

McGINNIS, LOCHRIDGE & KILGORE

ROBERT C. MCGINNIS
LLOYD LOCHRIDGE
JOE M. KILGORE
GEORGE D. BYFIELD
(DECEASED 1979)
MORGAN HUNTER
WADE F. SPILMAN
B. D. ST. CLAIR
DENNY O. INGRAM
SHANNON H. RATLIFF
C. MORRIS DAVIS
J. GAYLORD ARMSTRONG
JOHN W. STAYTON, JR.
WILLIAM H. BINGHAM
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JULIAN LOCKWOOD
JAMES R. RAUP
DI ANN JOHNSTON
THERESA EILERS
CHRISTA K. DE LA GARZA
(ADM. COLO.)

OCT 17 1980 -2 30 PM

INTERSTATE COMMERCE COMMISSION

12321
RECORDATION NO. Filed 1425

OCT 17 1980 -2 30 PM

INTERSTATE COMMERCE COMMISSION

Interstate Commerce Commission
12th and Constitution Avenue, N.W.
Washington, D.C. 20423

ATTENTION: Mrs. Mildred Lee
Room 2303
Railroad Documentation

No. 1

Date OCT 17 1980

Fee \$ 110.00

ICC Washington, D. C.

Gentlemen:

Pursuant to the provisions of Section 1116.4 of Chapter X of the Regulations of the Interstate Commerce Commission, and on behalf of our client, Texas Bank, the following letter is hereby submitted.

The names and addresses of the parties to the transaction are as follows:

Mortgagor, Debtor,
Lessor and Assignor
of Lease:

Harold A. Wolf
7004 Edgefield
Austin, Texas 78731

Lessee:

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

Morgagee, Secured
Party and Assignee
of Lease:

Texas Bank
(Successor to
Texas State Bank)
900 Congress Avenue
Austin, Texas 78701

Guarantor:

RECEIVED
OCT 17 2 23 PM '80
I.C.C.
NON FEE OPERATION BR.

Michael A. Peters

This filing is to record and perfect Texas Bank's security interest in the railroad tank cars described below, and any and all additions, accessories, accessions and attachments thereto and substitutions and replacements therefor and all Management Agreements, leases and chattel paper related thereto, all proceeds (hereinafter defined) of any of the foregoing, and all moneys, income, increase, benefits and products attributable to the foregoing, or accruing thereto. The term "proceeds" shall have the same meaning as used in Chapter Nine of the Uniform Commercial Code as now or hereafter adopted in the State of Texas, and shall include (without limitation) all accounts, general intangibles, instruments, documents, moneys, insurance, chattel paper, income and other property, benefits, or rights of whatever kind or nature arising from, attributable to or accruing from any and all sales, leases or other dispositions of any or all of the aforesaid collateral.

This filing is also to record and perfect Texas Bank's security interest in the Lessor's interest in certain leases ("Management Agreements") between Harold A. Wolf, as Lessor, and LAMCO, Inc., as Lessee, identified below:

- (i) That certain Management Agreement between Harold A. Wolf, as Lessor, and LAMCO, Inc., as Lessee, dated November 16, 1978, as amended and supplemented, and as assigned under that certain Collateral Assignment to Texas Bank (successor to Texas State Bank) dated January 29, 1979; and
- (ii) That certain Management Agreement between LAMCO, Inc. and Harold A. Wolf, as Owner, dated January 4, 1980, as supplemented by that certain Rider dated September 18, 1980, executed by Wayne A. Jansen, as President and on behalf of LAMCO, Inc., and Harold A. Wolf, as Owner, and as assigned under that certain Collateral Assignment to Texas Bank dated October 16, 1980.

A general description of the railroad cars for which this filing is made is as follows:

1. One (1) 23,500 gallon nominal capacity tank car, exterior-coiled and insulated; with 100-ton roller bearing trucks bearing the following description and number:

Owner's Name: HAROLD A. WOLF
DOT Serial No: DOT 111A100W3
Car Number: LAMX 23547

2. One (1) 34,000 gallon nominal capacity tank car, non-coiled and insulated; with 100-ton roller bearing trucks bearing the following description and number:

Owner's Name: HAROLD A. WOLF
DOT Serial No: DOT 105A300W
Car Number: LAMX 0083

3. One (1) 33,000 gallon nominal capacity railroad tank car, non-coiled and insulated; with 100-ton roller bearing trucks bearing the following description and number:

Owner's Name: HAROLD A. WOLF
DOT Serial No: DOT 112J340W
Car Number: LAMX 3426

4. One (1) 33,000 gallon nominal capacity tank car, non-coiled and insulated; with 100-ton roller bearing trucks bearing the following description and number:

Owner's Name: HAROLD A. WOLF
DOT Serial No: DOT 112J340W
Car Number: LAMX 3400

5. One (1) 33,000 gallon nominal capacity tank car, non-coiled and insulated; with 100-ton roller bearing trucks bearing the following description and number:

Owner's Name: HAROLD A. WOLF
DOT Serial No: DOT 105A300W
Car Number: LAMX 0028

Enclosed on behalf of Texas Bank are three executed counterparts of the Security Agreement, Collateral Assignment, and Consent to Collateral Assignment, as required by I.C.C. Rules and a check for \$110 to cover the filing fee.

The original documents should be returned to me at the above address. Would you please call me collect when the enclosed documents are recorded.

Very truly yours,



Louis Frank Oliver

ATTORNEY FOR TEXAS BANK

LFO:jh

Interstate Commerce Commission
Washington, D.C. 20423

10/24/80

OFFICE OF THE SECRETARY

**Louis Frank Oliver, Atty
McGinnis, Lochridge & Kilgore
Fifth Floor, Texas State Bank Building
900 Congress Avenue
Austin, Texas 78701**

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 **10/17/80** at **2:30pm**, and assigned re-
recording number (s). **12321, 12321-A & 12321**

Sincerely yours,

Agatha L. Mergenovich
Agatha L. Mergenovich
Secretary

Enclosure (s)

SE-30
(7/79)

12321

RECORDATION NO. Filed 1425

SECURITY AGREEMENT

OCT 17 1980-2120 PM

SECURITY AGREEMENT, dated as of October 16, 1980, between HAROLD A. WOLF, residing at 7004 Edgefield, Austin, Texas 78731 (hereinafter referred to as "Debtor"), and TEXAS BANK, 900 Congress Avenue, Austin, Texas 78701 (hereinafter referred to as "Secured Party").

INTERSTATE COMMERCE COMMISSION

FOR VALUE RECEIVED, the receipt and sufficiency of which are hereby acknowledged, Debtor hereby grants to Secured Party the security interest described below and agrees with Secured Party as follows:

ARTICLE I

Definitions

§1.01. Defined Terms. Unless the context otherwise specified or requires, each term defined in this §1.01 shall, when used in this Security Agreement, have the meaning indicated below.

§1.01A. "Collateral" shall mean all the following: (i) the railroad rolling stock which is more fully described in Exhibit A annexed hereto and incorporated herein, together with any and all additions, accessories, accessions, and attachments thereto and substitutions and replacements therefor, all leases, management agreements and chattel paper arising therefrom or related thereto, the Management Agreements (hereinafter defined), all Proceeds (hereinafter defined), and all moneys, income, increase, benefits and products attributable to any of the foregoing; and (ii) any and all funds now or hereafter on deposit or deposited in any Payment Account (hereinafter defined).

§1.01B. "Proceeds" shall have the same meaning as when used in Chapter 9 of the Uniform Commercial Code as now or hereafter adopted in the State of Texas and shall include (without limitation) all accounts, general intangibles, instruments, documents, moneys, insurance, chattel paper, income and other property, benefits or rights of whatever kind or nature arising from, attributable to, or accruing from any and all sales, leases or other dispositions of any or all of the Collateral.

§1.01C. "Management Agreements" shall mean those certain Management Contracts, either one or more, between LAMCO, INC. and Debtor, who is designated therein as Owner, which are described on Exhibit B annexed hereto, as the same may hereafter be supplemented and amended by the parties thereto.

§1.01D. "Collateral Assignment" shall mean that certain Collateral Assignment, of even date herewith, between Debtor, as Assignor, and Secured Party, as Assignee, pursuant to which Debtor assigns to Secured Party all his rights in and to all existing leases, management agreements and similar agreements, including the Management Agreements arising from or related to the railroad rolling stock identified as part of the Collateral in §1.01A of this Security Agreement.

§1.01E. "Debtor's Obligations" shall mean (i) that certain promissory note of even date herewith in the original principal sum of Seventy-Five Thousand and No/100 Dollars (\$75,000.00), of even date herewith, or as much thereof as may from time to time be advanced by Secured Party, from Debtor, as Maker, to Secured Party, to be executed by Debtor upon recording of this Security Agreement with the Interstate Commerce Commission, together with and including any and all extensions, rearrangements, and renewals

of said promissory note, executed by or on behalf of Debtor and payable to the order of Secured Party in the manner therein provided; and (ii) any and all other indebtednesses and liabilities whatsoever of Debtor to Secured Party, whether direct or indirect, absolute or contingent, due or to become due, whether now existing or hereafter arising and howsoever evidenced or acquired, whether joint or several.

§1.01F. "Account" shall have the same meaning as when used in the Uniform Commercial Code as now or hereafter adopted in the State of Texas and shall include (without limitation) all accounts, notes, drafts, acceptances, instruments, documents, general intangibles and chattel paper in which at any time or from time to time Secured Party has or is intended to have a security interest therein pursuant to this Security Agreement.

§1.01G. "Payment Account" shall mean any savings and/or checking accounts established and maintained by Secured Party at the written direction of Debtor for the purpose of holding payments in fact received by Secured Party under the Management Agreements and/or under all existing and future leases, management agreements, contracts of services and similar agreements arising from or related to the railroad rolling stock identified above as part of the Collateral in §1.01A of this Security Agreement.

ARTICLE II

Granting and Description of Security Interest

§2.01. Debtor hereby grants to Secured Party a security interest in and agrees that Secured Party has and shall continue to have a security interest in the Collateral.

§2.02. The security interest granted hereby is to secure the payment of Debtor's Obligations. Debtor hereby acknowledges that the security interest granted herein shall secure all future advances, as well as any and all other obligations and liabilities of Debtor to Secured Party, whether now in existence or hereafter arising.

ARTICLE III

Representations and Warranties of Debtor

§3.01. Title. Except for the security interest granted by this Security Agreement, Debtor warrants that he is, and as to Collateral acquired after the date hereof he will be, the owner of all such Collateral, free from any and all adverse claims, security interests, encumbrances, mortgages, liens, charges and deposits (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement and the filing of or agreement to file any financing statement under the Uniform Commercial Code of any jurisdiction). Debtor further warrants that there is no financing statement or other document constituting notice of any security interest in or lien or encumbrance upon all or any part of the Collateral now on file in any public office.

§3.02. Information Furnished to Secured Party. Subject to any express written limitation stated therein or given in connection therewith, all information furnished to Secured Party concerning the Collateral and Proceeds thereof, or otherwise for the purpose of obtaining credit or an extension of credit, is or will be at the time the same is furnished accurate and correct in all material respects. Neither this Security Agreement nor any

other document, certificate or statement furnished to Secured Party by or on behalf of Debtor in connection with the transaction in which this Security Agreement is given contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading. There is no fact known to Debtor that materially and adversely affects, or which in the future may (so far as Debtor can now foresee) materially and adversely affect the financial condition of Debtor taken as a whole, which has not been set forth in this Security Agreement or in the other documents, certificates and statements furnished to Secured Party by or on behalf of Debtor in connection with the transaction in which this Security Agreement is given.

§3.03. Use of the Collateral. The Collateral will be used by Debtor primarily for business purposes.

§3.04. Property Included in the Collateral. The Collateral includes inventory leased or held for lease by Debtor and of a type normally used in more than one jurisdiction, chattel paper, leases and management agreements arising from or relating to said inventory, including the Management Agreements, and including all other property included in the definition of Collateral in §1.01A of this Security Agreement.

§3.05. Debtor's Place of Business. The only place of business of Debtor is at the address designated at the beginning of this Security Agreement.

§3.06. Accounts. As of the time any Account becomes subject to the security interest granted under this Security Agreement, Debtor shall be deemed to have warranted as to each and all of such Accounts (i) that each Account and all papers and documents relating thereto are genuine and in all respects what they purport to be; (ii) that each Account is valid and subsisting and arises out of a bona fide sale or lease of goods sold or leased and delivered to, or out of and for services theretofore actually rendered by Debtor to, the account Debtor named in the Account; (iii) that the amount of the Account represented as owing is the correct amount actually and unconditionally owing except for normal cash discounts and is not subject to any setoffs, credits, deductions or countercharges; and (iv) that Debtor is the owner thereof free and clear of all liens, encumbrances and security interests of any and every kind or nature whatsoever.

§3.07. Collateral Assignment. Debtor warrants that, pursuant to and under the terms of the Collateral Assignment, he has assigned to Secured Party his rights in all existing leases, management agreements and similar agreements arising from or relating to the railroad tank cars identified above as part of the Collateral in §1.01A of this Security Agreement, including the Management Agreements.

§3.08. Fixtures and Accessions. Debtor warrants that none of the Collateral is or will be affixed to real estate, except goods identified herein as fixtures, or is an accession to other goods, nor will any of the Collateral now held or hereafter acquired be affixed to real estate or become an accession to other goods when acquired, unless Debtor has obtained Secured Party's prior written consent and has furnished Secured Party with all consents and disclaimers necessary to make the security interest granted by this Security Agreement valid against any and all persons holding an interest or interests in the real estate or other goods.

§3.09. Litigation. Debtor warrants that there is no action, suit or proceeding pending or, to the best of Debtor's

knowledge, threatened against Debtor, before or by any court, governmental authority or arbitrator, which, if adversely decided, might result in any material adverse change in the financial condition of Debtor, and to the best of Debtor's knowledge, there is no basis for any such action, suit or proceeding.

§3.10. Transfer of Rental Payments to Secured Party.

Debtor warrants that all moneys, income and other sums received by or due to Debtor by virtue of leases covered by the Management Agreements or received by or due to Debtor by virtue of any other leases, contracts of services, management agreements or similar agreements arising from or related to the railroad rolling stock identified as part of the Collateral in §1.01A of this Security Agreement shall immediately be transferred to Secured Party by Debtor for application by Secured Party as follows: All payments in fact received by Secured Party from LAMCO, INC. under the Management Agreements and in accordance with the notice to be given to LAMCO, INC. by Debtor in accordance with Debtor's affirmative covenant set forth and contained in §4.15 of this Security Agreement, and any and all other payments in fact received by Secured Party under any and all existing and future leases, management agreements, contracts of services and similar agreements arising from or related to the railroad rolling stock identified above as Collateral in this Security Agreement, shall be applied by Lender when received, first to payment of the accrued and unpaid interest on the principal balance of Debtor's indebtedness to Secured Party, and second to payment of the principal amount of said indebtedness, unless Secured Party shall have received a prior written direction from Debtor with respect to such payments that said payments are not to be so applied but are to be deposited for Debtor's convenience in one or more interest-bearing savings accounts to be maintained by Secured Party in Debtor's name. Any written direction received by Secured Party from Debtor shall remain effective and may be relied upon by Secured Party as to the application of all payments received by Secured Party subsequent thereto, unless and until Secured Party receives any subsequent written notice from Debtor. Any savings and/or checking accounts established at Debtor's written direction as hereinabove provided shall provide an interest yield of five and one-fourth percent (5-1/4%) per annum, compounded daily, and Secured Party shall have a security interest in all such savings and/or checking accounts as provided for in this Security Agreement.

§3.11. No Defaults. Debtor warrants that he is not in default with respect to any obligation for the payment of money, contingent or otherwise, which in accordance with generally accepted accounting principles would be classified upon a balance sheet as a liability, or in material default under any other agreement to which he is a party, and no event has occurred which, with notice or the passage of time, would constitute such a default.

§3.12. Claims and Defenses of Account Debtors. Debtor hereby warrants that all account debtors, obligors and secondary parties whose obligations are part of the Collateral are, to the extent permitted by law, barred from asserting against Secured Party any claims or defenses which they have or might have against Debtor or any third party.

ARTICLE IV

Affirmative Covenants of Debtor

§4.01. Disclosure of Adverse Information. Should Debtor discover at any time following execution of this Security Agreement that any information furnished to Secured Party concerning

the Collateral or Proceeds thereof is inaccurate or has changed in any material adverse respect, then Debtor shall forthwith notify Secured Party in writing of such inaccuracy or change.

§4.02. Costs and Expenses of Enforcing the Security Interest. Debtor will pay all costs necessary to maintain, preserve and enforce the security interest granted to Secured Party under this Security Agreement, to collect Debtor's Obligations, and to maintain and preserve the Collateral, including but not limited to, payment of taxes, assessments, license and permit fees, insurance premiums, repairs, reasonable attorney's fees and legal expenses, rent, storage costs and expenses of sale.

§4.03. Furnishing Requested Information. Debtor will furnish Secured Party with any information concerning the Collateral or the Proceeds thereof requested by Secured Party.

§4.04. Inspection of Collateral and Debtor's Records. Debtor will permit Secured Party or its agents to inspect the Collateral and to inspect and copy all records relating to the Collateral or Proceeds thereof and relating to Debtor's Obligations.

§4.05. Execution of Further Documentation. Debtor will duly execute all papers, documents and other instruments furnished by Secured Party which are necessary to obtain, maintain and perfect the security interest granted to Secured Party under this Security Agreement. Debtor shall, upon request, execute collateral assignments satisfactory to Secured Party of his rights under any and all leases, management agreements, contracts of service and similar agreements arising from or relating to the railroad rolling stock identified as part of the Collateral in §1.01A of this Security Agreement, prior to or simultaneously with entering any of said transactions.

§4.06. Federal Assignment of Claims Act. Debtor will assist Secured Party in complying with the Federal Assignment of Claims Act.

§4.07. Preservation of Liability of Account Debtors. Debtor will take all steps necessary to preserve the liability of account debtors, obligors and secondary parties whose obligations are part of the Collateral.

§4.08. Possession of Certain Instruments and Documents. Debtor will transfer possession of all instruments and documents that are a part of the Collateral to Secured Party immediately upon his receipt of same.

§4.09. Security Interest of Debtor in Certain Goods. Debtor will perfect and maintain a security interest in all goods covered by chattel paper which is part of the Collateral, using a method satisfactory to Secured Party.

§4.10. Change in Condition of the Collateral. Debtor will immediately notify Secured Party in writing of any change occurring in or to the Collateral and shall immediately notify Secured Party in writing of any event causing loss or depreciation in value to the Collateral and the amount of such loss or depreciation.

§4.11. Quarterly Reports Under the Management Agreements and Other Information. Debtor will furnish Secured Party, as soon as possible, but in no event later than thirty (30) days after the end of each calendar quarter, an aged analysis and listing of all accounts receivable for such quarter, together with a listing of the locations of the Collateral and the names

and addresses of the lessees of the Collateral, certified by Debtor. Upon receipt, Debtor will immediately furnish Secured Party with copies of the Quarterly Reports provided for in Article III, paragraph 8, of the Management Agreements.

§4.12. Change of Debtor's Place of Business. Debtor will notify Secured Party in writing of any addition to, change in or discontinuance of his place of business as shown above in this Security Agreement and the location of the office where he maintains his records.

§4.13. Insurance. Debtor will have and maintain insurance in force at all times with respect to all tangible Collateral covered by this Security Agreement, insuring against risks of fire (including so-called extended coverage), theft and such other risks as Secured Party may reasonably require, containing such terms, in such form and amounts and written by such companies as may be reasonably satisfactory to Secured Party, all such insurance to contain loss payable clauses in favor of Secured Party as its interest may appear; provided, however, that such insurance will be maintained at least in the amounts and for the types of coverage set forth in Article III, paragraph 9, of the Management Agreements. All policies of insurance shall provide for ten (10) days' written minimum cancellation notice to Secured Party and at request of Secured Party shall be delivered to and held by it. Secured Party is hereby authorized to act as attorney for Debtor in obtaining, adjusting, settling and cancelling such insurance and endorsing any drafts or instruments in connection therewith. Secured Party shall be authorized to apply the proceeds from any insurance to the Debtor's Obligations secured by this Security Agreement, whether or not such Obligations are then due and payable.

§4.14. Preservation of the Collateral. Debtor will keep and maintain the Collateral in good condition and will make replacements in kind, or by chattels of substantially equal value and service, and all replacements shall be covered by the security interest granted in this Security Agreement, and Debtor will endeavor to maintain the Collateral at its present worth, ordinary wear and tear alone excepted.

§4.15. Notice to LAMCO, INC. Debtor will immediately, and thereafter as Secured Party shall request with respect to any supplement or amendment to the Management Agreements, notify LAMCO, INC., in the manner specified in Article XI, paragraph 3, of the Management Agreements, to transmit to Secured Party all payments due pursuant to Article III, paragraph 8, of the Management Agreements, to be applied by Secured Party in accordance with §3.10 of this Security Agreement.

§4.16. Legend To Be Placed On Railroad Rolling Stock. Debtor will immediately notify LAMCO, INC. to place a legible, prominent, and conspicuous legend on all railroad rolling stock which is a part of the Collateral covered by this Security Agreement stating as follows: "This railroad rolling stock is covered by a security interest in favor of Texas Bank, 900 Congress, Austin, Texas, which has been recorded in accordance with the rules and regulations of the Interstate Commerce Commission."

ARTICLE V

Negative Covenants of Debtor

§5.01. Amendments to the Management Agreements. Debtor will not, without first obtaining the prior written consent of Secured Party, alter, amend or materially change the terms and conditions of any lease, Management Agreements or similar agreement arising from or relating to the railroad rolling stock

identified above as part of the Collateral in §1.01A of this Security Agreement, including all leases, management agreements and similar agreements assigned to Secured Party under the Collateral Assignment, and including the Management Agreements.

§5.02. No Other Financing Statements. Debtor will not permit to be on file in any public office any financing statement or statements or other document constituting notice of a security interest in or lien upon all or part of the Collateral, except the financing statement and other documents filed or to be filed in connection with the security interest granted under this Security Agreement.

§5.03. Removal of Collateral from Continental United States. Debtor will not remove or permit the removal of the Collateral from the Continental United States without first obtaining Secured Party's prior written consent and without first providing for the protection of Secured Party's security interest to Secured Party's satisfaction.

§5.04. Sales and Other Transfers of the Collateral. Debtor will not, without first obtaining Secured Party's prior written consent, sell, lease or otherwise transfer, manufacture, process, assemble or furnish under contracts of service, the Collateral, except pursuant to the express terms of the Management Agreement.

§5.05. Fixtures and Accessions. Debtor will not permit or allow any part of the Collateral to become affixed to real estate or become an accession to other goods when acquired, without first obtaining Secured Party's prior written consent and furnishing Secured Party with all consents and disclaimers necessary to make the security interest granted under this Security Agreement valid against any and all persons holding an interest or interests in the real estate or other goods.

§5.06. No Commingling of Funds by Debtor. No proceeds of collection of Accounts received by Debtor and no moneys, income or other benefits received by Debtor under leases covered by the Management Agreements will be commingled with any other funds of Debtor.

ARTICLE VI

Events of Default

§6.01. Events of Default. Each of the following shall constitute an Event of Default under this Security Agreement:

§6.01A. Nonpayment of Debtor's Obligations. If Debtor shall fail to pay when due any interest on or any principal or installment of principal of any of Debtor's Obligations; or

§6.01B. Misrepresentations. If any representation, warranty or statement made by Debtor in this Security Agreement, in the Collateral Assignment or in any document, certificate or statement furnished to Secured Party by or on behalf of Debtor in connection with the transaction in which this Security Agreement is given, or in connection with any of Debtor's Obligations, shall be incorrect in any material respect as of the time when made; or

§6.01C. Other Defaults by Debtor. If there shall have occurred any event which under the terms of any evidence of indebtedness, indenture, loan assignment, security agreement or other similar instrument, permits the acceleration of maturity of any indebtedness of Debtor to Secured Party or to any other party; or

§6.01D. Negative Covenants. If Debtor fails to perform or observe any covenant contained in Article V of this Security Agreement; or

§6.01E. Other Covenants. If Debtor fails to perform or observe any other of the covenants contained in this Security Agreement and such failure shall have continued for five (5) days after Debtor is given notice by Secured Party of such failure; or

§6.01F. Death, Insolvency or Bankruptcy. If Debtor shall (i) die; (ii) admit in writing his inability to pay his debts generally as they become due; (iii) file or consent to the filing of a petition in bankruptcy or a petition to take advantage of any insolvency act; (iv) make an assignment for the benefit of his creditors; (v) consent to or apply for the appointment of a receiver of the whole or any part of his property; (vi) have commenced against him or by or against any guarantor or surety for him, any proceeding under any bankruptcy, arrangement, reorganization, insolvency or similar law for the relief of debtors; or (vii) be served with any warrant, attachment, levy or similar process in connection with any tax lien or assessment; or

§6.01G. Undischarged Judgments. If final judgment for the payment of money shall be rendered against Debtor by any court or other governmental body or by arbitrator, and if such judgment shall not be discharged within sixty (60) days from the date of entry thereof or within such longer period as the execution of such judgment shall have been stayed, and if such judgment, together with all other such judgments, exceeds in the aggregate \$1,000; or

§6.01H. Certain Events with Respect to the Collateral. If there shall occur any loss, theft, substantial damage, destruction, sale (except as may be authorized under this Security Agreement) or encumbrance to or of any of the Collateral, or the making of any levy, seizure or attachment thereof or thereon or any other impairment of the security interest granted to Secured Party under this Security Agreement; or if the Collateral becomes, in the sole judgment of Secured Party, unsatisfactory or insufficient in character or value.

ARTICLE VII

Rights and Remedies of Secured Party

§7.01. Rights Before or After Default. Secured Party shall have the following rights both before and after the occurrence of any Event of Default:

§7.01A. Assignment. This Security Agreement, Secured Party'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 the rights, privileges and remedies granted in this Security Agreement to Secured Party, and Debtor will assert no claim or defense he may have against Secured Party against the assignee, except those granted in this Security Agreement.

§7.01B. Acts in Name of Debtor. Secured Party may execute, sign, endorse, transfer or deliver in the name of Debtor notes, checks, drafts or other instruments for the payment of money and receipts, certificates of origin, application 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.

§7.01C. Payment of Taxes, Insurance and Other Expenses. Secured Party may, at its option, but without obligation to

Debtor, discharge taxes, liens or security interests or other encumbrances at any time levied or placed upon the Collateral, and may place and pay for insurance thereon, or pay for the repair, improvement, maintenance and preservation of the Collateral and pay any filing or recording fees necessary to preserve and protect Secured Party pursuant to the foregoing authorization, and such amount shall constitute additional obligations of Debtor which shall draw interest at ten percent (10%) per annum, and said obligations and interest shall be secured by and entitled to the benefits of this Security Agreement.

§7.01D. Payments from Account Debtors, Lessees and Other Third Parties. Secured Party shall have the right at any time, in its own name or in the name of Debtor, whether before or after the occurrence of any event of Default, to notify any and all account debtors, lessees and parties to any agreement affecting or covering the Collateral or any party thereof, to make payment directly to Secured Party, such payments to be applied by Secured Party upon receipt in accordance with §3.10 of this Security Agreement, and to demand, collect, receive, receipt for, sue for, compound for and give acquittal for, any and all amounts due or to become due on Accounts and to endorse the name of Debtor to all instruments and commercial paper given in payment or part payment thereof, and in its discretion to file claim or take any other action or commence any proceeding which Secured Party may deem necessary or appropriate to protect, preserve and realize upon the security interest of Secured Party in the Collateral; but to the extent Secured Party does not so elect, Debtor shall continue to collect all Accounts. All proceeds of collection of Accounts received by Debtor shall forthwith be accounted for and transmitted in the form as received by Debtor to Secured Party, said proceeds, to be applied by Secured Party in accordance with §3.10 of this Security Agreement. In addition, all moneys, income and benefits due or to become due to Debtor by virtue of leases covered by the Management Agreements shall be transmitted to Secured Party with the Quarterly Reports provided for under the Management Agreements as such moneys, income and benefits become due and payable, to be applied by Secured Party in accordance with §3.10 of this Security Agreement.

§7.01E. Deposits With Secured Party. Any and all deposits or other sums now held or hereafter at any time credited by or due from Secured Party to Debtor shall at all times constitute additional security for the Debtor's Obligations and may be set off against any of the Debtor's Obligations at any time, whether or not such are then due, or other security held by Security Party is considered by Secured Party to be adequate.

§7.01F. Rights Regarding Certain Other Property. Any and all instruments, documents, policies and certificates of insurance, securities, goods, accounts, choses in action, chattel paper, general intangibles, cash, property, and the proceeds thereof, owned by Debtor or in which Debtor has an interest which are at any time in the possession or control of Secured Party or in transit by mail or carrier to or from Secured Party or in the possession of a third party acting for Secured Party's benefit, without regard to whether Secured Party receives the same in pledge, for safekeeping, as agent for collection or transmission or otherwise, shall constitute additional security for Debtor's Obligations and may be applied at any time toward Debtor's Obligations which are then due, whether by acceleration or otherwise.

§7.01G. Furnishing Additional Collateral. If Secured Party should at any time be of the good faith opinion that the Collateral is not sufficient or has declined or may decline in value, or should Secured Party in good faith deem payment of Debtor's Obligations to Secured Party 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 term "good faith" when used herein means honesty in fact. The call for additional collateral may be oral, by telegram, or United States mail addressed to Debtor and shall not affect any other subsequent right of Secured Party or its ability to exercise the same. Debtor agrees that Secured Party shall have no duty or obligation to collect any Account or enforce any general intangible, or to take any other action to preserve or protect the Collateral; however, should Secured Party elect to collect or enforce any general intangible or Account, Debtor releases Secured Party from any claim or claims for loss or damage arising from any act or omission in connection with such collection or enforcement.

§7.02. Rights in Event of Default. Secured Party shall have the following rights immediately upon the occurrence of any Event of Default, or if Secured Party deems payment of Debtor's Obligations to Secured Party to be insecure, and at any time thereafter:

§7.02A. Acceleration; Seizure and Sale of the Collateral. Secured Party may declare all obligations secured hereby immediately due and payable and shall have all the rights and remedies of a secured party under the Uniform Commercial Code of Texas, or its equivalent if it is not applicable, including without limitation thereto, the right to sell, lease or otherwise dispose of any or all of the Collateral, and the right to take possession of the Collateral, and for that purpose Secured Party may enter upon any premises on which the Collateral or any part thereof may be situated and remove the same therefrom. In order to induce Secured Party to advance and loan the funds in accordance with the Loan Agreement, Debtor agrees that, upon the occurrence of any Event of Default, Secured Party shall have the absolute and unconditional right, without prior notice and/or without any prior hearing of any kind whatsoever, to seize and take possession of the Collateral, and Debtor expressly waives any right to any prior notice and/or any prior hearing before seizure of the Collateral by Secured Party upon the occurrence of any Event of Default. 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 which is reasonably convenient to both parties. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Secured Party will send Debtor reasonable notice of the time and place of any public sale 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 mailed, postage prepaid, to Debtor at the address designated at the beginning of this Security Agreement at least five (5) days before the time of the sale or disposition. Expenses of retaking, holding, preparing for sale, selling or the like shall include Secured Party's reasonable attorney's fees and legal expenses, and Debtor agrees to pay all such expenses plus interest thereon at the rate of ten percent (10%) per annum. As to any and all funds on deposit in any Payment Account established at Debtor's written direction pursuant to §3.10 of this Security Agreement, following the occurrence of any Event of Default, Secured Party may as it so elects immediately apply said funds, first to the payment of its expenses in enforcing the security interest granted hereunder and enforcing Debtor's Obligations, second, to the payment of accrued and unpaid interest on Debtor's Obligations, and third, to the payment of the outstanding principal balance of Debtor's Obligations. Debtor shall be entitled to any surplus, but shall remain liable for any deficiency. In addition, Secured Party shall continue to have all the rights and remedies listed in §7.01 of this Security Agreement pertaining to rights exclusive of default.

§7.02B. Secured Party's Right to Waive Default. Secured Party may remedy any default and may waive any default without waiving the default remedied or without waiving any other prior or subsequent default.

§7.02C. Remedies are Cumulative. 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 a waiver of any of the other remedies of Secured Party.

ARTICLE VIII

Debtor's Indemnification Obligation

§8.01. Debtor hereby agrees to indemnify and hold harmless Secured Party from any and all claims, demands, actions, causes of action, suits, and/or liabilities asserted against Secured Party by any third party based upon any act or failure to act by Debtor, his agents, employees, or representatives. Secured Party may, in its sole judgment, compromise or settle any such claim, and Debtor shall immediately pay to Secured Party the amount of such settlement and all expenses incurred by Secured Party incident to the settlement. The Debtor's obligation of indemnity hereunder shall include the obligation of Debtor to reimburse Secured Party for all attorney's fees incurred by Secured Party in the defense of any such claim, demand, action, cause of action, suit, and/or liability.

ARTICLE IX

Miscellaneous Provisions

§9.01. Law to be Applied. This Security Agreement is given under the laws of the State of Texas as in existence as of the date hereof. To the maximum extent possible, this Security Agreement and related agreements and documents are to be construed, interpreted, and governed by the laws of the State of Texas.

§9.02. Usury. It is the intention of the parties hereto to comply with the usury laws of the State of Texas; accordingly, it is agreed that notwithstanding any provisions to the contrary in this Security Agreement, or in any of the documents evidencing Debtor's Obligations secured hereby or otherwise relating hereto or any other agreement, in no event shall this Security Agreement or such documents require the payment or permit the collection of interest (effective, nominal, or otherwise) in excess of the maximum amount permitted by such laws. If any such excess interest is contracted for, charged or received, under this Security Agreement or under the terms of any of the documents evidencing Debtor's Obligations secured hereby or otherwise relating hereto, or any other agreements, or in the event the maturity of the indebtedness evidenced by Debtor's Obligations is accelerated in whole or in part, or in the event that all or part of the principal or interest of Debtor's Obligations shall be prepaid, or under any other circumstances, so that under any of such circumstances the amount of interest contracted for, charged or received under this Security Agreement or under any of the instruments evidencing Debtor's Obligations secured hereby or otherwise relating hereto, on the amount of principal actually outstanding from time to time under Debtor's Obligations shall exceed the maximum amount of interest permitted by the usury laws of the State of Texas, then in any such event (1) the provisions of this paragraph shall govern and control, (2) neither Debtor nor any other person or entity now or hereafter liable for the payment of Debtor's Obligations, shall be obligated to pay the amount of

such interest to the extent permitted by the usury laws of the State of Texas, (3) any such excess which may have been collected shall be either applied as a credit against the then unpaid principal amount hereof (but only if it can be legally so applied) or refunded to Debtor, at the holder's option, and (4) the effective rate of interest shall be automatically reduced to the maximum lawful contract rate allowed under the usury laws of the State of Texas as now or hereafter construed by the courts having jurisdiction thereof. It is further agreed that without limitation of the foregoing, all calculations of the rate of interest contracted for, charged or received under this Security Agreement or under such other documents which are made for the purpose of determining whether such rate exceeds the maximum lawful contract rate, shall be made, to the extent permitted by the laws of the State of Texas, by amortizing, prorating, allocating and spreading in equal parts during the period of the full stated term of the loan or loans evidenced by Debtor's Obligations, all interest at any time contracted for, charged or received from Debtor or otherwise by the Secured Party in connection with such loan or loans.

§9.03. Severability; Successors and Assigns. Any provision hereof found to be invalid under the laws of the State of Texas, or any other state having jurisdiction, shall be invalid only with respect to the offending provision. All words used herein shall be construed to be of such gender or number as the circumstances require. If this Security Agreement is executed by more than one Debtor, the obligation of all such Debtors shall be joint and several. This Security Agreement shall be binding upon the heirs, personal representatives, successors, or assigns of the parties hereto, but shall inure to the benefit of the successors or assigns of Secured Party only.

§9.04. Duplicates of Financing Statements. Any carbon, photographic or other reproduction of any financing statement signed by Debtor or of this Security Agreement is sufficient as a financing statement for all purposes, including without limitation, filing in any state pursuant to the provisions of the Uniform Commercial Code and the regulations of the Interstate Commerce Commission.

§9.05. Secured Party's Expenses. Debtor agrees to pay in full all reasonable expenses, including reasonable legal expenses and attorney's fees of Secured Party which have been or may be incurred by Secured Party in connection with the preparation of this Security Agreement and all related documents and instruments, Debtor's Obligations secured hereby, the collection of any of Debtor's Obligations secured hereby, the enforcement of any of Debtor's Obligations secured hereby, and the recording and filing and re-recording and re-filing of any such document.

§9.06. Duration of the Security Interest and this Security Agreement. The security interest hereby granted and all the terms and provisions hereof shall be deemed a continuing security agreement and shall continue in full force and effect, and all the terms and provisions hereof shall remain effective as between the parties, until the first to occur of the following: (a) the expiration of four (4) years from the date of payment of Debtor's last obligation to Secured Party; or (b) repayment by Debtor of all obligations secured hereby and the giving by Debtor of ten (10) days' written notice of revocation of the terms and provisions hereof.

§9.07. Use of Terms "Debtor" and "Secured Party". The term "Debtor" as used in this instrument shall be construed as singular or plural to correspond with the number of persons executing this instrument as Debtor. The pronouns used in this instrument are in the masculine gender but shall be construed as feminine or neuter as occasion may require. "Secured Party" and "Debtor" as

used in this instrument include the heirs, executors or administrators, successors, representatives, receivers, trustees and assigns of those parties, except as otherwise limited herein.

§9.08. Acceptance of Late Payment. The acceptance of any late payment or the waiver or modification of any term of this Security Agreement or any promissory note secured hereby shall not be construed as being a waiver of the prompt payment of any subsequent payments due or as being the waiver or modification of any other terms of this Security Agreement or any promissory note.

§9.09. No Oral Waiver or Modification. No waiver, modification or additional terms shall be effective unless made in the form of a writing signed by Secured Party and Debtor.

§9.10. Reference to Uniform Commercial Code. The terms used in this instrument which are defined in the Texas Uniform Commercial Code are used with the meanings as therein defined.

§9.11. Extensions and Renewals of Debts. This Security Agreement grants to Secured Party a first and prior lien to secure the payment of the debts referred to herein, and extensions and renewals thereof. For the purpose of this paragraph, an extended or renewal note shall be considered executed on the date of the original note.

§9.12. Waiver of Presentment and Demand. Debtor waives presentment, demand, notice of dishonor, protest, and extension of time without notice as to any instruments and chattel paper which are a part of the Collateral.

§9.13. Survival of Representations and Warranties. All representations and warranties contained herein or made in writing by Debtor in connection herewith shall survive the execution and delivery of this Security Agreement, regardless of any investigation made by or on behalf of Secured Party.

§9.14. Notices. All notices and other communications provided for or given or made hereunder shall be in writing and all communications provided for hereunder, unless otherwise specified, shall be sent by certified mail or registered mail, return receipt requested, shall be effective when sent, and shall be addressed as follows: (i) if to Secured Party, then to Texas Bank, 900 Congress Avenue, Austin, Texas 78701, Attention: Mr. Mark Johnson, and (ii) if to Debtor, then to Debtor at the address given above in the preamble to this Security Agreement.

§9.15. Cumulative Effect of this Security Agreement. This Security Agreement is intended to supplement and not supersede any existing or future security agreements between Secured Party and Debtor.

§9.16. Counterparts. This Security Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, and it shall not be necessary in making proof of this Security Agreement to produce or account for more than one such counterpart.

§9.17. Headings. The descriptive headings of the several articles and sections of this Security Agreement are inserted for convenience only and do not constitute a part of this Security Agreement.

SIGNED in multiple counterparts and delivered on this 16th day of October, 1980.


Harold A. Wolf, as Debtor