	TA LIT82 01 WALLULA WA DEC 02 0219	30

** TOTAL PAGE.002 **
** TOTAL PAGE.05 **

STATE OF TEXAS)
) ss:
COUNTY OF HARRIS)

On this 28th day of June, 1991, before me, personally appeared Charles R. Webb, to me personally known, who being by me duly sworn, says that he is the President of WATCO, Inc., 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.

(SEAL)

SHERRY L. SWEETEN
Notary Public, State of Texas
My Commission Expires
9/24/94.

Sy L Sweeten
Notary Public

My Appointment expires: 9-24-94

STATE OF TEXAS)
) ss:
COUNTY OF HARRIS)

On this 28th day of June, 1991, before me, personally appeared Jeffrey G. Elliott, to me personally known, who being by me duly sworn, says that he is the Assistant Vice President of BANK IV Pittsburg, N.A., Pittsburg, Kansas, a national banking association, that the seal affixed to the foregoing instrument is the corporate seal of said Bank, that said instrument was signed and sealed on behalf of said Bank 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 Bank.

(SEAL)

SHERRY L. SWEETEN
Notary Public, State of Texas
My Commission Expires
9/24/94.

Sherry L. Sweeten
Notary Public

My Appointment expires: 9-24-94

Exhibit A
WATCO, Inc., a Kansas corporation,
Other Assets pledged to BANK IV Pittsburg, N.A.,
Pittsburg, Kansas

1. All machinery, tools, equipment, vehicles, locomotives, rolling stock, and inventory, specifically including but not limited to the following thirty two (32) locomotives:

	Locomotive No.	Serial No.	Description	Present Location
1.	WATX 1	5757	SW-1200 HP EMD Diesel Electric Locomotive	WATCO, Inc., DeRidder, LA
2.	WATX 2	--	SW-1200 HP EMD Diesel Electric Locomotive	WATCO, Inc., DeRidder, LA
3.	WATX 3	30645	SW-1200 HP EMD Diesel Electric Locomotive	WATCO, Inc., DeRidder, LA
4.	WATX 4	520A-109	CF-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	WATCO, Inc., El Paso, TX
5.	WATX 5	51-D-239	CF-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	WATCO, Inc., El Paso, TX
6.	WATX 6	2633	16-567BC CF-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	WATCO, Inc., Wallula, WA
7.	WATX 7	2606	16-567BC CF-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	WATCO, Inc., Wallula, WA
8.	WATX 8	54-M-73	12-567C SW-1000 HP Diesel Electric Locomotive	WATCO, Inc., East Helena, MT
9.	WATX 9	52-C-184	12-567BC SW-1200 HP Diesel Electric Locomotive	WATCO, Inc., KS City, MO
10.	WATX 10	71-H3-7011	SW-1200 HP Diesel Electric Locomotive	WATCO, Inc., KS City, MO
11.	WATX 11/ WATX 103	--	CF-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	WATCO, Inc., Pampa, TX

	Locomotive No.	Serial No.	Description	Present Location
12.	WATX 17	--	8158858 GP-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	WATCO, Inc., Prattville, AL
13.	WATX 18	--	8158858 GP-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	WATCO, Inc., Prattville, AL
14.	WATX 19	--	SW-1200 Baldwin 12 Diesel Electric Locomotive (formerly MKT)	WATCO, Inc., Chouteau, OK
15.	WATX 1002	--	CF-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	WATCO, Inc., Springfield, OR
16.	WATX 1003	--	GP-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	SKO R.R., Borger, TX
17.	WATX 1004	--	GP-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	SKO R.R., Borger, TX
18.	SEK 102	--	GP-7 1500 HP Diesel Electric Locomotive (formerly MKT)	SEK R.R., Coffeyville, KS
19.	SEK 103	--	GP-7 1500 HP Diesel Electric Locomotive (formerly MKT)	SEK R.R., Coffeyville, KS
20.	SEK 106	--	GP-7 1500 HP Diesel Electric Locomotive (formerly MKT)	SEK R.R., Coffeyville, KS
21.	SEK 117	--	GP-7 1500 HP Diesel Electric Locomotive (formerly MKT)	SEK R.R., Coffeyville, KS
22.	SEK 123	--	GP-7 1500 HP Diesel Electric Locomotive (formerly MKT)	SEK R.R., Coffeyville, KS
23.	SEK 143	--	SW-1500 HP Diesel Electric Locomotive (formerly MKT)	SEK R.R., Coffeyville, KS

	Locomotive No.	Serial No.	Description	Present Location
24.	SEK 1001/ DCF&B 1001	--	CF-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	SEK R.R., Coffeyville, KS
25.	ORR 1000	--	CF-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	SKO R.R., Coffeyville, KS
26.	SKO 2174	--	GP-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	SKO R.R., Coffeyville, KS
27.	SKO 2178	--	GP-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	SKO R.R., Coffeyville, KS
28.	SKO 2184	--	GP-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	SKO R.R., Coffeyville, KS
29.	SKO 2186	--	GP-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	SKO R.R., Coffeyville, KS
30.	SKO 2187	--	GP-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	SKO R.R., Coffeyville, KS
31.	SKO 2188	--	GP-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	SKO R.R., Coffeyville, KS
32.	SKO 2191	--	GP-7 1500 HP Diesel Electric Locomotive (formerly ATSF)	SKO R.R., Coffeyville, KS

all leases covering any of the foregoing, whether written or oral, now existing or hereafter made; all leases, rents, profits, revenues, income or other benefits derived from any of the foregoing; all substitutions, replacements, modifications, attachments, additions or accessions therefor and thereto; and all products and proceeds of whatever nature arising therefrom.

2. Pledge of all of the issued and outstanding common stock of Inman Service Company, Inc., a Texas corporation.

3. Pledge/collateral assignment of Single Premium Annuity issued to Charles R. Webb by Executive Life Insurance Company, Contract No. GA00005, Annuitant Certificate No. 1119605.

4. Pledge/collateral assignment of Key Man Life Insurance Policy, No. _____, issued by _____ Insurance Company, insuring the life of Charles R. Webb.

5. Pledge/collateral assignment of Key Man Life Insurance Policy, No. _____, issued by _____ Insurance Company, insuring the life of Richard B. Webb.

6. Mortgage from WATCO, Inc. to BANK IV Pittsburg, N.A., f/k/a The National Bank of Pittsburg, on real estate in Montgomery County, Kansas recorded in the office of the Montgomery County, Kansas Register of Deeds at Book 331, page 124.

7. Any other collateral as described in Loan Agreement dated June 28, 1991.