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[Lajitas Notes]

037371

COLLATERAL ASSIGNMENT OF NOTES AND LIENS

THE STATE OF TEXAS

COUNTY OF BREWSTER

§

THIS COLLATERAL ASSIGNMENT executed by THE MISCHER CORPORATION, a Delaware Corporation (as successor in interest by merger to Arrow Investment Co., Inc., ("Arrow")) (herein called "Assignor") whose address is 2727 North Loop West, Suite 200, Houston, Texas 77008 to FIRST CITY, TEXAS - HOUSTON, N.A., a national banking association, formerly known as First City National Bank of Houston whose address is 1001 Main Street, Houston, Texas 77002, individually and as Agent ("Secured Party"), for Texas Commerce Bank National Association ("TCB") and Collecting Bank, National Association (a national bank in liquidation) ("Collecting Bank") (Secured Party, TCB and Collecting Bank are collectively referred to herein as "Lenders").

R E C I T A L S:

A. Assignor has executed and delivered to the Secured Party the following described instruments (collectively the "Deed of Trust"):

(i) Deed of Trust, Security Agreement and Financing Statement effective as of February 16, 1989, from Assignor to Randall K. Howard, Trustee, filed for record under Clerk's File No. 035571 and recorded in Volume 10, Page 180 of the Official Public Records of Real Property of Brewster County, Texas, covering certain property (the "Property") more particularly described therein; and

(ii) Amendment, Renewal and Extension of Deed of Trust, Security Agreement and Financing Statement dated July 31, 1989, from Assignor to Randall K. Howard, Trustee, filed for record under Clerk's File No. 036448 and Volume 13, Page 496 of the Official Public Records of Real Property of Brewster County, Texas;

which secures, inter alia, the notes as described therein, all other notes given in substitution therefor or in renewal,

extension or rearrangement thereof and all other indebtedness as described therein (all of such indebtedness is herein the "Prior Indebtedness").

B. Pursuant to that certain Master Settlement Agreement (the "Settlement Agreement") dated February 20, 1990 among the Assignor, the Subsidiaries (as defined therein), Lenders, Walter M. Mischer, Sr., and Walter M. Mischer, Jr., the Assignor has executed and delivered the following promissory notes (collectively, the "Renewal Notes"), to-wit:

(i) that certain Promissory Note (the "Deficiency Note") dated February 20, 1990, in the original principal face amount of \$1,467,000.00, with a maturity date of March 31, 1991, made payable to the order of the Secured Party and given in renewal, extension and rearrangement (but not in extinguishment) to the extent of the full face amount thereof of a portion of the Existing Recourse Debt (as defined in the Deed of Trust) which represents a portion of the Prior Indebtedness, secured by the Deed of Trust; and

(ii) that certain Promissory Note (the "Closing Expense Note") dated February 20, 1990, in the original principal face amount of \$165,000.00, payable to the order of Secured Party and given in renewal, extension and rearrangement (but not in extinguishment of a portion of the Existing Recourse Debt which represents a portion of the Prior Indebtedness secured by the Deed of Trust).

C. Further, pursuant to the terms of the Settlement Agreement, the Assignor has agreed to modify the indebtedness secured by the liens and security interests created by the Deed of Trust to include:

(i) any loss, liability or claim suffered or incurred by Secured Party or the Lenders by reason of (a) any material representation or warranty made by the Assignor and/or the Subsidiaries in connection with the Settlement Agreement which proves to be incomplete, false or erroneous, or (b) a breach by the Assignor and/or the Subsidiaries of any of the covenants in the Settlement Agreement or in any other document or instrument executed in connection therewith; and

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(ii) the indemnification obligations of the Assignor in favor of Secured Party and the Lenders pursuant to Section 9 of the Settlement Agreement.

D. Assignor has requested that Secured Party partially release the lien evidenced and created by the Deed of Trust in connection with the sale of certain lots comprising a part of the Property, and as a condition thereto, Assignor has agreed to collaterally pledge, assign and grant a security interest in and liens upon the Collateral Properties (as hereinafter defined) received by Assignor in connection with such lot sales and to further secure the Indebtedness (as hereinafter defined).

W I T N E S S E T H:

NOW, THEREFORE, Assignor and Secured Party agree as follows:

1. For and in consideration of (i) Ten and No/100 Dollars (\$10.00), (ii) the extensions of financial accommodations under the Settlement Agreement, (iii) the execution and delivery by Secured Party of certain Partial Releases of Lien referenced above, and (iv) other good and valuable consideration paid to Assignor by Secured Party, the receipt and sufficiency of which are hereby acknowledged, and for the purpose of collaterally securing the Settlement Agreement Obligations, Assignor has SOLD, ASSIGNED, TRANSFERRED, ENDORSED and DELIVERED, and by these presents does hereby SELL, ASSIGN, TRANSFER, ENDORSE and DELIVER, unto Secured Party, their successors and assigns, all of the following described property (herein sometimes collectively called the "Collateral Properties"):

(a) Those certain promissory notes including, without limitation, all renewals, extensions, replacements, modifications and substitutions thereof, as more particularly described as follows:

(i) Promissory Note dated December 28, 1989, in the original principal amount of \$11,709.00, executed by H. Ray King and wife, Judith Ann King, and payable to the order of Assignor;

(ii) Promissory Note dated December 28, 1989, in the original principal amount of \$35,725.50, executed by C.A.S.I.-Chili Appreciation Society International, Inc. and payable to the order of Assignor;

(iii) Promissory Note dated February 1, 1990, in the original principal amount of \$13,200.00 executed by John A. Kutyba, Jr. and payable to the order of Assignor;

(b) all rights, titles, interests, claims, liens, securities and equities existing and to exist in connection with or as security for such notes including, without limitation, the following:

(i) The Vendor's Liens retained in those certain Deeds filed for record in the Real Property Records of Brewster County, Texas, under Clerk's File Nos. 037031, 037235 and 037371; and

(ii) The liens and security interests created and evidence by those certain Deeds of Trust filed for record in Deed of Trust Records of Brewster County, Texas, under Clerk's File Nos. 037032, 037236 and 037372.

2. TO HAVE AND TO HOLD, all the Collateral Properties unto Secured Party, their successors and assigns, forever. Assignor represents, warrants and covenants to and with Secured Party that Assignor is the legal and equitable owner and holder of the Collateral Properties free and clear of all liens and encumbrances of any nature whatsoever; and Assignor binds and obligates Assignor and Assignor's successors and assigns to WARRANT AND FOREVER DEFEND the title to all of the Collateral Properties unto Secured Party, against the claims of any and all persons claiming or to claim the same or any part thereof.

3. This instrument is executed for the purpose of collaterally securing (i) the Settlement Agreement Obligations (herein so called), which shall include, but not be limited to, any and all losses, liabilities or claims suffered or incurred by Secured Party or the Lenders by reason of any of the following but only to the extent claims therefor are asserted in writing by Secured Party or the Lenders to the Assignor on or before April 30, 1991:

(a) any material representation, warranty, statement, certificate, affidavit, schedule, information or report made or furnished by the Assignor and/or any of the Subsidiaries to the Lenders in connection with the Settlement Agreement proves to be incomplete, false or erroneous in any respect at the time when made; or

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(b) the Assignor and/or the Subsidiaries breach any of the covenants contained in the Settlement Agreement or in any other document or instrument executed in connection therewith; or

(c) any obligation for indemnification on the part of the Assignor in favor of Secured Party and the Lenders pursuant to the terms of Section 9 of the Settlement Agreement (the loss, liability, claim and indemnification obligation described in the foregoing being collectively referred to herein as the "Settlement Agreement Obligations");

(ii) all indebtedness now or hereafter evidenced by the Deficiency Note and the Closing Expense Note, and all indebtedness arising pursuant to the provisions of the Deed of Trust, as supplemented, and any other instruments or documents which Assignor has executed, or in the future may execute, securing or relating to the Settlement Agreement Obligations or either of the Renewal Notes; and (iii) all renewals, extensions and rearrangements of the indebtedness described in (ii) above (all such sums, amounts, indebtedness, costs, fees, charges, expenses, losses or claims being herein collectively called the "Indebtedness").

4. If Assignor pays when due all of the Indebtedness according to the tenor and effect thereof, and if Assignor shall comply with all of the covenants and provisions contained herein, this instrument shall become null and void and, upon the written request and at the expense of Assignor, Secured Party shall reassign, endorse (without recourse) and deliver to Assignor the Collateral Properties, and shall pay to Assignor any surplus monies received by Secured Party on the Collateral Properties and then in Secured Party's possession; otherwise, this instrument shall remain in full force and effect.

5. Assignor hereby expressly agrees and covenants with Secured Party that upon the occurrence of a default of the Indebtedness, the Secured Party is authorized at its option to declare said Indebtedness (including accrued interest) at once due and payable without demand, presentment, protest, notice of protest, notice of intent to accelerate the maturity of the Indebtedness or notice of acceleration, all of which are hereby waived, and to take actual possession of all or any of the Collateral Properties wherever the same might be located. Secured Party is also authorized at its option, to sell the Collateral Properties, in whole or in part, to the highest bidder for cash, at private sale, after giving notice as to the

time, place and condition of said sale to Assignor in the manner hereinafter provided at least five (5) days prior to said sale; or at public sale, in whole or in part to the highest bidder for cash at the courthouse door of Harris County, with or without having any of the Collateral Properties present at such sale, after having given notice of the time, place and terms of said sale by (i) posting or causing to be posted for at least twenty-one (21) days prior to the date of said sale, printed or written notices of said sale, at the courthouse door of said county, and (ii) giving notice to the Assignor in the manner described in paragraph 19 hereof at least twenty-one (21) days in advance; or sell or have sold or otherwise disposed of any of said Collateral Properties, in whole or in part, in any manner authorized or permitted under the Uniform Commercial Code of the State of Texas. Without in any way limiting the generality of the foregoing, it is expressly understood and agreed that, upon a default in the Indebtedness, Secured Party may at its option notify the makers under the Collateral Properties to make payments thereon directly to Secured Party, and thereafter Secured Party may receive all collections thereon, or, if Secured Party specifically elects to do so in a written notice given to Assignor pursuant to Section 9.505 of the Texas Business and Commerce Code, as amended from time to time, subject to Debtor's right of redemption under § 9.506 of the Texas Business and Commerce Code, retain all of the Collateral Properties and all of the other properties securing payment of the Indebtedness in partial satisfaction of the Indebtedness.

6. The proceeds derived and to be derived from any and all such sales may and shall be applied first, to the payment of all costs and expenses in connection therewith, and then to the payment of all sums owing and to be owing upon the Indebtedness remaining unpaid in such order and manner as Secured Party may elect, and the balance, if any, to be paid to Assignor. Assignor shall remain liable for any deficiency.

7. Secured Party shall have the right to make all transfers and conveyances of any or all of the Collateral Properties sold at any and all such sales binding upon Assignor and Assignor's successors and assigns, with general covenants and warranties as to the title binding upon Assignor.

8. In the event of any sale or sales hereunder, Secured Party shall have the right to sell or have sold any or all of the Collateral Properties, in whole or in part, selling such portions thereof as Secured Party might elect or desire, with Secured Party having full discretion and control as to whether

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or not said properties be sold in part or parcels, or as an entirety; and the right to sell hereunder shall not be exhausted by one or more sales, but other and successive sales may be made until all properties covered hereby are sold or until all of said Indebtedness secured hereby is paid in full.

9. Secured Party shall have the right to become the purchaser at any such sale or sales, provided it is the highest bidder, and shall have the right, after payment or accounting for all costs of said sale or sales, to credit the amount of the bid to the amount of the Indebtedness owing, in lieu of cash payment.

10. Assignor hereby further grants to Secured Party, as additional security for the payment of the Indebtedness, a security interest in and to the Collateral Properties assigned and conveyed hereby, all pursuant to and in accordance with the provisions of the Uniform Commercial Code of the State of Texas, and agrees that upon the occurrence of an event of default hereunder or under the Indebtedness, Secured Party shall have and is hereby granted all of the rights and remedies of a Secured Party under the Uniform Commercial Code of the State of Texas. Assignor further agrees to execute and deliver all such financing statements and other instruments and documents as might be required by Secured Party in order to perfect in Secured Party a valid and subsisting security interest and lien in all of the Collateral Properties in accordance with the Uniform Commercial Code and other applicable laws of the State of Texas. Secured Party may file an original or photocopy of this Assignment as a financing statement with any filing officer, and Secured Party is hereby appointed Assignor's agent to execute any copy of this Assignment for such purpose. The name and mailing addresses of Assignor and Secured Party are set forth in the opening paragraph hereof.

11. Secured Party shall not be liable for any loss or depreciation of or with respect to any of the Collateral Properties or any security held in connection with said Indebtedness, or liable for any neglect or failure to take action with reference thereto; or for failure, neglect or inability to make collections on the Collateral Properties; and none of the rights or liens hereunder shall be prejudiced or affected by any neglect, failure, inability or omission as to any such matters.

12. The failure of Secured Party to take any action hereunder, or the selling or assigning of any of said

Indebtedness or any rights, liens or securities at any time existing in connection therewith, shall not in any way release, diminish or affect any lien or right existing or to exist hereunder, and all persons to whom the Indebtedness, rights and liens might be assigned shall have the same rights, privileges and liens as originally existed in Secured Party hereunder.

13. Extensions for the payment of any and/or all of the Indebtedness may be had, additional security may be taken from time to time to secure any or all of the Indebtedness, and the Collateral Properties, as well as any or all properties covered by any instrument at any time given as security for payment of any of the Indebtedness, and any rights, liens, securities, privileges and equities existing and to exist as security for or in connection with any of the Indebtedness under this or any other instrument, in law or in equity, may be exchanged and/or released, in whole or in part, without in any way releasing, impairing, altering, varying or diminishing any rights or liens hereunder, except as to those specifically released in writing by Secured Party, or subordinating or diminishing any of the same in favor of any junior encumbrancer, assignee, claimant, purchaser or any other party hereafter or at any time asserting or acquiring any title, lien, claim, interest, equity or estate in any or to any of the Collateral Properties.

14. All rights, liens, privileges, powers, remedies and securities existing and to exist under this and any and all other instruments had or to be had in connection with any of the Indebtedness, in law and/or in equity, are and shall be cumulative one of the other and not exclusive. In the event any portion or provision hereof be found, held or declared to be unenforceable or invalid for any reason by a court of competent jurisdiction, the same shall not affect any of the other provisions hereof.

15. The provisions hereof shall extend to and be binding upon the respective legal representatives, successors and assigns of Assignor and Secured Party; provided, however, that Assignor shall not, without the prior written consent of Secured Party, sell, assign or otherwise transfer, or pledge, mortgage, hypothecate or otherwise encumber, all or any portion of the Collateral Properties except as expressly permitted under the terms of the Settlement Agreement, any such transfer or encumbrance by Assignor (whether voluntarily or involuntarily or by operation of law) shall be a material default under this instrument entitling Secured Party to immediately accelerate maturity of the Indebtedness.

16. SECURED PARTY MAY ENFORCE ITS RIGHTS HEREUNDER WITHOUT PRIOR JUDICIAL PROCESS OR HEARING, AND ASSIGNOR EXPRESSLY WAIVES ALL LEGAL RIGHTS WHICH MIGHT OTHERWISE REQUIRE A SECURED PARTY TO ENFORCE ITS RIGHTS BY JUDICIAL PROCESS. IN SO PROVIDING FOR NON-JUDICIAL REMEDIES, ASSIGNOR CONCEDES THAT SUCH REMEDIES ARE RESPONSIVE TO COMMERCIAL NECESSITY AND ARE THE RESULT OF BARGAINING AT ARM'S LENGTH. NOTHING HEREIN IS INTENDED TO PREVENT SECURED PARTY OR ASSIGNOR FROM RESORTING TO JUDICIAL PROCESS AT EITHER PARTY'S OPTION.

17. Except as expressly permitted under the terms of the Settlement Agreement, without the prior written consent of Secured Party in each instance, Assignor shall not renew, extend, rearrange or otherwise modify the terms of the Collateral Properties or any of the property securing payment thereof.

18. Assignor shall be responsible for the collecting and enforcing of the Collateral Properties and enforcement costs shall be borne by Assignor. However, upon the occurrence of an event of default arising from the Indebtedness, Secured Party may, in addition to its other rights and remedies, take over the collecting and enforcing of the Collateral Properties, including enforcement of Assignor's remedies, and Secured Party hereby is specifically authorized to do so. Assignor hereby specifically appoints Secured Party as its agent and attorney-in-fact for the purpose of endorsing any checks or other instruments evidencing payment made on the Collateral Properties. This power shall be deemed to be coupled with an interest and shall be irrevocable and shall survive the liquidation or merger of the Assignor. The makers and all other liable parties are authorized to make payments on the Collateral Properties directly to Secured Party if Secured Party notifies said makers and other liable parties that they are to make payments to Secured Party. All payments received by Secured Party on the Collateral Properties may be applied toward payment of the Indebtedness (including the portions thereof not yet matured) in whatever order Secured Party deems appropriate, notwithstanding any rule of law or custom to the contrary, with any excess remaining after the Indebtedness is paid in full to be applied in the manner provided in paragraph 6.

19. Any notice required or permitted to be given hereunder by one party to the other shall be in writing and the same shall be given and shall be deemed to have been served and given if delivered in person to the address set forth herein for the party to whom the notice is given, or three (3) days

after being placed in the United States mail, postage prepaid, by registered or certified mail, return receipt requested, addressed to the party at the address herein specified. From time to time either party may designate another address for all purposes of this Agreement by giving the other party not less than three (3) days' advance written notice of such change of address in accordance with the provisions hereof.

20. This Agreement shall, in all respects, be governed by and construed, performed and enforced in accordance with the laws of the State of Texas.

21. If Assignor shall acquire any real estate by foreclosure, judicial or non-judicial, or deed in lieu of foreclosure under any security instruments securing the payment of any of the Collateral Properties, Assignor will promptly execute and deliver to Secured Party a deed of trust and security agreement in form and substance satisfactory to Secured Party covering and affecting all such real estate so acquired, to secure payment of the Indebtedness.

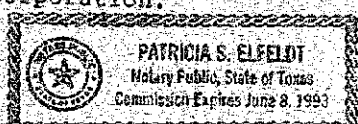
IN WITNESS WHEREOF, Assignor has executed this Agreement as of the 14 day of March, 1990, but effective as of February 20, 1990.

THE MISCHER CORPORATION,
successor by merger to Arrow
Investment Co., Inc.

By: [Signature]
Walter M. Mischer, Jr.
President

THE STATE OF TEXAS
COUNTY OF HARRIS

This instrument was acknowledged before me on March 14 1990, by Walter M. Mischer, Jr., the President of THE MISCHER CORPORATION, a Delaware corporation, on behalf of said corporation.



[Signature]
Notary Public, State of Texas

FILED FOR RECORD ON THE 26 DAY OF March, A.D. 1990 AT 11:30 O'CLOCK AM.
RECORDED THE 26 DAY OF March, A.D. 1990 AT 4:45 O'CLOCK PM.
BETTY PETERS, COUNTY CLERK, BREWSTER COUNTY, TEXAS, BY: [Signature] DEPUTY