RIGGS, ABNEY, NEAL, TURPEN, ORBISON & LEWIS

A PROFESSIONAL CORPORATION
ATTORNEYS AND COUNSELORS AT LAW
FRISCO BUILDING
502 WEST SIXTH STREET
TULSA, OKLAHOMA 74119-1010
(918) 587-3161
Fax (918) 587-9708

GREGORY W. ALBERTY
JAMES M. ALEXANDER*
JACK R. ANDERSON
RYAN J. ASSINK
J. STEVEN BARKER
DONALD M. BINGHAM
WILLIAM A. BOWLES
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SHARON K. WEAVER
DOUGLAS A. WILSON
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COURTNEY M. WOLIN◇
GARY W. WOOD

Of Counsel
Benjamin P. Abney
E. Bryan Henson

Licensed in
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◇ Arkansas and Oklahoma
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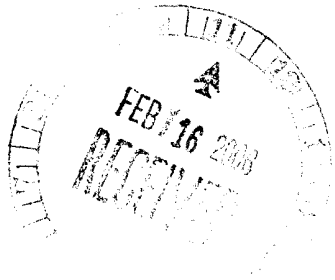
February 8, 2006

RECORDATION NO. 26199 FILED

FEB 16 '06 1-21 PM

SURFACE TRANSPORTATION BOARD



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

Dear Secretary Williams:

This document is a Memorandum of Guaranty and Collateral Agreement, a primary document, dated as of December 23, 2005, to be recorded pursuant to 49 U.S.C. § 11301. 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:

Alabama Southern 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.

Please return the recorded document 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 Alabama Southern 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,

HWT

Harley W. Thomas
FOR THE FIRM

RECORDATION NO. 26199 FILED

FEB 16 '06 1-21 PM

SURFACE TRANSPORTATION BOARD

GUARANTY AND COLLATERAL AGREEMENT

THIS GUARANTY AND COLLATERAL AGREEMENT dated effective as of December 23, 2005 (this "Agreement'), is made by each of the signatories hereto (together with any other entity that may become a party hereto as provided herein, the "Grantors"), in favor of **BANK OF OKLAHOMA, N.A.**, as Agent (in such capacity, the "Agent") for the banks, financial institutions and other lenders (the "Lenders") from time to time parties to the Restated Credit Agreement, dated as of July 1, 2004 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), among **WATCO COMPANIES, INC.**, a Kansas corporation (the "Borrower"), the Lenders and the Agent.

WITNESSETH

WHEREAS, pursuant to the Credit Agreement the Lenders have severally agreed to make extensions of credit to the Borrower upon the terms and subject to the conditions set forth therein;

WHEREAS, the Borrower is a member of an affiliated group of companies that includes each other Grantor;

WHEREAS, the proceeds of the extensions of credit under the Credit Agreement will be used in part to enable the Borrower to make valuable transfers to one or more of the other Grantors in connection with the operation of their respective businesses;

WHEREAS, the Borrower and the other Grantors are engaged in related businesses, and each Grantor will derive substantial direct and indirect benefit from the making of the extensions of credit under the Credit Agreement; and

WHEREAS, it is a condition precedent to the obligation of the Lenders to make their respective extensions of credit to the Borrower under the Credit Agreement that the Grantors shall have executed and delivered this Agreement to the Agent for the ratable benefit of the Secured Parties;

NOW, THEREFORE, in consideration of the premises and to induce the Agent and the Lenders to enter into the Credit Agreement and to induce the Lenders to make their respective extensions of credit to the Borrower thereunder, each Grantor hereby agrees with the Agent, for the ratable benefit of the Secured Parties, as follows:

1. DEFINED TERMS

1.1. Definitions. Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement. The following terms shall have the following meanings:

1.1.1. "Accounts" has the meaning set forth in the Uniform Commercial Code and includes, without limitation, (a) all leasehold interests in real or personal property and rights to receive rentals of real or personal property, (b) all accounts receivable and (c) all other rights to payment of a monetary obligation.

1.1.2. "Agreement" means this Guaranty and Collateral Agreement, as the same may be amended, restated, supplemented or otherwise modified from time to time.

1.1.3. "Borrower Obligations" means the collective reference to the unpaid principal of and interest on the Loans and all other obligations and liabilities of the Borrower to the Secured Parties and each of them, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, the Credit Agreement, this Agreement, the other Loan Documents, any Letter of Credit, any Rate Management Transaction or any other document made, delivered or given in connection with any of the foregoing, in each case whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Secured Parties that are required to be paid by the Borrower pursuant to the terms of any of the foregoing agreements). Without limiting the generality of the foregoing, the Borrower Obligations include all amounts that constitute part of the Borrower Obligations and would be owed by the Borrower to the Secured Parties under the Loan Documents but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Borrower.

1.1.4. "Certificated Security" has the meaning set forth in the Uniform Commercial Code.

1.1.5. "Chattel Paper" has the meaning set forth in the Uniform Commercial Code and includes, without limitation, all electronic chattel paper.

1.1.6. "Collateral" has the meaning set forth in Section 3.

1.1.7. "Collateral Account" means any collateral account established by the Agent as provided in Section 6.1 or Section 6.4.

1.1.8. "Commercial Tort Claim" means a claim arising in tort with respect to which (a) the claimant is an organization or (b) the claimant is an individual and the claim (i) arose in the course of the claimant's business or profession and (ii) does not include damages arising out of personal injury to or the death of an individual.

1.1.9. "Copyrights" means (a) all copyrights arising under the laws of the United States, any other country or any political subdivision thereof, whether registered or unregistered and whether published or unpublished (including, without limitation, those listed in Schedule "6", all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, all registrations, recordings and applications in the United States Copyright Office, and (b) the right to obtain all renewals thereof.

1.1.10. "Copyright Licenses" means all written agreements naming any Grantor as licensor or licensee (including, without limitation, those listed in Schedule "6"), granting any right under any Copyright, including, without limitation, the grant of rights in all derivative works based upon any Copyright, and all renewals and extensions thereof.

1.1.11. "Deposit Account" has the meaning set forth in the Uniform Commercial Code and includes, without limitation, any demand, time savings, passbook or like account maintained with a depositary institution and all funds from time to time credited to any account referred to in this definition.

1.1.12. "Documents" has the meaning set forth in the Uniform Commercial Code.

1.1.13. "Equipment" has the meaning set forth in the Uniform Commercial Code and

includes, without limitation, all machinery, equipment, furnishings and fixtures now or hereafter owned by a Grantor, including, without limitation, all items of machinery and equipment of any kind, nature and description (whether affixed to real property or not), rail, ties and capital improvements thereon, maintenance of way equipment, as well as Rolling Stock, trucks and vehicles of every description, trailers, handling and delivery equipment, fixtures and office furniture and any and all additions to, substitutions for and replacements of or accessions to any of the foregoing, wherever located, together with all attachments, components, parts (including spare pans), equipment and accessories installed thereon or affixed thereto and all fuel for any thereof, supplies, and all other materials used or consumed in a Grantor's business.

1.1.14. "Equity Interests' means, with respect to any Person, (a) all shares, interests, participations, rights or other equivalents (however designated, whether voting or nonvoting) of or interests in corporate or capital stock, including without limitation, shares of preferred or preference stock of such Person, (b) all partnership interests (whether general or limited) of such Person, (c) all membership interests or limited liability company interests in such Person, (d) all other equity or ownership interests in such Person of any other type and (e) all warrants, rights or options to purchase any of the foregoing.

1.1.15. "Farm Products" has the meaning set forth in the Uniform Commercial Code.

1.1.16. "Foreign Subsidiary" means any Subsidiary organized under the laws of any jurisdiction outside the United States of America.

1.1.17. "Foreign Subsidiary Equity Interests" means the voting Equity Interests of any Foreign Subsidiary.

1.1.18. "FRA" means the Federal Railroad Administration of the United States Department of Transportation or any successor agency thereto.

1.1.19. "General Intangibles" has the meaning set forth in the Uniform Commercial Code and includes, without limitation, with respect to any Grantor, (a) all tax refunds, claims for tax refunds, and tax credits, (b) all permits, licenses, approvals, authorizations, consents, variances, and certifications of any Governmental Authority, (c) all claims, tort claims, causes of action, and courses in action, (d) all property, casualty, liability, and other insurance of any kind or character, and all insurance claims and insurance refund claims, (e) all letters of credit and Letter of Credit Rights, (f) all Payment Intangibles, (g) all lists, books, records, recorded knowledge, ledgers, files (whether in printed form or stored electronically), designs, blueprints, data, specifications, engineering reports, manuals, computer records, computer programs and computer software (including source codes), (h) all internet domain names and websites and related licenses and agreements. and (i) all contracts, agreements, instruments and indentures in any form, and portions thereof, to which such Grantor is a party or under which such Grantor has any right, title or interest or to which such Grantor or any property of such Grantor is subject, as the same may from time to time be amended, supplemented or otherwise modified, including, without limitation, (i) all rights of such Grantor to receive moneys due and to become due to it thereunder or in connection therewith, (ii) all rights of such Grantor to damages arising thereunder and (iii) all rights of such Grantor to perform and to exercise all remedies thereunder.

1.1.20. "Goods" has the meaning set forth in the Uniform Commercial Code.

1.1.21. "Guarantor Obligations" means, with respect to any Guarantor, all obligations and liabilities of such Guarantor that may arise wider or in connection with this Agreement (including, without limitation, Section 2) or any other Loan Document to which such Guarantor is

a party, in each case whether on account of guaranty obligations, Reimbursement Obligations, Rate Management Obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Secured Parties that are required to be paid by such Guarantor pursuant to the terms of this Agreement or any other Loan Document).

1.1.22. "Guarantors" means the collective reference to each Grantor other than the Borrower.

1.1.23. "Instruments" has the meaning set forth in the Uniform Commercial Code.

1.1.24. "Intellectual Property" means the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including, without limitation, the Copyrights, the Copyright Licenses, the Patents, the Patent Licenses, the Trademarks and the Trademark Licenses, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

1.1.25. "Intercompany Note" means any promissory note evidencing loans made by any Grantor to the Parent or any of its Subsidiaries.

1.1.26. "Inventory" has the meaning set forth in the Uniform Commercial Code and includes, without limitation, all raw materials and work in process.

1.1.27. "Investment Property" means the collective reference to (a) all "*investment property*" as such term is defined in the Uniform Commercial Code (other than any Foreign Subsidiary Equity Interests excluded from the definition of "Pledged Interests") and (b) whether or not constituting "investment property" as so defined, all Pledged Notes and all Pledged Interests.

1.1.28. "Instruments" has the meaning set forth in the Uniform Commercial Code.

1.1.29. "Issuers" means the collective reference to each issuer of any Investment Property.

1.1.30. "Letter of Credit Right" means any right to payment or performance under a letter of credit, whether or not the beneficiary has demanded or is at the time entitled to demand payment or performance.

1.1.31. "Obligations" means (a) in the case of the Borrower, the Borrower Obligations, and (b) in the case of each Guarantor, its Guarantor Obligations.

1.1.32. "Patents" means (a) all letters patent including, without limitation, all utility patents, design patents, industrial designs and utility model registrations of the United States or any other country, or any political subdivision thereof and all reissues and extensions thereof, including, without limitation, those listed in Schedule "6", (b) all applications for letters patent of the United States or any other country and all divisions, continuations and continuations-in-part thereof, including, without limitation, those listed in Schedule "6", and (c) all rights to obtain any reissues, reexaminations, or extensions of the foregoing.

1.1.33. "Patent Licenses" means all agreements, whether written or oral, providing for the grant by or to any Grantor of any right to make, use, sell, offer to sell, or import any invention covered in whole or in part by a Patent, including, without limitation, those listed in Schedule

"6", and all extensions and renewals thereof.

1.1.34. "Payment Intangibles" has the meaning set forth in the Uniform Commercial Code.

1.1.35. "Pledged Interests" means all Equity Interests of or in any Person that may be issued or granted to, or held or owned by, any Grantor, including, without limitation, the Equity Interests described in Schedule "2" hereto, and all certificates representing such Equity Interests; provided that, in no event shall more than 66% of the total outstanding Foreign Subsidiary Equity Interests of any Foreign Subsidiary be required to be pledged hereunder.

1.1.36. "Pledged Notes" means all promissory notes listed in Schedule "2", all Intercompany Notes at any time issued to any Grantor and all other promissory notes issued to or held by any Grantor.

1.1.37. "Proceeds" has the meaning set forth in the Uniform Commercial Code and, in any event, shall include, without limitation, all dividends, distributions and payments on, from or with respect to investment Property.

1.1.38. "Receivable" means any right to payment for goods sold or leased or for services rendered, whether or not such right is evidenced by an Instrument or Chattel Paper and whether or not it has been earned by performance (including, without limitation, any Account).

1.1.39. "Rolling Stock" means all 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, including without limitation any Rolling Stock specified in Schedule "8" hereto.

1.1.40. "Secured Parties" means the Agent, the Lenders, or any Lender (or Affiliate of any Lender) that is a party to a Rate Management Transaction, and their respective successors and assigns.

1.1.41. "Securities Act" means the Securities Act of 1933, as amended.

1.1.42. "STB" means the Surface Transportation Board of the United States Department of Transportation or any successor agency' thereto.

1.1.43. "Supporting Obligation" means any Letter of Credit Right or secondary obligation that supports the payment or performance of an Account, Chattel Paper, a Document, a General Intangible, an Instrument, Investment Property, or any other Collateral.

1.1.44. "Trademarks" means (a) all trademarks, trade names, corporate names, company names, business names, fictitious business names, service marks, logos, words, terms, names, symbols and devices and all combinations thereof and all other source or business identifiers, and all goodwill of the business connected with the use thereof as symbolized thereby, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, or otherwise, and all common law rights related thereto, including, without limitation, those listed in Schedule "6", and (b) the right to obtain all renewals and extensions thereof.

1.1.45. "Trademark Licenses" means all agreements, whether written or oral, providing

for the grant by or to any Grantor of any right to use any Trademark, including, without limitation, those listed in Schedule "6", and all renewals of extensions thereof.

1.1.46. "Uniform Commercial Code" means the Uniform Commercial Code as enacted in any applicable jurisdiction. Unless the context requires otherwise, all references in this Agreement to the Uniform Commercial Code shall mean the Uniform Commercial Code as enacted in the State of Oklahoma, as it may be amended from time to time.

1.1.47. "Vehicles" means all cars, trucks, trailers, construction and earth moving equipment and other vehicles covered by a certificate of title law of any state and, in any event including, without limitation, the vehicles listed in Schedule "7" and all tires and other appurtenances to any of the foregoing.

1.2. Other Definitional Provisions. The words "hereof", "herein", "hereto" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section and Schedule references are to this Agreement unless otherwise specified.

1.2.1. The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

1.2.2. Where the context requires, terms relating to the Collateral or any part thereof, when used in relation to a Grantor, shall refer to such Grantor's Collateral or the relevant part thereof.

2. GUARANTY. (a) Each of the Guarantors hereby, jointly and severally, unconditionally and irrevocably, guarantees to the Secured Parties and their respective successors, endorsees, transferees and assigns, the prompt and complete payment and performance by the Borrower when due (whether at the stated maturity, by acceleration or otherwise) of the Borrower Obligations.

(b) Anything herein or in any other Loan Document to the contrary notwithstanding, the maximum liability of each Guarantor hereunder and under the other Loan Documents shall in no event exceed the amount that can be guaranteed by such Guarantor under applicable federal and state laws relating to the insolvency of debtors (after giving effect to the right of contribution established in Section 2.1)

(c) Each Guarantor agrees that the Borrower Obligations may at any time and from time to time exceed the amount of the liability of such Guarantor hereunder without impairing the guaranty contained in this Section 2 or affecting the rights and remedies of any Secured Party hereunder.

(d) The guaranty contained in this Section 2 shall remain in full force and effect until all the Borrower Obligations and the obligations of each Guarantor under the guaranty contained in this Section 2 shall have been satisfied by payment in full, no Letter of Credit shall be outstanding and the Commitments shall be terminated, notwithstanding that from time to time during the term of the Credit Agreement the Borrower may be free from any Borrower Obligations.

(e) No payment made by the Borrower, any of the Guarantors, any other guarantor or any other Person or received or collected by any Secured Party from the Borrower, any of the Guarantors, any other guarantor or any other Person by virtue of any action or proceeding or any set-off or appropriation or application at any time or from time to time in reduction of or in payment of the Borrower Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of any Guarantor hereunder that shall, notwithstanding any such payment (other than any payment made by such Guarantor in respect

of the Borrower Obligations or any payment received or collected from such Guarantor in respect of the Borrower Obligations), remain liable for the Borrower Obligations up to the maximum liability of such Guarantor hereunder until the Borrower Obligations are paid in full, no Letter of Credit shall be outstanding and the Commitments are terminated.

2.1. Right of Contribution. Each Guarantor hereby agrees that to the extent that a Guarantor shall have paid more than its proportionate share of any payment made hereunder, such Guarantor shall be entitled to seek and receive contribution from and against any other Guarantor hereunder that has not paid its proportionate share of such payment. Each Guarantor's right of contribution shall be subject to the terms and conditions of Section 2. The provisions of this Section 2.1 shall in no respect limit the obligations and liabilities of any Guarantor to any Secured Party, and each Guarantor shall remain liable to the Secured Parties for the full amount guaranteed by such Guarantor hereunder.

2.2. No Subrogation. Notwithstanding any payment made by any Guarantor hereunder or any set-off or application of funds of any Guarantor by any Secured Party, no Guarantor shall be entitled to be subrogated to any of the rights of any Secured Party against the Borrower or any other Guarantor or any collateral security or guaranty or right of offset held by any Secured Party for the payment of the Borrower Obligations, nor shall any Guarantor seek or be entitled to seek any contribution or reimbursement from the Borrower or any other Guarantor in respect of payments made by such Guarantor hereunder, until all amounts owing to the Secured Parties by the Borrower on account of the Borrower Obligations are paid in full, no Letter of Credit shall be outstanding and the Commitments are terminated. If any amount shall be paid to any Guarantor on account of such subrogation rights at any time when all of the Borrower Obligations shall not have been paid in full, such amount shall be held by such Guarantor in trust for the Secured Parties, segregated from other funds of such Guarantor, and shall, forthwith upon receipt by such Guarantor, be turned over to the Agent in the exact form received by such Guarantor (duly indorsed by such Guarantor to the Agent, if required), to be applied against the Borrower Obligations, whether matured or unmatured, in such order as the Agent may determine.

2.3. Amendments, Etc. with respect to the Borrower Obligations. Each Guarantor shall remain obligated hereunder notwithstanding that, without any reservation of rights against any Guarantor and without notice to or further assent by any Guarantor, any demand for payment of any of the Borrower Obligations made by any Secured Party may be rescinded by such Secured Party and any of the Borrower Obligations continued, and the Borrower Obligations, or the liability of any other Person upon or for any part thereof, or any collateral security or guaranty therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, restated, modified, accelerated, compromised, waived, surrendered or released by any Secured Party, and the Credit Agreement and the other Loan Documents and any other documents executed and delivered in connection therewith may be amended, restated, modified, supplemented or terminated, in whole or in part, as the Agent (or the Required Lenders or all Lenders, as the ease may be) may deem advisable from time to time, and any collateral security, guaranty or right of offset at any time held by any Secured Party for the payment of the Borrower Obligations may be sold, exchanged, waived, surrendered or released. No Secured Party shall have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Borrower Obligations or for the guaranty contained in this Section 2 or any property subject thereto.

2.4. Guaranty Absolute and Unconditional. Each Guarantor waives any and all notice of the creation, renewal, extension or accrual of any of the Borrower Obligations and notice of or proof of reliance by any Secured Party upon the guaranty contained in this Section 2 or acceptance of the guaranty contained in this Section 2; the Borrower Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon the guaranty contained in this Section 2; and all dealings between the Borrower and any of the Guarantors, on the one hand, and the Secured Parties, on the other hand, likewise shall be conclusively presumed to have been had or consummated in reliance upon the guaranty contained in this Section 2. Each Guarantor

waives diligence, presentment, protest, notice of acceleration, notice of intent to accelerate, demand for payment and notice of default or nonpayment to or upon the Borrower or any of the Guarantors with respect to the Borrower Obligations. Each Guarantor understands and agrees that the guaranty contained in this Section 2 shall he construed as a continuing, absolute and unconditional guaranty of payment without regard to (a) the validity or enforceability of the Credit Agreement or any other Loan Document, any of the Borrower Obligations or any other collateral security therefor or guaranty or right of offset with respect thereto at any time or from time to time held by the Secured Parties or any of them, (b) any defense, set-off, recoupment or counterclaim (other than a defense of payment or performance) that may at any time be available to or be asserted by the Borrower or any other Person against any Secured Party, or (c) any other circumstance whatsoever (with or without notice to or knowledge of the Borrower or such Guarantor) that constitutes, or might be construed to constitute, an equitable or legal discharge of the Borrower for the Borrower Obligations, or of such Guarantor under the guaranty contained in this Section 2, in bankruptcy or in any other instance. When making any demand hereunder or otherwise pursuing its rights and remedies hereunder against any Guarantor, any Secured Party may, but shall be under no obligation to, make a similar demand on or otherwise pursue such rights and remedies as it may have against the Borrower, any other Guarantor or any other Person or against any collateral security or guaranty for the Borrower Obligations or any right of offset with respect thereto, and any failure by any Secured Party to make any such demand, to pursue such other rights or remedies or to collect any payments from the Borrower, any other Guarantor or any other Person or to realize upon any such collateral security or guaranty or to exercise any such right of offset, or any release of the Borrower, any other Guarantor or any other Person or any such collateral security, guaranty or right of offset, shall not relieve any Guarantor of any obligation or liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of any Secured Party against any Guarantor. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

2.5. Reinstatement. The guaranty contained in this Section 2 shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Borrower Obligations is rescinded or must otherwise be restored or returned by any Secured Party upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or any Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Borrower or any Guarantor or any substantial part of its property, or otherwise, all as though such payments had not been made.

2.6. Stay of Acceleration. If acceleration of the time for payment of any amount payable by the Borrower or any Guarantor under any Loan Document is stayed upon the insolvency, bankruptcy or reorganization of the Borrower or such Guarantor, all such amounts otherwise subject to acceleration under the terms of the Loan Documents shall nonetheless be payable by each Guarantor hereunder other than a Guarantor to which such stay applies forthwith on demand by the Agent.

2.7. Payments. Each Guarantor hereby guarantees that payments hereunder will be paid to the Agent without set-off or counterclaim in Dollars at the Agent's Office.

3. GRANT OF SECURITY INTEREST. Each Grantor hereby assigns and transfers to the Agent, and hereby grants to the Agent, for the ratable benefit of the Secured Parties, a security interest in all of the following property now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the "Collateral"), as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of such Grantor's Obligations:

(a) all Accounts;

(b) all Chattel Paper;

(e) all Deposit Accounts;

(d) all Documents;

(e) all Equipment;

(f) all General Intangibles;

(g) all Goods;

(h) all Instruments;

(i) all Intellectual Property;

(j) all Inventory;

(k) all Investment Property;

(I) all Supporting Obligations;

(m) all Vehicles;

(n) all other personal property of any kind or character not otherwise described above;

(o) all books and records pertaining to the Collateral; and

(p) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing and all collateral security and guaranties given by any Person with respect to any of the foregoing.

4. REPRESENTATIONS AND WARRANTIES. To induce the Secured Parties to enter into the Credit Agreement and to induce the Lenders to make their respective extensions of credit to the Borrower thereunder, each Grantor hereby represents and warrants to each Secured Party that:

4.1. Title: No Other Liens. Except for the security interest granted to the Agent, for the ratable benefit of the Secured Parties, pursuant to this Agreement and the other Liens permitted to exist on the Collateral by the Credit Agreement, such Grantor owns each item of the Collateral free and clear of any and all Liens, claims, or other encumbrances. No financing statement or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except such as have been filed in favor of the Agent, for the ratable benefit of the Secured Parties, pursuant to this Agreement or as are permitted by the Credit Agreement.

4.2. Perfected First Priority Liens. The security interests granted pursuant to this Agreement (a) upon completion of the filings in the appropriate locations including, without limitation, the National Copyright offices as to registered copyrights, and other actions specified in Schedule "3" (which, in the case of all filings and other documents referred to on said Schedule, have been delivered to the Agent in completed and duly executed form) will constitute valid perfected security interests in all of the Collateral

in favor of the Agent, for the ratable benefit of the Secured Parties, as collateral security for such Grantor's Obligations, enforceable in accordance with the terms hereof against all creditors of such Grantor and any Persons purporting to purchase any Collateral from such Grantor, (b) upon recordation of this Agreement or a memorandum with respect hereto in the filing offices of the STB will constitute valid perfected security interests in the Rolling Stock in favor of the Agent, for the ratable benefit of the Secured Parties, as collateral security for such Grantor's Obligations and (e) are prior to all other Liens on the Collateral in existence on the date hereof except for unrecorded Liens permitted by the Credit Agreement that have priority over the Liens on the Collateral by operation of law.

4.3. Chief Executive Office Etc. Such Grantor's jurisdiction of organization, exact legal name, taxpayer identification number, and the location of such Grantor's chief executive office or sole place of business are specified in Schedule "4". Such Grantor has no trade names, except trade names specified in Schedule "4".

4.4. Inventory and Equipment. The Inventory and the Equipment (other than mobile goods) of the Grantors are kept at the locations listed in Schedule "5". Each Grantor has exclusive possession and control of the Equipment and Inventory owned by it.

4.5. Farm Products. None of the Collateral constitutes, or is the Proceeds of Farm Products.

4.6. Investment Property. (a) The Pledged Interests constitute all of the issued and outstanding Equity Interests of each Issuer owned by such Grantor or, in the case of Foreign Subsidiary Equity Interests, if less, 66% of the outstanding Foreign Subsidiary Equity Interests of each relevant issuer.

(b) All the Pledged Interests have been duly and validly issued and are fully paid and nonassessable. There is no amount or other obligation owing by any Grantor to any Issuer of the Pledged Interests in exchange for or in connection with the issuance of the Pledged Interests or any Grantor's status as a stockholder, member, or partner of any Issuer.

(c) Each of the Pledged Notes constitutes the legal, valid and binding obligation of the obligor with respect thereto, enforceable in accordance with its terms, subject to the effects of bankruptcy, insolvency and reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and general equitable principles (whether considered in a proceeding in equity or at law).

(d) Such Grantor is the record and beneficial owner of, and has good and marketable title to, the Investment Property pledged by it hereunder, free of any and all Liens or options in favor of, or claims of, any other Person, except the security interest created by this Agreement.

4.7. Receivables. (a) No amount payable to such Grantor under or in connection with any Receivable is evidenced by any Instrument or Chattel Paper that has not been delivered to the Agent.

(b) None of the obligors on any Receivables is a Governmental Authority.

(c) The amounts represented by such Grantor to the Secured Parties from time to time as owing to such Grantor in respect of the Receivables will at such times be accurate.

4.8. Intellectual Property. (a) Schedule "6" lists all Intellectual Property owned by such Grantor.

(b) All Intellectual Property is valid, subsisting, unexpired and enforceable, has not been abandoned and does not infringe the intellectual property rights of any other Person.

(c) Except as set forth in Schedule "6", none of the Intellectual Property is the subject of any licensing or franchise agreement pursuant to which such Grantor is the licensor or franchisor.

(d) No holding, decision or judgment has been rendered by any Governmental Authority or arbitrator that would limit, cancel or question the validity of, or such Grantor's rights in, any Intellectual Property in any respect that could reasonably be expected to have a material adverse effect upon the operations, business, properties, condition (financial or otherwise) or prospects of such Grantor.

(e) No action or proceeding is pending or, to the knowledge of such Grantor, threatened, on the date hereof (i) seeking to limit, cancel or question the validity of aim Intellectual Property or such Grantor's ownership interest therein, or (ii) that, if adversely determined, could reasonably be expected to have a material adverse effect on the value of any Intellectual Property.

4.9. Vehicles. Schedule "7" is a complete and correct list of all Vehicles owned by such Grantor.

4.10. Railroad Cars. Schedule "8" is a complete and correct list of all railroad cars, locomotives, vessels or other Rolling Stock owned by such Grantor.

4.11. Inventory. All Inventory of such Grantor has been produced in compliance with all requirements of the Fair Labor Standards Act.

4.12. Conditions Precedent, There are no conditions precedent to the effectiveness of this Agreement that have not been satisfied or waived.

4.13. Independent Investigation. Such Grantor has, independently and without reliance upon any Secured Party and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement.

4.14. Benefit. Such Grantor will benefit directly and indirectly from its execution and delivery of this Agreement and from the extensions of credit by the Lenders to the Borrower under the Credit Agreement.

4.15. Perfection of Security Interest. All notifications and other actions, including, without limitation, (a) all deposits of certificates and instruments evidencing any Collateral (duly endorsed or accompanied by appropriate instruments of transfer), (b) all notices to and acknowledgments of any bailee or other Person, (c) all acknowledgments and agreements respecting the right of the Agent to 'control", as such term is now or hereafter defined in the Uniform Commercial Code, any Collateral and (d) all filings, registrations and recordings that are (i) required by the terms of this Agreement to have been given, made, obtained, done and accomplished and (ii) necessary to create, preserve, protect and perfect the security interest granted by such Grantor to the Agent hereby in respect of its portion of the Collateral, have been given, made, obtained, done and accomplished, except for (A) the filing of UCC-I financing statements under the Uniform Commercial Code, which financing statements have been delivered to the Agent in completed and duly executed form, (B) the recordation of this Agreement with the STB under Subtitle IV of Title 49 of the United States Code, which recordation will take place and be in full force and effect within ten days of the Closing Date, (C) the recordation of this Agreement with the United States Patent and Trademark Office, which recordation will take place and be in full force and effect within ten days of the Closing Date, and (D) actions necessary to perfect security interests in vehicles and Collateral created under the laws of any jurisdiction outside the United States.

4.16. Representations in Credit Agreement. In the case of each Guarantor, the representations and warranties set forth in Article V of the Credit Agreement as they relate to such Guarantor or to the Loan Documents to which such Guarantor is a party, each of which is hereby incorporated herein by reference, are true and correct, and the Agent and each Lender shall be entitled to rely on each of them as if they were fully set forth herein, provided that, each reference in each such representation and warranty to the Borrowers knowledge shall, for the purposes of this Section 4.16, be deemed to be a reference to such Guarantor's knowledge.

5. COVENANTS. Each Grantor covenants and agrees with the Secured Parties that, from and after the date of this Agreement until the Obligations shall have been paid in full, no Letter of Credit shall be outstanding and the Commitments shall have terminated:

5.1. Delivery of Instruments, Certificated Securities and Chattel Paper. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any Instrument, Certificated Security or Chattel Paper, such Instrument, Certificated Security or Chattel Paper shall be immediately delivered to the Agent, duly indorsed in a manner satisfactory to the Agent, to be held as Collateral pursuant to this Agreement.

5.2. Insurance. Such Grantor shall, at its own expense, maintain or cause to be maintained insurance with respect to the Collateral in accordance with Section 6.6 of the Credit Agreement.

5.3. Payment of Obligations. Such Grantor will pay and discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all taxes, assessments and governmental charges or levies imposed upon the Collateral or in respect of income or profits therefrom, as well as all claims of any kind (including, without limitation, claims for labor, materials and supplies) against or with respect to the Collateral, except that no such charge need be paid if the amount or validity thereof is currently being contested in good faith by appropriate proceedings, reserves in conformity with GAAP with respect thereto have been provided on the books of such Grantor and such proceedings could not reasonably be expected to result in the sale, forfeiture or loss of any material portion of the Collateral or any interest therein.

5.4. Maintenance of Perfected Security Interest: Further Documentation Inspection. (a) Such Grantor shall maintain the security interest created by this Agreement as a perfected security interest having at least the priority described in Section 4.1 and shall defend such security interest against the claims and demands of all Persons whomsoever.

(b) Such Grantor will furnish to the Agent from time to time statements and schedules further identifying and describing the assets and property of such Grantor and such other reports in connection therewith as the Agent may request, all in reasonable detail.

(c) At any time and from time to time, upon the written request of the Agent, and at the sole expense of such Grantor, such Grantor will promptly and duly execute and deliver, and have recorded, such further instruments and documents and take such further actions as the Agent may request for the purpose of perfecting the security interests granted hereunder and obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted, including, without limitation, (i) filing any financing or continuation statements under the Uniform Commercial Code (or other similar laws) in effect in any jurisdiction with respect to the security interests created hereby. (ii) in the case of Rolling Stock, or accessories used on such Rolling Stock (including superstructures and racks), intended for a use related to interstate commerce, filing any document under Subtitle IV of Title 49 of the United States Code (or other similar laws) with the 5TH, (iii) in the case of Investment Property, Deposit Accounts, Letter of Credit Rights and any other relevant Collateral, taking any actions requested by the Agent to enable the Agent to

obtain "control" (within the meaning of the applicable Uniform Commercial Code) with respect thereto, (iv) causing the Agent's name to be noted as secured party on any certificate of title for a titled good if such notation is deemed necessary or advisable by the Agent for the attachment, perfection or priority of, or the ability of the Agent to enforce or realize on, the Agent's security interest in such Collateral, (v) complying with any requirement of law (including the Federal Assignment of Claims Act) as to any Collateral if such compliance is deemed necessary or advisable by the Agent for the attachment, perfection or priority of, or the ability of the Agent to enforce, the Agent's security interest in such Collateral, (vi) obtaining consents and approvals from the STB, the ERA or any Governmental Authority or other Person, including without limitation any consent of any licensor, lessor or other Person obligated on Collateral. (vii) executing and delivering such documents, agreements, and instruments as may be required by the Agent to further evidence and perfect its security Interests in all Intellectual Property, (viii) obtaining waivers from mortgagees and landlords in form and substance satisfactory to the Agent, and (ix) taking all actions required by any earlier versions of the Uniform Commercial Code or by other law, as applicable in any relevant Uniform Commercial Code jurisdiction, or by other law as applicable in any foreign jurisdiction.

(d) If such Grantor shall at any time hold or acquire a Commercial Tort Claim, then such Grantor shall immediately notify the Agent in a writing signed by such Grantor of the details thereof and grant to the Agent in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance satisfactory to the Agent.

(e) Such Grantor will permit the Agent, or its designee, to inspect the Collateral at any reasonable time or times, wherever located.

(f) If such Grantor shall at any time register a previously unregistered copyright, such Grantor shall promptly notify the Agent thereof, and properly execute and deliver such documents as required by Agent to properly establish a first priority lien in such copyright.

5.5. Changes in Locations, Name, Etc. Such Grantor will not, except upon fifteen (15) days prior written notice to the Agent and delivery to the Agent of (a) all additional executed financing statements and other documents reasonably requested by the Agent to maintain the validity, perfection and priority of the security interests provided for herein and (b) if applicable, a written supplement to Schedule "5" showing any additional location at which Inventory or Equipment shall be kept:

(i) permit any of the Inventory or Equipment to be kept at a location other than those listed in Schedule "5";

(ii) change its jurisdiction of organization or the location of its chief executive office or sole place of business from that referred to in Section 4.2; or

(iii) change its name, identity, taxpayer identification number, or organizational structure to such an extent that any financing statement filed by the Agent in connection with this Agreement would become incorrect or misleading.

5.6. Notices. Such Grantor will advise the Agent immediately, in reasonable detail, of:

(a) any Lien (other than security interests created hereby or Liens permitted under the Credit Agreement) on any of the Collateral that would adversely affect the ability of the Agent to exercise any of its remedies hereunder; and

(b) the occurrence of any other event that could reasonably be expected to have a material adverse effect on the aggregate value of the Collateral or on the security interests created hereby; and

(c) any Intellectual Property acquired or licensed by it.

5.7. Investment Property. (a) If such Grantor shall become entitled to receive or shall receive any certificate (including, without limitation, any certificate representing a dividend or a distribution connection with any reclassification, increase or reduction of capital or any certificate issued in connection with any reorganization), option or rights in respect of the Equity Interests of any Issuer, whether in addition to, in substitution of, as a conversion of, or in exchange for, any of the Pledged Interests, or otherwise in respect thereof, such Grantor shall accept the same as the agent of the Agent, hold the same in trust for the Agent and deliver the same forthwith to the Agent in the exact form received, duly indorsed by such Grantor to the Agent, if required, together with an undated stock power (or other instrument of transfer satisfactory to the Agent) covering such certificate duly executed in blank by such Grantor and with, if the Agent so requests, signature guaranteed, to be held by the Agent, subject to the terms hereof, as additional collateral security for the Obligations. Any sums paid upon or in respect of the Investment Property upon the liquidation or dissolution of any Issuer shall be paid over to the Agent to be held by it hereunder as additional collateral security for the Obligations, and in case any distribution of capital shall be made on or in respect of the Investment Property or any property shall be distributed upon or with respect to the Investment Property pursuant to the recapitalization or reclassification of the capital of any Issuer or pursuant to the reorganization thereof, the property so distributed shall, unless otherwise subject to a perfected security interest in favor of the Agent, be delivered to the Agent to be held by it hereunder as additional collateral security for the Obligations. If any sums of money or property so paid or distributed in respect of the Investment Property shall be received by such Grantor, such Grantor shall, until such money or property is paid or delivered to the Agent, hold such money or property in trust for the Secured Parties, segregated from other finds of such Grantor, as additional collateral security for the Obligations.

(b) Without the prior written consent of the Agent, such Grantor will not (i) vote to enable, or take any other action to permit, any Issuer to issue any Equity Interests of any nature or to issue any securities convertible into or granting the right to purchase or exchange for any stock or other Equity Interests of any nature of any Issuer, (ii) sell, assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to the Investment Property of such Grantor or Proceeds thereof (except pursuant to a transaction expressly permitted by the Credit Agreement), (iii) create, incur or permit to exist any Lien or option in favor of, or any claim of any Person with respect to, any of the Investment Property of such Grantor or Proceeds thereof, or any interest therein, except for the security interests created by this Agreement or (iv) enter into any agreement or undertaking restricting the right or ability of such Grantor or the Agent to sell, assign or transfer any of the Investment Property of such Grantor or Proceeds thereof.

(c) In the case of each Grantor that is an Issuer, such Issuer agrees that (i) it will be bound by the terms of this Agreement relating to the Investment Property issued by it and will comply with such terms insofar as such terms are applicable to it, (ii) it will notify the Agent promptly in writing of the occurrence of any of the events described in Section 5.7 with respect to the Investment Property issued by it and (iii) the terms of Sections 6.3(c) and 6.7 shall apply to it, mutatis mutandis, with respect to all actions that may be required of it pursuant to Section 6.3(c) or 6.7 with respect to the Investment Property issued by it.

(d) Such Grantor shall at all times cause each of the Pledged Interests pledged by it hereunder to be a Certificated Security expressly subject to Article 9 of the Uniform Commercial Code of any applicable jurisdiction. Such Grantor shall deliver to the Agent each certificate representing or

evidencing the Pledged Interests, together with an undated stock power (or other instrument of transfer acceptable to the Agent), covering such certificate duly executed in blank by such Grantor, and with, if the Agent so requests, signature guaranteed. The Agent shall have the right at any time to exchange certificates representing or evidencing Pledged Interests for certificates of smaller or larger denominations,

5.8. Receivables. (a) Other than in the ordinary course of business consistent with its past practice, such Grantor will not (i) grant any extension of the time of payment of any Receivable, (ii) adjust, compromise or settle any Receivable for less than the full amount thereof, (iii) release, wholly or partially, any Person liable for the payment of any Receivable, (iv) allow any credit or discount whatsoever on any Receivable or (v) amend, supplement or modify any Receivable in any manner that could adversely affect the value thereof; provided, however, that no Grantor shall take any action specified in clauses (ii) through (v) above if any Event of Default shall have occurred and be continuing.

(b) Such Grantor will deliver to the Agent a copy of each demand, notice or document received by it that questions or calls into doubt the validity or enforceability of more than 5% of the aggregate amount of the then outstanding Receivables.

5.9. Intellectual Property. (a) Such Grantor (either itself or through licensees) will (i) use each Trademark on each and every trademark class of goods applicable to its current line as reflected in its current catalogs, brochures and price lists in order to maintain such Trademark in full force free from any claim of abandonment for nonuse, (ii) maintain as in the past the quality of products and services offered under such Trademark, (iii) use such Trademark with the appropriate notice of registration and all other notices and legends required by applicable requirements of law, (iv) not adopt or use any mark that is confusingly similar or a colorable imitation of such Trademark unless the Agent shall obtain a perfected security interest in such mark pursuant to this Agreement, and (v) not (and not permit any licensee or sublicensee thereof to) do any act or omit to do any act whereby such Trademark may become invalidated or impaired in any way.

(b) Such Grantor (either itself or through licensees) will not do any act, or omit to do any act, whereby any Patent may become forfeited, abandoned or dedicated to the public.

(c) Such Grantor (either itself or through licensees) (i) will employ each Copyright and (ii) will not (and will not permit any licensee or sublicensee thereof to) do any act or omit to do any act whereby any portion of the Copyrights may become invalidated or otherwise impaired. Such Grantor will not (either itself or through licensees) do any act whereby any portion of the Copyrights may fall into the public domain.

(d) Such Grantor (either itself or through licensees) will not use any Intellectual Property to infringe the intellectual property rights of any other Person.

(e) Such Grantor will notify the Agent immediately if it knows, or has reason to know, that any application or registration relating to any Intellectual Property may become forfeited, abandoned or dedicated to the public, or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office or any other Governmental Authority in any country) regarding such Grantor's ownership of, or the validity of, any Intellectual Property or such Grantor's right to register the same or to own and maintain the same.

(f) Whenever such Grantor, either by itself or through any agent, employee, licensee or

designee, shall file an application for the registration of any Intellectual Property with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, such Grantor shall report such filing to the Agent within five Business Days after the last day of the fiscal quarter in which such filing occurs. Upon request of the Agent, such Grantor shall execute and deliver, and have recorded, any and all agreements, instruments, documents, and papers as the Agent may request to evidence the Agent's security interest in any Copyright, Patent or Trademark and the goodwill and general intangibles of such Grantor relating thereto or represented thereby.

(g) Such Grantor will take all reasonable and necessary steps, including, without limitation, in any proceeding before the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue each application (and to obtain the relevant registration) and to maintain each registration of the material Intellectual Property, including, without limitation, filing of applications for renewal, affidavits of use and affidavits of incontestability.

(h) If any Intellectual Property is infringed, misappropriated or diluted by a third party, such Grantor shall (i) take such actions as such Grantor shall reasonably deem appropriate under the circumstances to protect such Intellectual Property and (ii) promptly notify the Agent after it learns thereof and sue for infringement, misappropriation or dilution, to seek injunctive relief where appropriate and to recover any and all damages for such infringement, misappropriation or dilution.

5.10. Rolling Stock. Such Grantor shall not change any markings or serial numbers on any of the Rolling Stock listed in Schedule "8" until after it has given notice in writing to the Agent of its intention to make such change. Such Grantor agrees to notify the Agent of any other Rolling Stock that such Grantor may hereafter acquire or lease. Such Grantor agrees that it will execute and deliver to the Agent for the benefit of the Lenders supplemental security agreements and other instruments, and file the same in the appropriate recording offices (a) with respect to the Rolling Stock Listed in Schedule "8" hereto, (b) at such times as any assignable right, title or interest is acquired in the future by such Grantor in any other Rolling Stock and (c) at such times as any change is made in one or more of the markings or serial numbers on any of the Rolling Stock listed in Schedule "8" hereto or on any other Rolling Stock owned by Such Grantor.

5.11. Vehicles. (a) No Vehicle shall be removed from the state that has issued the certificate of title therefor for a period in excess of four months.

(b) Within sixty (60) days after the date hereof, and, with respect to any Vehicles acquired by such Grantor subsequent to the date hereof, within 30 days after the date of acquisition thereof all applications for certificates of title indicating the Agent's first priority security interest in the Vehicle covered by such certificate, and any other necessary documentation, shall be filed in each office in each jurisdiction which the Agent shall deem advisable to perfect its security interests in the Vehicles.

5.12. Covenants in Credit Agreement. In the case of each Guarantor, such Guarantor shall take, or shall refrain from taking, as the case may be, each action that is necessary to be taken or not taken, as the case may be, so that no Default or Event of Default is caused by the failure to take such action or to refrain from taking such action by such Guarantor or any of its Subsidiaries.

6. REMEDIAL PROVISIONS

6.1. Certain Matters Relating to Receivables. (a) The Agent shall have the right to make test

verifications of the Receivables in any manner and through any medium that it considers advisable, and each Grantor shall furnish all such assistance and information as the Agent may require in connection with such test verifications. At any time and from time to time, upon the Agent's request and at the expense of the relevant Grantor, such Grantor shall cause independent public accountants or others satisfactory to the Agent to furnish to the Agent reports showing reconciliations, aging and test verifications of, and trial balances for, the Receivables.

(b) Except as otherwise provided in this paragraph, each Grantor shall continue to collect, at its own expense, all amounts due or to become due such Grantor under such Grantor's Receivables. In connection with such collections, each Grantor may take (and, at the Agent's direction, shall take) such action as such Grantor or the Agent may reasonably deem necessary or advisable to enforce collection of the Receivables; provided, however, that the Agent shall have the right at any time, upon the occurrence and during the continuance of an Event of Default or Default and upon written notice to such Grantor of its intention to do so, to notify the account debtors or obligors under any Receivables of the Agent's security interest in such Receivables and to direct such account debtors, obligors or parties to make payment of all amounts due or to become due to such Grantor thereunder directly to the Agent, for deposit in a Collateral Account under the sole dominion and control of the Agent. After receipt by a Grantor of the notice from the Agent referred to in the proviso to the preceding sentence, all amounts and Proceeds (including Instruments) received by such Grantor in respect of the Receivables shall be received in trust for the benefit of the Agent hereunder, shall be segregated from other funds of such Grantor and shall be forthwith (and, in any event, within one (1) Business Day) paid over to the Agent in the same form as so received (with any necessary endorsement) and deposited in a Collateral Account under the sole dominion and control of the Agent and either (i) released to the Grantor so long as no Default or Event of Default shall have occurred and be continuing or (ii) if any Event of Default shall have occurred and be continuing, applied as provided by Section 6.5.

(c) At the Agent's request, each Grantor shall deliver to the Agent all original and other documents evidencing, and relating to, the agreements and transactions that gave rise to the Receivables, including, without limitation, all original orders, invoices and shipping receipts.

6.2. Communications with Obligors: Grantors Remain Liable. (a) The Agent in its own name or in the name of others may at any time after the occurrence and during the continuance of an Event of Default communicate with obligors under the Receivables to verify with them to the Agent's satisfaction the existence, amount and terms of any Receivables.

(b) Anything herein to the contrary notwithstanding, each Grantor shall remain liable under each of the Receivables to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise thereto. Neither the Agent nor any other Secured Party shall have any obligation or liability under any Receivable (or any agreement giving rise thereto) by reason of or arising out of this Agreement or the receipt by the Agent or any other Secured Party of any payment relating thereto, nor shall the Agent or any other Secured Party be obligated in any manner to perform any of the obligations of any Grantor under or pursuant to any Receivable (or any agreement giving rise thereto), to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party thereunder, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts that may have been assigned to it or to which it may be entitled at any time or times.

6.3. Pledged Interests. (a) Unless an Event of Default shall have occurred and be continuing and the Agent shall have given notice to the relevant Grantor of the Agent's intent to exercise its

corresponding rights pursuant to Section 6.3(b) each Grantor shall be permitted to receive all cash dividends and distributions paid in respect of the Pledged Interests and all payments made in respect of the Pledged Notes, in each case paid in the normal course of business of the relevant Issuer and consistent with past practice, to the extent permitted in the Credit Agreement, and to exercise all voting and corporate rights with respect to the Investment Property; provided, however, that no vote shall be cast or corporate right exercised or other action taken that, in the Agent's reasonable judgment, would impair the Collateral or that would be inconsistent with or result in any violation of any provision of the Credit Agreement, this Agreement or any other Loan Document.

(b) If an Event of Default shall occur and be continuing and the Agent shall give notice of its intent to exercise such rights to the relevant Grantor or Grantors, (i) the Agent shall have the right to receive any and all cash dividends, payments or other Proceeds paid in respect of the Investment Property and make application thereof to the Obligations in such order as the Agent may determine, and (ii) any or all of the Investment Property pledged hereunder shall be registered in the name of the Agent or its nominee, and the Agent or its nominee may thereafter exercise (x) all voting, corporate and other rights pertaining to such Investment Property at any meeting of shareholders (or other owners of Equity Interests) of the relevant Issuer or Issuers or otherwise and (y) any and all rights of conversion, exchange and subscription and any other rights, privileges or options pertaining to such Investment Property as if it were the absolute owner thereof (including, without limitation, the right to exchange at its discretion any and all of the Investment Property upon the merger, consolidation, reorganization, recapitalization or other fundamental change in the corporate (or organizational) structure of any Issuer, or upon the exercise by any Grantor or the Agent of any right, privilege or option pertaining to such Investment Property, and in connection therewith, the right to deposit and deliver any and all of the Investment Property with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions as the Agent may determine), all without liability except to account for property actually received by it, but the Agent shall have no duty to any Grantor to exercise any such right, privilege or option and shall not be responsible for any failure to do so or delay in so doing.

(c) Each Grantor hereby authorizes and instructs each Issuer of any Investment Property pledged by such Grantor hereunder to (i) comply with any instruction received by it from the Agent in writing that (x) states that an Event of Default has occurred and is continuing and (y) is otherwise in accordance with the terms of this Agreement, without any other or further instructions from such Grantor, and each Grantor agrees that each Issuer shall be fully protected in so complying, and (ii) unless otherwise expressly permitted hereby, pay any dividends, distributions or other payments with respect to the Investment Property directly to the Agent.

6.4. Proceeds to be Turned Over To Agent. In addition to the rights of the Agent specified in Section 6.1 with respect to payments of Receivables, if an Event of Default shall occur and be continuing, all Proceeds received by any Grantor consisting of cash, checks and other near-cash items shall be held by such Grantor in trust for the Agent, segregated from other funds of such Grantor, and shall forthwith upon receipt by such Grantor, be turned over to the Agent in the exact form received by such Grantor (duly indorsed by such Grantor to the Agent, if required). All Proceeds received by the Agent hereunder shall be held by the Agent in a Collateral Account maintained under its sole dominion and control. All Proceeds while held by the Agent in a Collateral Account (or by such Grantor in trust for the Agent) shall continue to be held as collateral security for all the Obligations and shall not constitute payment thereof until applied as provided in Section 6.5.

6.5. Application of Proceeds. At such intervals as may be agreed upon by the Borrower and the Agent, or, if an Event of Default shall have occurred and be continuing, at any time at the Agent's election, the Agent may apply all or any part of Proceeds held in any Collateral Account in payment of

the Obligations in such order as the Agent may elect, and any part of such funds that the Agent elects not so to apply and deems not required as collateral security for the Obligations shall be paid over from time to time by the Agent to the Borrower or to whomsoever may be lawfully entitled to receive the same. Any balance of such Proceeds remaining after the Obligations shall have been paid in full, no Letters of Credit shall be outstanding and the Commitments shall have terminated shall be paid over to the Borrower or to whomsoever may be lawfully entitled to receive the same.

6.6. Code and Other Remedies. If an Event of Default shall occur and be continuing, the Agent, on behalf of the Secured Parties, may exercise, in addition to all other rights and remedies granted to them in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the Uniform Commercial Code or any other applicable law. Without limiting the generality of the foregoing, the Agent, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon any Grantor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, license, assign, give an option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Agent or any other Secured Party or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Agent or any other Secured Party shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in any Grantor, which right or equity is hereby waived and released. Each Grantor further agrees, at the Agent's request, to assemble the Collateral and make it available to the Agent at places that the Agent shall reasonably select, whether at such Grantor's premises or elsewhere. The Agent shall have no obligation to clean-up or otherwise prepare the Collateral for sale. The Agent shall apply the net proceeds of any action taken by it pursuant to this Section 6.6, after deducting all reasonable costs and expenses of every kind incurred in connection therewith or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Agent and the other Secured Parties hereunder, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Obligations, in such order as the Agent may elect, and only after such application and after the payment by the Agent of any other amount required by any provision of law, including, without limitation, the Uniform Commercial Code, need the Agent account for the surplus, if any, to any Grantor. To the extent permitted by applicable law, each Grantor waives all claims, damages and demands it may acquire against the Agent or any other Secured Party arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least ten days before any public sale of Collateral or of the time after which any private sale or other disposition of Collateral is intended to be made. The Agent and its agents shall have the right to enter upon any real property owned or leased by any Grantor to exercise any of its rights and remedies under this Agreement. The Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and any such sale may, without further notice, be made at the time and place to which it was adjourned. For the purpose of enabling the Agent to exercise its rights and remedies hereunder, each Grantor hereby grants to the Agent an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to such Grantor) to use, license or sublicense any of the Intellectual Property now owned or hereafter acquired by such Grantor, wherever the same may be located, including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout thereof. The Agent may comply with any applicable Requirement of Law in connection with a disposition of the Collateral or any part thereof and compliance will not be considered adversely to affect

any sale of the Collateral or any part thereof.

6.7. Registration Rights. (a) If the Agent shall determine to exercise its right to sell any or all of the Pledged Interests pursuant to Section 6.6, and if in the opinion of the Agent it is necessary or advisable to have the Pledged Interests, or that portion thereof to be sold, registered under the provisions of the Securities Act, the relevant Grantor will cause the Issuer thereof to (i) execute and deliver, and cause the directors and officers of such Issuer to execute and deliver, all such instruments and documents, and do or cause to be done all such other acts as may be, in the opinion of the Agent, necessary or advisable to register the Pledged Interests, or that portion thereof to be sold, under the provisions of the Securities Act, (ii) use its best efforts to cause the registration statement relating thereto to become effective and to remain effective for a period of one year from the date of the first public offering of the Pledged Interests, or that portion thereof to be sold, and (iii) make all amendments thereto and/or to the related prospectus that, in the opinion of the Agent, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the Securities and Exchange Commission applicable thereto. Each Grantor agrees to cause such Issuer to comply with the provisions of the securities or "Blue Sky" laws of any and all jurisdictions that the Agent shall designate and to make available to its security holders, as soon as practicable, an earnings statement (which need not be audited) that will satisfy the provisions of Section 11(a) of the Securities Act.

(b) Each Grantor recognizes that the Agent may be unable to effect a public sale of any or all the Pledged Interests, by reason of certain prohibitions contained in the Securities Act and applicable state securities laws or otherwise, and may be compelled to resort to one or more private sales thereof to a restricted group of purchasers that will be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. Each Grantor acknowledges and agrees that any such private sale may result in prices and other terms less favorable than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. The Agent shall be under no obligation to delay a sale of any of the Pledged Interests for the period of time necessary to permit the Issuer thereof to register such securities for public sale under the Securities Act, or under applicable state securities laws, even if such Issuer would agree to do so.

(c) Each Grantor agrees to use its best efforts to do or cause to be done all such other acts as may be necessary to make such sale or sales of all or any portion of the Pledged Interests pursuant to this Section 6.7 valid and binding and in compliance with any and all other applicable requirements of law. Each Grantor further agrees that a breach of any of the covenants contained in this Section 6.7 will cause irreparable injury to the Agent and the other Secured Parties, that the Agent and the other Secured Parties have no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section 6.7 shall be specifically enforceable against such Grantor, and such Grantor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no Event of Default has occurred under the Credit Agreement.

6.8. Sales on Credit. If the Agent sells any of the Collateral upon credit, the relevant Grantor will be credited only with payments actually made by the purchaser, recorded by the Agent and applied to the indebtedness of the purchaser. In the event the purchaser fails to pay for the Collateral, the Agent may resell the Collateral and the relevant Grantor shall be credited with the proceeds of sale.

6.9. Warranties. The Agent may sell the Collateral without giving any warranties as to the Collateral and may disclaim any warranties in connection with any sale.

7. THE AGENT.

7.1. Agent's Appointment as Attorney-in-Fact, Etc. (a) Each Grantor hereby irrevocably constitutes and appoints the Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, for the purpose of carrying out the terms of this Agreement. to take any and all appropriate action and to execute any and all documents and instruments that may be necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, each Grantor hereby gives the Agent the power and right, on behalf of such Grantor, without notice to or assent by such Grantor, to do any or all of the following:

(i) in the name of such Grantor or its own name, or otherwise, take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Receivable or with respect to any other Collateral and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Agent for the purpose of collecting any and all such moneys due under any Receivable or Assigned Agreement or with respect to any other Collateral whenever payable;

(ii) in the case of any Intellectual Property, execute and deliver, and have recorded, any and all agreements, instruments, documents and papers as the Agent may request to evidence the Agent's security interest in such Intellectual Property and the goodwill and general intangibles of such Grantor relating thereto or represented thereby;

(iii) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repairs or any insurance called for by the terms of this Agreement and pay all or any part of the premiums therefor and the costs thereof;

(iv) execute, in connection with any sale provided for in Section 6.6 or 6.7 any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(v) (A) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Agent or as the Agent shall direct; (B) ask or demand for, collect, and receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (C) sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (D) commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral; (E) defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; (F) settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as the Agent may deem appropriate; (G) assign any Intellectual Property (along with the goodwill of the business to which any such Intellectual Property pertains), throughout the world for such term or terms, on such conditions, and in such manner, as the Agent shall in its sole discretion determine: (1) exercise any and all rights, powers, privileges and remedies of such Grantor under the Assigned Agreements (including, all rights of performance, termination, and enforcement); (2) operate, maintain, and repair the Collateral; and (3) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Agent were the absolute owner thereof for all purposes, and do, at the Agent's option and such Grantor's expense, at any time, or from time to time, all acts and things that the Agent deems necessary to protect, preserve or realize

upon the Collateral and the Agent's security interests therein and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

Anything in this Section 7.1(a) to the contrary notwithstanding, the Agent agrees that it will not exercise any rights under the power of attorney provided for in this Section 7.1(a) unless an Event of Default shall have occurred and be continuing.

(b) If any Grantor fails to perform or comply with any of its agreements contained herein, the Agent, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement.

(c) The expenses of the Agent incurred in connection with actions undertaken as provided in this Section 7.1, together with interest thereon at a rate per annum equal to the highest rate per annum at which interest would then be payable on any category of past due Base Rate Revolving Loans under the Credit Agreement, from the date of payment by the Agent to the date reimbursed by the relevant Grantor, shall be payable by such Grantor to the Agent on demand.

(d) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof all powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the security interests created hereby are released.

7.2. Duty of Agent. The Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the Uniform Commercial Code or otherwise, shall be to deal with it in the same manner as the Agent deals with similar property for its own account. Neither the Agent, any other Secured Party nor any of their respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on the Agent pursuant to this Agreement are solely to protect the Agent's interests in the Collateral and shall not impose any duty upon the Agent to exercise any such powers. The Agent shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither the Agent nor, any of its officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for its or their own gross negligence or willful misconduct.

7.3. Execution of Financing Statements. Each Grantor authorizes the Agent at any time and from time to time to file (electronically or otherwise) or record financing statements and amendments thereto and other filing or recording documents or instruments with respect to the Collateral without the signature of such Grantor in such form and in such offices as the Agent determines appropriate to perfect the security interests of the Agent under this Agreement. Any such financing statements, amendments, and other documents and instruments may describe the Collateral as all present and future assets of each Grantor. A photographic or other reproduction of this Agreement shall be sufficient as a financing statement or other filing or recording document or instrument for filing or recording in any jurisdiction.

7.4. Authority of Agent. Each Grantor acknowledges that the rights and responsibilities of the Agent under this Agreement with respect to any action taken by the Agent or the exercise or non-exercise by the Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Agreement shall, as between the Agent and the other Secured Parties, be governed by the Credit Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Agent and the Grantors, the Agent shall be conclusively

presumed to be acting as agent for the Secured Parties with full and valid authority so to act or refrain from acting, and no Grantor shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

8. MISCELLANEOUS.

8.1. Amendments in Writing. None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except in accordance with Article VIII of the Credit Agreement.

8.2. Notices. All notices, requests and demands to or upon the Agent or any Grantor hereunder shall be effected in the manner provided for in Article XIII of the Credit Agreement; provided that, any such notice, request or demand to or upon arty Guarantor shall be addressed to such Guarantor at its notice address set forth in Schedule "1".

8.3. No Waiver by Course of Conduct: Cumulative Remedies. Neither the Agent nor any other Secured Party shall by any act (except by a written instrument pursuant to Section 8.1), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. No failure to exercise, nor any delay in exercising, on the part of the Agent or any other Secured Party any right, power or privilege hereunder shall operate as a waiver thereof no single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Agent or any other Secured Party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy that the Agent or such other Secured Party would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently, and are not exclusive to any other rights or remedies provided by law.

8.4. Enforcement Expenses Indemnification. (a) Each Grantor shall upon demand pay to the Agent the amount of any and all costs and expenses, including the reasonable fees and expenses of counsel and of any experts, advisors, and agents, which the Secured Parties may incur in connection with (i) the administration of this Agreement, (ii) the collection of the Obligations, (iii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any of the Collateral, (iv) the exercise or enforcement of any of the rights or remedies of the Agent or the other Secured Parties hereunder or (v) the failure by any Grantor to perform or observe any of the provisions of this Agreement.

(b) Each Guarantor agrees to pay, and to hold each of the Secured Parties harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes that may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Agreement.

(c) Each Guarantor agrees to pay, and to hold each of the Secured Parties harmless from, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement to the extent the Borrower would be required to do so pursuant to Section 9.6 of the Credit Agreement.

(d) The agreements in this Section 8.4 shall survive repayment of the Obligations and all other amounts payable under the Credit Agreement and the other Loan Documents.

8.5. Assignment. This Agreement shall be binding upon the successors and assigns of each

Grantor and shall inure to the benefit of the Agent and the other Secured Parties and their successors and assigns; provided that, no Grantor may assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the Agent.

8.6. Set-Off. Each Grantor hereby irrevocably authorizes each Secured Party at any time and from time to time while an Event of Default shall have occurred and be continuing, without notice to such Grantor or any other Grantor, any such notice being expressly waived by each Grantor, to set-off and appropriate and apply any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Secured Party to or for the credit or the account of such Grantor, or any part thereof in such amounts as such Secured Party may elect, against and on account of the obligations and liabilities of such Grantor to such Secured Party hereunder and claims of every nature and description of such Secured Party against such Grantor, in any currency, whether arising hereunder, under the Credit Agreement any other Loan Document or otherwise, as such Secured Party may elect, whether or not such Secured Party has made any demand for payment and although such obligations, liabilities and claims may be contingent or unmatured. The relevant Secured Party shall notify such Grantor promptly of any such set-off and the application made by such Secured Party of the proceeds thereof; provided that, the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Secured Parties under this Section 8.6 are in addition to other rights and remedies (including, without limitation, other rights of set-off) that any Secured Parts may have.

8.7. Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

8.8. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

8.9. Section Headings. The Section headings used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof

8.10. **GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF OKLAHOMA.**

8.11. Submission To Jurisdiction; Waivers. Each Grantor hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the Courts of the State of Oklahoma, the courts of the United States of America for the Northern District of Oklahoma, and appellate courts from any thereof,

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such

court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Grantor at its address referred to in Section 8.2 or at such other address of which the Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section or otherwise relating to this Agreement any special, exemplary, punitive or consequential damages.

8.12. Acknowledgements. Each Grantor hereby acknowledges and agrees that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents to which it is a party, and this Agreement shall be construed as jointly drafted by the parties hereto;

(b) no Secured Party has any fiduciary relationship with or duty to any Grantor arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Grantors on the one hand, and the Secured Parties, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Secured Parties or among the Grantors and the Secured Parties.

8.13. Additional Grantors. Each Subsidiary of the Borrower that is required to become a party to this Agreement pursuant to Section 6.25 of the Credit Agreement shall become a Grantor for all purposes of this Agreement upon execution and delivery by such Subsidiary of an Assumption Agreement in the form satisfactory to Agent, or a separate Guaranty and Collateral Agreement.

8.14. Releases. (a) At such time as the Loans and the other Obligations shall have been paid in full, the Commitments have been terminated and no Letters of Credit shall be outstanding, the Collateral shall be released from the Liens created hereby, and this Agreement and all obligations (other than those expressly stated to survive such termination) of the Agent and each Grantor hereunder shall terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the Grantors. At the request and sole expense of any Grantor following any such termination, the Agent shall deliver to such Grantor any Collateral held by the Agent hereunder, and execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such termination.

(b) If any of the Collateral shall be sold, transferred or otherwise disposed of by any Grantor in a transaction permitted by the Credit Agreement, then the Agent, at the request and sole expense of such Grantor, shall execute and deliver to such Grantor all releases or other documents reasonably necessary or desirable for the release of the Liens created hereby on such Collateral.

8.15. **WAIVER OF JURY TRIAL. EACH GRANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.**

8.16. Obligations Absolute. All rights of the Secured Parties and the guaranties, pledges, assignments and security interests hereunder, and all obligations of each Grantor hereunder, shall be absolute and unconditional, irrespective of:

(a) any lack of validity or enforceability of the Credit Agreement, any other Loan Document or any other agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Credit Agreement or any of the other Loan Documents, including, without limitation, any increase in the Obligations resulting from the extension of additional credit to the Borrower or any of its Subsidiaries or otherwise;

(c) party taking, exchange, release or non-perfection of any collateral, or any taking, release or amendment or waiver of or consent to departure from any guaranty, for all or any of the Obligations;

(d) any manner of application of collateral, or proceeds thereof, to all or any of the Obligations, or any manner of sale or other disposition of any collateral for all or any of the Obligations or any other assets of the Borrower or any of its Subsidiaries;

(e) any change, restructuring or termination of the corporate structure or existence of the Borrower or any of its Subsidiaries; or

(f) any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower or a third party guarantor or grantor of a security interest.

8.17. Waiver and Estoppel. (a) Each Grantor irrevocably agrees, to the extent it may lawfully do so, that it will not at any time or in any manner whatsoever claim or take the benefit or advantage of any appraisal, valuation, stay, extension, moratorium, turnover or redemption law, or any law permitting it to direct the order in which the Collateral (or any other security) shall be sold, now or at any time hereafter in force, which may delay, prevent or otherwise affect the performance or enforcement of this Agreement or any other Loan Document, and hereby waives all benefit or advantage of all such laws. Each Grantor irrevocably covenants that it will not hinder, delay or impede the execution of any power of sale granted to the Agent in this Agreement or any other Loan Document, but will suffer and permit the execution of every such power as though no such law were in force.

(b) Each Grantor, to the extent it may lawfully do so, on behalf of itself and all who may claim through or under it, including without limitation any and all subsequent creditors, irrevocably waives and releases all rights to demand or to have any marshalling of any of the Collateral (or any other security) upon any sale, whether made pursuant to any rights granted herein or pursuant to judicial proceedings or upon any foreclosure or any enforcement of this Agreement or any other Loan Document and irrevocably consents and agrees that all the Collateral (and any other security) may at any such sale be offered and sold as an entirety.

(c) Each Grantor waives, to the extent permitted by applicable law, presentment, demand,

protest, notice of acceleration, notice of interest to accelerate, and any other notice of any kind (except notices explicitly required hereunder or under the other Loan Documents) in connection with this Agreement or any other Loan Document and any action taken by the Agent with respect to the Collateral.

8.18. Multiple Real and Personal Property Collateral. (a) Each Grantor hereby agrees that, if an Event of Default shall have occurred and be continuing. the Secured Parties shall be allowed, to the greatest extent permitted by applicable law, to pursue and realize upon all of the rights and remedies available to them under any of the Loan Documents, at law, in equity, or otherwise, and simultaneously or consecutively, in their discretion, including without limitation, commencement of one or more actions in one or more jurisdictions for (i) repayment of all or portions of the Obligations, (ii) the separate or simultaneous sale or foreclosure of real and/or personal property or portions thereof, (iii) the obtaining of judgments and/or deficiency judgments, (iv) the seeking of injunctive relief, and (v) maximum access to and realization from the Loan Parties and collateral or portions thereof in such manner as the Secured Parties may deem in their interest. The Grantors hereby waive any requirement that any deficiency judgment proceeding be initiated or completed with respect to any other property constituting collateral as a condition to commencing any enforcement proceeding against any party or any particular item of collateral. The Grantors hereby expressly acknowledge and agree that various consents, waivers and agreements set forth in the Loan Documents, including deeds of trust and mortgages, were granted in recognition of the foregoing, and that all such waivers, consents and agreements shall apply to each other Loan Document as though set forth therein. In addition to any other consents, waivers and agreements set forth in any of the Loan Documents, and without limiting the foregoing, each Grantor hereby waives the benefits of any 'one-action rule" or "anti-deficiency' law of any state which may be applicable to it or to any of the Collateral.

8.19 **INTEGRATION. THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT OF THE GRANTORS AND THE AGENT WITH RESPECT TO THE SUBJECT MATTER HEREOF, AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO PROMISES, UNDERTAKINGS, REPRESENTATIONS OR WARRANTIES BY THE AGENT RELATIVE TO SUBJECT MATTER HEREOF NOT EXPRESSLY SET FORTH OR REFERRED TO HEREIN. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.**

IN WITNESS WHEREOF, each of the undersigned has caused this Guaranty and Collateral Agreement to be duly executed and delivered as of the date first above written.

ALABAMA SOUTHERN RAILROAD, INC.
a Kansas corporation.

By _____
Name Rick D. Baden
Title Chief Financial Officer

ARKANSAS SOUTHERN RAILROAD, INC.,
a Kansas corporation.

By _____
Name Rick D. Baden
Title Chief Financial Officer

LOUISIANA SOUTHERN RAILROAD, INC.,
a Kansas corporation. _____

By _____
Name Rick D. Baden
Title Chief Financial Officer

YELLOWSTONE VALLEY RAILROAD, INC.,
an Idaho corporation _____

By _____
Name Rick D. Baden
Title Chief Financial Officer

VICKSBURG SOUTHERN RAILROAD, INC.,
a Kansas corporation. _____

By _____
Name Rick D. Baden
Title Chief Financial Officer

STATE OF OKLAHOMA)
) ss:
COUNTY OF TULSA)

This instrument was acknowledged before me on December 23, 2005, by Rick D. Baden, as Chief Financial Officer of each of Alabama Southern Railroad, Inc., a Kansas corporation, Arkansas Southern Railroad, Inc., a Kansas corporation, Louisiana Southern Railroad, Inc., a Kansas corporation, Yellowstone Valley Railroad, Inc., an Idaho corporation, and Vicksburg Southern Railroad, Inc., a Kansas corporation.

(Seal)

Notary Public Oklahoma
OFFICIAL SEAL
WENDY D. WALLS
Tulsa County 02005264
Commission Expires 3/25/2006

Wendy D. Walls
Notary Public
My Commission Expires: 3/25/2006
Commission : 02005264

Schedule "1"

NOTICE ADDRESSES OF GUARANTORS

1. Alabama Southern Railroad, Inc.
   Attn: Rick Baden
   315 West 3rd Street
   Pittsburg, KS 66762
   Telephone: (620) 231-2230
   Fax: (620) 231-2568

   With copy to:
   Alabama Southern Railroad, Inc.
   Attn: Craig Richey, Esq.
   315 West 3rd Street
   Pittsburg, KS 66762
   Telephone: (620) 231-2230
   Fax: (620) 231-2568

2. Arkansas Southern Railroad, Inc.
   Attn: Rick Baden
   315 West 3rd Street
   Pittsburg, KS 66762
   Telephone: (620) 231-2230
   Fax: (620) 231-2568

   With copy to:
   Arkansas Southern Railroad, Inc.
   Attn: Craig Richey, Esq.
   315 West 3rd Street
   Pittsburg, KS 66762
   Telephone: (620) 231-2230
   Fax: (620) 231-2568

3. Vicksburg Southern Railroad, Inc.
   Attn: Rick Baden
   315 West 3rd Street
   Pittsburg, KS 66762
   Telephone: (620) 231-2230
   Fax: (620) 231-2568

   With copy to:
   Vicksburg Southern Railroad, Inc.
   Attn: Craig Richey, Esq.
   315 West 3rd Street
   Pittsburg, KS 66762
   Telephone: (620) 231-2230
   Fax: (620) 231-2568

4. Louisiana Southern Railroad, Inc.
Attn: Rick Baden
315 West 3rd Street
Pittsburg, KS 66762
Telephone: (620) 231-2230
Fax: (620) 231-2568

With copy to:
Louisiana Southern Railroad, Inc.
Attn: Craig Richey, Esq.
315 West 3rd Street
Pittsburg, KS 66762
Telephone: (620) 231-2230
Fax: (620) 231-2568

5. Yellowstone Valley Railroad, Inc.
Attn: Rick Baden
315 West 3rd Street
Pittsburg, KS 66762
Telephone: (620) 231-2230
Fax: (620) 231-2568

With copy to:
Yellowstone Valley Railroad, Inc.
Attn: Craig Richey, Esq.
315 West 3rd Street
Pittsburg, KS 66762
Telephone: (620) 231-2230
Fax: (620) 231-2568

Schedule "2"

PLEDGED INTERESTS AND PLEDGED NOTES

See attached.

LIST OF SUBSIDIARIES

b) Watco Transportation Services, Inc. (Continued)

1. Alabama Southern Railroad, Inc	Common Stock		1	100%	10,000
2. Arkansas Southern Railroad, Inc.	Common Stock	1		100%	10,000
3. Vicksburg Southern Railroad, Inc.	Common Stock		1	100%	10,000
4. Louisiana Southern Railroad, Inc.	Common Stock		1	100%	10,000
5. Yellowstone Valley Railroad, Inc.	Common Stock		1	100%	10,000

Schedule "3"

PERFECTION OF MATTERS

Schedule "4"

GRANTOR INFORMATION

LEGAL NAME, LOCATION OF JURISDICTION OF ORGANIZATION, TAXPAYER IDENTIFICATION NUMBER AND CHIEF EXECUTIVE OFFICE

Legal Name of Borrower and each Guarantor	**Jurisdiction of Organization**	**Location of Chief Executive Office**	**Taxpayer Identification Number**
1. Alabama Southern Railroad, Inc.	Kansas	315 West 3rd Street, Pittsburg, KS 66762	20-3283539
2. Arkansas Southern Railroad, Inc.	Kansas	315 West 3rd Street, Pittsburg, KS 66762	20-3283134
3. Vicksburg Southern Railroad, Inc.	Kansas	315 West 3rd Street, Pittsburg, KS 66762	20-3367535
4. Louisiana Southern Railroad, Inc.	Kansas	315 West 3rd Street, Pittsburg, KS 66762	20-3286143
5. Yellowstone Valley Railroad, Inc.	Idaho	315 West 3rd Street, Pittsburg, KS 66762	20-3219208

Schedule "5"

INVENTORY AND EQUIPMENT

Grantor	Location
Alabama Southern Railroad	
N/A	
Arkansas Southern Railroad	
N/A	
Louisiana Southern Railroad	
N/A	
Vicksburg Southern Railroad	
N/A	
Yellowstone Valley Railroad	
N/A	

Schedule "6"

INTELLECTUAL PROPERTY

Alabama Southern Railroad

Copyrights and Copyright Licenses: N/A
Patents and Patent Licenses: N/A
Trademarks and Trademark Licenses: N/A

Arkansas Southern Railroad

Copyrights and Copyright Licenses: N/A
Patents and Patent Licenses: N/A
Trademarks and Trademark Licenses: N/A

Louisiana Southern Railroad

Copyrights and Copyright Licenses: N/A
Patents and Patent Licenses: N/A
Trademarks and Trademark Licenses: N/A

Vicksburg Southern Railroad

Copyrights and Copyright Licenses: N/A
Patents and Patent Licenses: N/A
Trademarks and Trademark Licenses: N/A

Yellowstone Valley Railroad

Copyrights and Copyright Licenses: N/A
Patents and Patent Licenses: N/A
Trademarks and Trademark Licenses: N/A

Schedule "7"

VEHICLES

Alabama Southern Railroad

2004 Dodge Dakota #0623
2002 Dodge Dakota #8950
2004 Dodge Dakota #2438
2006 Chevrolet #4930
1992 Ford F800 #1420

Arkansas Southern Railroad

2004 Dodge Dakota #3715
2005 Ford F-550 #2065

Louisiana Southern Railroad

2005 Dodge Dakota #4497
2005 Dodge Dakota #3996
1992 Ford L8000 #8576
1992 Ford LTS8000 #6562
2005 Chevrolet #1269

Vicksburg Southern Railroad

2004 Dodge Dakota #5174

Yellowstone Valley Railroad

1985 Chevrolet #8449
2005 Dodge Dakota #6770
2005 Dodge Dakota #5154
2006 Dodge 4x4 #7395

Schedule "8"

ROLLING STOCK

Alabama Southern Railroad

GP35M	WAMX 3853
GP35M	WAMX 3855
GP35M	WAMX 3852
GP35M	WAMX 3857
SD40-2	WAMX 4115
SD40-2	WAMX 4116
SD40-2	WAMX 4117
SD40-2	WAMX 4118
SD40-2	WAMX 4119
SD40-2	WAMX 4120
SD40-2	WAMX 4121

Arkansas Southern Railroad

GP35M	WAMX 3839
GP35M	WAMX 3841
GP35M	WAMX 3842
GP35M	WAMX 3844

Louisiana Southern Railroad

GP35M	WAMX 3851
GP35M	WAMX 3856
GP35M	WAMX 3845
GP35M	WAMX 3847
GP35M	WAMX 3848
GP35M	WAMX 3849
GP50	WAMX 5002
GP50	WAMX 5005
GP50	WAMX 5008
GP50	WAMX 5009
GP50	WAMX 5010
GP50	WAMX 5013
GP50	WAMX 5013

Vicksburg Southern Railroad

GP35M	WAMX 3846
GP35M	WAMX 3850

Yellowstone Valley Railroad

GP38DC-3	WAMX 3835
GP38DC-3	WAMX 3836
GP38DC-3	WAMX 3837
GP38DC-3	WAMX 3838