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October 17, 2003

RECORDATION NO. 24674 FILED

NOV 03 '03 11-47 AM

Vernon Williams, Secretary  
Surface Transportation Board  
1925 K Street, N.W., Suite 700  
Washington, DC 20423-0001

SURFACE TRANSPORTATION BOARD **Federal Express Delivery**

Dear Secretary Williams:

Enclosed please find the original and one certified copy of the document described below to be recorded pursuant to 49 U.S.C. § 11301.

This document is a Memorandum of Guaranty and Collateral Agreement, a primary document, dated as of July 25, 2003. Please record this document under the next available recordation number.

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

Secured Party/Agent:

Bank of Oklahoma, N.A.  
P.O. Box 2300  
Tulsa, OK 74192

Debtor:

South Kansas and Oklahoma Railroad, Inc.  
315 West 3rd Street  
Pittsburg, KS 66762

A description of the collateral covered by the Memorandum of Guaranty and Collateral Agreement is identified on the Schedule attached thereto, and includes collateral now owned and hereafter acquired.



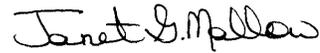
Page 2

A fee of \$30.00 is enclosed. Please return the original and any extra copies not needed by the Board for recordation to:

Riggs, Abney, Neal, Turpen, Orbison & Lewis  
502 West Sixth Street  
Tulsa, OK 74119-1010  
Attn: Wendy Walls

A short summary of the document to appear in the index follows: Memorandum of Guaranty and Collateral Agreement between Bank of Oklahoma, N.A., P.O. Box 2300, Tulsa, Oklahoma 74192, and South Kansas and Oklahoma Railroad, Inc., 315 West 3rd Street, Pittsburg, Kansas 66762, covering the equipment described in the Schedule attached thereto, whether now owned or hereafter acquired.

Very truly yours,



Janet G. Mallow  
FOR THE FIRM

Enclosures



**MEMORANDUM OF GUARANTY AND COLLATERAL AGREEMENT**

This Memorandum of Guaranty and Collateral Agreement, dated as of July 25, 2003, is by South Kansas And Oklahoma Railroad, Inc. (the "Debtor") and Bank of Oklahoma, N.A., as Agent for the Lenders pursuant to the Credit Agreement (the "Credit Agreement"), dated as of July 25, 2003, among Watco Companies, Inc. (the "Borrower"), the Lenders listed therein (the "Lenders"), and the Agent.

1. The Lenders have made loans to the Borrower pursuant to the terms of the Credit Agreement for the purpose of financing the operating needs of the Borrower and its affiliates (including Debtor). Such loans are secured by the Debtor's assets pursuant to the Guaranty and Collateral Agreement, dated as of July 25, 2003 (the "Guaranty and Collateral Agreement").

2. Pursuant to the Guaranty and Collateral Agreement, the Debtor grants to the Lenders a lien on and security interest in all of the Debtor's right, title and interest in and to the Rolling Stock (as defined in the Guaranty and Collateral Agreement) identified on the Schedule attached hereto, whether now owned or hereafter acquired, pursuant to Section 3 of the Guaranty and Collateral Agreement.

In witness whereof, each of the parties hereto have caused this Memorandum of Guaranty and Collateral Agreement to be executed by it's duly authorized officer as of the date first written above.

"Debtor"

**SOUTH KANSAS AND OKLAHOMA  
RAILROAD, INC.**

By *Randall Readinger*  
Randall Readinger, Chief Financial  
Officer

RECORDATION NO. 24674 FILED \*

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SURFACE TRANSPORTATION BOARD

"Agent"

**BANK OF OKLAHOMA, N.A.**

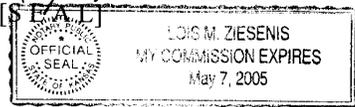
By *Robert D. Mattax*  
Robert D. Mattax,  
Senior Vice President

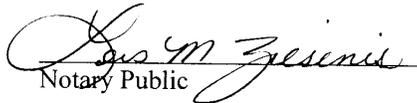
STATE OF Kansas )  
 ) ss.  
COUNTY OF Crawford )

On this 23rd day of October, 2003, before me personally appeared Randall Readinger, to me personally known, who being by me duly sworn, says that he is the Chief Financial Officer of South Kansas And Oklahoma Railroad, Inc., that said instrument was signed on behalf of said corporation, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

My Commission Expires:

May 7, 2005



  
Notary Public

STATE OF OKLAHOMA )  
 ) ss.  
COUNTY OF TULSA )

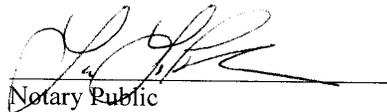
On this \_\_\_ day of \_\_\_\_\_, 2003, before me personally appeared Robert D. Mattax, to me personally known, who being by me duly sworn, says that he is the Senior Vice President of Bank of Oklahoma, N.A., that said instrument was signed on behalf of Bank of Oklahoma, N.A., and he acknowledged that the execution of the foregoing instrument was the free act and deed of Bank of Oklahoma, N.A.

My Commission Expires:

12-01-01

[SEAL]

My Commission #  
01017544

  
Notary Public

Schedule "A"

Included in the property covered by the aforesaid Guaranty and Collateral Agreement are locomotives, cabooses, flat cars, bulkhead flat cars, boxcars, gondolas, coal cars, open top hopper cars, covered hopper cars, woodrack cars, specialty cars (office, club and power), yard cars, system cars and other rail cars intended for use related to interstate commerce, or interests therein, owned by South Kansas And Oklahoma Railroad, Inc. at the date of said Guaranty and Collateral Agreement or thereafter acquired by it or its successors as owners of the lines of railway covered by the Guaranty and Collateral Agreement.