

No. 0-2831073
Date OCT 9 1980
Fee \$ 50.00

LAW OFFICE OF
JOHN A. HUTCHISON III
ATTORNEYS AT LAW
728 W. 19th ST.
HOUSTON, TEXAS 77008
713 / 868-1108

JOHN A. HUTCHISON III
ICC Washington, D. C.

September 19, 1980

ASSOCIATE:
WILLIAM B. CONNOLLY

12289

RECORDATION NO. Filed 1425

Secretary of the Interstate
Commerce Commission
Washington, D.C. 20423

OCT 9 - 1980 - 2 15 PM

... COMMERCE COMM

Dear Sir:

Enclosed are the original and two counterparts or certified true copies of a Security Agreement transmitted to you for recordation pursuant to 49 U.S.C. Section 11303 and 49 C.F.R. Section 1116 et seq.

Also enclosed is a cashier's check payable to your order for \$50.00 to pay the required recordation fee.

The names and addresses of the parties to the transaction evidenced by the enclosed Security Agreement are as follows:

Debtor: Karl A. Krause and
Phyllis S. Krause
13815 Pinerock
Houston, Texas 77079

Secured Party: Village National Bank
14400 Memorial Drive
Houston, Texas 77024

Attention:
Gilbert L. Winnie
President

The collateral covered by the enclosed Security Agreement includes equipment which may be generally described as Railway Equipment, and any leases or other contracts in respect of such Railway Equipment. The Railway Equipment is more particularly described as follows:

One (1) 34,000 gallon nominal capacity tank car, DOT105A300W non-coiled and insulated; 100-ton roller bearing trucks, bearing the number MAAX 3401.

RECEIVED
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OPERATION BR.

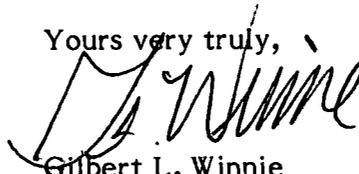
Secretary of the Interstate
Commerce Commission
September 19, 1980
Page 2

The name and address of the person to whom the enclosed original document should be returned is as follows:

John A. Hutchison, III
Attorney at Law
728 West 19th Street
Houston, Texas 77008

The undersigned is the President of Village National Bank, with knowledge of the matters set forth in this letter of transmittal. If there are questions concerning the enclosed, do not hesitate to contact our attorney by letter to the above address or collect call to Mr. John A. Hutchison, III, at (713) 868-1108.

Yours very truly,

A handwritten signature in cursive script, appearing to read "G. Winnie".

Gilbert L. Winnie
President

GLW/nlw

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

John A. Hutchison, III
Attorney At Law
728 West 19th Street
Houston, Texas 77008

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 10/9/80 at 2:15PM, and assigned re-
recording number(s). 12289

Sincerely yours,

Agatha L. Mergenovich
Agatha L. Mergenovich
Secretary

Enclosure(s)

Interstate Commerce Commission
Washington, D.C. 20423

10/16/80

OFFICE OF THE SECRETARY

**John A. Hutchison, 111
728 West 19th Street
Houston, Texas 77008**

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 **10/9/80** at **2:15pm**, and assigned re-
recording number(s). **12289**

Sincerely yours,

Agatha L. Mergenovich
Agatha L. Mergenovich
Secretary

Enclosure(s)

OCT 9 - 1980 - 2 15 PM

INTERSTATE COMMERCE COMMISSION
SECURITY AGREEMENT

THE STATE OF TEXAS X
 X
COUNTY OF HARRIS X

KNOW ALL MEN BY THESE PRESENTS:

That KARL A. KRAUSE and PHYLLIS S. KRAUSE whose address is 13815 Pinerock, Houston, Harris County, Texas 77079 hereinafter called "Debtor" (whether one or more), hereby GRANTS to VILLAGE NATIONAL BANK whose address is 14400 Memorial Drive, Houston, Harris County, Texas, 77024, hereinafter called "Secured Party" (whether one or more), a security interest in the following described personal property together with all additions and accessions thereto, and proceeds thereof (the inclusion of such proceeds does not authorize Debtor to sell, dispose of or otherwise use the Collateral in any manner not authorized by this agreement), all hereinafter called the "Collateral", to-wit:

I.

Collateral

The Railway Equipment described as follows: one (1) 34,000 gallon nominal capacity tank car, DOT 105A300W, non-coiled and insulated 100-ton roller bearing trucks, bearing number MAAX 3401; all additions, accessions, substitutions, accounts, notes, drafts, acceptances, instruments, chattel paper, rights earned or yet to be earned under contracts to sell, lease, or render services, or general intangibles, to, for, under or in respect to any of the Railway Equipment; and

The Management Agreement by and between Maxx Leasing Company and Debtor, dated September 19, 1980, as now or hereafter amended or modified and including any substitutions or replacements therefor; all monies, income, benefits, proceeds or replacements therefor; all monies, income, benefits, proceeds or products thereof and attributable or accruing thereto, which Collateral is equipment for business use.

II.

Indebtedness Secured

This security interest is to secure the payment of an indebtedness owing by Debtor to Secured Party and evidenced by that one certain promissory note, dated September 19, 1980, in the original principal sum of FIFTY-NINE THOUSAND SIX HUNDRED AND NO/100 DOLLARS (\$59,600.00) executed by Debtor, payable to the order of Secured Party as follows: as therein provided and bearing interest as therein stipulated, providing for

acceleration of maturity and for attorney's fees; and to secure all renewals and extensions of all or any part of said indebtedness hereby secured.

Unless otherwise agreed, all of the Obligations shall be payable at the offices of Secured Party in the City of Houston, Harris County, Texas.

III.

Warranties and Covenants Relating to Filing

Debtor hereby warrants and covenants that:

(1) The Collateral is bought or used and will be used primarily for business use and is being acquired with the proceeds of the advance on the Note.

(2) The first address shown for Debtor at the beginning of this Security Agreement, is that of Debtor's only residence, his place of business in regard to the use, management, sale or lease of the Collateral; and Debtor further covenants and agrees that Debtor will neither alter or change, allow to be altered or changed, nor allow to become inaccurate in any manner, any of the information given above in this Section (2) without first notifying Secured Party in advance, in writing, of any such change or alteration in any of the information given above, including the location of Debtor and the description applicable to said location.

(3) Debtor will take all action necessary to maintain and preserve all security for the Collateral at all times as valid, subsisting and perfected as to all the property affected and covered thereby and to maintain the priority and validity of the security for the Collateral as against the rights, claims and interests of all other persons and parties whomsoever; and if any account, chattel paper, instrument or general intangible included in the Collateral, or any part thereof, is secured by any goods, chattels, motor vehicles or other property with respect to which certificates of title or similar documents are, at any time and pursuant to the laws of any jurisdiction, issued or outstanding, Debtor will promptly advise Secured Party thereof and promptly cause the interest of Secured Party to be properly noted thereon, and Debtor will further promptly deliver to Secured Party any such certificate of title or similar document issued or outstanding at any time with respect to such goods, chattels, motor vehicles or other property; if any certificates of title or similar documents are so issued or outstanding at the time this Security Agreement is executed by or in behalf of Debtor, then Debtor shall have caused the interest of Secured Party so to have been properly noted at or before the time of such execution.

IV.

Further Warrants and Covenants of Debtor

Debtor hereby warrants and covenants that:

(1) Except for the security interest granted hereby, Debtor is the owner and holder of all the Collateral free from any adverse claim, security interest, encumbrance, lien, charge or any other right, title or interest of any person other than Secured Party; Debtor has full power and lawful authority to sell, transfer and assign the Collateral to Secured Party and to grant to the Secured Party a first, prior and valid security interest therein as herein provided; the execution and delivery and the performance hereof are not in contravention of any indenture, agreement or undertaking to which the Debtor is a party or by which the Debtor is bound; and Debtor will defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein.

(2) (a) Debtor has not heretofore signed any financing statement or security agreement which covers any of the Collateral, and no such financing statement or security agreement is now on file in any public office, except such as are in favor of Secured Party.

(b) As long as any of the Obligations remain unperformed, or as long as any amount remains unpaid on any of the Obligations or on any indebtedness or liabilities of Debtor to Secured Party, or as long as any credit from Secured Party to Debtor is in use by or available to Debtor, (i) Debtor will not enter into or execute any security agreement or any financing statement which covers any of the Collateral, other than those security agreements and financing statements in favor of Secured Party hereunder, and further (ii) there will not be on file in any public office any financing statement or statements (or any documents or papers filed as such) other than financing statements in favor of Secured Party hereunder, unless in any case subject to this paragraph (b) the specific prior written consent and approval of Secured Party shall have been obtained.

(c) Debtor authorizes Secured Party to file, in jurisdictions where this authorization will be given effect, a financing statement or other documents giving notice of the security interests hereunder, signed only by Secured Party covering the Collateral. At the request of Secured Party, Debtor will join Secured Party in executing such documents as Secured Party may determine, from time to time, to be necessary or desirable under provisions of the Uniform Commercial Code or other pertinent statutes or regulations; without limiting the generality of the foregoing, Debtor agrees to join Secured Party, at

Secured Party's request, in executing one or more financing statements or other documents giving notice of the security interests hereunder, in form satisfactory to Secured Party, and Debtor will pay the cost of filing or recording the same, or of filing or recording this Security Agreement, in all public offices at any time and from time to time, whenever filing or recording of any such financing statement or of this Security Agreement is deemed by Secured Party to be necessary or desirable. In connection with the foregoing, it is agreed and understood between the parties hereto (and Secured Party is hereby authorized to carry out and implement the following agreements and understandings and Debtor hereby agrees to pay the cost thereof) that Secured Party may, at any time or times, file as a financing statement any counterpart, copy, or reproduction of this Security Agreement signed by Debtor if Secured Party shall elect so to file, and it is also agreed and understood that Secured Party may, if deemed necessary or desirable, file (or sign and file) as a financing statement any carbon copy of, or photographic or other reproduction of, this Security Agreement or of any financing statement executed in connection with this Security Agreement.

(3) Debtor will not sell or offer to sell or otherwise transfer or encumber or dispose of the Collateral or any interest therein, without the prior written consent of Secured Party.

(4) In the event the Management Agreement is terminated by any of its parties for any reason, or in the event the Bank deems the Collateral insufficiently insured, Debtor will immediately (at Debtor's expense) provide and maintain at all times insurance with respect to the Collateral against risks of fire (including so-called extended coverage), theft, and such other risks as Secured Party may require, containing such terms, in such form, for such periods, and written by such companies as may be satisfactory to Secured Party; such insurance shall be payable to Secured Party and Debtor as their interests may appear and to no other person or persons without Secured Party's prior written consent; all policies of insurance shall provide for ten (10) days' written minimum cancellation notice to Secured Party; Debtor shall furnish Secured Party with certificates or other evidence satisfactory to Secured Party of compliance with the foregoing provisions concerning insurance and the payment of premiums; and Secured Party may act as attorney for Debtor in obtaining, adjusting, settling and cancelling such insurance and endorsing any drafts drawn by insurers of the Collateral but Secured Party shall not be obligated by this provision

so to act; and if, at any time or times, Debtor shall fail to take out or maintain any insurance required under this Security Agreement or under this Article, Secured Party may (but shall not be obligated to do so), without in anywise waiving such default by Debtor, take out or maintain such insurance, and all premiums and other costs paid by Secured Party incident thereto shall upon demand be repayable by Debtor to Secured Party with interest thereon from the date expenditure is made by Secured Party until repaid at the rate of ten percent (10%) per annum and shall be and become a part of the Obligations secured hereby. Any funds or proceeds received by Debtor pursuant to policies of insurance required by this Security Agreement or otherwise obtained by the Debtor with respect to the Collateral shall be received and held by Debtor in trust for Secured Party, shall be paid into a separate deposit account, shall not be commingled with any other funds or accounts, and shall not be disturbed without the prior written consent of Secured Party.

(5) Debtor will keep the Collateral free from any adverse lien, charge, security interest, or encumbrance, whether voluntary or involuntary, and in good order and repair and will not waste, destroy, misuse or abuse the Collateral or any part thereof or allow any of same to deteriorate except for normal wear and tear from its normal intended primary use; Debtor will not use the Collateral in violation of any statute or ordinance.

(6) Debtor will pay promptly when due all taxes and assessments upon the Collateral or for its use or operation or upon this agreement or upon any note or notes evidencing the Obligations.

(7) If at any time or times Secured Party shall be of the opinion that the Collateral is not sufficient or has declined or may decline in value, or Secured Party shall deem payment of the Obligations to be insecure, then Secured Party may call for additional Collateral satisfactory to Secured Party, and Debtor promises to furnish such additional Collateral forthwith. The call for additional Collateral may be oral or by telegram or by United States Mail addressed to the address of Debtor shown at the beginning of this agreement.

(8) At its option Secured Party may use or may permit to be used any insurance proceeds received by Secured Party for the reconstruction or repair of the Collateral without in anyway impairing or affecting its rights hereunder.

(9) At its option Secured Party may at any time or times pay or discharge any taxes or assessments, liens or security interests or other encumbrances at any time levied or placed on the Collateral and any costs, penalties or interest thereon, and shall be the

sole judge as to the validity and effect thereof and as to the amount required to discharge same, and may pay for insurance on the Collateral and for costs of maintenance, preservation or repair of the Collateral. In the event Secured Party shall pay any such taxes, assessments, interest, costs, penalties, insurance premiums or expenses pursuant to the foregoing authorization, Debtor, upon demand of Secured Party, shall pay to Secured Party the full amount thereof with interest at the rate of ten percent (10%) per annum from their respective dates of payment by Secured Party until repaid to Secured Party in full, and so long as Secured Party shall be entitled to any such payments, this Security Agreement shall operate as security therefor as fully and to the same extent as it operates as security for payment of the other Obligations due from Debtor, and for the enforcement of such repayment Secured Party shall have every right and remedy provided for enforcement of payment of the Obligations hereunder.

(10) All information supplied and statements made by Debtor in any financial, credit or accounting statement or application for credit made or delivered to Secured Party by or on behalf of Debtor prior to, contemporaneously with or subsequent to the execution of this Security Agreement are and shall be true, correct, complete, valid and genuine.

(11) All accounts, instruments and chattel paper included in the Collateral will meet the following requirements continuously until they are collected in full;

(a) Said account, instrument or chattel paper and all papers and documents relating thereto are genuine and in all respects what they purport to be, and are valid and subsisting and arose from the performance of services by Debtor which have been fully and completely performed or from the bona fide sale or lease of goods by Debtor in which Debtor had the sole and complete ownership, and such goods have been shipped or delivered to and accepted by the purchaser or lessee;

(b) The account, instrument or chattel paper arose or was acquired by Debtor in the ordinary course of his business and is owned by Debtor free and clear of all liens, encumbrances or security interest of any nature other than the security interest of Secured Party hereunder, and no notice of bankruptcy, insolvency or financial embarrassment of the party indebted thereon has been received by Debtor.

(12) Any instruments, chattel paper, money or monies, or documents that are, at any time or times, included in the Collateral, whether as proceeds or otherwise, will promptly be delivered by Debtor to Secured Party upon Debtor's receipt thereof, and in any event promptly upon demand therefor by Secured Party.

(13) Secured Party shall never be under any obligation to collect, attempt to collect, protect or enforce the Collateral or any security therefor, which Debtor agrees and undertakes to do at Debtor's expense; but Secured Party may do so in its discretion at any time or times, and Secured Party shall have the right to take any steps by judicial process or otherwise it may deem proper from time to time to effect the collection of all or any portion of the Collateral or to protect or to enforce the Collateral or any security therefor. All expenses (including, without limitation, attorney's fees and legal expenses) incurred or paid by Secured Party in connection with or incident to any such collection or attempt to collect the Collateral or actions to protect or enforce the Collateral or any security therefor shall be borne by Debtor or reimbursed by Debtor to Secured Party upon demand. The proceeds of collection of the Collateral shall be held by Secured Party without liability for interest thereon and may be applied by Secured Party as Secured Party may deem appropriate toward payment of any of the Obligations secured hereby, whether or not then due, in such order or manner as Secured Party may elect.

(14) Debtor will not at any time release or surrender any of the collateral or any guaranty, suretyship agreement or security therefor except incidental to payment in full thereof.

V.

Special Provisions - Accounts Receivable

(1) The term "account", "accounts" or "accounts receivable" as used hereinafter in this Article V. includes all accounts, notes, drafts, acceptances, instruments and chattel paper in which at any time or from time to time, Secured Party has or is intended to have a security interest under or pursuant hereto.

(2) Secured Party shall have the privilege at any time upon request of inspecting during reasonable business hours any of the business locations or premises of Debtor and the books and records of Debtor relating to said accounts or the collection thereof as well as those relating to Debtor's general business and financial condition; and Debtor will make such books and records available for such inspection and reasonably assist Secured Party in its inspection of same. Debtor further agrees from time to time to furnish such other reports, data and financial statements, including audits by independent public accountants, in respect of its business and financial condition as Secured Party may reasonably require. Secured Party shall have the right, exercisable at any time, whether

before or after default by Debtor, to notify any and all account debtors, lessees, or obligors to make payment on any and all accounts, leases or obligations directly to Secured Party; and Debtor will upon request of Secured Party, likewise notify all such account debtors, lessees or obligors to make payment directly to Secured Party; but to the extent Secured Party does not so elect, Debtor shall continue to collect the accounts, lease payments and obligations. All proceeds or collections on accounts received by Debtor shall be held in trust by Debtor for the account of Secured Party and shall be forthwith accounted for and transmitted to Secured Party in the form as received by Debtor and shall not be commingled with any other funds or properties of Debtor. Proceeds of accounts transmitted to Secured Party from Debtor or received by Secured Party may be handled and administered by Secured Party, in its discretion, in and through a Remittance of similar special account, but Debtor acknowledges that the maintenance of such an account by Secured Party is solely for its convenience in facilitating its own operations and that Debtor does not and shall not have any right, title or interest in said account or in the amounts at any time to the credit thereof. Except to the extent Secured Party may from time to time in its discretion release proceeds to Debtor for use in its business, all proceeds of Collateral received by Secured Party shall be applied on the Obligations secured hereby, whether or not such indebtedness shall have by its terms matured, such application to be made at such intervals, and first to interest and then to principal or exclusively to principal (the interest from time to time accruing to be charged to the general account of Debtor or to be paid separately by Debtor) as Secured Party may determine, except that Secured Party need not apply or give credit for any item included in such proceeds until Secured Party has received final payment thereof at its office in cash or solvent credits accepted as such by Secured Party.

(3) Secured Party shall have the right in its own name or in the name of Debtor to demand, collect, receive, receipt for, sue for, compound and give acquittance for, any and all amounts due or to become due on the accounts and to endorse the name of Debtor on all commercial paper given in payment or part payment thereof, and in its discretion to file any claim or take any other action or proceedings which Secured Party may deem necessary or appropriate to protect and preserve and realize upon the security interest of Secured Party in the accounts and the proceeds thereof and security therefor.

(4) Debtor will from time to time execute such further instruments and do such further acts and things as Secured Party may reasonably require by way of further assurance

to Secured Party of the matters and things herein provided for or intended so to be. Without limiting the foregoing Debtor agrees to execute and deliver to Secured Party an assignment or other form of identification in the form required by Secured Party of all accounts included in the Collateral, together with such other evidence of the existence and identity of such accounts as Secured Party may reasonably require; and Debtor will mark its books and records to reflect the specific assignment of such accounts.

VI.

Events of Default

Debtor shall be in default under this Security Agreement upon the happening of any of the following events or conditions:

- (1) Default in the payment when due of the principal of or interest on the Note or on any other of the Obligations;
- (2) Failure or refusal of Debtor to perform or observe any of the covenants, duties or agreements herein imposed upon or agreed to be performed or observed by Debtor;
- (3) Default in the performance of any agreement or obligation of Debtor or of any maker, endorser, guarantor or surety of any liability or obligation of Debtor to the holder of the Obligations;
- (4) Any warranty, representation or statement made in this Security Agreement or made or furnished to Secured Party by or on behalf of Debtor in connection with this Security Agreement or to induce Secured Party to make any loan to Debtor proves to have been false in any material respect when made or furnished; or any financial statement of Debtor or of any endorser, guarantor or surety on any of the Obligations which has been or may be furnished to Secured Party by or on behalf of Debtor or such guarantor, endorser or surety shall prove to be false in any materially detrimental respect;
- (5) Any deterioration or impairment of the Collateral or any part thereof or any decline or depreciation in the market value thereof (whether actual or reasonably anticipated) which, in the judgment of Secured Party, causes the Collateral to become unsatisfactory as to value or character, including without limitation termination of the Management Agreement;
- (6) Loss, theft, substantial damage, destruction, sale or encumbrance to or of any of the Collateral or the levy of any attachment, execution, or other process against Debtor or any of the Collateral;

(7) Death, dissolution, termination of existence, insolvency or business failure of Debtor or any endorser, guarantor or surety of any of the Obligations, commission of an act of bankruptcy by, or appointment of receiver or other legal representative for any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceedings under any bankruptcy or insolvency law by or against, Debtor or any endorser, guarantor or surety for any of the obligations.

VII.

Remedies

In any event of default in the payment of any of the Obligations or any principal, interest or other amount payable thereunder, when due, or upon the happening of any of the events of default specified above, and at any time thereafter, at the option of the holder thereof, any or all of the Obligations shall become immediately due and payable without presentment or demand or any notice to Debtor or any other person obligated thereon and Secured Party shall have and may exercise with reference to the Collateral and Obligations any or all of the rights and remedies of a secured party under the Uniform Commercial Code as adopted and as amended in the State of Texas, and as otherwise granted herein or under any other applicable law or under any other agreement executed by Debtor, including, without limitation, the right and power to sell, at public or private sale or sales, or otherwise dispose of, lease or utilize the Collateral and any part or parts thereof in any manner authorized or permitted under said Uniform Commercial Code after default by a debtor, and to apply the proceeds thereof toward payment of any costs and expenses and attorneys' fees and legal expenses thereby incurred by Secured Party and toward payment of the Obligations in such order or manner as Secured Party may elect. Among the rights of Secured Party in the event of default, and without limitation, Secured Party shall have the right to take possession of all or any part of the Collateral or any securities therefore and of all books, records, papers and documents of Debtor or in Debtor's possession or control relating to the Collateral and for such purpose may enter upon any premises where any of the Collateral or security therefor or any said books, records, papers and documents may be situated for such purpose without being deemed guilty of trespass and without liability for damages thereby occasioned, and to take any action deemed necessary or appropriate or desirable by Secured Party, at its option and in its discretion, to repair, refurbish or otherwise prepare the Collateral for sale, lease or other use or disposition as

herein authorized. To the extent permitted by law, Debtor expressly waives any notice of sale or other disposition of the Collateral and any other rights or remedies of Debtor or formalities prescribed by law relative to sale or disposition of the Collateral or exercise of any other right or remedy of Secured Party existing after default hereunder; and to the extent any such notice is required and cannot be waived, Debtor agrees that if such notice is mailed, postage prepaid, to Debtor either at the street address first shown hereinabove, or at the mailing address, if any, shown for Debtor at the beginning of this Security Agreement, at least five (5) days before the time of the sale or disposition, such notice shall be deemed reasonable and shall fully satisfy any requirement for giving of said notice.

Secured Party is expressly granted the right, at its option, to transfer at any time to itself or to its nominee the Collateral, or any part thereof, and to receive the monies, income, proceeds or benefits attributable or accruing thereto and to hold the same as security for the Obligations or to apply it on the principal and interest or other amounts owing on any of the Obligations, whether or not then due, in such order or manner as Secured Party may elect. Secured Party is further expressly granted the rights, exercisable at its option at any time, whether before or after default, to take control of any proceeds, payments, collections, monies, income, or benefits, and to notify account debtors, lessees, obligors on any instruments, or other obligors to make all payments directly to Secured Party on any and all accounts, leases, instruments, or obligations, income, monies, proceeds or other benefits, constituting, at any time or from time to time, a part of the Collateral, and to hold any payments, collections, monies, income, proceeds or benefits as security for the Obligations or to apply it on the principal and interest or other amounts owing thereon, whether or not then due and in such order or manner as Secured Party may elect; and Debtor will, upon request of Secured Party, so notify all such account debtors, lessees or obligors.

All rights to marshalling of assets of Debtor, including any such right with respect to the Collateral, are hereby waived by Debtor.

All recitals in any instrument of assignment or any other instrument executed by Secured Party incident to sale, transfer, assignment, lease or other disposition or utilization of the Collateral or any part thereof hereunder shall be full proof of the matters stated therein and no other proof shall be requisite to establish full legal propriety of the sale or other action taken by Secured Party or of any fact, condition or thing incident

thereto and all prerequisites of such sale or other action or of any fact, condition or thing incident thereto shall be presumed conclusively to have been performed or to have occurred.

Secured Party may require Debtor to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party that is reasonably convenient to both parties. All expenses of retaking, holding, preparing for sale, lease or other use or disposition, selling, leasing, or otherwise using or disposing of the Collateral and the like which are incurred or paid by Secured Party as authorized or permitted hereunder, including also all attorney's fees, legal expenses and costs, shall be added to the Obligations and Debtor shall be liable therefor.

The right of Secured Party to take possession or control of the Collateral upon the happening of any of the events or conditions constituting a default may be exercised without resort to any court proceeding or judicial process whatever and without any hearing whatever thereon; and, in this connection, DEBTOR EXPRESSLY WAIVES ANY CONSTITUTIONAL RIGHTS OF DEBTOR WITH REGARD TO NOTICE, ANY JUDICIAL PROCESS OR ANY HEARING PRIOR TO THE EXERCISE OF THE RIGHT OF SECURED PARTY TO TAKE POSSESSION OR CONTROL OF THE COLLATERAL UPON HAPPENING OF ANY OF THE EVENTS OR CONDITIONS CONSTITUTING A DEFAULT.

VIII.

General

The execution and delivery of this Security Agreement in no manner shall impair or affect any other security (by endorsement or otherwise) for the payment of the Obligations and no security taken hereafter as security for payment of any part or all of the Obligations shall impair in any manner or affect this Security Agreement, all such present and future additional security to be considered as cumulative security. Any of the Collateral may be released from this Security Agreement without altering, varying, or diminishing in any way the force, effect, lien, security interest, or charge of this Security Agreement as to the Collateral not expressly released, and this Security Agreement shall continue as a first lien, security interest and charge on all of the Collateral not expressly released until all sums and indebtedness secured hereby has been paid in full. Any future assignment or attempted assignment or transfer of the interest of Debtor in and to any of the Collateral shall not deprive Secured Party of the right to sell or otherwise dispose of or utilize all of the Collateral as above provided or necessitate the sale or disposition thereof in parcels or in severalty.

This Security Agreement shall not be construed as relieving Debtor from full personal liability of the Obligations and any and all future and other indebtedness secured hereby and for any deficiency thereon.

If maturity of the Obligations shall be accelerated for any reason, the full amount of any interest then unearned which has been collected theretofore by or for Secured Party shall thereupon be credited against the Obligations. Notwithstanding any other provision in this Security Agreement or in the Obligations or any of them, Debtor shall never be liable for unearned interest on the Obligations, or on any of them, and shall further never be required to pay interest on the Obligations, or on any of them, at a rate in excess of the maximum percentage rate authorized and allowed by applicable law. The provisions of this paragraph shall have no application to a premium or bonus payable upon any voluntary anticipation of payment by Debtor on the Obligations or any part thereof. The intent of the parties being to conform and comply fully with all laws concerning usury applicable hereto or to the Obligations or any of them, any agreement concerning interest in any of the foregoing shall be subject to reduction to the amount allowed under the applicable laws with respect to usury, as now or hereafter construed by the courts with jurisdiction thereof, and any interest collected in excess of the amount authorized and permitted by such laws shall be refunded to the person paying the same, or credited against the Obligations.

In protecting, exercising or assuring its interests, rights and remedies under this Security Agreement, Secured Party may receive, open and dispose of mail addressed to Debtor and execute, sign and endorse negotiable and other instruments for the payment of money, documents of title and other evidences of payment, shipment or storage for any form of Collateral or proceeds on behalf of and in the name of Debtor.

Secured Party is hereby subrogated to all of Debtor's interests, rights and remedies in respect to the Collateral and all security now or hereafter existing with respect thereto and all guaranties and endorsements thereof and with respect thereto.

Any notice or demand to Debtor 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 in the U.S. Mails, duly stamped and addressed to Debtor either at the street address first shown hereinabove or at the mailing address, if any, given for Debtor at the beginning of this Security Agreement; but actual notice to Debtor, however given or received, shall always be effective.

Any deposit, deposit account, certificate of indebtedness, certificate of deposit or other sums at any time credited by or due from the holder of the Obligations to Debtor or any endorser, guarantor or surety of any of the Obligations and any securities or other property of Debtor or any endorser, guarantor or surety of any of the Obligations in the possession of the holder of the Obligations may at all times be held and treated as additional and cumulative collateral security for the payment of the Obligations, and Debtor grants Secured Party a security interest in all such deposits, deposit accounts, certificates of indebtedness or deposit, sums, securities and other properties as additional and cumulative security for payment of the Obligations. The holder of the Obligations may apply or set-off such deposits, deposit accounts, certificates of indebtedness or deposit, sums, securities or other properties against the Obligations at any time in the case of Debtor but only with respect to matured liabilities in case of the endorsers, guarantors, or sureties of any of the Obligations.

Secured Party may, at its option, whether or not the Obligations are due, demand, sue for, collect or make any compromise or settlement it deems desirable with reference to the Collateral. Secured Party shall not be obligated to take any steps necessary to preserve any rights in the Collateral against other parties, which Debtor hereby assumes to do.

No delay or omission on the part of Secured Party in exercising any right hereunder shall operate as a waiver of any such right or any other right. A waiver on any one or more occasions shall not be construed as a bar to or waiver of any right or remedy on any future occasion. The remedies of Secured Party hereunder are cumulative, and the exercise of any one or more of the remedies provided for herein shall not be construed as an election or as a waiver of any of the remedies of Secured Party provided for herein or existing by law or otherwise.

All rights of Secured Party hereunder shall inure to the benefit of its successors and assigns; and all obligations of Debtor shall bind his heirs, executors, or administrators, and his or its successors or assigns. If there be more than one Debtor, their obligations hereunder shall be joint and several.

Each term used in this Security Agreement, unless the context otherwise requires and in all events subject to any express definitions set forth in this Security Agreement, shall be deemed to have the same meaning herein as that given each such term under the

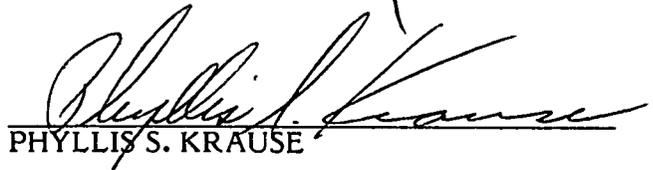
Uniform Commercial Code, as adopted and as amended in the State of Texas. As used in this Security Agreement and when required by the context, each number (singular and plural) shall include all numbers, and each gender shall include all genders; and unless the context otherwise requires, the word "person" shall include "corporation, firm or association."

The law governing this secured transaction shall be that of the State of Texas existing as of the date hereof; provided that if any additional rights or remedies are hereafter granted to secured parties by the law of Texas, Secured Party shall also have and may exercise any such additional rights or remedies.

SIGNED in multiple original counterparts and delivered on the day and year below written.

DATED: September 19, 1980


KARL A. KRAUSE


PHYLLIS S. KRAUSE

VILLAGE NATIONAL BANK

By: *Gilbert L. Winnie*
Gilbert L. Winnie, President

THE STATE OF TEXAS X

COUNTY OF HARRIS X

Before me, the undersigned authority, on this day personally appeared KARL A. KRAUSE and wife, PHYLLIS S. KRAUSE, known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this 19th day of September, 1980
1980.

Barbara Birchfield
Notary Public in and for
Harris County, Texas

THE STATE OF TEXAS X

COUNTY OF HARRIS X

Before me, the undersigned authority, on this day personally appeared GILBERT L. WINNIE, President of the Village National Bank, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of the Village National Bank.

Given under my hand and seal of office this 19th day of September, 80
1980.

Barbara Birchfield
Notary Public in and for
Harris County, Texas