

STATE OF ALABAMA)
COUNTY OF JEFFERSON)

SECURITY AGREEMENT

THIS SECURITY AGREEMENT is made and dated this 23rd day of August, 1994, by and between **BOONE RESOURCES, INC.**, an Alabama corporation, ("Debtor") and **BIBB PREPARATION PLANT, INC.**, an Alabama corporation ("Secured Party").

RECITALS

A. Debtor is indebted to Secured Party in the amount of **One Million Dollars (\$1,000,000)**, as evidenced by Debtor's Promissory Note to Secured Party, dated of even date herewith, in such face amount (the "Note"). The Note evidences Secured Party's loan to Debtor for the financing of Debtor's purchase of certain equipment from Secured Party, such equipment being listed on Exhibit A attached hereto and made a part hereof (the "Equipment").

B. As security for the payment and performance of its obligations to Secured Party under the Note and this Security Agreement, it is the intent of Debtor to grant to Secured Party and to create a security interest in certain property of Debtor, as hereinafter provided.

AGREEMENT

NOW, THEREFORE, in consideration of the above Recitals and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Debtor hereby agrees as follows:

1. **Grant of Security Interest.** To secure payment and performance of the obligations of Debtor to Secured Party described in Section 2 below (collectively, the "Obligations"), Debtor hereby grants to Secured Party a security interest in all Equipment listed and described on Exhibit A attached hereto and made a part hereof (the "Collateral").

2. **Obligations.** The Obligations of Debtor secured by this Security Agreement shall consist of any and all debts, obligations, liabilities, covenants and duties of Debtor to Secured Party arising out of, connected with or related to the Note and this Security Agreement, and all other documents and instruments executed in connection therewith, including without limitation, any amendments or extensions or renewals of the Note, this Security Agreement, and other documents or instruments relating thereto.

3. **Representations and Warranties.** Debtor hereby represents and warrants that: (a) Debtor is the owner of the Collateral and that no other person has any right, title, claim or interest (by way of security interest or other lien or charge or otherwise) in, against or to the

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Jerry L. Gardner
702 9th Ave.
Jasper, Ala. 35501

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SHELBY COUNTY JUDGE OF PROBATE
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Inst # 1994-32487

3. Representations and Warranties. Debtor hereby represents and warrants that: (a) Debtor is the owner of the Collateral and that no other person has any right, title, claim or interest (by way of security interest or other lien or charge or otherwise) in, against or to the Collateral; provided that Debtor intends to create a security interest in and to the Equipment which will be secondary and subordinate to the security interest granted herein except to the extent agreed to by Secured Party, and (b) all information heretofore, herein or hereafter supplied to Secured Party by or on behalf of Debtor with respect to the Collateral is true and correct.

4. Covenants of Debtor. Debtor hereby agrees

(a) to do all acts that may be necessary to maintain, preserve and protect the Collateral;

(b) not to use or permit any Collateral to be used unlawfully or in violation of any applicable statute, regulation or ordinance or any policy of insurance covering the Collateral;

(c) to pay promptly when due all taxes, assessments, charges, encumbrances and liens now or hereafter imposed upon or affecting any Collateral;

(d) to notify Secured Party promptly of any change in Debtor's name or chief executive office;

(e) to appear in and defend any action or proceeding which may affect its title to or Secured Party's interest in the Collateral;

(f) to keep separate, accurate and complete records of the Collateral and to provide Secured Party with such records and such other reports and information relating to the Collateral as Secured Party may request from time to time;

(g) not to surrender or lose possession of (other than to Secured Party), sell, encumber, or otherwise dispose of or transfer any Collateral or right or interest therein and to keep the Collateral free of all levies and security interests or other liens or charges except those approved in writing by Secured Party.

(h) to keep the Collateral in good condition and repair;

(i) not to cause or permit any waste or unusual or unreasonable depreciation of the Collateral;

(j) to keep the Collateral at the location(s) set forth in Section 11 below and not to remove the Collateral from such location(s) without the prior written consent of Secured Party;

(k) to comply with all laws, regulations and ordinances relating to the possession, operation, maintenance and control of the Collateral; and

(l) to notify Secured Party if:

(i) management responsibility of Debtor (or its assigns if permitted) does not include Jimmie Ryan;

(ii) Jimmie Ryan owns less than fifty-one percent (51%) of the stock of Debtor (or its assigns if permitted); or

(iii) Jimmie Ryan transfers the voting right in his stock to a voting trust.

5. Default and Remedies. Upon any failure by Debtor to pay or perform any of the Obligations at the time the payment or performance thereof is due, Secured Party may, at its option, and without notice to or demand on Debtor, do any one or more of the following:

(a) foreclose or otherwise enforce Secured Party's security interest in any manner permitted by law, or provided for in this Security Agreement;

(b) sell, lease or otherwise dispose of any Collateral at one or more public or private sales, whether or not such Collateral is present at the place of sale, for cash or credit of future delivery, on such terms and in such manner as Secured Party may determine;

(c) recover from Debtor all costs and expenses, including, without limitation, reasonable attorneys' fees, incurred or paid by Secured Party in exercising any right, power or remedy provided by this Security Agreement or by law;

(d) require Debtor to assemble the Collateral and all records and books of account relating thereto and make the same available to Secured Party at a place to be designated by Secured Party; and

(e) enter onto property where any Collateral is located and take possession thereof.

6. Cumulative Rights. The rights, powers and remedies of Secured Party under this Security Agreement shall be in addition to all rights, powers and remedies given to Secured Party by virtue of any statute or rule of law, the Note or any other agreement, all of which rights, powers and remedies shall be cumulative and may be exercised successively or concurrently without impairing Secured Party's security interest in the Collateral.

7. Waiver. Any forbearance, failure or delay by Secured Party in exercising any right, power or remedy shall not preclude the further exercise thereof, and every right, power or remedy of Secured Party shall continue in full force and effect until such right, power or remedy is specifically waived in a writing executed by Secured Party. Debtor waives any right to require Secured Party to proceed against any person or to exhaust any Collateral or to pursue any remedy in Secured Party's power.

8. Binding Upon Successors. All rights of Secured Party under this Security Agreement shall inure to the benefit of its successors and assigns, and all obligations of Debtor shall bind its successors and assigns.

9. Entire Agreement; Severability. This Security Agreement contains the entire security agreement between Secured Party and Debtor. If any of the provisions of this Security Agreement shall be held invalid or unenforceable, this Security Agreement shall be construed as if not containing those provisions and the rights and obligations of the parties hereto shall be construed and enforced accordingly.

10. Choice of Law. This Security Agreement shall be construed in accordance with and governed by the laws of the State of Alabama, and, where applicable and except as otherwise defined herein, terms used herein shall have the meanings given them in the Alabama Uniform Commercial Code.

11. Residence; Trade Name; Collateral Location; Records. Debtor represents that the location of its chief executive office is 1051 Oak Mountain Drive, Pelham, Alabama 35124, that the following constitutes the only trade name(s) or style(s) used by Debtor. Debtor further represents that the Collateral will not be deemed a fixture.

12. Notice. Any written notice, consent or other communication provided for in this Security Agreement shall be personally delivered or sent by registered or certified U.S. mail, with postage prepaid, to the following addresses:

Debtor:

BOONE RESOURCES, INC.
P. O. Box 1359
Pelham, Alabama 35124
Attn: President

Secured Party:

BIBB PREPARATION PLANT, INC.

Ellis J. Taylor
Attn: President

Such addresses may be changed by written notice given as provided herein.

IN WITNESS WHEREOF, Debtor and Secured Party have executed this Security Agreement, through their respective duly-authorized officers, as of the day and year first above written.

DEBTOR:

BOONE RESOURCES, INC.,
an Alabama corporation

BY: *James R. Byrum*
Its President

ATTEST:

Its Secretary

SECURED PARTY:

BIBB PREPARATION PLANT, INC.,
an Alabama corporation

BY: *Ellis J. Taylor*
Its President


Witness

ACKNOWLEDGEMENTS

STATE OF Alabama)
COUNTY OF Jefferson)

I, the undersigned, a Notary Public in and for said County in said State, hereby certify that Jimnie R. Ryan, whose name as President of BOONE RESOURCES, INC., an Alabama corporation, is signed to the foregoing agreement and who is known to me, acknowledged before me on this day that, being informed of the contents of the same, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand and official seal this the 21st day of October, 1994.

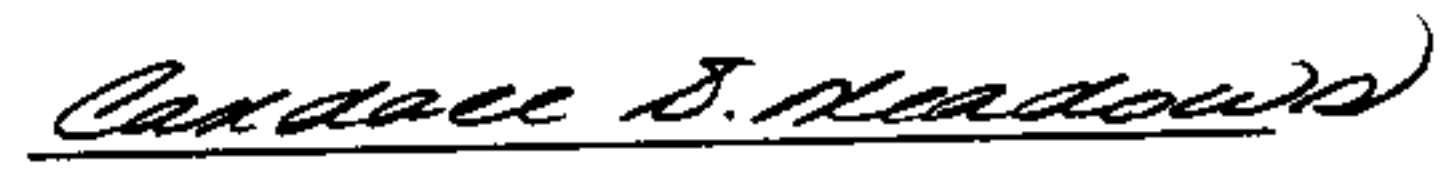

Notary Public
My commission expires: 6-1-96

[NOTARY SEAL]

STATE OF ALABAMA)
COUNTY OF JEFFERSON)

I, the undersigned, a Notary Public in and for said County in said State, hereby certify that ELLIS TAYLOR, whose name as PRESIDENT of Bibb Preparation Plant, Inc., an Alabama corporation, is signed to the foregoing agreement and who is known to me, acknowledged before me on this day that, being informed of the contents of the same, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand and official seal this the 28th day of October, 1994.


Notary Public
My commission expires: 12/9/95

[NOTARY SEAL]

**EXHIBIT A
TO
SECURITY AGREEMENT**

(a) All furniture, fixtures, equipment, chemicals, screens, pumps, parts, conveyors, inventory, and other personal and intangible property owned by the Seller and contained in or about, or used or useful in connection with, that certain coal washer located at , Birmingham, Alabama (the "Washer Plant").

(b) All plans and specifications, including, without limitation, all site plans, engineering plans, drawings, surveys, and maps, prepared in connection with the Washer Plant.

(c) To the extent transferable, all permits, licenses, certificates of use and occupancy (or their equivalent), zoning and governmental applications, and approvals relating to the Washer Plant.

(d) All development and construction contracts, engineering, architectural and surveying agreements, utilities agreements and rights, maintenance and service contracts, fictitious names, warranties and guaranties, which pertain or relate in any manner to the Washer Plant, or any portion thereof, and the other improvements, and without limitation, the maintenance and service contracts, if any.

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