

RECORDATION NO. 12029 & Recorded

JUL 29 1980 -9 30 AM

July 21, 1980 INTERSTATE COMMERCE COMMISSION

No.   
 Date JUL 29 1980 0-211A023

Fee \$ 50.00

ICC Washington, D. C.

REGISTERED MAIL

Secretary of the Interstate  
Commerce Commission  
12th and Constitution Avenue Northwest  
Washington, D.C. 20423

Dear Sir:

Enclosed are three (3) original counterparts of a security agreement covering railway equipment which you are hereby requested to record, pursuant to 49 CFR Part 1116, under the name of Z. D. Bonner. Also enclosed is a check in the amount of \$50.00 to pay the recordation fee. The original document when filed should be returned to:

William J. Hayes  
Bracewell & Patterson  
2900 Pennzoil Place South Tower  
Houston, Texas 77002

(1) The name and address of the Mortgagee (Secured Party) is:

First City National Bank of Houston  
1001 Main Street  
Houston, Texas 77002

(2) The name and address of the Mortgagor (Debtor) is:

Z. D. Bonner  
707 McKinney, Suite 1500  
Houston, Texas 77002

(3) The property covered by such security agreement includes railway equipment described as follows:

INTERSTATE  
COMMERCE COMMISSION  
2 JUL 28 1980  
ADMINISTRATIVE SERVICES  
MAIL UNIT

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I.C.C.  
FEE OPERATION BR.

Interstate Commerce Commission  
July 21, 1980  
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<u>Number</u>	<u>Type of Car</u>	<u>Serial Numbers</u>
2	23,500 gallon, general purpose non-pressure tank cars, DOT 111A100W3, exterior coiled and insulated.	LAMX 23576 LAMX 23577

If you have any questions regarding this matter, or if you need further information, please call William J. Hayes at (713) 223-2900.

Very truly yours,

FIRST CITY NATIONAL BANK  
OF HOUSTON

BY   
William J. Rovere  
Vice President

23WJH7D

**Interstate Commerce Commission**  
Washington, D.C. 20423

8/4/80

OFFICE OF THE SECRETARY

**William J. Hayes**  
**Bracewell & Patterson**  
**2900 Pennzoil Place South Tower**  
**Houston, Texas 77002**

Dear **Sir:**

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on **7/29/80** at **9:30am**, and assigned re-  
recording number(s). **12029**

Sincerely yours,

*Agatha L. Mergenovich*  
Agatha L. Mergenovich  
Secretary

Enclosure(s)

JUL 29 1980 -9 30 AM

SECURITY AGREEMENT

INTERSTATE COMMERCE COMMISSION

Section I. Collateral and Obligations.

To secure the performance and payment of all obligations and indebtedness of the undersigned ("Borrower") to First City National Bank of Houston ("Bank"), 1001 Main Street, Houston, Harris County, Texas 77002, of whatever kind or however created or incurred, whether incurred directly or acquired from third parties, whether resulting from or evidenced by notes, guaranty agreements, overdrafts or otherwise and whether now or hereafter existing, including the indebtedness evidenced by the promissory note executed by Borrower in the original principal amount of \$72,000 payable to the Bank and dated July 21, 1980 ("Note"), Borrower hereby grants to Bank a security interest in the property hereinafter described and all proceeds, products, distributions, payments, profits, increases, substitutions, replacements, renewals, additions, amendments and accessions thereof, thereto, therefrom or therefor, including any stock, rights to subscribe, liquidating dividends or other dividends, property or rights, which Borrower may hereafter become entitled to receive on account of securities pledged hereunder (all such property, proceeds, products, distributions, payments, profits, increases, substitutions, replacements, renewals, additions, amendments and accessions are hereinafter collectively called "Collateral"):

- (1) Two (2) new Class DOT111A100W3 23,500 gallon, general purpose non-pressure tank cars, exterior coiled and insulated having serial numbers LAMX 23576 and LAMX 23577 ("Cars");
- (2) All right, title and interest now owned or hereafter acquired by Borrower in and to that certain Management Contract dated May 9, 1980, between LAMCO, Inc., a Texas corporation ("Lamco"), and Borrower ("Management Agreement"); and
- (3) All right, title and interest now owned or hereafter acquired by Borrower in and to any now or hereafter existing leases of the Cars ("Leases").

Section II. Payment Obligations of Borrower.

Borrower shall pay to Bank when due any amount which may be due from Borrower to Bank. Borrower shall account

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fully and faithfully to Bank for all distributions, payments, profits and proceeds of or from the Collateral and shall upon demand pay or turn over promptly in money, instruments, drafts, assigned accounts or chattel paper all such distributions, payments, profits and proceeds to be applied to Borrower's indebtedness to Bank, subject, if other than cash, to final payment or collection.

### Section III... Borrower's Representations, Warranties and Agreements.

Borrower represents, warrants and agrees that:

1. All information supplied and statements made to Bank in connection with any obligation or indebtedness hereby secured or by Borrower or any other person in any financial, credit, accounting or other statement or certificate or application for credit are and shall be true, correct, complete, valid and genuine. Borrower shall keep accurate and complete records of the Collateral, shall give Bank or its representatives access to such records at all times and shall provide such other information concerning the Borrower and the Collateral as the Bank may require. Borrower's residence is in Harris County, Texas. The address of Borrower's place of business, chief executive office and office where Borrower keeps his records concerning his accounts, contract rights and general intangibles is set forth beside Borrower's signature hereon. Borrower shall immediately notify Bank of any discontinuance of or change in such address, any change in the location of his place of business, residence, chief executive office or office where he keeps such records, and any change in his name.

2. No certificate of title, financing statement, filing with the Interstate Commerce Commission ("ICC"), the Association of American Railroads, the Department of Transportation or other government or industry authority or other filing or document showing any lien on or security interest in the Collateral except that of Bank is or will be outstanding or on file at any time. Borrower has good and marketable title to the Collateral, subject only to the security interest of Bank and subject to no other security interest, encumbrance or restriction whatsoever. Attached hereto as Exhibit "A" is a true and correct copy of the Management Agreement, which is currently in full force and effect in the form set forth in such Exhibit. The Borrower will not permit to occur any amendment, other modification

or termination of the Management Agreement and will otherwise keep the Management Agreement in full force and effect. The right, title and interest now owned by Borrower in the Management Agreement is at least all rights, titles and interests of the "Owner" therein referred to. Borrower has full power and lawful authority to sell and assign the Collateral and to grant to Bank a first and prior security interest therein as herein provided, and Borrower will defend the Collateral against the claims and demands of all third persons. Borrower will not grant any security interest in or lien on or otherwise transfer, dispose of, encumber or restrict the transferability of any right, title or interest now owned or hereafter acquired by Borrower in or to any Lease, except for the security interest granted hereby to Bank. The Collateral (i) is genuine, free from default, prepayment or defenses and all persons appearing to be obligated thereon are bound thereon as they appear to be from the face thereof; and (ii) complies with applicable laws. The description of the Cars contained in Section I hereof is an accurate description of the type of railway equipment that the Cars constitute, the A.A.R. mechanical designation, if any, of the Cars, all identifying marks on the Cars and the serial numbers of the Cars, sufficient in all respects to comply with the requirements of 49 CFR §1116.4(c). Borrower will take all necessary steps to preserve the liability of account debtors, obligors and secondary parties whose obligations are a part of the Collateral. Within ten (10) days of his receipt thereof, Borrower will deliver to Bank all information, notices, documents and other items delivered to Borrower by or through Lamco. Within thirty (30) days of written request by Bank to Borrower, Borrower will, at his cost and expense, cause to be plainly, distinctly, permanently and conspicuously placed, fastened or painted upon each side of each Car a legend bearing the following words (and/or such other words as may be requested by Bank) in letters not less than one inch in height:

"FIRST CITY NATIONAL BANK OF HOUSTON,  
HOUSTON, TEXAS, IS THE HOLDER OF A VALID  
SECURITY INTEREST OF FIRST PRIORITY  
ON THIS CAR."

3. Bank's duty with reference to the Collateral in Bank's possession shall be solely to use reasonable care in the physical preservation of such Collateral. Bank shall

not be responsible in any way for any depreciation in the value of the Collateral, nor shall any duty or responsibility whatsoever rest upon Bank to take necessary steps to preserve rights against prior parties. Protest and all demands and notices of any action taken by Bank under this Security Agreement, or in connection with any Collateral, except as otherwise provided in this Security Agreement, are hereby waived, and any indulgence of Bank, substitution for, exchange or release of any person liable on the Collateral is hereby assented and consented to. Bank may inspect at any time the Collateral and Borrower's books and records pertaining to the Collateral. Borrower shall assist Bank in making any such inspection. The Collateral shall at all times remain in the United States. The Collateral will not be misused, wasted or allowed to deteriorate, except for the ordinary wear and tear in connection with its intended primary use, and will not be used in violation of any statute, regulation or ordinance. The Collateral will not be affixed to any real estate or other goods so as to become fixtures or accessions.

4. Borrower will maintain at all times (i) insurance with respect to all Cars covering physical loss or damage from any cause whatsoever in an amount of \$50,000 for each Car, and \$1,500,000 each occurrence with a deductible of not more than \$5,000 per occurrence; (ii) liability insurance of at least \$10,000,000; and (iii) such other insurance as Bank may reasonably request from time to time. Borrower shall furnish Bank with certificates or other evidence of insurance required hereby. No such insurance shall be payable to any person other than Bank, Borrower or Lamco. Bank may act as attorney for Borrower in settling any claim in connection with such insurance and endorsing any draft drawn by any insurer of the Collateral. If any insurance required hereby expires or otherwise is not in full force and effect at any time and Borrower fails to obtain replacement insurance, Bank may, but need not, obtain replacement insurance (which may, at Bank's option, cover only the interest of Bank) pay the premiums therefor, add the amount of such premiums to the indebtedness secured hereby and, to the extent permitted by law, charge interest thereon at a rate of 10% per annum. Borrower agrees to reimburse Bank on demand for the amount of such premiums and such interest. Policies evidencing any required property insurance shall contain a standard mortgagee's endorsement providing for payment of any loss to Bank and shall provide for a minimum

of ten (10) days prior written notice to Bank of any cancellation. Bank may apply any proceeds of insurance which may be received by it in payment on account of the obligations secured hereby, whether due or not and take control of proceeds and use cash proceeds to reduce any part of the obligations secured hereby, in such order as it elects, whether or not due and payable.

5. Except for (i) the lease from time to time in the ordinary course of business of the Cars pursuant to Leases in which the Bank has a valid and perfected security interest of first priority, (ii) restrictions on the Cars as provided in the Management Agreement, and (iii) liens for taxes not yet due or payable and mechanic's, carrier's, workman's or repairman's liens arising in the ordinary course of the Borrower's business securing obligations which are not yet due and payable (provided, however, that the aggregate of all amounts secured by any liens permitted by this clause (iii) shall not exceed \$5,000), none of the Collateral will be sold, leased, rented or otherwise transferred, encumbered or disposed of or be subjected to any unpaid charge, including rent and taxes, or to any other interest of any person (other than Bank), whether existing with or without the consent of the Borrower, and the transferability of the Collateral will not be restricted except as provided in this Security Agreement. Borrower will do, make, procure, execute and deliver all acts, things, writings and assurances as Bank may at any time request to protect, assure or enforce its interest, rights and remedies created by or arising in connection with this Security Agreement, including, without limitation, the execution of Financing Statements, applications for certificates of title, filings with the ICC or any other authority and like documents. Without notice or demand from Bank, Borrower agrees to deliver to Bank all certificates of title pertaining to Collateral as to which a certificate of title has been or may be issued.

6. The execution, delivery and performance of this Security Agreement, the Note and all other instruments and agreements executed by Borrower are within Borrower's power and authority and are not in contravention of law or any indenture, agreement or undertaking to which Borrower is a party or by which Borrower is bound.

7. Borrower agrees that in performing any act under this Security Agreement and any note, guaranty agreement or

other obligations secured hereby, time shall be of the essence and Bank's acceptance of partial or delinquent payments, or failure of Bank to exercise any rights or remedy, shall not be a waiver of any obligation of Borrower or right of Bank or constitute a waiver of any other similar default subsequently occurring.

#### Section IV. Rights of Bank.

1. Bank may, in its discretion, before or after default: (i) terminate, on notice to Borrower, Borrower's authority to sell, lease, otherwise transfer, manufacture, process or assemble or furnish under contracts of service, inventory Collateral or any other Collateral as to which such authority has been given; (ii) notify any account debtor or obligors on instruments to make payments directly to Bank; (iii) contact account debtors or obligors on instruments directly to verify information furnished by Borrower; (iv) transfer or register any of the Collateral in the name of Bank or its nominee and, whether or not so transferred or registered, exercise any or all voting rights appertaining to any of the Collateral, and receive any income, property, rights or dividends on account thereof, including cash and stock dividends, liquidating dividends and rights to subscribe; (v) bring any action at law or in equity to protect its interest in the Collateral or to obtain damages for or to prevent deterioration or destruction of the Collateral other than ordinary wear and tear in connection with its intended primary use; and (vi) make demand for payment of, file suit on, make any compromise or settlement with respect to, collect, compromise, endorse or otherwise deal with the Collateral in its own name or the name of the Borrower.

2. At its option, Bank may make payments to discharge taxes, liens or security interests or other encumbrances at any time levied or placed on the Collateral and take any other action necessary to obtain, preserve, and enforce the security interest and the rights and remedies granted in this Security Agreement and maintain and preserve the Collateral. Such payments and any other expenses incurred by Bank in taking such action shall become, to the extent permitted by law, part of the indebtedness and obligations secured by this Security Agreement. Borrower agrees, to the extent permitted by law, to reimburse Bank for the amount of such payments and other expenses on demand.

3. Upon the occurrence of an Event of Default, and at any time thereafter, Bank may declare all obligations secured hereby immediately due and payable, without notice of any kind, and shall have the rights and remedies of a secured party under the Uniform Commercial Code of Texas including the right to sell, lease or otherwise dispose of any or all of the Collateral in any manner allowed by such Uniform Commercial Code. Bank may require Borrower to assemble the Collateral and make it available to Bank at a place to be designated which is reasonably convenient for both parties; and Bank shall have the right to take possession, with or without prior notice to Borrower, of all or any part of the Collateral or any security therefor and of all books, records, papers and documents of Borrower or in Borrower's possession or control relating to the Collateral and may enter upon any premises upon which any of the Collateral or any security therefor or any of such books, records, papers or documents are situated and remove the same therefrom without any liability for trespass or damages thereby occasioned. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Bank will send Borrower reasonable notice of the time and place of any public sale or other disposition thereof or of the time after which any private sale or other disposition thereof is to be made. The requirement of sending reasonable notice shall be met if such notice is deposited in the U.S. Mail, postage prepaid, addressed to Borrower at the address shown beside the Borrower's signature hereon at least ten (10) days before the time of the sale or disposition. Borrower shall be liable for all expenses, including without limitation, reasonable attorneys' fees and court costs, actually incurred by Bank in repossessing, storing, preparing for sale, lease or other disposition, or selling, leasing or otherwise disposing of the Collateral. The Collateral may be sold, leased or otherwise disposed of as an entirety or in such parcels as Bank may elect, and it shall not be necessary for Bank to have actual possession of the Collateral or to have it present when the sale, lease or other disposition is made. Bank may deliver to the purchasers or transferees of the Collateral a Bill of Sale or Transfer, binding Borrower forever to warrant and defend title to such Collateral. Borrower shall remain liable for any deficiency.

4. Bank may remedy any default and may waive any default without waiving the requirement that the default be

remedied and without waiving any other default. The remedies of Bank are cumulative, and the exercise or partial exercise of any one or more of the remedies provided for herein shall not be construed as a waiver of any of the other remedies of Bank. No delay of Bank in exercising any power or right shall operate as a waiver thereof.

5. This Security Agreement, Bank's rights hereunder or the indebtedness hereby secured may be assigned from time to time, and in any such case the assignee shall be entitled to all of the rights, privileges and remedies granted in this Security Agreement to Bank.

6. Bank may execute, sign, endorse, transfer or deliver in its own name or in the name of Borrower, notes, checks, drafts or other instruments for the payment of money and receipts, certificates of origin, applications for certificates of title or any other documents necessary to evidence, perfect or realize upon the security interest and obligations created by this Security Agreement.

#### Section V. Events of Default.

Borrower shall be in default under this Security Agreement upon the happening of any of the following events or conditions (herein called an "Event of Default"):

1. Failure of Borrower or any endorser, guarantor, surety, accommodation party or other person liable upon or for payment of any indebtedness or obligation secured by this Security Agreement (each hereinafter called an "Other Liable Party") to pay punctually when due any indebtedness due to Bank or to perform punctually any other obligation, covenant, term or provision contained in or referred to in this Security Agreement, any note or other agreement secured hereby or any other agreement executed in connection with this Security Agreement or any note secured hereby;

2. Any warranty, representation or statement contained in this Security Agreement or made or furnished to Bank by or on behalf of Borrower or any Other Liable Party proves to have been false in any respect when made or furnished;

3. Any loss, theft, substantial damage, destruction or unauthorized sale or other transfer of any of the Collateral occurs or the Collateral is subjected to any lien or encumbrance including, without limitation, any storage,

artisan's, mechanic's or landlord's lien or any levy, seizure or attachment;

4. Death, dissolution, termination of existence, insolvency or business failure of Borrower or any Other Liable Party occurs, or a receiver of all or any part of the property of Borrower or any Other Liable Party is appointed or an assignment is made for the benefit of the creditors of Borrower or any Other Liable Party or a meeting of creditors for Borrower or any Other Liable Party is called or any proceeding under any bankruptcy or insolvency laws by or against Borrower or any Other Liable Party is commenced;

5. Any event occurs which results in the acceleration of the maturity of the indebtedness of Borrower or any Other Liable Party to others under any indenture, agreement or undertaking;

6. The Collateral becomes, in the good faith judgment of Bank, unsatisfactory or insufficient in character or value;

7. The Bank deems itself insecure as to the payment or performance of the Note or any provision herein contained; or

8. The Borrower, Lamco or any Other Liable Party fails to comply with any provision of any agreement with or obligation to the Bank or there occurs any default or "Event of Default" thereunder.

#### Section VI. Additional Agreements.

1. "Bank" and "Borrower" as used in this Security Agreement include the heirs, executors or administrators, successors, representatives, receivers, trustees and assigns of those parties. Unless the context otherwise requires, terms used in this Security Agreement which are defined in the Uniform Commercial Code of Texas are used with the meanings as therein defined. The division of this Security Agreement into sections and subsections has been made for convenience only and shall be given no substantive meaning or significance whatever in construing the terms and provisions of this Security Agreement. The law governing this secured transaction shall be that of the State of Texas.

2. If any provision of this Security Agreement is rendered or declared invalid, illegal or ineffective by reason of any existing or subsequently enacted legislation or by decree of a court of competent jurisdiction, such legislation or decree shall not impair, invalidate or nullify the remainder of the Security Agreement which shall remain in full force and effect.

3. Any notice or demand to Borrower hereunder or in connection herewith may be given and shall conclusively be deemed and considered to have been given and received upon the deposit thereof, in writing, duly stamped and addressed to Borrower at the address set forth below, in the U.S. Mail; but actual notice, however given or received, shall always be effective.

Executed this 21st day of July, 1980.

  
Z. D. Bonner

Address:

707 McKinney, Suite 1500  
Houston, Texas 77002

THE STATE OF TEXAS §  
§  
COUNTY OF HARRIS §

On this 21st day of July, 1980, before me personally appeared Z. D. Bonner, to me known to be the person described in and who executed the foregoing instrument and he acknowledged that he executed the same as his free act and deed.

(S E A L)

  
Notary Public in and for  
Harris County, Texas

My commission expires 8/25/80

23WJH7C

FRANCES A. SPELL  
Notary Public in and for Harris County, Texas  
My Commission Expires 8/25, 1980.

EXHIBIT "A"

LAMCO, INC.

MANAGEMENT CONTRACT

This Management Agreement ("Agreement") by and between LAMCO, Inc., a Texas corporation ("LMC") having its principal place of business in Houston, Texas, and Z. D. Bonner ("Owner"), a resident of Harris County, Texas :

WITNESSETH:

WHEREAS Owner has ordered Two (2) railroad tank car(s) pursuant to LMC Purchase Order dated \_\_\_\_\_ ("Railway Equipment") and is desirous of entering into the following Agreement with LMC whereby LMC will manage the Railway Equipment pursuant to all of the terms and conditions hereof; and

WHEREAS LMC desires to manage the Railway Equipment pursuant to the terms and conditions hereof;

NOW THEREFORE, in consideration of the premises and the mutual covenants and conditions set forth herein and the payments to be made by Owner to LMC, the parties hereto agree as follows:

ARTICLE I

DESIGNATION OF APPOINTMENT

1. Owner hereby designates and appoints LMC to manage and otherwise supervise the operation of the Railway Equipment in the name of Owner or in the name of LMC but for the account and on behalf of Owner pursuant to and subject to all of the terms and conditions set forth herein below.
2. LMC hereby accepts the designation and appointment set forth in Paragraph 1 of this Article I and agrees to perform the duties and obligations cast upon it herein. Owner acknowledges and agrees

that, whereas LMC has accepted the designation and the responsibility of managing the Railway Equipment except as specifically set forth below to the contrary or as provided by law. LMC shall have the sole function and operative judgment, to be exercised in a reasonable manner, for the leasing, subleasing, operation of the Railway Equipment and for establishing and implementing policies and standards affecting the Railway Equipment or the operation, maintenance or repair thereof. LMC shall be entitled to rely upon the written or oral instructions received from Owner as to any and all acts and deeds to be performed by LMC for and on behalf of Owner.

## ARTICLE II

### OWNER'S COVENANTS, UNDERTAKINGS AND RESPONSIBILITIES

1. Effective on the delivery of the Railway Equipment by LMC to Owner, Owner does hereby or has heretofore delivered and released to LMC the Railway Equipment for the management thereof by LMC and LMC acknowledges such delivery.
2. Except as provided below, Owner shall be responsible for the payment of all expenses incurred in connection with the Railway Equipment, including ad valorem and other taxes, freight, storage, changes in design of the Railway Equipment and such modifications as may hereafter be required by governmental or industrial regulations or technological advances and changes, inspection fees and charges and costs as prescribed by regulatory authorities, deductibles under all insurance policies, and all other expenses, levies or charges including the Management Fee incurred in connection with the Railway Equipment and the operation and leasing thereof (all of which shall hereinafter be sometimes referred to as the "Expenses"). Expenses shall not include minor and major repair and maintenance work (including without limitation running repairs, cleaning and cleansing the interior and exterior of the Railway Equipment and painting and insurance premiums as provided in Paragraph 9, Article III).
3. Owner agrees to pay such portion of the aggregate ad valorem, gross receipts, property or similar taxes levied against all tank cars (including the Railway Equipment) managed or owned by LMC (the "LMC Fleet") in an amount equal to the percentage which the Lease Fees as hereinafter defined earned by the Railway Equipment are of the gross rental and service charges earned by all tank cars in the LMC Fleet.
4. If the Lease Fees earned by the Railway Equipment are less than the Expenses incurred or reasonably foreseeable in connection with the operation, maintenance and management of the Railway Equipment hereunder, LMC will so advise Owner in the Quarterly Report provided for in Article III below, including the amount of such deficiency and, if requested by LMC, will remit to LMC within thirty (30) days of receipt of the Quarterly Report the amount of such deficiency.
5. Owner agreed to fully cooperate with LMC and to provide all assistance reasonable required by LMC to carry out its obligations hereunder. The provisions of this Subparagraph 5 of Article II shall

include without limitation the provisions of Article VI, full cooperation and assistance in any law suits or other similar matter or proceeding before any court or regulatory agency.

### ARTICLE III

#### LMC'S COVENANTS, UNDERTAKINGS AND RESPONSIBILITIES

In consideration of the Management Fee provided for in Article V hereof, LMC agrees to utilize reasonable time and efforts to:

1. Collect the rent and service charges earned by the Railway Equipment (the "Lease Fees"). Such duties shall not, however, be deemed to include the filing of a suit to collect such Lease Fees, although LMC may elect to do so at its options but at the expense of Owner subject to all of the provisions of Article VI hereof.
2. Use its best efforts to obtain leases of the Railway Equipment for terms (including reasonable operations) not to exceed 71 months and maintain the Railway Equipment under lease throughout the term of this Agreement. LMC shall execute any such leases in LMC's sole discretion either in the name of the Owner or in the name of LMC but for the account and on behalf of the Owner.
3. Comply with terms and conditions of any Lease Agreements to which the Railway Equipment is subject during the term hereof. It is understood, however, that before LMC shall be obligated to comply with any lease not negotiated by LMC or any amended terms, provisions and conditions of any such lease, such lease and/or amendments and modifications thereof must be approved in writing by LMC.
4. Make all required registrations and other filings with the Interstate Commerce Commission, the Association of American Railroads, the Department of Transportation and any other governmental authority, Federal or State, or any industrial authority.
5. File any ad valorem and other tax rates and pay, from the Lease Fee or from funds advanced by Owner, all such taxes due in accordance with the provisions of Article II hereof. LMC may, however, retain during each calendar year of the term of this Agreement an amount equal to 3% of the Lease Fees received during such calendar year to cover such taxes, but will within ninety (90) days following the end of each calendar year remit to Owner any amounts not required for such taxes.
6. Maintain adequate books and records sufficient to properly account for the Lease Fees, expenses and other such items applicable to the Railway Equipment.
7. Contract for or otherwise obtain all repair and/or maintenance work on the Railway Equipment considered necessary by LMC, such repair and/or maintenance work to be paid for by LMC, subject to the provisions of Article II, Section 2 above.

8. Provide periodic reports to Owner on at least a quarterly basis (the "Quarterly Report") which shall set forth the Lease Fees derived from the use of the Railway Equipment as well as Expenses incurred or that are reasonably foreseeable to be incurred in connection with the Railway Equipment. The Quarterly Report shall be for the quarters ending March 31, June 30, September 30 and December 31 and will be delivered to Owner as promptly as is possible. Should the Lease Fees exceed the Expenses incurred in connection with the Railway Equipment, payment of the excess except for the Management Fee provided for under Section 5 in this Section 8 of Article III shall accompany the Quarterly Report. Should Expenses (incurred or reasonably foreseeable) exceed the Lease Fees for any quarter, the Quarterly Report shall set forth the amount to be remitted by Owner to LMC if requested. Owner understands that LMC shall be under no obligation to advance funds for the payment of the Expenses, regardless of the results of the non-payment thereof. It is further understood that LMC shall have the authority to retain portions of the Lease Fees that exceed actual Expenses incurred to cover future expenses that can be reasonably foreseen to exceed Lease Fees for the applicable future period or periods. Such retention of Lease Fees shall be accomplished on a reasonable basis and in such a manner as to minimize the effect that such retention shall have on cash distributions, if any, made to owner. No assessment for cash deficiency shall be made to Owner, however, to the extent of unremitted mileage credits held by LMC.
9. Maintain the following insurance coverage on the Railway Equipment: policies of general liability insurance with limits of coverage not less than the amounts and against the risks incurred by LMC from time to time on Railway Equipment owned by it; and a policy of property insurance with limits of coverage of not less than \$50,000 per car, \$1,500,000 each occurrence with no more than a \$50,000 deductible (to be paid by Owner) each occurrence naming Owner as an additional insured. Any additional insurance desired by Owner shall be obtained by Owner at Owner's own expense. If at any time the general liability insurance maintained on the Railway Equipment is for limits of less than \$10 million or shall not include assumed contractual coverage, for whatever reason, LMC shall, not less than thirty (30) days after it receives effective notice of the decrease in such insurance coverage, give notice in writing to Owner of the same, LMC will provide the Owner as promptly as practicable after receipt by LMC a certificate setting forth the then existing insurance coverage of the Railway Equipment. Any insurance costs in excess of \$20 per month for a car shall be borne by Owner.
10. Reasonably pursue any and all warranties or other claims against manufacturers, users, leases, except lessees, railroads, and any and all other parties on behalf of Owner. Such responsibility and duty of LMC shall not, however, be determined or deemed to include the filing of suits, although LMC may elect to do so at its option, but at the expense of Owner, subject, nonetheless, to the provisions of Article VI.

## ARTICLE IV

### TERM AND TERMINATION

1. This Agreement shall be effective, subject to the other provisions hereof, commencing with the first day on which a tank car or tank cars is delivered to Owner or is delivered to a lessee of such tank car or tank cars for and on behalf of Owner, the date of delivery of such tank car or tank cars shall be deemed to be the date of the invoice for such railroad tank car or tank cars delivered by LMC to Owner and shall automatically terminate ten years from such date.
2. Unless provided by elsewhere in this Agreement, Owner may terminate this Agreement by giving LMC written notice of termination not less than three months prior to the termination date set forth in such notice; provided, however, if Owner shall owe LMC any amounts under such Agreement, including without limitation Management Fees, Owner may not terminate this Agreement as to any of the Railroad Equipment until all such amounts have been paid by LMC. LMC shall be entitled at its option to continue the lease and otherwise operate and manage the Railway Equipment and retain any and all Lease Fees received therefrom until all amounts outstanding and/or subsequently incurred in connection with such continued leasing of the Railway Equipment shall have been paid in full.
3. Except as provided for under Section 4, Article III, pertaining to required registrations and other filings, should either party default under its obligations set forth herein, the sole and exclusive remedy of the other party shall be to advise the defaulting party of such alleged default, and should such default or alleged default not be corrected within thirty (30) days of such notification, the party giving such notice of default may at its option immediately terminate this Agreement; provided that Owner shall, in addition to the foregoing, preserve and retain any rights Owner might have at law or in equity if LMC defaults under Article III, Section 9, pertaining to insurance, or if LMC's actions or inactions constitute gross negligence or willful and wanton misconduct.
4. Neither LMC or Owner shall by reason of expiration or termination of this Agreement in accordance with the terms and conditions herein set forth be liable to the other for compensation, reimbursement or damages either on account of present or prospective profits or on account of expenditures, investments or commitments made in connection therewith or in connection with the establishment, development or maintenance of the business or good will of LMC or Owner or on account of any cost or causes or other thing whatsoever; provided however, that such expiration or termination shall not affect the rights or liabilities of the parties with respect to any indebtedness owing by either party to the other; and further provided that such expiration or termination shall be subject to any then existing lease or leases on the Railway Equipment covered by such lease or leases as may be necessary for LMC to comply with such lease or leases including the right to retain the Lease Fees, Management Fees, and other sums as provided herein, including excess insurance coverage

fees, taxes on the Railway Equipment and other sums as provided for or as may be implied herein until the expiration or termination of such lease or leases. Except as may be otherwise expressly set forth herein, upon the expiration or termination of the Agreement, all of the obligations of the parties, one to the other, shall immediately cease. LMC shall, however, provide reasonable assistance to Owner in transferring to Owner at Owner's sole expense and upon Owner's request all records, data and information relating to Railway Equipment and in assisting Owner in the implementation of such records, data and information into Owner's operations.

## ARTICLE V

### MANAGEMENT FEE

In consideration of the services of LMC hereunder, Owner shall pay to LMC a Management Fee of 20% of the gross of the Lease Fees collected for each tank car (the "Management Fee"). The Management Fee shall be deducted from the quarterly remittances due Owner as otherwise provided herein.

## ARTICLE VI

### LEGAL PROCEEDINGS

LMC represents to Owner that there are no legal proceedings of a material nature incident to its business or any of the Railway Equipment which it owns or maintains. LMC will give written notice to Owner at least ten days prior to the institution of legal proceedings by LMC or not more than ten days after being served with process in any legal proceedings against LMC involving the Railway Equipment. Unless otherwise directed in writing by the Owner, LMC may, at its option, institute or defend in its name or in the name of the Owner, or both, but not against each other, and in all events at the expense of the Owner, any and all legal actions or proceedings it considers necessary hereunder, including, without limitation, those to collect charges, rents, claims or other income from the Railway Equipment, or lawfully oust or dispossess, seize, or other persons in possession thereof, or lawfully cancel, modify, resign or terminate any lease, license or concession agreement for the breach thereof or default by a lessee, licensee or concessionaire or take any and all necessary actions to protect or litigate to a final decision in any appropriate court or other forum any violation, order, rule, regulation, suit or claim, or any other matter affecting the Railway Equipment. LMC shall keep Owner currently advised of all legal proceedings and Owner reserves the right to direct LMC to terminate any litigation brought pursuant to the authority granted to this Article.

## ARTICLE VII

### ASSIGNMENT

Neither party of this Agreement shall assign to any other party any

interest in this Agreement without the consent of the other party; provided, however:

- A. This Agreement together with the Railway Equipment may be transferred by the Owner to his estate, heirs or devisees or to any purchaser at a foreclosure sale where this Agreement and the related Railway Equipment are sold as collateral so long as such sale complies with applicable Federal or State securities laws, and
- B. May be assigned by LMC in connection with the merger or consolidation or reorganization of LMC into another corporation or as part of the sale of all or substantially all of the assets of LMC, provided that notice of such merger, consolidation, reorganization or sale shall be given to Owner prior to the effective date thereof.

## ARTICLE VIII

### INDEMNIFICATION

Owner and LMC jointly and severally acknowledge, agree and confirm that LMC is entering into this Agreement as an independent contractor and neither party hereto shall take any action to alter such legal relationship. Owner shall have no right or authority and shall not attempt to enter into contracts or commitments in the name or on behalf of LMC or name LMC's stockholders, directors or officers or to bind LMC in any manner whatsoever. Further, Owner agrees to indemnify and hold LMC harmless from any and all claims, demands, causes in action, in law or in equity, costs, damages, reasonable attorney's fees, expenses and judgments which may hereafter be asserted by any third party based on or related to the Railway Equipment or the operation, including the leasing thereof, except for all claims, demands, causes of action, in law or in equity, costs, damages, reasonable attorney's fees, expenses and judgments which may hereafter be asserted by a third party based on or relating to actions taken by or inactions of LMC in connection with the Railway Equipment, which actions or inactions were not authorized or promulgated hereunder or authorized actions taken hereunder which were performed negligently or were not specifically requested or approved by Owner; provided that LMC shall indemnify and hold harmless Owner from all claims, demands, causes of action, in law or in equity, damages, reasonable attorney's fees, expenses and judgments which may be asserted hereafter by any third party based on or related to any of the aforesaid actions or inactions of LMC in connection with the Railway Equipment.

The indemnifications given herein by the parties hereto, one to the other, are based upon existing laws, rules and regulations of governmental authorities, Federal or State, and do not contemplate any actions which may be taken under any laws, rules or regulations promulgated by any Federal or State authority which may come into existence and have not become known to both of the parties hereto.

ARTICLE XI

FURTHER AGREEMENTS

1. Each party hereto shall promptly and duly execute and deliver to the other party such further documents, assurances, releases and other instruments and take such further actions, including any necessary filings and the execution of a Power of Attorney of Owner, as the other party may reasonable request in order to carry out more fully the intent and purpose of this Agreement and to indicate the Owner of the Railway Equipment during the continuance and upon the termination of the Agreement.
2. Upon the expiration of termination of this Agreement as to any or all of the Railway Equipment, Owner shall not be entitled to use the Recording and Car Initials and Numbers and other designations that are presently the property of LMC. Thereupon Owner shall promptly undertake at Owner's sole expense all steps necessary to change the designation of the Railway Equipment which is no longer subject to the terms of this Agreement and to execute any and all documents requested by LMC to transfer to LMC any rights Owner may have acquired to such designations. LMC agrees to prepare at its own expense documentation which in LMC's opinion is necessary to change the designations on the Railway Equipment from the designations of LMC to those which may be selected by Owner and to provide reasonable advice and assistance to Owner, at Owner's expense, in the filing of such new documents.
3. Any notice or communication by either party to the other shall be in writing and shall be deemed to have been duly given if either delivered personally or mailed, postage prepaid, by registered or certified mail, addressed as follows:

LMC: LAMCO, Inc.  
777 South Post Oak Road, Suite 504  
Houston, Texas 77056

OWNER: Z. D. Bonner  
707 McKinney, Room 1500  
Houston, TX 77002

or to such other address and to the attention of such other person as either party may designate to the other in writing.

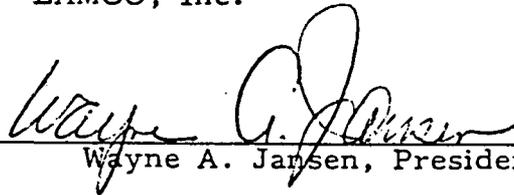
4. Owner or his authorized representative shall be entitled to inspect the books and records of LMC applicable to the Railway Equipment at any reasonable time during the business hours of LMC.
5. LMC confirms that it is and will act as Agent of Owner in entering into and performing all obligations and duties of the lessor under any lease of the Railway Equipment and hereby assigns to Owner all rights of the lessor under any such lease including any rights of indemnification of the lessor thereunder; provided, however, that such assignment shall not affect or modify the relationship between, or the respective rights, obligations and duties of LMC and Owner pursuant to this Agreement. **HOWEVER, NOTHING IN THIS AGREEMENT SHALL BE CONSTRUED BY OWNER AS A GUARANTY OF LMC THAT IT**

- WILL AT ALL TIMES DURING THE TERM OR THIS AGREEMENT OR ANY RENEWAL THEREOF KEEP THE RAILWAY EQUIPMENT UNDER CONSTANT LEASE.
6. This Agreement contains the entire Agreement of the parties hereto pertaining to the management and operation of the Railway Equipment and this Agreement cannot be modified or amended except by the express written Agreement signed by both parties hereto. Any waiver of any obligation by either party hereto shall be construed as a continuing waiver or any such obligation under any provision hereof.
  7. The terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the heirs, administrators, executors, successor, and assigns, if any, of the parties hereto, subject, however, to the provision pertaining to Assignment set forth herein in Article VII.
  8. This Agreement shall be construed in accordance with the laws of the State of Texas and the rules and regulations of the State Securities Board of that State.

IN WITNESS THEREOF, the parties hereto have set their names effective as of the 9th day of May, 1980.

LAMCO, Inc.

By: \_\_\_\_\_

  
Wayne A. Jansen, President

ATTEST:

Sharon Rodrick

OWNER

By: \_\_\_\_\_



Z. D. Bonner