

RECORDATION NO. 24877 FILED

MAR 30 '04 3:53 PM

SURFACE TRANSPORTATION BOARD

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ELLAS C. ALVORD (1942)
ELLSWORTH C. ALVORD (1964)

OF COUNSEL
URBAN A. LESTER

March 29, 2004

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 two (2) copies of Memorandum of Security Agreement, dated as of March 30, 2004, a primary document as defined in the Board's Rules for the Recordation of Documents.

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

Borrower/Grantors: Kansas City Southern
The Kansas City Southern
Railway Company
Gateway Eastern Railway Company
427 West 12th Street
Kansas City, MO 64105

Lender/Collateral Agent: The Bank of Nova Scotia
600 Peachtree Street
Suite 2700
Atlanta GA 30308

Mr. Vernon Williams
March 29, 2004
Page Two

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

All rolling stock NOW OWNED OR HEREAFTER ACQUIRED (except as otherwise set forth in the Memorandum)

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

Memorandum of Security Agreement

Also enclosed is a check in the amount of \$30.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return stamped copies of the enclosed document to the undersigned.

Very truly yours,



Robert W. Alvord

RWA/arr
Enclosures

MAR 30 '04 3-53 PM

MEMORANDUM OF
SECURITY AGREEMENT
made by
KANSAS CITY SOUTHERN
THE KANSAS CITY SOUTHERN RAILWAY COMPANY
and certain subsidiaries
in favor of
THE BANK OF NOVA SCOTIA
as Collateral Agent

SURFACE TRANSPORTATION BOARD

This MEMORANDUM OF SECURITY AGREEMENT, dated as of March 30, 2004, is made by KANSAS CITY SOUTHERN, a Delaware corporation ("Parent"), THE KANSAS CITY SOUTHERN RAILWAY COMPANY, a Missouri corporation (the "Borrower"), GATEWAY EASTERN RAILWAY COMPANY, an Illinois corporation ("Grantor"), (said Grantors collectively, together with each other Subsidiary of Parent listed on Schedule 1 hereto or subsequently becoming a party to the Security Agreement referred to below, the "Subsidiary Grantors"; Parent, the Borrower and the Subsidiary Grantors being referred to collectively as the "Grantors") and THE BANK OF NOVA SCOTIA ("BNS"), as collateral agent (in such capacity, the "Collateral Agent"), for the Secured Parties (as defined in the Credit Agreement referred to below).

WHEREAS, the Grantors and the Collateral Agent have entered into a certain Security Agreement, dated as of March 30, 2004 (the "Security Agreement"), which is related to (a) the Credit Agreement dated of March 30, 2004 (as amended, supplemented or otherwise modified from to time, the "Credit Agreement"), among Parent, the Borrower, the lenders from time to time party thereto (the "Lenders") and BNS, as administrative agent (in such capacity as the "Administrative Agent"), Collateral Agent and issuing bank (in such capacity, the "Issuing Bank"), and (b) the other Loan Documents referred to in the Credit Agreement. (Unless the context otherwise requires, all capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Security Agreement or in the Credit Agreement).

WHEREAS, the Lenders have agreed to make Advances to the Borrower, and the Issuing Bank has agreed to issue Letters of Credit for the account of the Borrower, pursuant to and upon the terms and subject to the conditions specified in the Credit Agreement. The obligations of the Lenders to make such Advances and of the Issuing Bank to issue such Letters of Credit are conditioned upon, among other things, the execution and delivery by the Grantors of an agreement in the form of the Security Agreement to secure the Obligations.

WHEREAS, in the Security Agreement, each Grantor mortgages and pledges to the Collateral Agent, its successors, and assigns, for the ratable benefit of the Secured Parties, and grants to the Collateral Agent, its successors and assigns, for the ratable benefit of the Secured Parties, a security interest (the "Security Interest") in, all such Grantor's rights, title and interest in, to and under the Collateral, now owned or hereafter acquired, which includes ALL GODOLAS, BOXCARS, TANKERS, LOCOMOTIVES AND RAILCARS OF ANY TYPE (COLLECTIVELY, "ROLLING STOCK") including without limitation the Rolling Stock described in Schedule A attached to this Memorandum; but EXCLUDING Rolling Stock subject

to purchase money financing as of the date hereof and any Rolling Stock acquired after the date hereof that is subject to purchase money financing within 180 days of acquisition thereof.

WHEREAS, the parties, by executing this Memorandum and causing it to be recorded with the appropriate governmental authorities, desire to provide public notice of the Security Interest.

WHEREAS, this Memorandum may be executed in any number of counterparts, each executed counterpart constituting an original but all together only one such Memorandum.

IN WITNESS WHEREOF, each of the undersigned pursuant to due corporate authority has caused this Memorandum of Security Agreement to be executed in its respective corporate name by an officer duly authorized, and hereby declares pursuant to 28 U.S.C. § 1746 under penalty of perjury that this Memorandum is a true and correct document and was executed as of the date herein first set forth above.

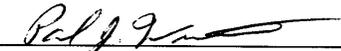
KANSAS CITY SOUTHERN

By: 
Name: Paul J. Weyandt
Title: Vice President & Treasurer

THE KANSAS CITY SOUTHERN RAILWAY COMPANY

By: 
Name: Paul J. Weyandt
Title: Vice President & Treasurer

GATEWAY EASTERN RAILWAY COMPANY

By: 
Name: Paul J. Weyandt
Title: Vice President & Treasurer

THE BANK OF NOVA SCOTIA,
AS COLLATERAL AGENT

By: _____
Name:
Title:

to purchase money financing as of the date hereof and any Rolling Stock acquired after the date hereof that is subject to purchase money financing within 180 days of acquisition thereof.

WHEREAS, the parties, by executing this Memorandum and causing it to be recorded with the appropriate governmental authorities, desire to provide public notice of the Security Interest.

WHEREAS, this Memorandum may be executed in any number of counterparts, each executed counterpart constituting an original but all together only one such Memorandum.

IN WITNESS WHEREOF, each of the undersigned pursuant to due corporate authority has caused this Memorandum of Security Agreement to be executed in its respective corporate name by an officer duly authorized, and hereby declares pursuant to 28 U.S.C. § 1746 under penalty of perjury that this Memorandum is a true and correct document and was executed as of the date herein first set forth above.

KANSAS CITY SOUTHERN

By: _____
Name:
Title:

THE KANSAS CITY SOUTHERN RAILWAY COMPANY

By: _____
Name:
Title:

GATEWAY EASTERN RAILWAY COMPANY

By: _____
Name:
Title:

THE BANK OF NOVA SCOTIA,
AS COLLATERAL AGENT

By: *V. Gibson*
Name: V. Gibson, Assistant Agent
Title:

CORPORATE FORM OF ACKNOWLEDGEMENT

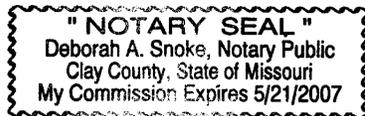
State of Missouri)
) SS:
County of Jackson)

On this 29th day of March, 2004, before me personally appeared Paul J. Weyandt to me personally known, who being by me duly sworn, says that he/she is the Vice President & Treasurer of KANSAS CITY SOUTHERN, 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, and he/she acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Deborah A. Snoke
Signature of Notary Public

My commission expires 5/21/2007

Seal



CORPORATE FORM OF ACKNOWLEDGEMENT

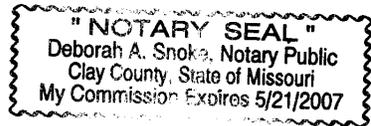
State of Missouri)
) SS:
County of Jackson)

On this 29th day of March, 2004, before me personally appeared Paul J. Weyandt to me personally known, who being by me duly sworn, says that he/she is the Vice President & Treasurer of THE KANSAS CITY SOUTHERN RAILWAY COMPANY, 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, and he/she acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Deborah A. Snoka
Signature of Notary Public

My commission expires 5/21/2007

Seal



CORPORATE FORM OF ACKNOWLEDGEMENT

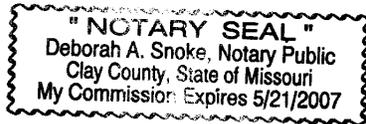
State of Missouri)
) SS:
County of Jackson)

On this 29th day of March, 2004, before me personally appeared Paul J. Weyandt to me personally known, who being by me duly sworn, says that he/she is the Vice President & Treasurer of GATEWAY EASTERN RAILWAY COMPANY, 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, and he/she acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Deborah A. Snoke
Signature of Notary Public

My commission expires 5/21/2007

Seal



SCHEDULE 1
SUBSIDIARY GRANTORS

Gateway Eastern Railway Company

SCC Holdings, Inc.

Southern Development Company

Southern Industrial Services, Inc.

Trans-Serve, Inc.

Veals, Inc.

The Kansas City Northern Railway Company

Pabtex, L.P.

Pabtex GP, LLC

SIS Bulk Holding, Inc.

SCHEDULE A

Schedule of Rolling Stock and Locomotives

91 - 60 ft. Box	KCS	127507-128490
163 - 50 ft. Box	KCS	106011-108499
233 - 50 ft. Box	KCS	112500-115495
33 - 50 ft. Box	KCS	150258-150698
22 - 50 ft. Box	KCS	160008-160245
186 - 50 ft. Box	KCS	250007-251992
276 - 50 ft. Box	KCS	750000-752983
166 - 50 ft. Box	KCS	753009-754781
286 - Pulpwood Flats	KCS	600008-602990
100 - Pulpwood Flats	KCS	605905-606898
5 - Pulpwood Flats	CCR	3000-3020
20 - Pulpwood Flats	GMSR	945007-995084
25 - Covered Hoppers	GWWR	7000-7030
2 - Covered Hoppers	GWWR	7050-7051
35 - Covered Hoppers	GWWR	7101-7148
16 - Covered Hoppers	GWWR	7200-7217
95 - Covered Hoppers	KCS	307262-308242
97 - Covered Hoppers	KCS	308251-309249
18 - Covered Hoppers	KCS	330000-330018
10 - Gondolas	KCS	470-479
5 - Gondolas	KCS	480-484
5 - Gondolas	KCS	485-489
7 - Gondolas	KCS	805-871
4 - Gondolas	CCR	4000-4004
5 - Gondolas	GWWR	3301-3305
15 - Gondolas	CTIE	001-999
23 - Open Hoppers	KCS	410-434
1 - Open Hoppers	KCS	11737
7 - Open Hoppers	KCS	11776-11844
1 - Open Hoppers	KCS	11848
3 - Open Hoppers	KCS	11901-11903

10 – Flat Cars	KCS	522-596
1 – Flat Car	KCS	1200
6 – Flat Cars	KCS	700002-700053
3 - Flat Cars	KCS	710008-710024
2 - Flat Cars	KCS	710032-710041
19 – Tank Diesel	KCS	940-966
9 – Tank Diesel	KCS	967-976
3 – Tank Diesel	KCS	980-983
8 – Tank Diesel	KCS	984-993
90 – Woodchip Hoppers	KCS	503002-504297
18 – Intermodal Chassis	KCSZ	130102-130618
3 – Caboose	GWWR	10200-10202

** Covered by ETC, JPMorgan Chase, expires 12/15/06

LOCOMOTIVES

<u>UNIT #</u>	<u>TYPE</u>	<u>MODEL</u>
GWWR 1201	SWITCH	SW-1200
GWWR 1204	SWITCH	SW-1200
GWWR 1504	SWITCH	SW-1500
GWWR 2000	ROAD	GP-38-2
GWWR 2001	ROAD	GP-38-2
GWWR 2036	ROAD	GP-38-2
GWWR 2037	ROAD	GP-38-2
GWWR 2040	ROAD	GP-38-2
GWWR 2101	ROAD	GP-38-2
GWWR 3008	ROAD	GP-40-2
GWWR 3019	ROAD	GP-40-2
GWWR 3020	ROAD	GP-40-2
GWWR 4095	ROAD	GP-40-2
GWWR 4096	ROAD	GP-40-2
GWWR 4097	ROAD	GP-40-2
GWWR 4098	ROAD	GP-40-2
GWWR 4099	ROAD	GP-40-2
GWWR 4399	SWITCH	SW-1500
GWWR 4799	ROAD	GP-40-2
KCS 1	ROAD	F9-A
KCS 2	ROAD	F9-A
KCS 3	ROAD	F9-B
KCS 4	ROAD	F9-A
KCS 723	ROAD	SD-60 *
KCS 724	ROAD	SD-60
KCS 725	ROAD	SD-60
KCS 726	ROAD	SD-60
KCS 727	ROAD	SD-60
KCS 728	ROAD	SD-60
KCS 729	ROAD	SD-60
KCS 730	ROAD	SD-60
KCS 731	ROAD	SD-60
KCS 732	ROAD	SD-60
KCS 733	ROAD	SD-60
KCS 734	ROAD	SD-60
KCS 735	ROAD	SD-60
KCS 736	ROAD	SD-60
KCS 737	ROAD	SD-60
KCS 738	ROAD	SD-60
KCS 739	ROAD	SD-60
KCS 740	ROAD	SD-60
KCS 741	ROAD	SD-60
KCS 742	ROAD	SD-60
KCS 743	ROAD	SD-60

KCS 744	ROAD	SD-60
KCS 745	ROAD	SD-60
KCS 746	ROAD	SD-60
KCS 747	ROAD	SD-60
KCS 748	ROAD	SD-60
KCS 749	ROAD	SD-60
KCS 750	ROAD	SD-60
KCS 751	ROAD	SD-60
KCS 752	ROAD	SD-60
KCS 753	ROAD	SD-60
KCS 754	ROAD	SD-60
KCS 755	ROAD	SD-60
KCS 756	ROAD	SD-60
KCS 757	ROAD	SD-60
KCS 758	ROAD	SD-60
KCS 759	ROAD	SD-60
MSRC 1001	ROAD	GP-10
MSRC 1005	ROAD	GP-10
MSRC 1007	ROAD	GP-10
MSRC 1009	ROAD	GP-10
MSRC 1014	ROAD	GP-10
MSRC 1015	ROAD	GP-10
MSRC 1016	ROAD	GP-10
MSRC 1018	ROAD	GP-10
MSRC 1019	ROAD	GP-10
MSRC 1022	ROAD	GP-10
MSRC 1032	ROAD	GP-10
MSRC 1036	ROAD	GP-10
MSRC 1037	ROAD	GP-10
MSRC 1043	ROAD	GP-10
MSRC 1046	ROAD	GP-10
MSRC 1054	ROAD	GP-10
MSRC 1060	ROAD	GP-10
MSRC 1062	ROAD	GP-10
MSRC 1067	ROAD	GP-10
MSRC 1069	ROAD	GP-10
MSRC 1078	ROAD	GP-10
MSRC 1081	ROAD	GP-10
MSRC 1082	ROAD	GP-10
MSRC 1086	ROAD	GP-10
MSRC 1803	ROAD	GP-18
MSRC 1804	ROAD	GP-18

CERTIFICATION

I, Robert W. Alvord, attorney licensed to practice in the State of New York and the District of Columbia, do hereby certify under penalty of perjury that I have compared the attached copy with the original thereof and have found the copy to be complete and identical in all respects to the original document.

Dated: _____

3/30/04



Robert W. Alvord