



First Interstate Bank  
of Texas, N.A.  
P.O. Box 3326  
Houston, TX 77253-3326  
713 224-6611

August 13, 1996

RECORDED 20258

SEP 10 1996 10:49 AM

Department of Transportation  
Surface Transportation Board  
1202 Constitution Ave. N.W. Room 2311  
Washington, DC 20423

INTERSTATE COMMERCE COMMISSION

SEP 10 10 49 AM '96

RECEIVED  
TRANSPORTATION  
BOARD

RE: CUSTOMER NAME: Glenn Welsch

GENTLEMEN:

Enclosed please find our Cashier's Check number 896967 dated August 13, 1996 in the amount of \$21.00 along with the following documents:

\_\_\_\_ Commercial Security Agreement \_\_\_\_\_

After recording please return to:  
First Interstate Bank  
P.O. Box 4195  
Portland, OR. 97208-4195

If these documents cannot be recorded please return them to :  
First Interstate Bank of Texas, N.A.  
P.O.Box 3326 MS. 5001-0666  
Houston, TX 77252-3326

Your cooperation is greatly appreciated.

Very truly yours,

Mary Tillis  
Loan Closer

Enclosures:

cc: Beaverton Loan Operation Center  
Collateral/Tickler Dept.

SURFACE TRANSPORTATION BOARD  
WASHINGTON, D.C. 20425-0001

9/10/96

Mary Tillis-Loan Closer  
First Interstate Bank  
P. O. Box 4195  
Portland, Oregon 97208-4195

Dear Madam:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 9/10/96 at 10:50AM, and assigned recordation number(s) 20258, 20259 and 20260.

Sincerely yours,

  
Vernon A. Williams  
Secretary

Enclosure(s)

\$ 53.00 - The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid and in no way indicates acknowledgment that the fee paid is correct. This is accepted subject to review of the document which has been assigned the transaction number corresponding to the one typed on this receipt. In the event of an error or any questions concerning this fee, you will receive a notification after the Commission has had an opportunity to examine your document.

Signature 



# COMMERCIAL SECURITY AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call	Collateral	Account	Officer	Initials
9115,613.00	08-05-1996	08-05-2001			115		4042	<i>GAW</i>

References in the shaded area are for Lender's use only and do not limit the applicability of this document to any particular loan or item.

**Borrower:** GLENN ANDREW WELSCH (SSN: 455-66-5815)  
 CONSTANCE WELSCH (SSN: )  
 911 Ivy Wall  
 Houston, TX 77079

**Lender:** First Interstate Bank of Texas, N.A.  
 Plaza Commercial Lending - Houston  
 1000 Louisiana  
 Houston, TX 77002

**Grantor:** GLENN ANDREW WELSCH (SSN: 455-66-5815)  
 911 Ivy Wall  
 Houston, TX 77079

RECORDATION NO 20253  
 SEP 10 1996 10 50 AM  
 INTERSTATE COMMERCE COMMISSION

THIS COMMERCIAL SECURITY AGREEMENT is entered into among GLENN ANDREW WELSCH and CONSTANCE WELSCH (referred to below as "Borrower"); GLENN ANDREW WELSCH (referred to below as "Grantor"); and First Interstate Bank of Texas, N.A. (referred to below as "Lender"). For valuable consideration, Grantor hereby grants, conveys, assigns, and pledges to Lender as collateral, a security interest in Grantor's entire interest in the Collateral, whether now existing or hereafter acquired, to secure the indebtedness and agrees that Lender shall have the rights stated in this Agreement with respect to the Collateral, in addition to all other rights which Lender may have by law.

**DEFINITIONS.** The following words shall have the following meanings when used in this Agreement. Terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code. All references to dollar amounts shall mean amounts in lawful money of the United States of America.

**Agreement.** The word "Agreement" means this Commercial Security Agreement, as this Commercial Security Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Commercial Security Agreement from time to time.

**Borrower.** The word "Borrower" means each and every person or entity signing the Note, including without limitation GLENN ANDREW WELSCH and CONSTANCE WELSCH.

**Collateral.** The word "Collateral" means the following described property of Grantor, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located:

All railroad cars of Grantor, including, without limitation, those certain railroad cars as described on Exhibit "A" attached hereto and by this reference hereby incorporated herein; Assignment of all leases, management agreements, and/or other rights to payment of any kind related to any and all of such railroad cars, whether written or oral, (without limitation, that certain lease agreement as described on Exhibit "B" attached hereto and by this reference incorporated herein; that certain management contract as described on Exhibit "C" attached hereto and by this reference incorporated herein; and that certain brokerage agreement as described on Exhibit "D" attached hereto and by this reference incorporated herein), and all rights and remedies (but not the liabilities or obligations) therein, including the rights to collect rent due thereon, to repossess the property in an event of default by the lessee, and the right, either in Grantor's own name or in the name of Secured Party, to take such legal proceedings or other action as Grantor might have, and all of the proceeds of the foregoing.

In addition, the word "Collateral" includes all the following, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located:

- (a) All attachments, accessions, accessories, tools, parts, supplies, increases, and additions to and all replacements of and substitutions for any property described above.
- (b) All products and produce of any of the property described in this Collateral section.
- (c) All accounts, general intangibles, instruments, rents, monies, payments, and all other rights, arising out of a sale, lease, or other disposition of any of the property described in this Collateral section.
- (d) All proceeds (including insurance proceeds) from the sale, destruction, loss, or other disposition of any of the property described in this Collateral section.
- (e) All records and data relating to any of the property described in this Collateral section, whether in the form of a writing, photograph, microfilm, microfiche, or electronic media, together with all of Grantor's right, title, and interest in and to all computer software required to utilize, create, maintain, and process any such records or data on electronic media.

**Event of Default.** The words "Event of Default" mean and include without limitation any of the Events of Default set forth below in the section titled "Events of Default."

**Grantor.** The word "Grantor" means GLENN ANDREW WELSCH. Any Grantor who signs this Agreement, but does not sign the Note, is signing this Agreement only to grant a security interest in Grantor's interest in the Collateral to Lender and is not personally liable under the Note except as otherwise provided by contract or law (e.g., personal liability under a guaranty or as a surety).

**Guarantor.** The word "Guarantor" means and includes without limitation each and all of the guarantors, sureties, and accommodation parties in connection with the indebtedness.

**Indebtedness.** The word "Indebtedness" means the indebtedness evidenced by the Note, including all principal and earned interest, together with all other indebtedness and costs and expenses for which Grantor or Borrower is responsible under this Agreement or under any of the Related Documents. In addition, the word "Indebtedness" includes all other obligations, debts and liabilities, plus interest thereon, of Borrower, or any one or more of them, to Lender, as well as all claims by Lender against Borrower, or any one or more of them, whether existing now or later; whether they are voluntary or involuntary, due or not due, direct or indirect, absolute or contingent, liquidated or unliquidated; whether Borrower may be liable individually or jointly with others; whether Borrower may be obligated as guarantor, surety, accommodation party or otherwise.

**Lender.** The word "Lender" means First Interstate Bank of Texas, N.A., its successors and assigns

**Note.** The word "Note" means the note or credit agreement dated August 5, 1996, in the principal amount of \$115,625.00 from Borrower to Lender, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of and substitutions for the note or credit agreement

**Related Documents.** The words "Related Documents" mean and include without limitation all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

**BORROWER'S WAIVERS AND RESPONSIBILITIES.** Except as otherwise required under this Agreement or by applicable law, (a) Borrower agrees that Lender need not tell Borrower about any action or inaction Lender takes in connection with this Agreement, (b) Borrower assumes the responsibility for being and keeping informed about the Collateral, and (c) Borrower waives any defenses that may arise because of any action or inaction of Lender, including without limitation any failure of Lender to realize upon the Collateral or any delay by Lender in realizing upon the Collateral, and Borrower agrees to remain liable under the Note no matter what action Lender takes or fails to take under this Agreement

**GRANTOR'S REPRESENTATIONS AND WARRANTIES.** Grantor warrants that (a) this Agreement is executed at Borrower's request and not at the request of Lender, (b) Grantor has the full right, power and authority to enter into this Agreement and to pledge the Collateral to Lender, (c) Grantor has established adequate means of obtaining from Borrower on a continuing basis information about Borrower's financial condition, and (d) Lender has made no representation to Grantor about Borrower or Borrower's creditworthiness.

**GRANTOR'S WAIVERS.** Grantor waives all requirements of presentment, protest, demand, and notice of dishonor or non-payment to Grantor, Borrower, or any other party to the Indebtedness or the Collateral. Lender may do any of the following with respect to any obligation of any Borrower, without first obtaining the consent of Grantor: (a) grant any extension of time for any payment, (b) grant any renewal, (c) permit any modification of payment terms or other terms, or (d) exchange or release any Collateral or other security. No such act or failure to act shall affect Lender's rights against Grantor or the Collateral.

If now or hereafter (a) Borrower shall be or become insolvent, and (b) the Indebtedness shall not at all times until paid be fully secured by collateral pledged by Borrower, Grantor hereby forever waives and relinquishes in favor of Lender and Borrower, and their respective successors, any claim or right to payment Grantor may now have or hereafter have or acquire against Borrower, by subrogation or otherwise, so that at no time shall Grantor be or become a "creditor" of Borrower within the meaning of 11 U.S.C. section 547(b), or any successor provision of the Federal bankruptcy laws.

**RIGHT OF SETOFF.** Grantor hereby grants Lender a contractual possessory security interest in and hereby assigns, conveys, delivers, pledges, and transfers all of Grantor's right, title and interest in and to Grantor's accounts with Lender (whether checking, savings, or some other account), including all accounts held jointly with someone else and all accounts Grantor may open in the future, excluding, however, all IRA and Keogh accounts, and all trust accounts for which the grant of a security interest would be prohibited by law. Grantor authorizes Lender, to the extent permitted by applicable law, to charge or setoff all Indebtedness against any and all such accounts, and, at Lender's option, to administratively freeze all such accounts to allow Lender to protect Lender's charge and setoff rights provided in this paragraph.

**OBLIGATIONS OF GRANTOR.** Grantor warrants and covenants to Lender as follows.

**Perfection of Security Interest.** Grantor agrees to execute such financing statements and to take whatever other actions are requested by Lender to perfect and continue Lender's security interest in the Collateral. Upon request of Lender, Grantor will deliver to Lender any and all of the documents evidencing or constituting the Collateral, and Grantor will note Lender's interest upon any and all chattel paper if not delivered to Lender for possession by Lender. Grantor hereby appoints Lender as its irrevocable attorney-in-fact for the purpose of executing any documents necessary to perfect or to continue the security interest granted in this Agreement. Lender may at any time, and without further authorization from Grantor, file a carbon, photographic or other reproduction of any financing statement or of this Agreement for use as a financing statement. Grantor will reimburse Lender for all expenses for the perfection and the continuation of the perfection of Lender's security interest in the Collateral. Grantor promptly will notify Lender before any change in Grantor's name including any change to the assumed business names of Grantor. **This is a continuing Security Agreement and will continue in effect even though all or any part of the Indebtedness is paid in full and even though for a period of time Borrower may not be indebted to Lender.**

**No Violation.** The execution and delivery of this Agreement will not violate any law or agreement governing Grantor or to which Grantor is a party.

**Enforceability of Collateral.** To the extent the Collateral consists of accounts, chattel paper, or general intangibles, the Collateral is enforceable in accordance with its terms, is genuine, and complies with applicable laws concerning form, content and manner of preparation and execution, and all persons appearing to be obligated on the Collateral have authority and capacity to contract and are in fact obligated as they appear to be on the Collateral.

**Location of the Collateral.** Grantor, upon request of Lender, will deliver to Lender in form satisfactory to Lender a schedule of real properties and Collateral locations relating to Grantor's operations, including without limitation the following: (a) all real property owned or being purchased by Grantor, (b) all real property being rented or leased by Grantor, (c) all storage facilities owned, rented, leased, or being used by Grantor, and (d) all other properties where Collateral is or may be located. Except in the ordinary course of its business, Grantor shall not remove the Collateral from its existing locations without the prior written consent of Lender.

**Removal of Collateral.** Grantor shall keep the Collateral (or to the extent the Collateral consists of intangible property such as accounts, the records concerning the Collateral) at Grantor's address shown above, or at such other locations as are acceptable to Lender. Except in the ordinary course of its business, including the sales of inventory, Grantor shall not remove the Collateral from its existing locations without the prior written consent of Lender. To the extent that the Collateral consists of vehicles, or other titled property, Grantor shall not take or permit any action which would require application for certificates of title for the vehicles outside the State of Texas, without the prior written consent of Lender.

**Transactions Involving Collateral.** Except for inventory sold or accounts collected in the ordinary course of Grantor's business, Grantor shall not sell, offer to sell, or otherwise transfer or dispose of the Collateral. While Grantor is not in default under this Agreement, Grantor may sell inventory, but only in the ordinary course of its business and only to buyers who qualify as a buyer in the ordinary course of business. A sale in the ordinary course of Grantor's business does not include a transfer in partial or total satisfaction of a debt or any bulk sale. Grantor shall not pledge, mortgage, encumber or otherwise permit the Collateral to be subject to any lien, security interest, encumbrance, or charge, other than the security interest provided for in this Agreement, without the prior written consent of Lender. This includes security interests even if junior in right to the security interests granted under this Agreement. Unless waived by Lender, all proceeds from any disposition of the Collateral (for whatever reason) shall be held in trust for Lender and shall not be commingled with any other funds; provided however, this requirement shall not constitute consent by Lender to any sale or other disposition. Upon receipt, Grantor shall immediately deliver any such proceeds to Lender.

**Title.** Grantor represents and warrants to Lender that it holds good and marketable title to the Collateral, free and clear of all liens and encumbrances except for the lien of this Agreement. No financing statement covering any of the Collateral is on file in any public office other than those which reflect the security interest created by this Agreement or to which Lender has specifically consented. Grantor shall defend

Lender's rights in the Collateral against the claims and demands of all other persons.

**Collateral Schedules and Locations.** Insofar as the Collateral consists of inventory, Grantor shall deliver to Lender, as often as Lender shall require, such lists, descriptions, and designations of such Collateral as Lender may require to identify the nature, extent, and location of such Collateral. Such information shall be submitted for Grantor and each of its subsidiaries or related companies.

**Maintenance and Inspection of Collateral.** Grantor shall maintain all tangible Collateral in good condition and repair. Grantor will not commit or permit damage to or destruction of the Collateral or any part of the Collateral. Lender and its designated representatives and agents shall have the right at all reasonable times to examine, inspect, and audit the Collateral wherever located. Grantor shall immediately notify Lender of all cases involving the return, rejection, repossession, loss or damage of or to any Collateral; of any request for credit or adjustment or of any other dispute arising with respect to the Collateral, and generally of all happenings and events affecting the Collateral or the value or the amount of the Collateral.

**Taxes, Assessments and Liens.** Grantor will pay when due all taxes, assessments and liens upon the Collateral, its use or operation, upon this Agreement, upon any promissory note or notes evidencing the indebtedness, or upon any of the other Related Documents. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized in Lender's sole opinion. If the Collateral is subjected to a lien which is not discharged within fifteen (15) days, Grantor shall deposit with Lender cash, a sufficient corporate surety bond or other security satisfactory to Lender in an amount adequate to provide for the discharge of the lien plus any interest, costs or other charges that could accrue as a result of foreclosure or sale of the Collateral. In any contest Grantor shall defend itself and Lender and shall satisfy any final adverse judgment before enforcement against the Collateral. Grantor shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings.

**Compliance With Governmental Requirements.** Grantor shall comply promptly with all laws, ordinances, rules and regulations of all governmental authorities, now or hereafter in effect, applicable to the ownership, production, disposition, or use of the Collateral. Grantor may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Lender's interest in the Collateral, in Lender's opinion, is not jeopardized.

**Hazardous Substances.** Grantor represents and warrants that the Collateral never has been, and never will be so long as this Agreement remains a lien on the Collateral, used for the generation, manufacture, storage, transportation, treatment, disposal, release or threatened release of any hazardous waste or substance, as those terms are defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or Federal laws, rules, or regulations adopted pursuant to any of the foregoing. The terms "hazardous waste" and "hazardous substance" shall also include, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos. The representations and warranties contained herein are based on Grantor's due diligence in investigating the Collateral for hazardous wastes and substances. Grantor hereby (a) releases and waives any future claims against Lender for indemnity or contribution in the event Grantor becomes liable for cleanup or other costs under any such laws, and (b) agrees to indemnify and hold harmless Lender against any and all claims and losses resulting from a breach of this provision of this Agreement. This obligation to indemnify shall survive the payment of the indebtedness and the satisfaction of this Agreement.

**Maintenance of Casualty Insurance.** Grantor shall procure and maintain all risks insurance, including without limitation fire, theft and liability coverage together with such other insurance as Lender may require with respect to the Collateral, in form, amounts, coverages and basis reasonably acceptable to Lender. GRANTOR MAY FURNISH THE REQUIRED INSURANCE WHETHER THROUGH EXISTING POLICIES OWNED OR CONTROLLED BY GRANTOR OR THROUGH EQUIVALENT INSURANCE FROM ANY INSURANCE COMPANY AUTHORIZED TO TRANSACT BUSINESS IN THE STATE OF TEXAS. If Grantor fails to provide any required insurance or fails to continue such insurance in force, Lender may, but shall not be required to, do so at Grantor's expense, and the cost of the insurance will be added to the indebtedness. If any such insurance is procured by Lender at a rate or charge not fixed or approved by the State Board of Insurance, Grantor will be so notified, and Grantor will have the option for five (5) days of furnishing equivalent insurance through any insurer authorized to transact business in Texas. Grantor, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least ten (10) days' prior written notice to Lender and not including any disclaimer of the insurer's liability for failure to give such a notice. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Grantor or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest, Grantor will provide Lender with such loss payable or other endorsements as Lender may require. If Grantor at any time fails to obtain or maintain any insurance as required under this Agreement, Lender may (but shall not be obligated to) obtain such insurance as Lender deems appropriate, including if it so chooses "single interest insurance," which will cover only Lender's interest in the Collateral.

**Application of Insurance Proceeds.** Grantor shall promptly notify Lender of any loss or damage to the Collateral. Lender may make proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. All proceeds of any insurance on the Collateral, including accrued proceeds thereon, shall be held by Lender as part of the Collateral. If Lender consents to repair or replacement of the damaged or destroyed Collateral, Lender shall, upon satisfactory proof of expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration. If Lender does not consent to repair or replacement of the Collateral, Lender shall retain a sufficient amount of the proceeds to pay all of the indebtedness, and shall pay the balance to Grantor. Any proceeds which have not been disbursed within six (6) months after their receipt and which Grantor has not committed to the repair or restoration of the Collateral shall be used to prepay the indebtedness.

**Insurance Reserves.** Lender may require Grantor to maintain with Lender reserves for payment of insurance premiums, which reserves shall be created by monthly payments from Grantor of a sum estimated by Lender to be sufficient to produce, at least fifteen (15) days before the premium due date, amounts at least equal to the insurance premiums to be paid. If fifteen (15) days before payment is due, the reserve funds are insufficient, Grantor shall upon demand pay any deficiency to Lender. The reserve funds shall be held by Lender as a general deposit and shall constitute a non-interest-bearing account which Lender may satisfy by payment of the insurance premiums required to be paid by Grantor as they become due. Lender does not hold the reserve funds in trust for Grantor, and Lender is not the agent of Grantor for payment of the insurance premiums required to be paid by Grantor. The responsibility for the payment of premiums shall remain Grantor's sole responsibility.

**Insurance Reports.** Grantor, upon request of Lender, shall furnish to Lender reports on each existing policy of insurance showing such information as Lender may reasonably request including the following: (a) the name of the insurer, (b) the risks insured, (c) the amount of the policy; (d) the property insured, (e) the then current value on the basis of which insurance has been obtained and the manner of determining that value, and (f) the expiration date of the policy. In addition, Grantor shall upon request by Lender (however not more often than annually) have an independent appraiser satisfactory to Lender determine, as applicable, the cash value or replacement cost of the Collateral.

**GRANTOR'S RIGHT TO POSSESSION.** Until default, Grantor may have possession of the tangible personal property and beneficial use of all the Collateral and may use it in any lawful manner not inconsistent with this Agreement or the Related Documents, provided that Grantor's right to possession and beneficial use shall not apply to any Collateral where possession of the Collateral by Lender is required by law to perfect Lender's security interest in such Collateral. If Lender at any time has possession of any Collateral, whether before or after an Event of Default, Lender shall be

deemed to have exercised reasonable care in the custody and preservation of the Collateral if Lender takes such action for that purpose as Grantor shall request or as Lender, in Lender's sole discretion, shall deem appropriate under the circumstances, but failure to honor any request by Grantor shall not of itself be deemed to be a failure to exercise reasonable care. Lender shall not be required to take any steps necessary to preserve any rights in the Collateral against prior parties, nor to protect, preserve or maintain any security interest given to secure the Indebtedness.

**EXPENDITURES BY LENDER.** If not discharged or paid when due, Lender may (but shall not be obligated to) discharge or pay any amounts required to be discharged or paid by Grantor under this Agreement, including without limitation all taxes, liens, security interests, encumbrances, and other claims, at any time levied or placed on the Collateral. Lender also may (but shall not be obligated to) pay all costs for insuring, maintaining and preserving the Collateral. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the Note rate from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses shall become a part of the Indebtedness and, at Lender's option, will (a) be payable on demand, (b) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (i) the term of any applicable insurance policy or (ii) the remaining term of the Note, or (c) be treated as a balloon payment which will be due and payable at the Note's maturity. This Agreement also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon the occurrence of an Event of Default.

**EVENTS OF DEFAULT.** Each of the following shall constitute an Event of Default under this Agreement:

**Default on Indebtedness.** Failure of Borrower to make any payment when due on the Indebtedness.

**Other Defaults.** Failure of Grantor or Borrower to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or failure of Borrower to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

**False Statements.** Any warranty, representation or statement made or furnished to Lender by or on behalf of Grantor or Borrower under this Agreement, the Note or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished.

**Defective Collateralization.** This Agreement or any of the Related Documents ceases to be in full force and effect (including failure of any collateral documents to create a valid and perfected security interest or lien) at any time and for any reason.

**Death or Insolvency.** The death of Grantor or Borrower or the dissolution or termination of Grantor or Borrower's existence as a going business, the insolvency of Grantor or Borrower, the appointment of a receiver for any part of Grantor or Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor or Borrower.

**Creditor or Forfeiture Proceedings.** Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Grantor or Borrower or by any governmental agency against the Collateral or any other collateral securing the Indebtedness. This includes a garnishment of any of Grantor or Borrower's deposit accounts with Lender.

**Events Affecting Guarantor.** Any of the preceding events occurs with respect to any Guarantor of any of the Indebtedness or such Guarantor dies or becomes incompetent.

**Adverse Change.** A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.

**RIGHTS AND REMEDIES ON DEFAULT.** If an Event of Default occurs under this Agreement, at any time thereafter, Lender shall have all the rights of a secured party under the Texas Uniform Commercial Code. In addition and without limitation, Lender may exercise any one or more of the following rights and remedies:

**Accelerate Indebtedness.** Lender may declare the entire Indebtedness immediately due and payable, without notice.

**Assemble Collateral.** Lender may require Grantor to deliver to Lender all or any portion of the Collateral and any and all certificates of title and other documents relating to the Collateral. Lender may require Grantor to assemble the Collateral and make it available to Lender at a place to be designated by Lender. Lender also shall have full power to enter, provided Lender does so without a breach of the peace or a trespass, upon the property of Grantor to take possession of and remove the Collateral. If the Collateral contains other goods not covered by this Agreement at the time of repossession, Grantor agrees Lender may take such other goods, provided that Lender makes reasonable efforts to return them to Grantor after repossession.

**Sell the Collateral.** Lender shall have full power to sell, lease, transfer, or otherwise deal with the Collateral or proceeds thereof in its own name or that of Grantor. Lender may sell the Collateral at public auction or private sale. Unless the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, Lender will give Grantor reasonable notice of the time after which any private sale or any other intended disposition of the Collateral is to be made. The requirements of reasonable notice shall be met if such notice is given at least ten (10) days before the time of the sale or disposition. All expenses relating to the disposition of the Collateral, including without limitation the expenses of retaking, holding, insuring, preparing for sale and selling the Collateral, shall become a part of the Indebtedness secured by this Agreement and shall be payable on demand, with interest at the Note rate from date of expenditure until repaid.

**Appoint Receiver.** To the extent permitted by applicable law, Lender shall have the following rights and remedies regarding the appointment of a receiver: (a) Lender may have a receiver appointed as a matter of right, (b) the receiver may be an employee of Lender and may serve without bond, and (c) all fees of the receiver shall become part of the Indebtedness secured by this Agreement and shall be payable on demand, with interest at the Note rate from date of expenditure until repaid.

**Collect Revenues, Apply Accounts.** Lender, either itself or through a receiver, may collect the payments, rents, income, and revenues from the Collateral. Lender may at any time in its discretion transfer any Collateral into its own name or that of its nominee and receive the payments, rents, income, and revenues therefrom and hold the same as security for the Indebtedness or apply it to payment of the Indebtedness in such order of preference as Lender may determine. Insofar as the Collateral consists of accounts, general intangibles, insurance policies, instruments, chattel paper, choses in action, or similar property, Lender may demand, collect, receipt for, settle, compromise, adjust, sue for, foreclose, or realize on the Collateral as Lender may determine, whether or not Indebtedness or Collateral is then due. For these purposes, Lender may, on behalf of and in the name of Grantor, receive, open and dispose of mail addressed to Grantor; change any address to which mail and payments are to be sent, and endorse notes, checks, drafts, money orders, documents of title, instruments and items pertaining to payment, shipment, or storage of any Collateral. To facilitate collection, Lender may notify account debtors and obligors on any Collateral to make payments directly to Lender.

**Obtain Deficiency.** If Lender chooses to sell any or all of the Collateral, Lender may obtain a judgment against Borrower for any deficiency remaining on the Indebtedness due to Lender after application of all amounts received from the exercise of the rights provided in this Agreement. Borrower shall be liable for a deficiency even if the transaction described in this subsection is a sale of accounts or chattel paper.

**Other Rights and Remedies.** Lender shall have all the rights and remedies of a secured creditor under the provisions of the Uniform Commercial Code, as may be amended from time to time. In addition, Lender shall have and may exercise any or all other rights and remedies it may have available at law, in equity, or otherwise.

**Cumulative Remedies.** All of Lender's rights and remedies, whether evidenced by this Agreement or the Related Documents or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor or Borrower under this Agreement, after Grantor or Borrower's failure to perform, shall not affect Lender's right to declare a default and to exercise its remedies.

**MISCELLANEOUS PROVISIONS.** The following miscellaneous provisions are a part of this Agreement.

**Amendments.** This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

**Applicable Law.** This Agreement has been delivered to Lender and accepted by Lender in the State of Texas. If there is a lawsuit, and if the transaction evidenced by this Agreement occurred in Harris County, Grantor and Borrower agree upon Lender's request to submit to the jurisdiction of the courts of Harris County, State of Texas. Subject to the provisions on arbitration, this Agreement shall be governed by and construed in accordance with the laws of the State of Texas and applicable Federal laws.

**Arbitration.**

**Binding Arbitration.** Upon the demand of any party, whether made before or after the institution of any judicial proceeding, any Dispute (as defined below) shall be resolved by binding arbitration in accordance with the terms of this Arbitration Program. A "Dispute" shall include any action, dispute, claim, or controversy of any kind, whether in contract or in tort, statutory or common law, legal or equitable, or otherwise, now existing or hereafter arising between the parties in any way arising out of, pertaining to or in connection with (a) any agreement, document or instrument to which this Arbitration Program is attached or in which it is referred to or any related agreements, documents, or instruments (the "Documents"), (b) all past, present, or future loans, notes, instruments, drafts, credits, accounts, deposit accounts, safe deposit boxes, safekeeping agreements, guarantees, letters of credit, goods or services, or other transactions, contracts or agreements of any kind whatsoever, (c) any past, present or future incidents, omissions, acts, errors, practices, or occurrences causing injury to either party whereby the other party or its agents, employees or representatives may be liable, in whole or in part, or (d) any other aspect of the past, present, or future relationships of the parties including any agency, independent contractor or employment relationship but excluding claims for workers' compensation and unemployment benefits ("Relationship"). Any party to this Arbitration Program may by summary proceedings bring any action in court to compel arbitration of any Dispute. Any party who fails or refuses to submit to binding arbitration following a lawful demand by the opposing party shall bear all costs and expenses incurred by the opposing party in compelling arbitration of any Dispute. The parties agree that by engaging in activities with or involving each other as described above, they are participating in transactions involving interstate commerce. **THE PARTIES UNDERSTAND THAT PURSUANT TO THIS ARBITRATION PROGRAM, DISPUTES SUBMITTED TO ARBITRATION WILL NOT BE DECIDED THROUGH LITIGATION IN FEDERAL OR STATE COURTS BEFORE A JUDGE OR JURY.**

**Governing Rules.** All Disputes between the parties submitted to arbitration shall be resolved by binding arbitration administered by the American Arbitration Association (the "AAA") in accordance with the Commercial Arbitration Rules of the AAA, the Federal Arbitration Act (Title 9 of the United States Code) and to the extent the foregoing are inapplicable, unenforceable or invalid, the laws of the State of Texas. In the event of any inconsistency between this Arbitration Program and such rules and statutes, this Arbitration Program shall control. Judgment upon any award rendered hereunder may be entered in any court having jurisdiction, provided, however, that nothing contained herein shall be deemed to be a waiver by any party that is a bank of the protections afforded to it under 12 U.S.C. Section 91 or Texas Banking Code art. 342-609.

**No Waiver; Preservation of Remedies; Multiple Parties.** No provision of, nor the exercise of any rights under, this Arbitration Program shall limit the right of any party, during any Dispute, to seek, use, and employ ancillary or preliminary remedies, judicial or otherwise, for the purposes of realizing upon, preserving, protecting, foreclosing or proceeding under forcible entry and detainer for possession of any real or personal property, and any such action shall not be deemed an election of remedies. Such rights shall include, without limitation, rights and remedies relating to (a) foreclosing against any real or personal property collateral or other security, (b) exercising self-help remedies including setoff rights or (c) obtaining provisional or ancillary remedies such as injunctive relief, sequestration, attachment, garnishment, or the appointment of a receiver from a court having jurisdiction. Such rights can be exercised at any time except to the extent such action is contrary to a final award or decision in any arbitration proceeding. The institution and maintenance of an action for judicial relief or pursuit of provisional or ancillary remedies or exercise of self-help remedies shall not constitute a waiver of the right of any party, including the plaintiff, to submit the Dispute to arbitration, nor render inapplicable the compulsory arbitration provisions hereof. In Disputes involving indebtedness or other monetary obligations, each party agrees that the other party may proceed against all liable persons, jointly or severally, or against one or more of them, less than all, without impairing rights against other liable persons. Nor shall a party be required to join the principal obligator or any other liable persons, such as sureties or guarantors, in any proceeding against a particular person. A party may release or settle with one or more liable persons without releasing or impairing rights to proceed against any persons not so released.

**Arbitrator Powers and Qualifications; Awards.** Arbitrators are empowered to resolve Disputes by summary rulings. Arbitrators shall resolve all Disputes in accordance with the applicable substantive law. Any arbitrator selected shall be required to be a practicing attorney licensed to practice law in the State of Texas and shall be required to be experienced and knowledgeable in the substantive laws applicable to the subject matter of the Dispute. All statutes of limitation applicable to any Dispute shall apply to any proceeding in accordance with this Arbitration Program. With respect to a Dispute in which the claims or amounts in controversy do not exceed \$1,000,000, a single arbitrator shall be chosen and shall resolve the Dispute by rendering an award not to exceed \$1,000,000, including all damages of any kind whatsoever, including costs, fees and expenses. A Dispute involving claims or amounts in controversy exceeding \$1,000,000, shall be decided by a majority vote of a panel of three arbitrators (an "Arbitration Panel"), the determination of any two of the three arbitrators constituting the determination of the Arbitration Panel, provided, however, that all three Arbitrators on the Arbitration Panel must actively participate in all hearings and deliberations. Arbitrators, including any Arbitration Panel, may grant any remedy or relief deemed just and equitable and within the scope of this Arbitration Program and may also grant such ancillary relief as is necessary to make effective any award. Arbitrators shall be empowered to impose sanctions and to take such other actions as they deem necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the Texas Rules of Civil Procedure and applicable law. Arbitrators and Arbitration Panels shall be required to make specific, written findings of fact and conclusions of law. The determination of an Arbitrator or Arbitration Panel shall be binding on all parties and shall not be subject to further review or appeal except as otherwise allowed by applicable law.

**Miscellaneous.** To the maximum extent practicable, the AAA, the Arbitrator (or the Arbitration Panel, as appropriate) and the parties shall take any action necessary to require that an arbitration proceeding hereunder shall be concluded within 180 days of the filing of the Dispute with the AAA. Arbitration proceedings hereunder shall be conducted in the State of Texas at a location selected by the Administrator. With respect to any Dispute, each party agrees that all discovery activities shall be expressly limited to matters directly relevant to the Dispute and any Arbitrator, Arbitration Panel and the AAA shall be required to fully enforce this requirement. This Arbitration Program constitutes the entire agreement of the parties with respect to its subject matter and supersedes all prior discussions, arrangements, negotiations, and other

communications on dispute resolution The provisions of this Arbitration Program shall survive any termination, amendment, or expiration of the Documents or the Relationship, unless the parties otherwise expressly agree in writing To the extent permitted by applicable law, Arbitrators, including any Arbitration Panel, shall have the power to award recovery of all costs and fees (including attorneys' fees, administrative fees, and arbitrators' fees) to the prevailing party This Arbitration Program may be amended, changed, or modified only by the express provisions of a writing which specifically refers to this Arbitration Program and which is signed by all the parties hereto If any term, covenant, condition or provision of this Arbitration Program is found to be unlawful, invalid or unenforceable, such defect shall not affect the legality, validity or enforceability of the remaining parts of this Arbitration Program, and all such remaining parts hereof shall be valid and enforceable and have full force and effect as if the illegal, invalid or unenforceable part had not been included Each party agrees to keep all Disputes subject to arbitration proceedings strictly confidential, except for disclosures of information required in the ordinary course of business of the parties or by applicable law or regulation

**Caption Headings.** Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

**Multiple Parties.** All obligations of Grantor and Borrower under this Agreement shall be joint and several, and all references to Borrower shall mean each and every Borrower, and all references to Grantor shall mean each and every Grantor This means that each of the Borrowers signing below is responsible for all obligations in this Agreement.

**Notices.** All notices required to be given under this Agreement shall be given in writing, may be sent by telefacsimile, and shall be effective when actually delivered or when deposited with a nationally recognized overnight courier or deposited in the United States mail, first class, postage prepaid, addressed to the party to whom the notice is to be given at the address shown above Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address To the extent permitted by applicable law, if there is more than one Grantor or Borrower, notice to any Grantor or Borrower will constitute notice to all Grantor and Borrowers. For notice purposes, Grantor and Borrower will keep Lender informed at all times of Grantor and Borrower's current address(es)

**Power of Attorney.** Grantor hereby appoints Lender as its true and lawful attorney-in-fact, irrevocably, with full power of substitution to do the following. (a) to demand, collect, receive, receipt for, sue and recover all sums of money or other property which may now or hereafter become due, owing or payable from the Collateral, (b) to execute, sign and endorse any and all claims, instruments, receipts, checks, drafts or warrants issued in payment for the Collateral, (c) to settle or compromise any and all claims arising under the Collateral, and, in the place and stead of Grantor, to execute and deliver its release and settlement for the claim, and (d) to file any claim or claims or to take any action or institute or take part in any proceedings, either in its own name or in the name of Grantor, or otherwise, which in the discretion of Lender may seem to be necessary or advisable This power is given as security for the indebtedness, and the authority hereby conferred is and shall be irrevocable and shall remain in full force and effect until renounced by Lender

**Severability.** If a court of competent jurisdiction finds any provision of this Agreement to be invalid or unenforceable as to any person or circumstance, such finding shall not render that provision invalid or unenforceable as to any other persons or circumstances If feasible, any such offending provision shall be deemed to be modified to be within the limits of enforceability or validity; however, if the offending provision cannot be so modified, it shall be stricken and all other provisions of this Agreement in all other respects shall remain valid and enforceable

**Successor Interests.** Subject to the limitations set forth above on transfer of the Collateral, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns

**Waiver.** Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement No prior waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender

**RAILCAR TRANSPORT OF HAZARDOUS SUBSTANCES.** The above paragraph entitled "Hazardous Substance" is hereby deleted and replace by this paragraph Grantor represents and warrants that the Collateral may be used for the storage, transportation, or disposal of hazardous waste or substances, as those terms are defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U S C Section 9601, et seq ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1988, Pub L. No 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U S C. Section 6901, et seq, or other applicable state or Federal laws, rules, or regulations adopted pursuant to any of the foregoing The terms "hazardous waste" and "hazardous substance" shall also include, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos The representations and warranties contained herein are based on Grantor's due diligence in knowing the content of substances to be placed on or in the Collateral, and assuring that all applicable laws, rules, regulations and policies are complied with concerning the storage, transport, disposal and handling of hazardous wastes and substances Grantor hereby (a) releases and waives any future claims against Lender for indemnity or contribution in the event Grantor becomes liable for cleanup or other costs under any such laws, and (b) agrees to indemnify and hold harmless Lender against any and all claims and losses resulting from any accident, spill, or other action or inaction that may result in claims, penalties or actions relating to hazardous wastes or substances This obligation to indemnify shall survive the payment of the indebtedness and the satisfaction of this Agreement

**EACH BORROWER AND GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS COMMERCIAL SECURITY AGREEMENT, AND EACH BORROWER AND GRANTOR AGREES TO ITS TERMS. THIS AGREEMENT IS DATED AUGUST 5, 1996.**

**BORROWER:**

x Glenn Andrew Welsch  
GLENN ANDREW WELSCH

x Constance Welsch  
CONSTANCE WELSCH

**GRANTOR:**

x Glenn Andrew Welsch  
GLENN ANDREW WELSCH

CONSTANCE WELSCH

GRANTOR:

x Glenn Andrew Welsch  
GLENN ANDREW WELSCH

LENDER:

First Interstate Bank of Texas, N.A.

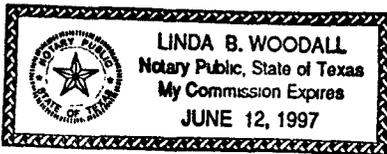
By: Linda S. Woodall Frank Mandoza  
Authorized Officer

INDIVIDUAL ACKNOWLEDGMENT

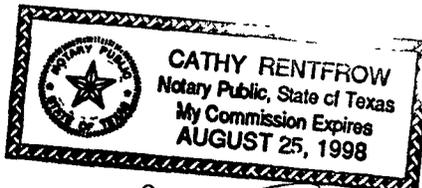
STATE OF Texas )  
 ) SS  
COUNTY OF Harris )

On this day before me, the undersigned Notary Public, personally appeared **GLENN ANDREW WELSCH**, to me known to be the individual described in and who executed the , and acknowledged that he or she signed the as his or her free and voluntary act and deed, for the uses and purposes therein mentioned

Given under my hand and official seal this 9th day of August, 19 96.  
By Linda S. Woodall Residing at First Interstate Bank  
Notary Public in and for the State of Texas My commission expires 6-12-97



August 9, 1996  
Cathy R



on this day before me, Cathy Rentfrow  
appeared Frank Mandoza, a/p, First Interstate Bank

EXHIBIT A

BILL OF SALE

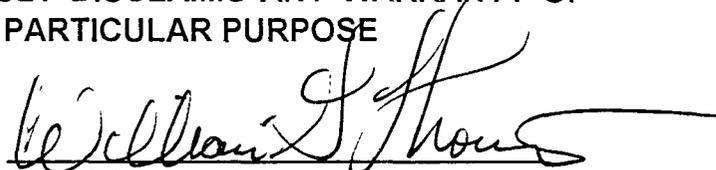
THIS AGREEMENT dated this 8<sup>th</sup> day of ~~July~~ August, 1996 is by and between GLNX Corporation (hereinafter called the "Seller"), and Glenn Andrew Welsch (hereinafter called the "Buyer")

In consideration of \$10.00 in hand paid and other good and valuable consideration, the receipt of all of which is hereby acknowledged, Seller does hereby sell and convey to Buyer the railroad cars described below

<u>Quantity</u>	<u>Type</u>	<u>Car Numbers</u>
Five (5)	26,000-Gallon Nominal Capacity, DOT Specification 111A100W1, Used Tank Cars Equipped with 100- Ton Roller Bearing Trucks	PLMX 280000 (SGAX 1062) PLMX 280001 (SGAX 1063) PLMX 280002 (SGAX 1064) PLMX 280003 (SGAX 1065) PLMX 280004 (SGAX 1066)

Seller hereby warrants that he has title to the described property and that the described property is free from all items and encumbrances, and Seller further agrees to forever warrant and defend the title to the described property unto Buyer, its successors and assigns, against all lawful claims

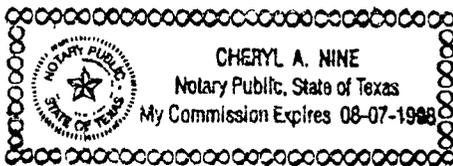
The railroad cars are being sold "AS IS, WHERE IS", without any warranty as to quality or condition, and the Seller **EXPRESSLY DISCLAIMS ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE**

  
GLNX Corporation

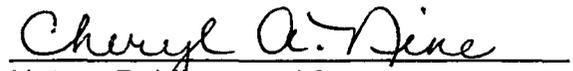
THE STATE OF TEXAS

BEFORE ME, the undersigned, a Notary Public in and for said State, on this day personally appeared William G. Thomas known to me to be the person whose name is subscribed for the foregoing instrument

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 8<sup>th</sup> day of August, 1996



(SEAL)

  
Notary Public in and for  
STATE OF TEXAS

My Commission Expires 8/7/98

EXHIBIT B

LEASE AGREEMENT FOR  
RAILROAD CARS

#4516-07

This Lease Agreement dated as of the 1st day of March, 1987 (the "Agreement"), by and between PLM Investment Management, Inc. ("IMI"), a California corporation (with its principals, collectively, for convenience, "Lessor"); and ~~USI Chemicals, Inc., a division of National Distillers & Chemical Corporation, a Virginia corporation ("Lessee"), with its principal place of business at Omaha, Nebraska.~~ *QCC, USI DN, VIRGINIA CORP. CINCINNATI, OHIO*

IDENTITY OF LESSOR

The parties hereto recognize and acknowledge that IMI may be acting under management agreements as agent for certain principals which shall be identified to Lessee by IMI from time to time. Such principals shall, from time to time, be set forth in a rider to this Agreement. IMI at any time, and from time to time, shall have the right to add principals (and amend or supplement a rider to include such principals) and upon so doing shall notify Lessee; provided, however, that notwithstanding the date of such notification, such principal(s) shall be deemed a Lessor hereunder, effective as of the date the cars owned by such principal and managed by IMI are delivered to Lessee. Any amended or supplemented rider shall, from time to time, be delivered to Lessee. Lessee agrees to cooperate with IMI and any principal for the purpose of complying with any reasonable requirements of any lender, the Interstate Commerce Commission or the provisions of Article 9 of the Uniform Commercial Code provided such cooperation does not materially affect the rights or liabilities of Lessee hereunder. Except as otherwise provided, this Agreement shall be administered by IMI or such other third person or entity as IMI may from time to time identify; provided, however, that any such assignment to such third person or entity shall not be effective against Lessee until Lessee is so notified of such assignment.

WITNESSETH:

1. Lease. Lessor agrees to furnish and lease to Lessee, and Lessee agrees to accept and use upon the terms and conditions herein set forth, the cars covered by the riders attached hereto and such additional riders as may be added hereto from time to time by agreement of the parties, and any and all other cars delivered to and accepted by Lessee. Each such rider shall set forth the number of cars, the rental rate, term of use, car numbers, and other pertinent information that may be desired by both parties. All cars leased pursuant to such riders, or otherwise delivered to and accepted by Lessee, are subject to the terms of this Agreement.

2. Delivery. Lessor agrees to deliver the cars to Lessee at such point or points as may be agreed to by the parties. Lessor's obligation as to such delivery shall be excused during the pendency of delays resulting from causes beyond its control. Lessee agrees to use the cars exclusively in its own service, except as hereinafter provided, and none of the cars shall be shipped beyond the boundaries of Canada or the United States except with the prior written consent of Lessor.

### 3. Rent.

(a) Lessee agrees to pay the rental charges with respect to each of the cars from the date of delivery thereof and until such car is returned to and accepted by Lessor. Each monthly rental charge shall be paid in advance on the first day of the month, prorating, however, any period which is less than a full month on the basis of a month of thirty (30) days. The rental shall be payable without deduction, reduction, set-off or counterclaim of any kind, for any reason, whether or not related to this Agreement. Such rental charges shall be paid to Lessor at the address set forth in the riders to this Agreement.

(b) Within a reasonable period of time after the end of each calendar year of the term hereof, and upon termination of this Agreement, Lessor shall, on the basis of mileage reported by railroads, determine the total number of miles that each car traveled during the calendar year or the portion thereof just ended, loaded and empty. If it is determined that any car traveled more than the number of miles set forth in a rider during such period or a pro rata portion thereof for a period of usage of less than twelve (12) full calendar months, Lessee, upon notice by Lessor, shall pay to Lessor, within fifteen (15) days of receipt of such notice, as additional rent for such car for such period, an amount equal to the additional usage rental set forth in a rider multiplied by the number of miles in excess of the product of (i) the number of miles set forth in a rider and (ii) the number of days during such year for which rent accrued divided by 365.

4. Acceptance. Each of the cars shall be subject to Lessee's inspection upon delivery to Lessee. Failure to report any defect in the car within a reasonable time after delivery of the car or the loading of each such car by Lessee or at its direction shall constitute acceptance thereof by Lessee and shall be conclusive evidence of the fit and suitable condition thereof for the purpose of transporting the commodities then and thereafter loaded therein or thereon.

5. Records. Lessor agrees to keep records pertaining to the movement of the cars, and Lessee agrees to promptly furnish Lessor with complete reports of the car movements, including dates received, loaded and shipped, commodity, destination and full junction routing, and all information which Lessee may receive from railroad companies or other sources which may be of use to Lessor. Lessor shall collect the mileage earned by the cars, and, subject to all rules of the tariffs of the railroads, Lessor shall credit to Lessee's rental account such mileage as and when received from the railroads, but in no event shall the aggregate amount of mileage credited exceed the aggregate monthly rentals for the term of this Agreement.

6. Mileage. Lessee agrees to reimburse Lessor for any payment Lessor may be required to make to any railroad, due to mileage equalization where applicable, resulting from excess empty mileage incurred by the cars on such railroad. For the purpose of this paragraph, the railroad mileage and junction reports shall be prima facie evidence of the facts reported

therein. In addition, if Lessor is required to make any payments to a railroad resulting from the empty movement of any of the cars while they are in Lessee's service, Lessee agrees to reimburse Lessor for such payments.

7. Loss or Damage. Lessee shall promptly notify Lessor upon receipt by Lessee of knowledge of any damage to any of the cars. Lessor shall, at its expense, perform, arrange, and pay for all maintenance and repairs made necessary by ordinary wear and tear, or otherwise necessary to keep the cars in good condition and repair under the Interchange Rules. Lessee shall not repair, or authorize the repair of, any of the cars without Lessor's prior written consent, except that running repairs (as specified in the Association of American Railroads rules for Interchange and the Canadian Transport Commission regulations) may be performed without prior written consent. The amount Lessor will pay for such running repairs shall not be in excess of the basis, in effect at the time the repair is made, provided by the Association of American Railroads. If any car becomes unfit for service and requires repairs, other than repairs made by railroads, rental charges will cease five (5) days after receipt of such car at a shop authorized by Lessor, provided that Lessee has notified Lessor prior to the time the car is routed to shop. In the event Lessee fails to so notify Lessor, rental charges shall cease five days after receipt by Lessor of notification of the arrival of the car at a shop authorized by Lessor. In all cases, after a car has been repaired, rental charges will resume on the date the car is available for forwarding to Lessee. It is understood that no rental credits will be issued for cars in a shop for repairs which are Lessee's responsibility.

8. Removal from Service. In the event the physical condition of any car shall become such that the car cannot be operated in railroad service as determined by Lessor and Lessor elects to permanently remove such car from Lessee's service, the rental with respect to such car shall terminate upon the removal of such car. Lessor shall have the right, but shall not be obligated, to substitute for any such car another car of the same type and capacity and the rental in respect to such substituted car shall commence upon delivery of such substituted car to Lessee.

9. Lessee Responsibility. Lessee shall be responsible for and shall indemnify Lessor and hold Lessor harmless and does hereby release Lessor from the loss or destruction of, or damage to, the cars or any parts thereof, during the term; provided, however, Lessee shall not be responsible to the extent the then-prevailing Interchange Rules place responsibility upon a railroad subscribing to the Interchange Rules; and provided, further, that Lessee shall not be responsible if such loss, destruction, or damage to the cars or parts thereof was caused by the sole active negligence or willful misconduct of Lessor. Notwithstanding anything contained herein to the contrary, Lessee shall be responsible for and shall indemnify Lessor and hold Lessor harmless and does hereby release Lessor from the loss or destruction of, or damage to, a car or any part thereof during the term of this Agreement which shall (i) be occasioned by the misuse or negligence of Lessee, its consignee, agent or sublessee, (ii) occur while such car is on the tracks of Lessee or any private siding or track, or at the loading or unloading facility

of Lessee or its consignee, agent or sublessee, or on the track of any railroad that does not subscribe to the Interchange Rules or any private or industrial railroad or (iii) be caused by any commodity which may be transported or stored in or on such car.

Lessee shall notify Lessor of the loss or destruction of any of the cars within two (2) days of the date of such event. The amount of loss resulting from the loss or destruction of a car shall be measured by its replacement value as determined immediately prior to the time of such loss or destruction. The "replacement value" shall equal the amount payable by a railroad subscribing to the Interchange Rules for the car if the car had been in the service of such railroad.

10. Loss or Damage to Lading. Lessor shall not be liable for any loss of or damage to commodities, or any part thereof, loaded or shipped in or on the cars, and Lessee agrees to assume financial responsibility for, to indemnify Lessor against, and to save it harmless from any such loss or damage, unless caused by the sole negligence of Lessor.

11. Appliances. Lessee, at its own expense, shall either replace or reimburse Lessor for the cost of replacing any appliance or removable part, if destroyed, damaged, lost, removed or stolen, unless the railroads transporting the cars have assumed full responsibility for such loss or damage, or unless such loss or damage results from the negligence or omission of Lessor, its agents or employees.

12. Linings. The application, maintenance, and removal of interior protective lining in any of the cars is to be performed by and at the expense of Lessee unless otherwise specifically provided for in the applicable rider.

13. Claims. Lessee agrees to indemnify and hold Lessor harmless from and against any loss, liability, claim, damage or expense (including, unless Lessee assumes the defense, the reasonable cost of investigating and defending against any claim for damages) arising out of or in connection with the use of the cars during the term of this Agreement, excepting, however, any loss, liability, claim, damage, or expense which accrues with respect to any of the cars (i) while such car is in a repair shop undergoing repairs; (ii) which is attributable to the negligence or omission of Lessor, its agents or employees; or (iii) for which a railroad or railroads have assumed full responsibility, including investigating and defending against any claim for damages.

14. Marks. Other than the restoration of Lessor's marks on the cars, no lettering or marking of any kind shall be placed upon any of the cars by Lessee except with the prior written consent of Lessor.

15. Load Limits. Lessee agrees not to load any of the cars in excess of the load limit stenciled thereon.

16. Charges. Lessee shall be liable for any demurrage, truck storage or detention charge imposed in connection with any of the cars as well as loss of or damage to any car while on any private siding or track or on any private or industrial railroad or in the custody of any carrier not subject to the Association of American Railroads Rules for Interchange or the Canadian Transport Commission regulations.

17. Sublease and Assignment. Lessee shall make no transfer or assignment of its interest under this Agreement in and to the cars without Lessor's prior written consent, and any attempted transfer or assignment without such consent shall be void, except that Lessee may sublease any of the cars to its customers for single trips consistent with its normal merchandising methods; provided, however, that notwithstanding any such sublease, Lessee shall continue to remain liable to Lessor under all conditions and terms of this Agreement. No right, title, or interest in any of the cars shall vest in Lessee by reason of this Agreement or by reason of the delivery to or use by Lessee of the cars, except the right to use the cars in accordance with the terms of this Agreement. Lessee shall keep the cars free of any lien or encumbrance created by or through Lessee and agrees to indemnify Lessor and hold Lessor harmless from any cost or expense, including attorneys' fees, with respect to such a lien or encumbrance.

18. Default. If Lessee defaults in the payment of any sum of money to be paid under this Agreement and such default continues for a period of three (3) days after notice to Lessee of such default; or if Lessee fails to perform any covenant or condition required to be performed by Lessee which failure shall not be remedied within ten (10) days after notice thereof from Lessor to Lessee; or if Lessee shall dissolve, make or commit any act of bankruptcy, or if any proceeding under any bankruptcy, or insolvency statute or any laws relating to relief of debtors is commenced by Lessee, or if any such proceeding is commenced against Lessee and same shall not have been removed within thirty (30) days of the date of the filing thereof; or if a receiver, trustee, or liquidator is appointed for Lessee or for all or a substantial part of Lessee's assets with Lessee's consent, or if without Lessee's consent the same shall not have been removed within thirty (30) days of the date of the appointment thereof; or if an order, judgment or decree be entered by a court of competent jurisdiction and continue unpaid and in effect for any period of thirty (30) consecutive days without a stay of execution; or if a writ of attachment or execution is levied on any car and is not discharged within ten (10) days thereafter, Lessor may exercise one or more of the following remedies with respect to the cars;

(a) Immediately terminate this Agreement and Lessee's rights hereunder;

(b) Require Lessee to return the cars to Lessor at Lessee's expense, and if Lessee fails to so comply, Lessor may take possession of such car without demand or notice and without court order or legal process;

(c) Lease the cars to such persons, at such rental and for such period of time as Lessor shall elect. Lessor shall apply the proceeds from such leasing, less all cost and expenses incurred in the recovery, repair,

storage, and renting of such cars, toward the payment of Lessee's obligations hereunder. Lessee shall remain liable for any deficiency, which, at Lessor's option, shall be paid monthly, as suffered, or immediately, or at the end of the term as damages for Lessee's default;

(d) Bring legal action to recover all rent or other amounts then accrued or thereafter accruing from Lessee to Lessor under any provision hereunder; or

(e) Pursue any other remedy which Lessor may have.

Each remedy is cumulative and may be enforced separately or concurrently. If Lessee fails to perform any of its obligations hereunder, Lessor, at Lessee's expense, and without waiving any rights it may have against Lessee for such nonperformance, may itself render such performance. Further, Lessee shall reimburse Lessor for all costs and expenses including reasonable attorneys' fees expended by Lessor in the enforcement of its rights and remedies hereunder, and Lessee shall pay interest on any amount owing to Lessor from the time such amount becomes due hereunder at a monthly rate of one and one-half percent (1-1/2%); such rate to be reduced, however, to the extent it exceeds the maximum rate permitted by applicable law. In addition, Lessee shall, without expense to Lessor, assist Lessor in repossessing the cars and shall, for a reasonable time if required, furnish suitable trackage space for the storage of the cars.

If applicable, Lessor shall be entitled to the remedies of a Lessor under Section 168 of the U.S. Bankruptcy Code.

19. Return Provisions. Upon the termination of each rider, Lessee agrees, subject to the provision of paragraph 8 above, to return the cars to Lessor at a point or points designated by Lessor, in the same or as good condition as received, ordinary wear and tear excepted, free and clear from all accumulations or deposits from commodities transported in or on the cars while in the service of Lessee. If any car is not returned to Lessor free from such accumulations or deposits, Lessee shall reimburse Lessor for any expense incurred in cleaning such car.

20. Taxes. All federal, state, provincial, and local taxes levied or assessed against the cars furnished Lessee under this Agreement, payable on account of the ownership of such cars, shall be paid by Lessor, and all returns and reports in connection therewith shall be made by Lessor. All taxes payable on account of or measured by the rental paid or the use of such cars shall be the responsibility of Lessee. In the event any taxes or assessments, other than those payable on account of ownership, are levied against the cars or the rental paid for the use of the cars covered by any rider to this Agreement by any federal, state, provincial or local authority, in addition to those taxes or assessments in effect on the effective date of such rider, Lessee agrees to pay to Lessor, in addition to any other amounts due, a sum equal to the amount of any such taxes or assessments.

In order to avoid recapture of any tax benefit claimed by Lessor with respect to the cars, including, but not limited to any deduction allowable under Section 168 and related Sections of the Internal Revenue Code of 1986 (the "Code"), Lessee shall (i) use the cars predominantly within the continental United States within the meaning of the Code, (ii) shall cause third parties having control over their use to use the cars predominantly within the continental United States, in accordance with the Code and (iii) shall not take any action that will cause the cars to be considered tax-exempt use property within the meaning of the Code.

If Lessor (or any owner of a partnership or beneficial interest of Lessor) shall lose by disallowance, recapture or otherwise, any portion of said tax benefits as the result of any act committed by Lessee or Lessee's failure to take any act, Lessee agrees to pay Lessor or such owner a sum which, after deduction of all taxes required to be paid by Lessor or such owner in respect of the receipt thereof under the laws of the United States or any political subdivision thereof, shall be equal to the amount of the tax benefits so lost by Lessor or such owner, which sum shall be payable on written demand made at any time after payment of the tax attributable to the portion of the tax benefits lost; provided, however, that Lessee shall be under no obligation to indemnify Lessor for the amount of any tax benefits lost with respect to any car for which Lessee has paid to Lessor the replacement value set forth in Section 9 hereof.

21. Mortgages; Liens. It is understood that some or all of the cars furnished Lessee under this Agreement and Lessor and/or principal's rights under this Agreement may at the time of delivery to Lessee or at some future time during the term of this Agreement be subject to the terms of any lien or encumbrance (a "Lien") including a Mortgage, Deed of Trust, Equipment Trust, Pledge, or Bill of Sale or similar security arrangement. Lessee agrees that any or all of the cars may be stenciled or marked to set forth the ownership of any such cars in the name of the holder of any Lien (the "Lien holder") including a mortgagee, trustee, pledgee, assignee or security holder and that this Agreement and Lessee's rights hereunder are and shall at all times be subject and subordinate to any and all rights of any Lien holder. Lessee agrees that upon the written request of Lessor or any Lien holder at any time or from time to time, Lessee will enter into a written agreement with any Lien holder(s): (i) that the Lien(s) will have priority and be entitled to all rights therein as though the Lien were made before this Agreement and on the making of this Agreement Lessee had knowledge of the Lien; (ii) confirming the security created by the Lien and rights given to the Lien holder(s); and (iii) postponing and deferring this Agreement and its rights hereunder and to the cars and agreeing that they will be subject and subordinate to the Lien(s) and the rights of the Lien holder.

This Agreement and/or any of Lessor's rights hereunder, including rentals, may have been assigned and may in the future be assigned to any Lien holder(s) or others. Lessee hereby consents to and accepts any such Assignment. Lessee acknowledges notice of any such Assignment and of any Lien which is filed under Section 11303 of the Interstate Commerce Act of the United States of America. However, Lessee is to pay all rentals hereunder to Lessor and have all its dealings hereunder with Lessor until notified to the

contrary by any person proving to Lessee's reasonable satisfaction that he is the assignee of this Agreement and/or the relevant rights of Lessor hereunder and is entitled to intervene. Lessee represents that it has received no notice of any other mortgage, charge, hypothecate or encumbrance on or of any assignment, sale or disposition of any car covered hereby or of any of Lessor's rights hereunder. Lessee agrees that no claim or defense which Lessee may have against Lessor shall be asserted or enforced against any assignee or this Agreement and/or any rights of Lessor hereunder.

22. Notices. Any notice, demand or request required or permitted to be made, given or served by either party to or upon the other hereunder, shall be in writing and shall be deemed to have been made when deposited in the United States or Canada mail, certified or registered mail, postage prepaid and addressed to Lessor or Lessee at the address set forth in a rider to this Agreement.

23. Successors. This Agreement shall be binding upon the parties hereto, their respective successors, assigns and legal representatives; and shall remain in full force and effect from the date hereof until the completion of the leasing arrangement shown on attached riders of the last car or cars hereunder, and all such cars are returned to Lessor.

24. Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of California.

25. Insurance. Lessee shall maintain the following insurance:

(a) Lessee shall, at its expense, purchase and maintain in force during the continuance of this Lease, a policy or policies of insurance with an insurance company or companies satisfactory to Lessor, insuring Lessee and Lessee's affiliate, Lessor, and Lessor's assignee or mortgagee, if any, as their respective interests may appear as follows: (1) Bodily Injury Legal Liability (Limits of \$300,000 per person, \$1,000,000 per occurrence); (2) Property Damage Legal Liability (Limits of \$1,000,000 per occurrence); and (3) Casualty Insurance against loss of, or damage to the Cars, with such limits, deductibles, and retentions as are reasonably satisfactory to Lessor.

(b) Promptly after execution of this Lease, the Lessee will furnish the Lessor with certificates of insurance evidencing the aforesaid insurance coverages. Insurance shall be suitably endorsed, naming Lessor and Lessor's mortgagee (if any) with not less than thirty (30) days prior written notice of any intended cancellation of such coverages, or any part thereof. Such insurance shall further provide that the proceeds of any policy shall be payable to Lessor or Lessor's mortgagee or assignee, if any, notwithstanding any breach of warranty by Lessee. In the event any of the cars shall not be adequately covered by such insurance at any time during the term of this Lease, or should Lessor be given notice of an intended cancellation of such insurance, Lessor shall have the right, at its option (1) to cover the cars with the above-described types of insurance and to recover from the Lessee at the time the next monthly rental payment is due, the premiums expended by Lessor for such insurance, or (2) Lessor may proceed as provided in Article 18 in this Lease. Lessee shall fully cooperate with Lessor to (i) prepare and

file proofs of loss, and (ii) endorse any check, draft or other order for the payment of money issued by an insurance company with respect to any of the coverages described in this section.

26. Additional Provisions. Additional provisions of this Agreement may be set forth in a rider, which, if executed by Lessor and Lessee, is incorporated herein by this reference.

27. Representations and Warranties of Lessee. Lessee represents and warrants that, as of the date of this Agreement:

(a) Lessee is a corporation duly incorporated, validly existing and in good standing under the laws of the state of its incorporation and is either duly qualified to do business and is in good standing in such other jurisdictions in which the business and activities of Lessee require such qualification, or its failure to so qualify in such other jurisdiction will not have a material adverse impact on this Agreement.

(b) Lessee has full corporate power to enter into this Agreement.

(c) The Agreement had been duly authorized, executed, and delivered by Lessee, and constitutes a valid, legal and binding agreement, enforceable in accordance with its terms.

(d) No approval is required by Lessee from any governmental or public body or authority with respect to the entering into or performance of this Agreement.

(e) The entering into and performance of this Agreement will not conflict with, or result in a breach of, the terms, conditions, or provisions of (i) any law, or any regulation, order, injunction, permit, franchise, or decree of any court or governmental instrumentality, and (ii) any indenture, agreement, or other instrument to which Lessee is party or by which it or any of its property is bound.

(f) Lessee is neither an organization described in Section 48(a)(4) nor a governmental unit described in Section 48(a)(5) of the Internal Revenue Code of 1986.

28. Modifications. In the event the U.S. Department of Transportation, or any other governmental agency or non-governmental organization having jurisdiction over the operation, safety or use of railroad equipment, requires that Lessor add, modify, or in any manner adjust the cars subject to this Agreement in order to qualify them for operation in railroad interchange, Lessee agrees to pay an additional monthly charge of \$1.75 per car for each \$100 expended by Lessor on such car, or such other monthly charge in lieu thereof, as may be provided for modifications, in any rider hereto, in any case, effective as of the date the car is released from the shop after application of such additions, modifications, or adjustments (hereinafter the "Modifications"). No rental credits will be issued on cars entering the shop for any Modifications for the first thirty (30) days. In the event Lessor, in its sole discretion, determines, prior to making any Modifications, that the

cost thereof is not economical to expend in view of the estimated remaining useful life of such car, and Lessor elects to permanently remove such car from Lessee's service rather than have such car taken to a car shop for such Modifications, the rental with respect to such car shall terminate upon the date specified in writing by Lessor, provided that such date must be prior to the date the Modifications are so required to be made.

29. Captions. Captions to any provision of this Agreement are for ease of reference only and are not to be construed to be part of this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement (such execution may be by two or more counterparts, each of which shall be deemed an original) the day and year first above written.

LESSEE:

USI CHEMICALS, INC., a division of  
National Distillers & Chemical  
Corporation

By: HW James 5/22/88

Title: Director Marketing Services Distributi

LESSOR:

PLM INVESTMENT MANAGEMENT, INC.

By: SMB

Title: S.V.P.

IMI-068

**Renewal Agreement**

Rider No. 4

#4516-07

*WHEREAS*, PLM INVESTMENT MANAGEMENT, INC. and  
QUANTUM CHEMICAL CORPORATION, USI DIVISION

entered into an agreement on the 1st day of March, 1987 for  
the leasing of railroad cars and Rider No. 4 of which agreement  
will expire on the 31st day of May, 1996; and

*WHEREAS*, both parties thereto desire to renew and extend Rider No. 4 of such agreement:

*NOW, THEREFORE*, it is hereby mutually agreed by and between the undersigned that Rider No. 4 of the aforesaid agreement be and it hereby is extended and amended for an additional period of five (5) years, commencing on June 1, 1996, and expiring on May 31, 2001, at a rental rate of \$515.00 per car per month.

All other conditions and provisions contained in said agreement and Rider No. 4 shall continue in full force and effect during this additional period and thereafter until said railroad cars are released from Lessee's service.

DATED as of this 8th day of May, 1996

QUANTUM CHEMICAL CORPORATION,  
~~USI DIVISION~~

By: Robert D. Risberg

Name: Robert D. Risberg

Title: Manager Transportation Load Planning

Quantum Chemical Company  
Legal Department

Approval By. [Signature]

PLM INVESTMENT MANAGEMENT, INC.

By: [Signature]

Name: Stephen M. Boss

Title: Pl. Lt.

RIDER 4 - 1  
LEASE DATED MARCH 1, 1987  
QUANTUM CHEMICAL CORPORATION, USI DIVISION

I. NUMBER OF CARS:

Ten (10)

II. DESCRIPTION OF CARS:

26,000 U.S. gallon capacity rail tank cars non-coiled, non-insulated with a DOT specification of 111A100W1 and an AAR code of T107.

III. TERM:

May 12, 1993 through and including May 31, 1996

IV. RENTAL RATE:

\$515.00 per car per month

V. ANTICIPATED DELIVERY PERIOD:

Cars already in place

VI. PLACE OF DELIVERY:

Cars already in place

VII. COST OF DELIVERY TO BE BORNE BY:

Cars already in place

VIII. MILEAGE ALLOWANCE AND ADDITIONAL USAGE RENTAL:

\$0.02 per mile in excess of 30,000 miles traveled per car per year

IX. THE CARS MAY BE USED ONLY FOR THE TRANSPORTATION OF THE FOLLOWING TYPES OF COMMODITIES:

Vinyl Acetate Monomer

RIDER 4 - I (continued)  
LEASE DATED MARCH 1, 1987  
QUANTUM CHEMICAL CORPORATION, USI DIVISION

-X. SPECIAL ITEMS:

None

XI. ADDRESSING OF NOTICES:

Lessee to Lessor

PLM INVESTMENT MANAGEMENT, INC.  
One Market Plaza  
Steuart Street Tower  
Suite 900  
San Francisco, CA 94105-1301

Lessor to Lessee

QUANTUM CHEMICAL CORPORATION,  
USI DIVISION  
11500 Northlake Drive  
P.O. Box 429550  
Cincinnati, OH 45249

Lessor:

PLM INVESTMENT MANAGEMENT, INC.

By: *SMB*

Title: *President*

Lessee:

QUANTUM CHEMICAL CORPORATION,  
USI DIVISION

By: *Q. Flewin*

Title: *Group VP*



RIDER 4 - 2  
LEASE DATED MARCH 1, 1987  
QUANTUM CHEMICAL CORPORATION, USI DIVISION

IDENTIFICATION OF PRINCIPAL

PLM TEP 1986 Income Fund IXA

PLMX 280000  
PLMX 280001  
PLMX 280002  
PLMX 280003  
PLMX 280004  
PLMX 280005  
PLMX 280006  
PLMX 280007  
PLMX 280008  
PLMX 280009

RIDER 4 - 3  
LEASE DATED MARCH 1, 1987  
QUANTUM CHEMICAL CORPORATION, USI DIVISION

CERTIFICATE OF ACCEPTANCE OF  
RAILROAD CARS

This Certificate relates to the railroad cars listed below leased by PLM Investment Management, Inc. to Quantum Chemical Corporation, USI Division under a Lease Agreement for Railroad Cars dated March 1, 1987 (the "Lease") into which this Certificate is incorporated (by Section 4 thereof).

RAILROAD CAR NUMBERS

See attached Rider 4 - 2

Lessee hereby certifies its acceptance of the railroad cars.

Lessee hereby certifies that the representations and warranties of Lessee contained in the Lease are true and correct on the date hereof.

QUANTUM CHEMICAL CORPORATION,  
USI DIVISION  
"Lessee"

By:           O'Hara          

Date:           July 1987          



## EXHIBIT C

### MANAGEMENT AGREEMENT

This Management Agreement ("Agreement"), by and between SGA Leasing Company ("SGA"), and Glenn Andrew Welsch ("Owner")

#### ARTICLE I Appointment

1. Owner hereby appoints SGA to manage and otherwise supervise the operation of the Railway Equipment in the name of the Owner, pursuant and subject to the terms and conditions set forth in this Agreement
2. SGA hereby accepts the appointment set forth in Paragraph 1 of this Article I and agrees to perform the duties and obligations set forth herein

#### ARTICLE II Owner's Covenants and Responsibilities

1. Owner shall be responsible for the payment of all expenses ("Expenses") incurred in connection with Railway Equipment
2. Owner agrees to pay ad valorem, gross receipts, property, or similar taxes levied against the Railway Equipment in an amount equal to three percent of the Lease Fees (as defined in Paragraph 1 of Article III) earned by the Railway Equipment

#### ARTICLE III SGA's Covenants and Responsibilities

SGA agrees to utilize reasonable time and efforts to

1. Collect the rental and service charges earned by the Railway Equipment (the "Lease Fees") and any excess empty mileage charges attributable to the Railway Equipment.
2. Use its best efforts to obtain leases for the Railway Equipment
3. Comply with the terms and conditions of any lease agreements to which the Railway Equipment is subject during the term hereof
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.
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 SGA
8. Provide periodic reports to Owner on 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 reasonable foreseeable in connection with the Railway Equipment.

9. Maintain the following insurance coverage on the Railway Equipment A policy of general liability insurance with limits of coverage not less than the amounts and against the risks insured against by SGA from time to time on Railroad Equipment operated by it; and a policy of property insurance with limits of coverage of not less than \$37,000 per car, \$1,000,000 00 each occurrence (applicable to all insureds under such policy), with no more than a \$10,000 00 deductible (to be paid by Owner) each occurrence, naming Owner as an additional insured

ARTICLE IV  
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, (b) Owner may grant a security interest in, or assign its rights under, this Agreement to a bank or other financial institution in connection with a bona fide financing arrangement involving the Railway Equipment

ARTICLE V  
Additional Agreements

SGA 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, SGA and Owner pursuant to this Agreement.

This Agreement contains the entire agreement of the parties hereto pertaining to the management and operation of the Railway Equipment. Except as otherwise provide 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

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 IV

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 31<sup>st</sup> day of July, 1996

SGA LEASING CO

BY Glenn A. Welsch  
Glenn A. Welsch

OWNER

BY Glenn Andrew Welsch  
Glenn Andrew Welsch

EXHIBIT A

Railway Equipment subject to the Management Agreement between SGA Leasing Company ("SGA") and Glenn Andrew Welsch ("Owner") dated July 31, 1996.

**OLD CAR NUMBERS**

PLMX 280000  
PLMX 280001  
PLMX 280002  
PLMX 280003  
PLMX 280004

**NEW CAR NUMBERS**

SGAX 1062  
SGAX 1063  
SGAX 1064  
SGAX 1065  
SGAX 1066

SGA LEASING CO

BY Glenn A. Welsch  
Glenn A. Welsch

07/31/96  
Date

OWNER

BY Glenn Andrew Welsch  
Glenn Andrew Welsch

07/31/96  
Date



March 23, 1995

Mr G A Welsch  
SGA Leasing  
911 Ivy Wall  
Houston, TX 77079

Dear Andy

This brokerage agreement has been retyped to include changes to the original brokerage agreement dated April 21, 1983. The rail cars are listed on Exhibit A and will be handled on a brokered basis. Additional cars may be added to this agreement.

GLNX RESPONSIBILITIES

- 1 Brokerage Fees - GLNX will charge a brokerage fee of 8% of the lease fees earned by the cars per month (whether fixed rental or mileage)
- 2 GLNX will provide liability and property insurance coverage on all SGA tank cars in amounts and against risk normally insured by GLNX on cars which it owns or manages while the cars are in GLNX service. SGA is responsible for the cost of the insurance premiums and any deductibles which may be incurred.
- 3 GLNX will handle accounting of mileage credits on cars operated under this brokerage agreement as requested by SGA.
- 4 GLNX will execute leases, collect rentals and take other actions necessary to comply with the terms of this brokerage agreement.
- 5 GLNX will use its best efforts to obtain leases for the cars operated under this brokerage agreement.
- 6 At least 20 days after the end of each quarter ending March 31, June 30, September 30 and December 31, GLNX will give SGA a report for the immediately preceding quarter showing the rentals and mileage credits collected for the cars and deductions of GLNX brokerage fees.
7. GLNX will not be responsible for any loss or damage to the cars, tank, fittings or appurtenances caused by any commodity loaded therein. The

Lessee will be made responsible for this in the GLNX lease agreement with Lessee

SGA RESPONSIBILITIES

- 1 Deliver to GLNX the Railway Equipment for brokerage thereof
- 2 For all expenses incurred in connection with the Railway Equipment including minor and major repair work, freight, storage charges and any other expenses, levies or charges incurred in connection with the Railway Equipment and operation and leasing thereof
- 3 SGA will be responsible for all maintenance to the cars and for payment of repair bills therefor
- 4 SGA will file and pay all Ad Valorem and other taxes incurred in connection with the Railway Equipment

RETURN OF CARS

Upon the termination of this agreement, as to any of the cars, GLNX shall return the Railway Cars to SGA at a point designated by SGA, all at the expense of SGA.

This agreement may be cancelled by either party upon 30 days prior written notice. Cancellation, however, shall be subject to any existing lease or leases of the Railway Equipment and GLNX, 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 GLNX to comply with such lease or leases, including the right to retain the lease fees, brokerage fee and other sums as provided for herein, until the expiration or termination of such lease or leases

Sincerely,

  
J C Graves  
President

JCG cn

AGREED AND ACCEPTED

  
\_\_\_\_\_  
SGA Leasing Company

03/25/95  
Date

EXHIBIT A  
RAILWAY EQUIPMENT

<u>CLASS</u>	<u>CAPACITY IN GALLONS</u>	<u>CAR NUMBERS</u>
DOT111A100W3	23,500	SGAX 1000- 1043

**ADDENDUM**

**BROKERAGE AGREEMENT BETWEEN GLNX CORPORATION AND  
SGA LEASING**

Dated March 23, 1995

Effective August 1, 1995, the car(s) listed below has/have been added to the above referenced brokerage agreement between GLNX Corporation and SGA Leasing

SGAX 1044	SGAX 1050	SGAX 1055	SGAX 1060
SGAX 1045	SGAX 1051	SGAX 1056	SGAX 1061
SGAX 1046	SGAX 1052	SGAX 1057	
SGAX 1047	SGAX 1053	SGAX 1058	
SGAX 1048	SGAX 1054	SGAX 1059	
SGAX 1049			

GLNX CORPORATION

*Mar W. Abey* DATE 7/26/96

SGA LEASING

*Glenn A. Welch* DATE 07/26/96

**ADDENDUM**

**BROKERAGE AGREEMENT BETWEEN GLNX CORPORATION AND  
SGA LEASING**

Dated March 23, 1995

Effective July 31, 1996, the car(s) listed below has/have been added to the above referenced brokerage agreement between GLNX Corporation and SGA Leasing

k 32	{	SGAX 1062 ✓	SGAX 1067	} Add
		SGAX 1063 ✓	SGAX 1068	
		SGAX 1064 ✓	SGAX 1069	
		SGAX 1065 ✓	SGAX 1070	
		SGAX 1066 ✓	SGAX 1071	

GLNX CORPORATION

Man M. Alay DATE 7/26/96

SGA LEASING

Glen A. Welch DATE 07/24/96