

APR 22 2016 -12:35 PM

SURFACE TRANSPORTATION BOARD

April 20, 2016



BARBER & BARTZ

ATTORNEYS AT LAW
a Professional Corporation

- RON B. BARBER
ROBERT J. BARTZ
CURTIS J. SHACKLETT
JOE M. FEARS
ROBERT L. BEARER
RICHARD D. WHITE, JR.
KENNETH E. CRUMP, JR.
W. TODD HOLMAN
STEFAN A. MECKE
NANCY HANANIA JONES
KURTIS R. EATON
KELSEY T. PIERCE
WILLIAM CANDLER SEARCY
KARA PRATT
TAYLOR A. BURKE
PETER WOODSON
CODY A. REESE
ADRIENNE CASH
GARY L. MADDUX of counsel

PARK CENTRE
525 S. MAIN STREET
SUITE 800
TULSA, OK
74103-4511

TELEPHONE
918 599-7755

FAX
918 599-7756

www.barberbartz.com

Via Federal Express

Chief
Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423-0001

Dear Section Chief:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. §11301(a) and the Board's regulations at 49 C.F.R. Part 1177 are two originals of a Security Agreement dated April 12, 2016, a primary document as defined in the Board's Rules for the Recordation of Documents. Several non-original copies are also enclosed.

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

Lender/Secured Party: BancFirst
1939 North Harrison
P. O. Box 1608
Shawnee, Oklahoma 74802-1608

Borrower: Arkansas-Oklahoma Railroad, Inc.
103 South Central Street
P. O. Box 366
Wilburton, Oklahoma 74578

A description of the equipment covered by the enclosed document is all rolling stock now owned and hereafter acquired by Borrower, including the equipment owned by Borrower as of the date of the enclosed document as described as follows:

- 4093 Locomotive GE-Super 723B, Serial No. 38397
4098 Locomotive GE-Super 723B, Serial No. 38407
567 Locomotive GE-B40-8, Serial No. 46913
578 Locomotive GE-B40-8, Serial No. 46924
581 Locomotive GE-B40-8, Serial No. 46927
Locomotive 2013 2443-GP30, Serial No. 28066
Locomotive 2013 2442-GP30, Serial No. 28065
Locomotive 2013 2411-GP30, Serial No. 7622-12
Locomotive 2013 2402-GP30, Serial No. 27189

Chief
Section of Administration
Surface Transportation Board
April 20, 2016
Page Two

#2010 Switch Locomotive, Serial No. 8151821
536SW2 Switch Locomotive, Serial No. Illegible
Locomotive Impro., Serial No. Illegible
4059 Locomotive
4061 Locomotive
4062 Locomotive
4064 Locomotive
4012 Locomotive
1050 Jeep Locomotive
John Deere Wheel Loader, Serial No. T0310SJ152293
2008 Wheel Loader Backhoe, Serial No. T0310SJ152267
Cat Backhoe Loader 420-E, Serial No. KMW02675
2002 Kobelco Trackhoe SK290LC, Serial No. LB03V0241
1995 Cat Dozer D6H, Serial No. 6CK0398
Cat D3 Dozer, Serial No. 07XL00124
2006 Cat Excavator 330 CL, Serial No. OGKX 00300
2011 Compact Excavator.

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

“Security Agreement dated April 12, 2016 between the Arkansas-Oklahoma Railroad, Inc. of P.O. Box 366, Wilburton, OK 74578 (“Borrower”) and BancFirst of P.O. Box 1608, Shawnee OK 74802-1608 (“Lender”), covering all of Borrower’s rolling stock now owned or hereafter acquired.”

Also enclosed is a check in the amount of \$43.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Please time and date stamp the enclosed documents as proof of filing and recordation of the enclosed document and return to the undersigned the original and any extra copies not needed by the Board for recordation. If there are any questions or further information needed, please do not hesitate to contact the undersigned at the above number or address.

Very truly yours,

Joe M. Fears
Attorney for BancFirst

Enclosures

APR 22 2016 -12 :55 PM

SECURITY AGREEMENT

SURFACE TRANSPORTATION BOARD

THIS SECURITY AGREEMENT (this “**Agreement**”) is dated this 12th day of April, 2016, by and between **ARKANSAS-OKLAHOMA RAILROAD, INC.**, an Oklahoma corporation¹ (“**Debtor**”), and **BANCFIRST**, an Oklahoma banking corporation (“**Secured Party**”).

I. RECITALS

1.1 Rail Line. By purchase from the State of Oklahoma Debtor is the owner in fee simple of certain tracts or parcels of land (collectively, the “**Railroad Land**”) situated in Pittsburg, Latimer and LeFlore Counties, Oklahoma, and operator on said lands of a railway line running between McAlester in Pittsburg County, Oklahoma, and Howe in LeFlore County, Oklahoma, as more particularly depicted or described in Schedule 1.1 hereto attached (the “**Rail Line**”).

1.2 Loan. Debtor has obtained from Secured Party a loan in the principal amount of \$3,000,000 (the “**Loan**”).

1.3 Note. Debtor has concurrently herewith made and delivered to Secured Party its Promissory Note dated of even date herewith (the “**Note**”), payable to Secured Party in the principal sum of \$3,000,000, bearing interest at the rate (initially 4.75% *per annum*), and payable on the terms (including but not limited to a twenty-year amortization in full), more particularly set forth therein.

1.4 Security Interest and Guaranty. In order to induce Secured Party to accept the Note and to make the Loan evidenced thereby, (a) Debtor has executed and delivered this Agreement and hereby grants to the Secured Party the security interest set forth herein and (b) David and Patricia Donoley (each, a “**Guarantor**”) have executed and delivered to Secured Party their joint and several Guaranty Agreement dated of even date herewith (the “**Guaranty**”).

II. SECURITY

2.1 Grant. NOW, THEREFORE, in consideration of the premises and of the covenants hereinafter set forth, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Debtor hereby grants to Secured Party a continuing security interest in the following items or types of property of Debtor, whether now owned or hereafter acquired or arising, and howsoever acquired (hereinafter called the “**Collateral**”):

(a) All of Debtor’s machinery, apparatus, computers, printers, photocopiers, furniture, fixtures, equipment, locomotives, engines of every type and character, passenger cars, box cars, cattle cars, hoppers, gondolas, tank cars, flatbeds, cabooses, and other rolling stock and vehicles capable of being operated on

¹ Debtor is sometimes referred to as i) Arkansas Oklahoma Railroad; ii) A-OK Railroad; iii) Arkansas-Oklahoma Railroad Co; iv) Arkansas Oklahoma Railroad Company; v) Arkansas-Oklahoma Railroad; vi) Ark-Okla Railroad; vii) A-OK Railroad Police and viii) Arkansas Okla Railroad Corp.

railroad track or on rights-of-way for purposes of the maintenance or repair thereof, including but not limited to (i) the items more particularly identified or described in Schedule 2.1(a) hereto attached (“**Railway Equipment**”), and (ii) all fencing, lumber, railroad ties, track, roadbed, bridges, trestles, rails, bars, plates, anchors, frogs, points, switches and switch stands, wheel stops, derails, bumping posts, including but not limited to such as shall be located on or at any time used or intended for use in connection with or for the benefit of the Railroad Land or the Rail Line, and all other goods used or acquired for use in Debtor’s business, together with all additions, accessions, accessories, parts and equipment now or hereafter affixed thereto or used in connection with any of the foregoing (collectively, the “**FF&E**”);

(b) All goods owned or held by Debtor which constitute raw materials, parts, tools or materials used or consumed in Debtor’s business, including but limited to diesel fuel, towels, linens, paper products, railroad ties and ballast, including but not limited to such as shall be located on or at any time used or intended for use in connection with or for the benefit of the Railroad Land or the Rail Line (“**Inventory**”);

(c) All writings owned or held by Debtor, which evidence a right to payment of money and is of a type that is in the ordinary course of business transferred by delivery with any necessary endorsement or assignment (“**Instruments**”);

(d) All writings owned or held by Debtor, which evidence both a monetary obligation by the maker thereof to the Debtor and a security interest in or a lease of specific goods owned or leased by such maker (“**Chattel Paper**”);

(e) All of Debtor’s rights to payment for goods sold or leased or for services rendered, whether or not earned by performance which are not evidenced by an Instrument or Chattel Paper (“**Accounts**”);

(f) All bills of lading, dock warrants, dock receipts, warehouse receipts and orders for the delivery of goods, and all other documents which in the regular course of business of financing is treated as adequately evidencing that the person in possession of it is entitled to receive, hold and dispose of the document and the goods it covers (“**Documents**”);

(g) All personal property of the Debtor which is not otherwise classified as FF&E, Inventory, other goods, Accounts, Instruments, Chattel Paper, Documents or money (hereinafter referred to, collectively, as “**General Intangibles**”), including but not limited to (i) all tax credits, rebates, and refunds now or or at any time hereafter due to or receivable by Debtor from the United States of America in connection with railroad tax maintenance credits (“**RTMCs**”) receivable for qualified railroad track maintenance expenditures (“**QRTMEs**”), and (ii) all of Debtor’s right, title and interest in, to or arising under certain, and amounts receivable by virtue of, any Track Agreements or Agreements to Assign Track Miles for Purposes of the Credit under Section 45G of the Internal Revenue Code, or any

similar agreements (collectively, "**RTMC Agreements**"), whether now existing or hereafter entered into or arising by and between Debtor and any "eligible taxpayer or taxpayers", as defined in Section 45G of the United States Internal Revenue Code, as the same may be from time to time amended, providing for the sale by Debtor of a specified number of miles of its railroad track to the said eligible taxpayer(s) together with the right for them to claim certain associated federal income tax credits for QRTMEs incurred by Debtor during a specified fiscal period;

(h) All money, proceeds and collections arising from or by virtue of any exchange, collection, sale, lease, assignment, transfer or other disposition of any part of the property described in Paragraphs (a) through (g) above, and whatever else is received upon any exchange, collection, sale, lease, assignment, transfer or other disposition of any such property including, but not limited to, all insurance payable by reason of loss or damage to any thereof, and any and all replacements and substitutions therefor ("**Proceeds**");

(i) All money, bank deposits, cash on hand, and other property of Debtor of every type and character; and

(j) All books, records and data relating to any of the property described in Paragraphs (a) through (i) above, in whatever form maintained, together with all of the Debtor's right, title and interest in and to all computer software required to utilize, create, maintain and process any such books, record or data on electronic media.

2.2 Secured Indebtedness. This security interest is given collaterally to secure and enforce the performance of the covenants and agreements herein set forth and the prompt, full and complete payment when due of all indebtedness, obligations and liabilities of every kind of Debtor to Secured Party, whether now existing or hereafter arising, direct or indirect, absolute or contingent, due or to become due, and howsoever created, evidenced or arising (the "**Indebtedness**"), including but not limited to:

(a) All sums payable to Secured Party under the terms of the Note (hereinafter referred to, together with any and all renewals, extensions, replacements, substitutions and changes in form thereof as may hereafter at any time and from time to time be granted in the sole discretion of the Secured Party, as the "**Note**");

(b) All covenants, obligations and other indebtedness of the Debtor arising pursuant to the provisions of this Agreement;

(c) All costs and expenses paid or incurred by the Secured Party in curing any default of Debtor in the due observance of, compliance with and performance of the terms, provisions, covenants and undertakings of the Debtor set forth in this Agreement, together with interest thereon at the rate of of interest prevailing pursuant to the Note after maturity or default (the "**Default Rate**"); and

(d) All costs and expenses paid or incurred by the Secured Party in enforcing or attempting to enforce, foreclose or realize upon or with respect to the

security interest created by this Agreement including, but not limited to, reasonable attorneys' fees and court costs, and expenses of preserving and selling any of the Collateral, together with interest thereon at the Default Rate.

III. REPRESENTATIONS AND WARRANTIES

Debtor represents and warrants to each of the Secured Party that:

3.1 Ownership and Priority. Debtor is the owner of the Collateral, free and clear of all liens, encumbrances and security interests except the security interest hereby granted to the Secured Party.

3.2 Filings. Other than financing statements on file with the Oklahoma County Clerk and statutory notifications with the Surface Transportation Board in favor of Secured Party, no active financing statements are on file covering any Collateral.

3.3 Certificates of Title. Debtor is the owner of any and all certificates of title covering any of the Collateral, free from all liens, encumbrances and security interests other than that conveyed herein.

3.4 Location. Unless particular items of Collateral are of a type normally used in more than one jurisdiction or are of a type covered by a certificate of title ("**Title Certificate**"), the Collateral is located only in the State of Oklahoma.

3.5 Place of Business. The Debtor's sole place of business, or chief executive office if it has more than one such place of business, is located at the address appearing below the Debtor's signature at the end of this Agreement.

3.6 Scope. The representations and warranties contained in this Section III shall be applicable to all Collateral, whether now existing or hereafter owned, and to all schedules or lists thereof or other information furnished to the Secured Party.

IV. DEBTOR'S COVENANTS

4.1 Preservation of Collateral. Debtor shall maintain the FF&E and all Inventory and other goods in good condition and repair but without permitting any lien to affix to any of the FF&E, Inventory or other Collateral as a result, and shall permit Secured Party to inspect the FF&E, Inventory and other Collateral at any time. Debtor shall pay and discharge all taxes, levies and other impositions levied thereon as well as the cost of repairs to or maintenance of the same and shall not permit anything to be done that may impair the value of any of the Collateral. If Debtor fails to pay such sums, Secured Party may do so for Debtor's account, adding the amount thereof to the Indebtedness.

4.2 Notification; Payment Instructions. Debtor shall promptly notify Secured Party in writing of Debtor's intent to enter into any RTMC Agreement when any Indebtedness shall be unpaid and outstanding, shall promptly provide Secured Party with a fully executed copy of each such RTMC Agreement, and shall instruct the other party to each such RTMC Agreement, in writing, to pay direct to Secured Party for the account of Debtor and application on the Note of any

and all payments made by such other party to Debtor under each such RTMC Agreement. Debtor shall promptly provide Secured Party with a copy of each such payment notification.

4.3 Insurance. Debtor shall insure the Collateral, including but not limited to the FF&E and Inventory, against such casualties and liabilities, in such amounts, and with such companies as Secured Party may find acceptable. All insurance policies shall be written for the benefit of Debtor and Secured Party as their interests may appear, and copies of such policies and certificates evidencing the same shall be furnished to Secured Party. If Debtor fails to pay the premiums on any such insurance, Secured Party may do so for Debtor's account, adding the amount thereof to the Indebtedness; however, Secured Party shall not be under any obligation or have any duty to pay any such premium. Debtor shall assign to Secured Party its right to any returned or unearned premiums which may be due upon cancellation of any such policies for any reason whatsoever and shall direct the insurers to pay to Secured Party any amount so due. Secured Party is hereby authorized, as attorney-in-fact for Debtor, in the name of the Debtor or otherwise, to make, adjust, settle or cancel any insurance on the Collateral. Secured Party is hereby appointed Debtor's attorney-in-fact after the occurrence of an Event of Default to endorse any draft or check which may be payable to Debtor in order to collect returned or unearned premiums or the proceeds of such in insurance; and any balance of insurance proceeds remaining after payment in full of all amounts secured hereunder shall be paid to Debtor.

4.4 Filing Costs. Debtor shall pay all costs of filing any financing, continuation or termination statements or other public notice or notification, including but not limited to such as Secured Party may file with the United States Surface Transportation Board, with respect to the security interest created by this Agreement, as well as all costs associated with the notation of such security interest on certificates of title, where required; to this end, Secured Party is hereby appointed Debtor's attorney-in-fact to do, at Secured Party's option and at Debtor's expense, all acts and things which Secured Party may deem necessary to protect the Collateral or to perfect and continue perfected the security interest created by this Agreement.

4.5 Debtor's Location. Debtor shall maintain its place of business, or its chief executive office if it has more than one such place of business, at the address set forth beneath Debtor's signature at the end of this Agreement, and shall keep at that address, in form satisfactory to Secured Party, accurate and complete records respecting the Collateral. At such times as Secured Party may require, Debtor shall furnish them a statement certified by Debtor, in such form and containing such information as Secured Party may prescribe, showing the current status, location and value of the Collateral.

4.6 No Disposition. Except with respect to the consumption or use of Inventory in the ordinary course of Debtor's business, Debtor shall not, without Secured Party's prior written consent, sell, exchange, lease or otherwise dispose of the Collateral or any of Debtor's rights therein, or permit any lien or security interest to attach thereto (except that created by this Agreement and other rights, if any, of Secured Party). The grant of the security interest as the Collateral described in Proceeds shall not be construed to mean that Secured Party in any way consents to the sale or other disposition of any of the Collateral (other than Inventory in the ordinary course of Debtor's business), in the absence of express written authorization by Secured Party in response to specific request by Debtor therefor.

4.7 Relocation. Debtor will promptly notify Secured Party of any change in the location of Debtor's place of business (or its chief executive office if Debtor has more than one such place of business), its mailing address or the state of its formation, incorporation or recognition as a registered entity pursuant to the Oklahoma Uniform Commercial Code, 12A Okla. Stat. §§1-101 et seq. ("UCC").

4.8 No Additional Debt. Debtor shall not consent to, create or incur any indebtedness for borrowed money, nor become liable as a surety, guarantor, accommodation party, endorser or otherwise, for or upon the obligation of any person, nor purchase, acquire or incur liability for the purchase of the assets or business of any other person; provided, however, that this Section 4.8 shall not be deemed to prohibit (i) the execution of bonds, undertakings or contracts and obligations for trade payables made or incurred in the ordinary course of Debtor's business (other than for the purpose of obtaining borrowed money), or (ii) Debtor's endorsement of negotiable instruments received in the ordinary course of its business.

4.9 No Other Liens. Debtor shall not create, incur or suffer to exist any pledge, mortgage, security interest, assignment or other encumbrance or lien of or upon any of the Railroad Land, the Rail Line or any of the Collateral or Proceeds thereof, including but not limited to any of the RTMCs, except (a) the security interest in the Collateral and Proceeds created by this Agreement, (b) deposits or pledges in connection with or to secure payment of workmen's compensation, unemployment insurance, old age pensions and other social security payments, and if adequate reserves satisfactory to Secured Party are set aside and maintained therefor; and (c) (i) liens for current taxes not delinquent or being contested in good faith and in such manner as not to subject the encumbered property to forfeiture, (ii) tax, mechanics', materialmen's and landlords' liens for sums not due and payable or being contested in good faith and in such manner as not to subject the encumbered property to forfeiture, and (iii) liens, judgments and awards stayed pending appeal.

4.10 No Factoring. Debtor shall not sell, assign, factor or discount, with or without recourse, any accounts, Instruments or Chattel Paper; sell, lease or otherwise dispose of any assets, except in the ordinary course of business, nor enter into any arrangement, directly or indirectly, with any person or entity whereby Debtor shall sell or transfer any property, whether now owned or hereafter acquired, and whereby Debtor shall then or thereafter rent or lease, as lessee, such property or any part thereof, or other property of like condition which Debtor intends to use for substantially the same purpose or purposes as the property sold or transferred.

V. DEFAULT, RIGHTS AND REMEDIES

5.1 Events of Default. Any of the following events or conditions shall constitute any "Event of Default":

- (a) Debtor's default in paying any of the Indebtedness when due;
- (b) Debtor's breach of any of the obligations or covenants imposed upon it by this Agreement, or failure to perform any of such obligations and covenants when due and within ten (10) days after Secured Party sends Debtor written notice of such failure of performance;

(c) The material inaccuracy when made of any warranty, representation or statement made by Debtor herein; or

(d) The death or legal incompetency of either of the Guarantors.

5.2 Collection of Intangible Collateral. Debtor hereby authorizes and empowers Secured Party, without notice to Debtor and regardless of the occurrence or nonoccurrence of any Event of Default, either in the name of Debtor or in its own name and right, to ask, demand, collect, receive, receipt for and prosecute any claim or effect any settlement for any or all or the Accounts, Documents, Instruments, Chattel Paper or General Intangibles, and agrees that the receipt of Secured Party for any such sums shall be binding upon Debtor and constitute the valid receipt of Debtor therefor, even though any such sum or sums may be in excess of the Indebtedness then due and owing by Debtor to Secured Party.

5.3 Acceleration and Repossession. Upon the occurrence of an Event of Default, and at any and all times thereafter, Secured Party may declare all of the Indebtedness immediately due and payable and shall, at their option, have the rights and remedies of a secured party under the UCC in any applicable state, including Oklahoma, and including, without limitation thereto, the right to sell or otherwise dispose of any and all of the Collateral and the right to take possession thereof, and for that purpose Debtor authorizes Secured Party to the fullest legal extent (which authorization may not be withdrawn while any Indebtedness remains unpaid) to enter at any time upon the lands or premises upon which the Collateral or any part thereof may be situated and remove same therefrom.

5.4 Sales. Secured Party may require Debtor to assemble all or any part of the Collateral and make it available at a place designated by Secured Party which is reasonably convenient to the parties. Unless particular items of Collateral threaten speedily to decline in value or are the type customarily sold on a recognized market, Secured Party shall send Debtor reasonable notice of the time and place of any public sale or of the time after which any private sale or other disposition thereof is to be made.

5.5 Expenses. Debtor agrees to reimburse Secured Party for all expenses of retaking, holding, preparing for sale, selling or the like, which shall include Secured Party's reasonable attorneys' fees and legal expenses, plus interest thereon at the Default Rate from the date such expenses are paid by Secured Party until reimbursed by Debtor.

5.6 Execution of Instruments. Secured Party may execute, sign, endorse, transfer and/or deliver, in the name of the Debtor, notes, checks, drafts, assignments or other instruments for the payment of money or for the collection of Accounts, Instruments, Chattel Paper or General Intangibles, including but not limited to assignments of track miles to eligible taxpayers for the purpose of claiming RTMCs, and receipts, certificates of origin, certificates of title, applications for certificates of title, or any other document necessary to evidence, perfect or realize upon such Collateral and the the security interests therein and for the payment the Indebtedness. This authority shall be considered a power coupled with an interest and shall be paid in full.

5.7 Discharge of Encumbrances. At its option, Secured Party may discharge taxes, liens or security interests and other encumbrances at any time granted or placed against any of the Collateral and may pay for the maintenance and preservation of the Collateral. Debtor agrees to reimburse Secured Party for all funds expended by them pursuant to the foregoing authorization, plus interest thereon at the Default Rate from the date or dates expenditures by Secured Party are made until paid.

5.8 Offset. Upon the occurrence of any Event of Default, Secured Party shall have the right, immediately and without further action by it, to set off against the Note or any other of the Indebtedness all money owed by Secured Party in any capacity to Debtor or to any guarantor, endorser or other person who is or might be liable for payment thereof, whether or not due, including but not limited to amounts on deposit in any demand deposit, sweep, money market market or other account (including but not limited to amounts representing proceeds paid pursuant any of the RTMC Agreements), and also to set off against all other liabilities of Debtor to Secured Party all money owed by Secured Party in any capacity to Debtor; and Secured Party shall be deemed to have exercised such right of setoff and to have made a charge against such money immediately upon the occurrence of such Event of Default even though such charge is made or entered into the books of Secured Party subsequently thereto.

5.9 Application of Proceeds. All Proceeds from the collection or sale of any Collateral pursuant hereto and all moneys received by Secured Party hereunder or under any proceeding for the enforcement hereof, the application of which has not elsewhere herein been specifically provided for, shall be applied as follows:

First: to the payment of all necessary costs and expenses incident to such sale or other disposition in the enforcement of this Agreement including, but not limited to, any and all expenditures of Secured Party and reasonable compensation to its attorneys;

Second: to the payment of all principal and interest on the Note and any other Indebtedness, in such order as Secured Party may elect, whether or not then due; and

Third: the remainder, if any, shall be paid to Debtor or to whomsoever may be lawfully entitled to receive same, or as a court of competent jurisdiction may direct.

5.10 Indemnification. Debtor will indemnify and hold Secured Party harmless from any loss, liability, damages, judgments, and costs of any kind relating to or arising directly or indirectly out of (i) this Agreement or any document required hereunder, (ii) the Loan Agreement, and (iii) any litigation or proceeding related to or arising out of this Agreement, any such document or the Loan Agreement; provided, however, Debtor shall not indemnify Secured Party against its own gross negligence or willful misconduct. This indemnity includes but it not limited to attorney fees. This indemnity will survive repayment of the Debtor's obligations to Secured Party. All sums due to Secured Party hereunder shall be obligations of Debtor, due and payable immediately without demand.

VI. GENERAL PROVISIONS

6.1 Notice. The requirement of sending reasonable notice shall be met if such notice is deposited in the United States mail, certified or registered, postage prepaid, and addressed to Debtor at the address set forth beneath the Debtor's signature at the end of this Agreement, at least ten (10) days before the action to be taken which is referred to in said notice.

6.2 Waiver. Secured Party may remedy or waive any Event of Default without waiving any other prior or subsequent Event of Default. Secured Party's remedies hereunder and under the Note and/or other documentation executed in connection herewith are cumulative, and the exercise of any one or more of the remedies provided for shall not be construed as a waiver of any other of the Secured Party's remedies under any other agreement or document or under any applicable law.

6.3 Assignment. Secured Party's rights and privileges under this Agreement shall inure to the benefit of its successors and assigns and shall bind Debtor's successors and assigns.

6.4 Severability. If any provision of this Agreement shall for any reason be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof, but the remainder shall be construed and given effect as if such invalid or unenforceable provisions had never been contained herein.

6.5 Governing Law. This Agreement is made under and shall be construed in accordance with and governed by the laws of the State of Oklahoma, except to the extent that the laws of any other jurisdiction may govern the manner or procedure for the perfection, the effect of perfection or non-perfection or the enforcement of the security interest granted hereby. Debtor hereby irrevocably agrees, at Secured Party's sole election, that all suits or proceedings arising from or seeking to enforce this Agreement may be litigated in courts, state and federal, sitting in the City of Oklahoma City, Oklahoma, and in furtherance of this provision Debtor hereby waives any objection to such jurisdiction and venue.

[Remainder of page left blank intentionally.]

Signatures and Acknowledgments appear on following pages.]

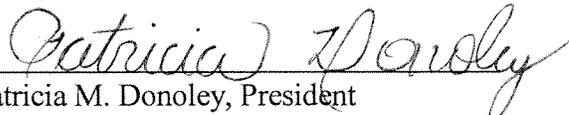
IN WITNESS WHEREOF, Debtor and the Secured Party have caused this Agreement to be executed as of the day and year first written above.

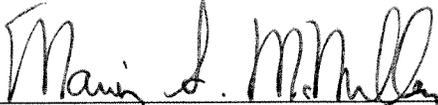
“Debtor”

“Secured Party”

**ARKANSAS-OKLAHOMA RAILROAD
INC.**, an Oklahoma corporation

BANCFIRST, an Oklahoma banking corporation

By 
Patricia M. Donoley, President

By 
Marion S. McMillan, President
BancFirst - Shawnee

Debtor’s Address:

Secured Party’s Address:

Arkansas-Oklahoma Railroad, Inc.
103 S. Central Street
Wilburton, OK 74578
Attn: Patricia M. Donoley, President

BancFirst - Shawnee
P.O. Box 1608
Shawnee, OK 74802-1608
Attn: Marion S. McMillan, President

[Acknowledgments appear on following pages.]

Schedule 1.1

Description of Railroad Land the Rail Line

All of Grantor’s right, title and interest in LeFlore County, Latimer County, and Pittsburg County, State of Oklahoma, described as being a strip, or strips, of land, constituting the mainline railroad right-of-way of the former Chicago, Rock Island and Pacific Railroad Company, together with associated station grounds, yards, depots, stock pens, coaling and watering sites and borrow pits as evidenced, monumented and located through the following areas:

In LeFlore County

Beginning at a point 500’ Northeasterly from the intersection of the South Line of Section 25, Township 6 North, Range 25 East of the Indian Meridian, and the centerline of the former Chicago, Rock Island and Pacific Railroad Company’s main track, as measured along said centerline; thence Westerly along said track centerline through Sections 25, 36, 26, 35, 34, 33, 32 and 31, Township 6 North, Range 25 East; thence Westerly through Sections 36, 25, 26, 23, 22, 27, 28, 29 and 30, Township 6 North, Range 24 East; thence Westerly through Sections 25, 36, 26, 35, 34, 33, 32 and 31, Township 6 North, Range 23 East to a Termination at the West line of LeFlore County, Oklahoma.

Being a part of, but not limited to, those interests the former Chicago, Rock Island and Pacific Railroad Company’s predecessor Choctaw, Oklahoma and Gulf Railroad (f/k/a Choctaw Coal and Railroad Company) acquired through Acts of the U.S. Congress dated as follows and through maps, plats and profiles filed with the Secretary of the Interior as follows:

<u>Date of Act of U.S. Congress</u>	<u>Date Filing Approved</u>
02/18/1888	02/17/1899
02/18/1888	09/28/1899
04/25/1896	05/22/1901
02/18/1888	02/24/1898
02/18/1888	12/31/1889
02/18/1888	10/17/1890
02/28/1902	09/26/1903
02/28/1902	12/18/1905
02/28/1902	03/10/1905

In Latimer County

Beginning at the intersection of the East line of Section 36, Township 6 North, Range 22 East of the Indian Meridian, being the East line of Latimer County, Oklahoma, and the former Chicago, Rock Island and Pacific Railroad Company’s main track centerline; thence Westerly along said centerline through Sections 36, 35, 34, 33, 32 and 31, Township 6 North, Range 22 East; thence

Westerly through Sections 36, 35, 34, 33, 32 and 31, Township 6 North, Range 21 East; thence Westerly through Sections 36 and 35, Township 6 North, Range 20 East; thence Westerly through Sections 2, 3, 4, 5, 6, and 7, Township 5 North, Range 20 East; thence Westerly through Sections 12, 11, 10, 9, 8, 17, 18 and 19, Township 5 North, Range 19 East; thence Westerly through Sections 24, 23, 22, 27, 28, 29, 32 and 31, Township 5 North, Range 18 East; thence Southwesterly through Section 6, Township 4 North, Range 18 East; thence Southwesterly through Sections 1, 2, 3 and 11, Township 4 North, Range 17 East, to a Termination at the West line of said Latimer County, Oklahoma.

Being a part of, but not limited to those interests the former Chicago, Rock Island and Pacific Railroad Company's predecessor Choctaw, Oklahoma and Gulf Railroad (f/k/a Choctaw, Coal and Railroad Company) acquired through Acts of the U.S. Congress dated as follows and through maps, plats and profiles filed with the Secretary of the Interior as follows:

<u>Date of Act of U.S. Congress</u>	<u>Date Filing Approved</u>
02/28/1902	12/04/1913
02/18/1888	12/31/1889
04/25/1896	01/18/1902
02/18/1888	10/17/1890
02/28/1902	05/13/1913
02/18/1888	11/13/1889
02/28/1902	12/18/1905
02/28/1902	02/21/1903
02/28/1902	04/14/1903
02/18/1888	11/13/1888

In Pittsburg County

Beginning at the intersection of the former Chicago, Rock Island and Pacific Railroad Company's main track centerline and the East line of Section 4, Township 4 North, Range 17 East, being also the East line of Pittsburg County, Oklahoma; thence Westerly through Sections 4, 5, and 6, Township 4 North, Range 17 East; thence Northwesterly through Section 1, Township 4 North, Range 16 East; thence Northwesterly through Sections 36, 35, 26, 27, 28, 22, 21, 20 and 19, Township 5 North, Range 16 East; thence Westerly through Sections 24, 23, 14, 15, 16, 9, and 8, to a Termination on the North/South centerline of said Section 8, Township 5 North, Range 15 East of the Indian Meridian, being also E.P.S. 81+20, MP 364.96, in the City of McAlester, Pittsburg County, Oklahoma

Being a part of, but not limited to those interests the former Chicago, Rock Island and Pacific Railroad Company's predecessor Choctaw, Oklahoma and Gulf Railroad (f/k/a Choctaw, Coal and Railroad Company) acquired through Acts of the U.S. Congress dated as follows and through maps, plats and profiles filed with the Secretary of the Interior as follows:

<u>Date of Act of U.S. Congress</u>	<u>Date Filing Approved</u>
02/28/1902	01/13/1905
02/18/1888	11/13/1889
02/18/1888	10/17/1890
04/25/1896	05/22/1901
02/28/1902	05/29/1902
02/28/1902	12/04/1913
02/28/1902	06/12/1902
02/28/1902	02/12/1907
02/28/1902	01/06/1903
02/18/1888	08/31/1889
02/18/1888	08/31/1899
02/28/1902	01/03/1905

Schedule 2.1(a)
Description of the Railway Equipment

Auto Transport Equipment

991NT TRUCK
LOAD KING TRAILER
TRK 00327 78 MATE DUMP
89 WEST STAR WHITE TRUCK
01 FORD F-350 64798
01 FORD F-250 33170
04 FORD F-350
2010 F-150 SUPERCREW
99 DODGE DURANO 633199
2000 DODGE DURANGO 20453
08 FORD F5D HI RAIL 1749
05 FORD F-250
08 FORD F-350
99 FORD F-150 31914
02 CHEV 2KH 328158
07 FORD F-150 79391
05 FORD 1-150 53278
98 INT TRUCK 505765
08 FORD 1-250 97442
02 FORD EXPLO#61470
05 FORD F-350 #31056
00 CHEV C1500 #192382
86 FORD DUMP TRUCK #48265
95 CHEV TRK 66109
02 CHEV C2500 #222027
03 DODGE 1500 #153639
94 INT DUMP TRK
01 FORD F-350 #76394
00 FORD P/U #19643
97 FORD P/U #45211
91 FORD BOOM TRK #16361
00 FORD F-250 #61031
03 FORD EXPLOR #10144
07 FORD EXPLOR #16121
06 HUMMER ERIC #112750
VEHICLE
01 FORD F-350
01 FORD F-350
97 INT #4954 447951
01 CHEV SILVER #325159
02 PETERBILT #586172
99 INT HI RAIL BOOM #5861
04 CHEV SILVER #325159
04 DODGE DAKOTA # 640291
10 TOYOTA FI#081544
10 DODGE AM #580052

Auto Transport Equipment (Cont'd.)

05 FORD F-350 #0105
79 10 CHEV SILVER CHAD #4442
84 03 HUMMER #125701
88 FORD TRUCK 2012-ALLY
94 2012 FORD TRUCK-RON'S
95 TRUCK

Buildings

STARTUP OFFICE
OFFICE CHAIRS
TRAILER WILBURTON
TRAILER SHAWNEE
BLDG IMPROV
MAIN OFFICE
OFFICE IMPROV

Machinery and Equipment

4059 LOCO
4061 LOCO
4062 LOCO
4064 LOCO
4093 LOCO
4098 LOCO
02 KOBELCO TRACKHOE
95 CAT DOZER D6H
4012 LOCO
CAT 03 DOZER L00124
02675 CAT BACKHOE 420-E
536SW2 SWITCH LOCO
KX0030006 CAT EXCAVATOR
09 COMPACT EXCAVATOR
BACKHOE CAT416#G13901
BACKHOE
CHASE EQUIP#545309
CHASE EQUIP#300021
CHASE EQUIP#300021
BACKHOE CAT 416#K06390
1050 JEEP LOCO
2010 LOCO SWITCH #8151821
567 LOCO
578 LOCO
581 LOCO
LOCO IMPROV
JD WH LOADER J152293
JD WH LOADERj152267

Machinery & Equipment (Cont'd.)

BACKHOE
LOCO 2013
LOCO 2013
LOCO 2013
LOCO 2013
BACKHOE



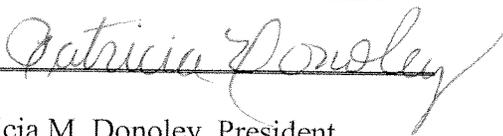
Vehicles

<u>Name on Title</u>	<u>Date of Vehicle</u>	<u>Vehicle Make/Model</u>	<u>VIN No.</u>
	<u>1985</u>	<u>Jeep, CJ</u>	
<u>Arkansas Oklahoma Railroad Inc.</u>	<u>1986</u>	<u>Ford, Dump Truck</u>	<u>1FDPK84N2GVA48265</u>
<u>Arkansas Oklahoma Railroad</u>	<u>1989</u>	<u>Western Star 480, Water Truck</u>	<u>2WLNCCME9KK924097</u>
	<u>1990</u>	<u>Load King, Trailer</u>	
<u>A-OK Railroad</u>	<u>1991</u>	<u>Ford, Boom Truck</u>	<u>1FDYW82A8MVA16361</u>
<u>Arkansas Oklahoma Railroad</u>	<u>1994</u>	<u>International, Dump Truck</u>	<u>2HSFMATR5RC010714</u>
<u>A-OK Railroad</u>	<u>1996</u>	<u>Peterbilt</u>	<u>1XPFD8X2TD393099</u>
<u>Arkansas-Oklahoma Railroad Inc.</u>	<u>1997</u>	<u>International, 4954</u>	<u>1HTSDAAN5VH447951</u>
<u>Arkansas-Oklahoma Railroad Co.</u>	<u>1998</u>	<u>International, Truck</u>	<u>1HTSHAAR2WH505765</u>
	<u>1999</u>	<u>Ford, F150</u>	
<u>Arkansas-Oklahoma Railroad Inc</u>	<u>1999</u>	<u>International, 490 HI Rail Bot</u>	<u>1HTSDAAN7XH653419</u>
<u>Arkansas-Oklahoma Railroad Inc</u>	<u>1999</u>	<u>Dodge, Durango</u>	<u>1B4HS28Y2XF633199</u>
<u>Arkansas Oklahoma Railroad</u>	<u>2000</u>	<u>Ford, F2S</u>	<u>1FTNW21F1YEA45109</u>
	<u>2000</u>	<u>Ford, F250</u>	
<u>Arkansas Oklahoma Railroad Company</u>	<u>2000</u>	<u>Dodge, Durango</u>	<u>1B4HS28N5YF204534</u>
<u>A-OK Railroad</u>	<u>2001</u>	<u>Ford, F350</u>	<u>1FDWF37F51ED65648</u>
	<u>2001</u>	<u>Ford, F350</u>	
<u>Arkansas-Oklahoma Railroad Inc.</u>	<u>2001</u>	<u>Ford, F250, Super duty</u>	<u>1FTNX21L81ED33170</u>
<u>Arkansas Oklahoma Railroad</u>	<u>2001</u>	<u>Ford F250 Super duty</u>	<u>1FTNF20L21EC07875</u>
	<u>2002</u>	<u>Ford, Explorer</u>	
<u>Arkansas-Oklahoma Railroad Inc.</u>	<u>2002</u>	<u>Chevrolet, 2500 Heavy Duty</u>	<u>1GCHK29U02Z328158</u>
<u>Arkansas-Oklahoma Railroad Co</u>	<u>2002</u>	<u>Peterbilt, Conventional 379</u>	<u>1XP5PBEX12D586172</u>
<u>A-OK Railroad</u>	<u>2002</u>	<u>Chevrolet K2500KD</u>	<u>1GCHK29U92Z270213</u>
	<u>2003</u>	<u>Ford, Explorer</u>	

<u>Arkansas-Oklahoma Railroad</u>	<u>2003</u>	<u>Ford Expedition XLT</u>	<u>1FMPU16L43LB01681</u>
<u>Arkansas-Oklahoma Railroad Inc</u>	<u>2004</u>	<u>Chevrolet, Silverado K2500HE</u>	<u>1GCHK29U64E325159</u>
<u>Arkansas Oklahoma Railroad</u>	<u>2004</u>	<u>Dodge, Dakota</u>	<u>1D7HG38K54S640291</u>
<u>Arkansas-Oklahoma Railroad</u>	<u>2004</u>	<u>Sterling Acterra M7500</u>	<u>2FZACFDC94AN08838</u>
<u>Name on Title</u>	<u>Date of Vehicle</u>	<u>Vehicle Make/Model</u>	<u>Vin No.</u>
<u>A-OK Railroad Police</u>	<u>2004</u>	<u>Ford Crown Victoria</u>	<u>2FAHP71W54X172693</u>
<u>A-OK Railroad</u>	<u>2005</u>	<u>Ford, Super duty</u>	<u>1FTSW21P75EA71737</u>
	<u>2005</u>	<u>Ford, F350</u>	
	<u>2005</u>	<u>Ford, F350, Super duty</u>	
	<u>2007</u>	<u>Ford, Explorer 4X4</u>	
<u>A-OK Railroad</u>	<u>2007</u>	<u>Chevrolet, Silverado K2500</u>	<u>1GCHK29K87E584223</u>
<u>Ark-Okla Railroad</u>	<u>2008</u>	<u>Ford, F5D with Hydraulic Hi-F</u>	<u>1FDAW57R48EB17496</u>
	<u>2008</u>	<u>Chevrolet, Suburban</u>	
<u>Arkansas-Oklahoma Railroad</u>	<u>2010</u>	<u>Dodge Charger, Police Packa</u>	<u>2B3AA4CV2AH113639</u>
<u>Arkansas-Oklahoma Railroad Co</u>	<u>2010</u>	<u>Chevrolet, Silverado K1500</u>	<u>3GCRKTE31AG144420</u>
<u>Arkansas Oklahoma Railroad</u>	<u>2010</u>	<u>Toyota, Fj Cruiser</u>	<u>JTEBU4BF4AK081544</u>
<u>Arkansas Oklahoma Railroad</u>	<u>2012</u>	<u>Ford F150</u>	<u>1FTFW1EF2CFB28494</u>
	<u>2014</u>	<u>GMC Sierra K1500 SLE</u>	
<u>Arkansas-Oklahoma Railroad</u>	<u>2005</u>	<u>Chev SK1</u>	<u>1GCEK14T55E236700</u>
<u>Arkansas-Oklahoma Railroad</u>	<u>2004</u>	<u>Chev SK1</u>	<u>1GCEK14TX4E150507</u>
<u>Arkansas-Oklahoma Railroad</u>	<u>2004</u>	<u>Chev 2CH</u>	<u>1GCHC24U34E323339</u>
<u>Arkansas Oklahoma Railroad Company</u>	<u>2006</u>	<u>Chev SK3</u>	<u>1GBJK34D56E233420</u>
	<u>2012</u>	<u>Chev</u>	
	<u>2015</u>	<u>Jeep Compass Latitude</u>	
<u>Arkansas Okla Railroad Corp</u>	<u>2015</u>	<u>Ford F250</u>	<u>1FT7X2B6XFEB06779</u>

List Approved:

Arkansas-Oklahoma Railroad, Inc.

By: 

Patricia M. Donoley, President

EQUIPMENT LIST

Description	Serial Number
1995 D6H CAT DOZER	6CK0398
CAT D3 DOZER	07XL00124
2008 420-E CAT BACKHOE LOADER	KMW02675
2006 330CL CAT EXCAVATOR	GKX00300
2010 JD 35D WHEEL LOADER BACKHOE	1FF035DXEA0265537
2008 310 JD WHEEL LOADER BACKHOE W/18JD BUCKET	T0310SJ152267/JDF0001001075
290-LC KABELCO EXCAVATOR	
2011 35D JD COMPACT EXCAVATOR	1FF035DXEA0265537
2008 279C CAT SKID STEER	MBT00696
MAXXUM 115 TRACTOR	ZDBE09821
MAXXUM 115 LOADER	YCWJLJ5430
2014 D4K2 CAT TRACK TYPE TRACTOR	KRR00516
2002 KABELCO 290 TRACKHOE	LBO3V0241
1998 D6H DOZER	6CK0398
1994 CAT D3 DOZER	07XL00124
2015 BALER	1E00469XPFF410524

Schedule 2.1(a)
Description of the Railway Equipment

Auto Transport Equipment

- 991NT TRUCK
- ✓ LOAD KING TRAILER
- TRK 00327 78 MATE DUMP
- ✓ 89 WEST STAR WHITE TRUCK
- 01 FORD F-350 64798
- 01 FORD F-250 33170
- 04 FORD F-350
- 2010 F-150 SUPERCREW
- ✓ 99 DODGE DURANO 633199
- ✓ 2000 DODGE DURANGO 20453 10
- ? 08 FORD F5D HI RAIL 1749
- 05 FORD F-250
- 08 FORD F-350
- 99 FORD F-150 31914
- ✓ 02 CHEV 2KH 328158
- 07 FORD F-150 79391
- ✓ 05 FORD 1-150 53278
- ✓ 98 INT TRUCK 505765
- 08 FORD 1-250 97442
- 02 FORD EXPLOR#61470 - 20
- 05 FORD F-350 #31056
- ✓ 00 CHEV C1500 #192382
- ✓ 86 FORD DUMP TRUCK #48265
- 95 CHEV TRK 66109
- 02 CHEV C2500 #222027
- 03 DODGE 1500 #153639
- ? 94 INT DUMP TRK
- ✓ 01 FORD F-350 #76394
- ✓ 00 FORD P/U #19643
- 97 FORD P/U #45211 - 30
- ✓ 91 FORD BOOM TRK #16361
- 00 FORD F-250 #61031
- 03 FORD EXPLOR #10144
- 07 FORD EXPLOR #16121
- 06 HUMMER ERIC #112750
- VEHICLE
- 01 FORD F-350 - 5648
- 01 FORD F-350
- ✓ 97 INT #4954 447951
- 01 CHEV SILVER #325159
- ✓ 02 PETERBILT #586172 - 40
- ✓ 99 INT HI RAIL BOOM #5861 - 349
- ✓ 04 CHEV SILVER #325159
- ✓ 04 DODGE DAKOTA # 640291
- ✓ 10 TOYOTA FI#081544
- 10 DODGE AM #580052

Auto Transport Equipment (Cont'd.)

- 05 FORD F-350 #0105
- ✓ 79 10 CHEV SILVER CHAD #44428
- 84 03 HUMMER #125701
- ? 88 FORD TRUCK 2012-ALLY
- ? 94 2012 FORD TRUCK-RON'S
- 95 TRUCK 51

Buildings

- STARTUP OFFICE
- OFFICE CHAIRS
- TRAILER WILBURTON
- TRAILER SHAWNEE
- BLDG IMPROV
- MAIN OFFICE
- OFFICE IMPROV

Machinery and Equipment

- 4059 LOCO
- 4061 LOCO
- 4062 LOCO
- 4064 LOCO
- 4093 LOCO
- 4098 LOCO
- 02 KOBELCO TRACKHOE
- 95 CAT DOZER D6H
- 4012 LOCO
- CAT 03 DOZER L00124
- 02675 CAT BACKHOE 420-E
- 536SW2 SWITCH LOCO
- KX0030006 CAT EXCAVATOR
- 09 COMPACT EXCAVATOR
- BACKHOE CAT416#G13901
- BACKHOE
- CHASE EQUIP#545309
- CHASE EQUIP#300021
- CHASE EQUIP#300021
- BACKHOE CAT 416#K06390
- 1050 JEEP LOCO
- 2010 LOCO SWITCH #8151821
- 567 LOCO
- 578 LOCO
- 581 LOCO
- LOCO IMPROV
- JD WH LOADER J152293
- JD WH LOADERj152267

Machinery & Equipment (Cont'd.)

BACKHOE
LOCO 2013
LOCO 2013
LOCO 2013
LOCO 2013
BACKHOE

|

