0-036A160
No.
Date FEB 5 1980
Fee $ 50.00
ICC Washington, D. C.

RECORDATION NO. 11469 Filed 1425
FEB 5 1980 -4 00 PM
INTERSTATE COMMERCE COMMISSION

INTERSTATE
COMMISSION
- 1 1980
SERVICES
UNIT

January 15, 1980

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 Thomas D. Dunscombe, Jr. 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:

Thomas D. Dunscombe, Jr.
10914 Roaring Brook
Houston, Texas 77024

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

Number	Type of Car	Serial Numbers
2	4,750 Cubic foot, covered hoppers, type "LO" cars; three compartments; mechanical gates; equipped with 100-ton roller bearing trucks.	GLNX 420 & GLNX 421

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 _____
Ronald N. Brown
Vice President

Interstate Commerce Commission
Washington, D.C. 20423

2/21/80

OFFICE OF THE SECRETARY

Ronald N. Brown
Vice President
First Natl Bank Of Houston
1001 Main Street
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 2/5/80 at 4:00pm, and assigned recordation number(s). 11499

Sincerely yours,

Agatha L. Mergenovich

Agatha L. Mergenovich
Secretary

Enclosure(s)

SE-30
(7/79)

11469
RECORDATION NO. Filed 1425

FEB 5 1980 -4 00 PM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

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 $83,000 payable to the Bank and dated January 15, 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 4,750 cubic foot covered hopper cars each equipped with 100-ton roller bearing trucks and having serial numbers GLNX 420 and GLNX 421 ("Cars");

(2) All right, title and interest now owned or hereafter acquired by Borrower in and to that certain Management Agreement dated December 1, 1979, between Glenco Transportation Services, Inc., a Texas corporation ("Glenco"), and Borrower ("Management Agreement");

(3) All right, title and interest now owned or hereafter acquired by Borrower in and to all now or hereafter existing leases of any 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 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. The address of Borrower's place of business, residence, 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 Glenco. 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 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 at any time be located in any country other than the United States. The Collateral will not be affixed to any real estate or other goods so as to become fixtures or accessions.

4. Borrower will maintain property liability insurance in the amount of $300,000 per Car, personal liability insurance in the amount of $100,000 per Car, and such other insurance on the Collateral as Bank may reasonably request from time to time. Borrower shall furnish Bank with certificates or other evidence of insurance required hereby. 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 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, the Collateral will not be sold, leased, rented or otherwise transferred or disposed of by Borrower, or be subjected to any unpaid charge, including rent and taxes, or to any subsequent interest of a third person created or suffered by Borrower voluntarily or involuntarily. 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. The proceeds of the Note will be used by Borrower solely for business purposes of Borrower. Such proceeds will be used only to repay to Bank indebtedness incurred by Borrower in connection with the purchase of the Cars.

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 any 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 five (5) days before the time of the sale or disposition. Borrower shall be liable for attorneys' fees assessed by a court, actually incurred court costs, and the reasonable cost actually expended 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 in good faith deems itself insecure as to the payment or performance of the Note or any provision herein contained; or

8. The Borrower 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 15th day of January, 1980.

Thomas D. Dunscombe, Jr.

Address:

10914 Roaring Brook
Houston, Texas 77024

THE STATE OF TEXAS §
§
COUNTY OF HARRIS §

On this 15th day of January, 1980, before me personally appeared Thomas D. Dunscombe, Jr., 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)

Frances A. Spell
Notary Public in and for
Harris County, Texas

My commission expires 8/25/80

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

Exhibit "A"

MANAGEMENT AGREEMENT

THIS MANAGEMENT AGREEMENT ("Agreement"), by and between GLENCO TRANSPORTATION SERVICES, INC., a Texas corporation ("Glenco"), having its principal place of business in Houston, Texas, and Thomas D. Dunscombe ("Owner"), a resident of Harris County Texas.

WITNESSETH:

WHEREAS, Owner is the owner of the Railway Equipment listed in the attached Exhibit "A" (the "Railway Equipment"), and is desirous of entering into the following Agreement with GLENCO, whereby GLENCO will manage the Railway Equipment pursuant to the terms and conditions hereof; and

WHEREAS, GLENCO is desirous of undertaking the management of 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, the parties hereto agree as follows:

ARTICLE I

APPOINTMENT

1. Owner hereby appoints GLENCO to manage and otherwise supervise the operation of the Railway Equipment in the name of the Owner, or in the name of GLENCO, but for the account and on behalf of the Owner pursuant and subject to the terms and conditions set forth in this Agreement.

2. GLENCO hereby accepts the appointment set forth in Paragraph 1 of this Article I and agrees to perform the duties and obligations set forth herein. Owner acknowledges and agrees that, whereas GLENCO has accepted the responsibility of managing the Railway Equipment, except as specifically set forth herein to the contrary or as provided by law, GLENCO shall have the sole function and operative judgment, to be exercised in a reasonable manner, for the leasing, operation and management of the Railway Equipment and for establishing and implementing policies and standards affecting the Railway Equipment or the operation, maintenance or repair thereof. GLENCO shall be entitled to rely upon written or oral instructions received from Owner as to any and all acts to be performed by GLENCO.

ARTICLE II

OWNER'S COVENANTS AND RESPONSIBILITIES

1. Owner does hereby deliver and release to GLENCO the Railway Equipment for the management thereof by GLENCO, and GLENCO acknowledges delivery and receipt thereof.

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, design changes and other modifications required by governmental or industry regulations or technological changes, deductibles under insurance policies, and other expenses, levies or charges, including the Management Fees (as defined in Article V hereof), incurred in connection with the Railway Equipment and the operation and leasing thereof (all of which shall hereinafter be sometimes collectively referred to as the "Expenses"). The Expenses shall not include, however, minor and major repair and maintenance work (including, without limitation, running repairs, cleaning, painting, and periodic inspection costs) and insurance premiums as provided herein which shall be paid by GLENCO.

3. Owner agrees to pay a 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 GLENCO (the GLENCO Fleet) in an amount equal to the percentage which the Lease Fees (as defined in Paragraph 1 of Article III) earned by the Railway Equipment are of the gross rental and service charges earned by all tank cars in the GLENCO Fleet.

4. If the Lease Fees (as defined in Paragraph 1 of Article III) earned by the Railway Equipment are less than the Expenses incurred or reasonably foreseeable in connection with the operation and management of the Railway Equipment hereunder, GLENCO will so advise the Owner in the Quarterly Report provided for under Article III, Paragraph 8 hereof, including the amount of such deficiency and, if requested by GLENCO, Owner will remit to GLENCO within ten days of receipt of the Quarterly Report the amount of such deficiency.

5. Owner agrees to cooperate fully with GLENCO and to provide all assistance reasonably requested by GLENCO to carry out its obligations hereunder. This shall include, subject to the provisions of Article VI hereof, full cooperation and assistance in any lawsuit or other similar matter or proceeding before any court or agency.

ARTICLE III

GLENCO'S COVENANTS AND RESPONSIBILITIES

In consideration of the Management Fee provided for hereunder, GLENCO agrees to utilize reasonable time and efforts to:

1. Collect the rental 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 GLENCO may elect to do so at its option but at the expense of Owner, subject to the provisions of Article VI hereof.

2. Use its best efforts to obtain leases for the Railway Equipment (including renewal options) and maintain the Railway Equipment under lease throughout the term of this Agreement. GLENCO shall execute any such leases, in GLENCO's sole discretion, either in the name of Owner or in the name of GLENCO but for the account and on behalf of the Owner.

3. Comply with the terms and conditions of any lease agreements to which the Railway Equipment is subject during the term hereof. It is understood, however, that before GLENCO shall be obligated to comply with any lease not negotiated by GLENCO or any amended terms and conditions of any such lease, such lease and/or amendments must be approved, in writing, by GLENCO.

4. Make all required registration and other filings with the Interstate Commerce Commission, the Association of American Railroads, the Department of Transportation and any other governmental or industry authority.

5. File applicable ad valorem and other tax returns and pay, from the Lease Fees or from funds advanced by Owner, all such taxes due, in accordance with the provisions of Article II, Paragraph 3. GLENCO may, however, retain during each calendar year of the term of this Agreement, an amount equal to three percent of the Lease Fees received during that calendar year to cover such taxes, but will, within 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 account properly 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 GLENCO, such repair and/or maintenance work to be paid for by GLENCO, subject to the provisions of Article II, Paragraph 2.

8. Provide periodic reports to Owner on a quarterly basis (the "Quarterly Reports") 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 Reports 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 reasonably possible. Should the Lease Fees exceed the Expenses incurred in connection with the Railway Equipment, payment

of the excess (except for any amount retained under Paragraph 5 and this Paragraph 8 of Article III) shall accompany the Quarterly Report. Should Expenses (incurred or reasonably foreseeable) exceed the Lease Fees for the period in question, the Quarterly Report will set forth the amount to be remitted by Owner to GLENCO, if requested. It is understood that GLENCO shall be under no obligation to advance funds for payment of the Expenses, regardless of the results of the nonpayment thereof. It is further understood that GLENCO shall have the authority to retain portions of 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 deficiencies shall be made to Owner, however, to the extent of unremitted mileage credits held by GLENCO.

9. Maintain the following insurance coverage on the Railway Equipment: A policy of general liability insurance covering Owner and GLENCO with limits of coverage not less than the amounts and against the risks insured against by GLENCO from time to time on railroad equipment owned by GLENCO; and a policy of property insurance with limits of coverage of not less than $57,000 per car, $250,000 each occurrence, with no more than a $50,000 deductible (to be paid by owner) each occurrence, naming Owner as an additional insured. If at any time, the general liability insurance maintained on the Railway Equipment shall have limits of less than $10,000,000 or shall not include assumed contracted coverage, for whatever reason; or if the amounts of coverage described above is decreased, GLENCO shall, not less than thirty (30) days after it received effective notice of the decrease in insurance coverage, give written notice to Owner of the same. GLENCO will provide the Owner as promptly as practical, after receipt by GLENCO, a certificate setting forth the then existing insurance coverage on the Railway Equipment.

10. Reasonably pursue any and all warranties or other claims against manufacturers, users, lessees, railroads and other parties on behalf of Owner. Such duties shall not, however, be deemed to include the filing of suit, although GLENCO may elect to do so at its option, but at the expense of Owner, subject to the provisions of Article VI.

ARTICLE IV

TERM AND TERMINATION

1. Subject to the provisions set forth herein, this Agreement shall be effective commencing with the average date of delivery of the Railway Equipment to first Lessee and shall automatically terminate ten years from such date.

2. Except as otherwise provided in this Agreement, the Owner may terminate this Agreement by giving GLENCO written notice of termination not less than three months prior to the termination date designated in such notice; provided, however, if Owner shall owe GLENCO any amounts under this Agreement, the Owner may not terminate this Agreement as to any of the Railway Equipment until all such amounts have been paid. GLENCO shall, at its option, be entitled to continue to 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 have been paid.

3. Except as otherwise provided in Article IV, Paragraph 4, 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 default, and should such default not be corrected within 30 days of such notification, the aggrieved party may, at its option, immediately terminate this Agreement; provided, that the Owner shall (in addition to the foregoing) preserve and retain any rights the Owner might

have at law or in equity if GLENCO defaults in its obligations under Article III, Paragraph 9, or if GLENCO's actions constitute gross negligence or willful misconduct.

4. Neither GLENCO nor the Owner shall, by reason of the expiration or the termination of this Agreement in accordance with the terms and provisions hereof, 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 establishment, development or maintenance of the business or goodwill of GLENCO or the Owner, or on account of any other cause or 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 of the Railway Equipment, and GLENCO, at its option, shall be entitled to continue, pursuant to the terms and conditions of this Agreement, the management and control of any of the Railway Equipment covered by such lease or leases as may be necessary for GLENCO to comply with such lease or leases, including the right to retain the Lease Fees, Management Fee and other sums as provided for 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 this Agreement, all obligations of the parties shall immediately cease. GLENCO shall, however, provide reasonable assistance to Owner in transferring to Owner, all at Owner's expense and upon Owner's request, all records, data and other information relating to the Railway Equipment and in assisting Owner in the implementation of such records, data and information into Owner's operations.

ARTICLE V

In consideration of the services of GLENCO hereunder, Owner shall pay to GLENCO a management fee of ..18%.. of the Lease Fees collected for each railway car included in the Railway Equipment (the "Management Fee"). The Management Fee shall be deducted from the remittance due quarterly to Owner as otherwise provided herein.

ARTICLE VI

LEGAL ACTIONS

GLENCO will give written notice to Owner at least 10 days prior to the institution of legal proceedings by GLENCO or not more than 10 days after being served with process in any legal proceedings against GLENCO involving the Railway Equipment. Unless otherwise directed in writing by Owner, GLENCO may, at its option, institute or defend, in its own name or in the name of 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 those to collect charges, rents, claims or other income for the Railway Equipment, or lawfully oust or dispossess lessees or other persons in possession thereof, or lawfully cancel, modify or terminate any lease, license or concession agreement for the breach thereof of default by a lessee, licensee or concessionaire or take any and all necessary actions to protest or litigate to a final decision in any appropriate Court or other forum any violation, order, rule, regulation, suit, claim or other matter affecting the Railway Equipment. GLENCO shall keep Owner currently advised of all legal proceedings and Owner reserves the right to direct GLENCO to terminate any litigation brought pursuant to the foregoing authority.

ARTICLE VII

ASSIGNMENT

This Agreement is not assignable by either party except with the written consent of the other party; provided, however, (a) this Agreement together with the Railway Equipment may be transferred by 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 GLENCO in connection with the merger or consolidation of GLENCO into another corporation or as part of the sale of substantially all of the assets of GLENCO.

ARTICLE VII

INDEMNIFICATION

Owner and GLENCO jointly and severally acknowledge, agree and covenant that GLENCO is entering into this contract 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 GLENCO, or to bind GLENCO in any manner or respect whatsoever. Further, Owner agrees to indemnify and hold GLENCO harmless from any and all claims, demands, causes of action (at 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 relating to the Railway Equipment or the operation, including the leasing, thereof, except for all claims, demands, causes of action (at 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 relating to actions taken by, or inactions of, GLENCO in connection with the Railway Equipment, which actions or inactions were not authorized hereunder, were authorized hereunder but performed negligently, or were not specifically requested or approved by Owner; provided, that GLENCO shall indemnify and hold harmless the Investor from all claims, demands, causes of action (at law or in equity), damages, reasonable attorney's fees, expenses and judgments which may be asserted hereafter by any third party based on or relating to any of the aforesaid actions or inactions of GLENCO in connection with the Railway Equipment.

ARTICLE IX

ADDITIONAL 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 reasonably request, in order to carry out more fully the intent and purpose of this Agreement and to indicate the ownership of the Railway Equipment during the continuance with the Railway Equipment.

2. It is understood that upon the expiration or termination of this Agreement as to any or all of the Railway Equipment, Owner shall no longer be entitled to use the Recording and UMLER Car Initials and Numbers and other designations (the "Designations") that are presently the property of GLENCO. Accordingly, Owner agrees that it will promptly undertake upon such expiration or termination, at Owner's expense, all steps necessary to change promptly the Designations on the Railway Equipment no longer included under the Agreement and to execute any and all documents requested by GLENCO to transfer to GLENCO any rights Owner may have acquired to such Designations. GLENCO agrees to prepare, at GLENCO's expense, documentation as, in its opinion, is necessary to change all designations on the Railway Equipment from the Designations of GLENCO to those adopted by Owner, and to provide reasonable assistance to Owner, at Owner's expense, in the filing of such documents.

3. Any notice or other 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, registered or certified mail, addressed as follows:

GLENCO: Glenco Transportation Services, Inc.
1700 West Loop South, Suite 1205
Houston, Texas 77027

Owner: Thomas D. Dunscombe

2000 Houston Natural Gas Building

Houston, TX 77002

or to such other address, and to the attention of such other person or officer as either party may designate to the other in writing as provided by this Paragraph.

4. The Owner or his authorized representative shall be entitled to inspect the books and records of GLENCO applicable to the Railway Equipment at any reasonable time during the office hours of GLENCO.

5. GLENCO hereby confirms that it 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, that such assignment shall not affect or modify the relationship between, or the respective rights, obligations, and duties of GLENCO and Owner pursuant to this Agreement.

6. This Agreement contains the entire agreement of the parties hereto pertaining to the management and operation of the Railway Equipment. Except as otherwise provided herein, this Agreement may not be modified or amended, except by express, written agreement signed by both parties hereto. Any waiver of any obligation of either party hereto shall not be construed as a continuing waiver of 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, successors and assigns, if any, of the parties hereto, subject to the provisions pertaining to the assignment hereof set forth in Article VII.

8. This Agreement shall be construed in accordance with the laws of the State of Texas.

IN WITNESS WHEREOF, the parties have hereunto set their names, effective this 1st day of December, 1979.

GLENCO TRANSPORTATION SERVICES, INC.

By .....
President

OWNER

.....
Thomas D. Dunscombe

EXHIBIT "A"

RAILWAY EQUIPMENT

Class	Capacity	Car Numbers	No. of Cars
LO Covered Hopper	4,750 Cu. Ft.	GLNX 420 GLNX 421	2