

08-28-1998

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U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office



100809700

attached original documents or copy thereof.

To the Honorable Commissioner

1. Name of conveying party(ies):

Lone Star Screw Company of Houston, Inc.

- Individual(s)
- General Partnership
- Corporation-State Texas
- Other _____
- Association
- Limited Partnership

Additional name(s) of conveying party(ies) attached? Yes No

3. Nature of conveyance:

MRD 8-24-98

- Assignment
- Security Agreement
- Other _____
- Merger
- Change of Name

Execution Date: June 30, 1998

2. Name and address of receiving party(ies):

Name: Comerica Bank - Texas

Internal Address: P.O. Box 650-282

Street Address:

City: Dallas State: Texas ZIP: 75265-0282

- Individual(s) citizenship _____
- Association _____
- General Partnership _____
- Limited Partnership _____
- Corporation-State _____
- Other Texas Banking Association

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No

(Designations must be a separate document from Assignment)

Additional name(s) & address(es) attached? Yes No

4. Application number(s) or registration number(s):

A. Trademark Application (s)

B. Trademark registration No.(s) 1,764,035
1,783,219

Additional numbers attached? Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: James J. Murphy, Esq.

Internal Address: Winstead Sechrest & Minick P.C.
5400 Renaissance Tower

Street Address: 1201 Elm Street

City: Dallas State: Texas ZIP: 75270-2199

6. Total number of applications and registrations involved: 2

7. Total fee (37 CFR 3.41): \$80.00

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number: 23-2426

(Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

9. Statement and signature.

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

Philip T. Golden

Name of Person Signing

Signature

8/19/1998

Date

Total number of pages including cover sheet: 31

OMB No. 0651-0011 (exp. 4/94)

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Mail documents to be recorded with required cover sheet information to:

08/27/1998 DMGUYEN 00000113 1764035

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Box Assignments
Washington, D.C. 20231

01 FC:481

40.00 GP

02 FC:482

25.00 DP

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SECURITY AGREEMENT

This SECURITY AGREEMENT ("Agreement") dated as of June 30, 1998, is made by each of the entities set forth on the execution pages of this Agreement (collectively, the "Debtors" and individually, each a "Debtor") whose addresses are set forth on the execution pages hereof in favor of COMERICA BANK-TEXAS, a Texas banking association ("Comerica") with its principal offices in Dallas, Texas, as secured party for itself as agent, and in its capacity as collateral agent for the Banks (as defined in the Credit Agreement (as hereinafter defined)) (in such capacity, the "Secured Party").

WITNESSETH:

WHEREAS, Debtors form part of a group of affiliated business entities;

WHEREAS, each of the Debtors will benefit, directly or indirectly, from the execution of this Agreement and the granting of the security interest in the Collateral (as hereinafter defined) in which each Debtor, respectively, has any right, title or interest as security for all of the Obligations (as hereinafter defined);

WHEREAS, it is a condition precedent to the obligation of the Banks to enter into or make loans to the Borrower under that certain Credit Agreement dated as of June 30, 1998, by and among Industrial Holdings, Inc., a Texas corporation (the "Borrower"), the Banks, and Comerica as agent for itself and the Banks (such Credit Agreement, as it may hereafter be amended, modified, supplemented and/or restated from time to time being hereinafter referred to as the "Credit Agreement") that, among other things, the Debtors execute and deliver this Agreement to the Secured Party; and

WHEREAS, the Debtors desire to execute this Agreement in order to satisfy such conditions precedent and to secure the Obligations;

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I Security Interest

1.1 Security Interest. Each Debtor hereby grants to Secured Party for itself and for the benefit of the Banks a lien and security interest (the "Security Interests") in all of such Debtor's right, title and interest in and to all assets of such Debtor, whether now owned or existing or hereafter arising or acquired and wherever arising or located, **except as excluded on Schedule I hereto**, including, without limitation, the following property (such property being hereinafter sometimes collectively called the "Collateral"):

(a) All accounts (as defined in the UCC (as defined in the Credit Agreement)) and whether or not included in such definition, all receivables, accounts receivable, lease receivables, contract rights, chattel paper, drafts, acceptances, instruments, writings evidencing a monetary obligation or a security interest or a lease of goods, general intangibles and other obligations of any kind, now or hereafter existing, whether or not arising out of or in connection with the sale or lease of goods or the rendering of services, and all rights now or hereafter existing in and to all security agreements, leases, and other contracts securing or otherwise relating to any such accounts, lease receivables, chattel paper, drafts, acceptances, instruments, writings evidencing a monetary obligation or a security interest or a lease of goods, general intangibles or obligations (any and all of the foregoing property being collectively called the "Receivables"); and

(b) All inventory (as defined in the UCC) in all of its forms, wherever located, now or hereafter existing and whether acquired by purchase, merger or otherwise, and (whether or not included in such UCC definition) all raw materials, stores, tools, and work in process therefor, all finished goods, spare parts, service parts, and all materials used or consumed in the manufacturing, packing, shipping, advertising, selling, leasing or production thereof, including goods in which such Debtor has an interest in mass or joint or other interest or right of any kind and goods which are returned to or repossessed by such Debtor, and all accessions thereto and products thereof and documents therefor (any and all of the foregoing property being collectively called the "Inventory"); and

(c) All general intangibles (as defined in the UCC) and whether or not included in such definition, to the maximum extent assignable pursuant to the terms thereof, all inventions, processes, production methods, proprietary information and know-how; all intellectual property rights; all business records, books, files, ledgers, documents and correspondence, confidential and otherwise, including market information, sales aids, customer and supplier lists, files, records and data; all accounting information and all media in which or on which any of the information or knowledge or data or records may be recorded or stored and all computer programs used for the compilation or printout of such information, knowledge, records or data; all computer software (including all source codes), data rights, documentation and associated license, escrow, support, maintenance and software development agreements now or hereafter held pertaining to the operations of such Debtor's business; all licenses and sublicenses, including any of such which relate to computer software; all consents, permits, variances now or hereafter held by such Debtor pertaining to operations or business now or hereafter conducted; all rights to receive return of deposits and trust payments; all rights to payment under letters of credit and similar agreements; all tax refunds; all proceeds of any insurance, indemnity, warranty or guaranty; and all causes of action, whether arising out of a claim of tort or breach of contract and all rights, claims and warranties (any and all of the foregoing property being collectively called the "General Intangibles"); and

(d) All equipment (as defined in the UCC) and (whether or not included in such definition) all tangible personal property including all retail store, storage, office or facility

equipment and other retail, manufacturing and research items, computer hardware, all vehicles, goods, machinery, chattels, tools, dies, jigs, molds, parts, machine tools, furniture, furnishings, fixtures, and supplies, of every nature, wherever located, all additions, accessories and improvements thereto and substitutions therefor and all accessories, parts and equipment which may be attached to or which are necessary for the operation and use of such personal property or fixtures, whether or not the same shall be deemed to be affixed to, arise out of or relate to any real property owned or leased by such Debtor, together with all accessions thereto, and all rights under or arising out of present or future leases or contracts relating to the foregoing (any and all of the foregoing property being collectively called the "Equipment"); and

(e) All motor vehicles, trailers or other vehicles now or hereafter required to be registered or licensed under the Texas Certificate of Title Act or any similar law in any other jurisdiction and as to which title thereto is evidenced by a certificate of title issued by a Governmental Authority including, without limitation, the vehicles described in Schedule II (any and all of the foregoing property being collectively called the "Title Vehicles"); and

(f) All rights in and to all permits, licenses, authorizations, approvals, product and establishment registrations and approvals, certificates of convenience or necessity franchises, immunities, easements, consents, grants, ordinances and other rights, in each case now or hereafter granted by any Governmental Authority (as defined in the Credit Agreement), pertaining to the operation of the business; and

(g) All sales orders, sales contracts, purchase orders, purchase contracts, operating agreements, management agreements, service agreements, development agreements, consulting agreements, leases and other contract rights and, to the extent they can lawfully be conveyed or assigned under express or implied warranties from providers of goods or services pertaining to the operation of the business (any and all of the foregoing property being collectively called the "Contracts"); and

(h) All letters patent of the United States or any other country, all registrations and recordings thereof, and all applications for letters patent of the United States or any other country, including all national and multinational statutory invention registrations, patents (including letters patent; patent registrations and patent applications and any other patents which may issue on such application) including, without limitation, all those listed in Schedule III hereto and including all reissues, continuations or extensions thereof and all rights therein provided by law, multinational treaties or conventions (any and all of the foregoing property being collectively called the "Patents"); and

(i) All trademarks, trade names, service marks, trade dress, logos, including all good will associated therewith, whether or not registered, all registrations and recordings thereof, and all applications in connection therewith, including registrations and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state thereof or any other country throughout the world or any political

subdivision thereof, including, without limitation, all those listed in Schedule III hereto and including all reissues, extensions or renewals thereof, and all written agreements granting any right to use any trademark or trademark registration and all rights therein provided by multinational treaties or conventions (any and all of the foregoing property being collectively called the "Trademarks"); and

(j) All instruments, chattel paper and letters of credit (each as defined in the UCC) and any other items including all promissory notes and other instruments held by and of the Debtors evidencing indebtedness owed to any of them by any Person (any and all of the foregoing property being the "Instruments"); and

(k) All documents (as defined in the UCC) and other receipts covering, evidencing or presenting goods; and

(l) All interests of any kind in any partnerships and any other entities in which such Debtor has any interest, legal, beneficial or otherwise; and

(m) All products and proceeds of any and all of the foregoing Collateral and, to the extent not otherwise included, all payments under insurance or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral.

1.2 Obligations. The Collateral shall secure the following obligations, indebtedness, and liabilities (all such obligations, indebtedness, and liabilities being hereinafter sometimes called the "Obligations"):

(a) the "Obligations" as such term is defined in the Credit Agreement owing to Secured Party, and on a pro rata basis to the Banks;

(b) the obligations and indebtedness of each Debtor that is now or hereafter a party to the Guaranty (as defined in the Credit Agreement) under such Guaranty; and

(c) all amendments, extensions, renewals, modifications, supplements and/or restatements of any of the foregoing.

ARTICLE II Representations and Warranties

To induce Secured Party to enter into this Agreement and make extensions of credit to the Borrower, Debtors represent and warrant to Secured Party that:

2.1 Title. Except for the security interest granted herein and for Permitted Liens (as defined in the Credit Agreement), each Debtor owns, and with respect to Collateral acquired after the date

hereof, each such Debtor will own, the Collateral free and clear of any lien, security interest, or other encumbrance.

2.2 Accounts. Unless such Debtor has given Secured Party written notice to the contrary, whenever the security interest granted hereunder attaches to an account, such Debtor shall be deemed to have represented and warranted to Secured Party as to each and all of its accounts that (i) each account is genuine and in all respects what it purports to be, (ii) each account represents the legal, valid, and binding obligation of the account debtor evidencing indebtedness unpaid and owed by such account debtor arising out of the performance of labor or services by such Debtor or the sale or lease of goods by such Debtor, (iii) the amount of each account represented as owing is the correct amount actually and unconditionally owing except for normal trade discounts granted in the ordinary course of business, and (iv) no account is subject to any offset, counterclaim, or other defense.

2.3 Financing Statements. No financing statement, security agreement, or other lien instrument covering all or any part of the Collateral is on file in any public office, except as may have been filed in favor of Secured Party pursuant to this Agreement or in favor of Comerica in connection with a Permitted Lien.

2.4 Organization and Authority. Each Debtor is a corporation duly organized, validly existing, and in good standing under the laws of its state of incorporation. Each Debtor has the corporate power and authority to execute, deliver, and perform this Agreement, and the execution, delivery, and performance of this Agreement by such Debtor have been authorized by all necessary corporate action on the part of such Debtor and do not and will not violate any law, rule, or regulation or the articles of incorporation or bylaws of such Debtor and do not and will not conflict with, result in a breach of, or constitute a default under the provisions of any indenture, mortgage, deed of trust, security agreement, or other instrument or agreement pursuant to which such Debtor or any of its property is bound.

2.5 Principal Place of Business. The principal place of business and chief executive office of each Debtor, and the office where each Debtor keeps its books and records, is located at the respective addresses as shown on Schedule V hereto for the Debtors.

2.6 Location of Collateral. All inventory, machinery, and equipment of each Debtor are located at the respective locations specified for such Debtor on Schedule VI hereto.

ARTICLE III Covenants

Each Debtor covenants and agrees with Secured Party that until the Obligations are paid and performed in full:

3.1 Maintenance. Each Debtor shall maintain its equipment and machinery (which are part of the Collateral) in good operating condition and repair and shall not permit any waste or destruction of such Collateral or any part thereof. Each Debtor shall not use or permit the Collateral owned by

it to be used in violation of any law or inconsistently with the terms of any policy of insurance. Each Debtor shall not use or permit the Collateral to be used in any manner or for any purpose that would impair the value of the Collateral or expose the Collateral to unusual risk.

3.2 Encumbrances. No Debtor shall create, permit, or suffer to exist, and each Debtor shall defend the Collateral against, any lien, security interest, or other encumbrance on the Collateral except the security interest of Secured Party hereunder and Permitted Liens, and shall defend such Debtor's rights in the Collateral and Secured Party's security interest in the Collateral against the claims of all persons and entities.

3.3 Modification of Collateral. No Debtor shall do anything to impair the rights of Secured Party in the Collateral. Without the prior written consent of Secured Party, no Debtor shall grant any extension of time for any payment with respect to the Collateral, or compromise, compound, or settle any of the Collateral, or release in whole or in part any person or entity liable for payment with respect to the Collateral, or allow any credit or discount for payment with respect to the Collateral other than normal trade discounts granted in the ordinary course of business and other than modifications of Receivables in the ordinary course of business, or release any lien, security interest, or assignment securing the Collateral, or otherwise amend or modify any of the Collateral.

3.4 Disposition of Collateral. No Debtor shall sell, lease, or otherwise dispose of the Collateral or any part thereof without the prior written consent of Secured Party, except Debtors may sell inventory in the ordinary course of business.

3.5 Further Assurances. At any time and from time to time, upon the request of Secured Party, and at the sole expense of such Debtor, such Debtor shall promptly execute and deliver all such further instruments and documents and take such further action as Secured Party may deem necessary or desirable to preserve and perfect its security interest in the Collateral and carry out the provisions and purposes of this Agreement, including, without limitation, the execution and filing of such financing statements as Secured Party may require. A carbon, photographic, or other reproduction of this Agreement or of any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement and may be filed as a financing statement. Each Debtor shall promptly endorse and deliver to Secured Party all documents, instruments, and chattel paper that it now owns or may hereafter acquire.

3.6 Risk of Loss: Insurance. Debtors shall be responsible for any loss of or damage to the Collateral. Debtors shall maintain the insurance coverage required by the Credit Agreement.

3.7 Warehouse Receipts Non-Negotiable. Each Debtor agrees that if any warehouse receipt or receipt in the nature of a warehouse receipt is issued with respect to any of its inventory, such warehouse receipt or receipt in the nature thereof shall not be "negotiable" (as such term is used in Section 7-104 of the UCC).

3.8 Inspection Rights. Each Debtor shall permit Secured Party and its representatives to examine or inspect the Collateral wherever located and to examine, inspect, and copy such Debtor's books and records at any reasonable time and as often as Secured Party may desire.

3.9 Mortgagee's and Landlord Waivers. Each Debtor shall cause each mortgagee of real property owned by such Debtor and each landlord of real property leased by such Debtor to execute and deliver instruments satisfactory in form and substance to Secured Party by which such mortgagee or landlord waives its rights, if any, in the Collateral.

3.10 Taxes. Each Debtor agrees to pay or discharge prior to delinquency all taxes, assessments, levies, and other governmental charges imposed on it or its property, except such Debtor shall not be required to pay or discharge any tax, assessment, levy, or other governmental charge if (i) the amount or validity thereof is being contested by such Debtor in good faith by appropriate proceedings diligently pursued, (ii) such proceedings do not involve any risk of sale, forfeiture, or loss of the Collateral or any interest therein, and (iii) adequate reserves therefor have been established in conformity with generally accepted accounting principles.

3.11 Notification. Each Debtor shall promptly notify Secured Party of (i) any lien, security interest, encumbrance, or claim made or threatened against the Collateral, (ii) any material change in the Collateral, including, without limitation, any material damage to or loss of the Collateral, and (iii) the occurrence or existence of any Event of Default (hereinafter defined) or the occurrence or existence of any condition or event that, with the giving of notice or lapse of time or both, would be an Event of Default.

3.12 Corporate Changes. No Debtor shall change its name, identity, or corporate structure in any manner that might make any financing statement filed in connection with this Agreement seriously misleading unless such Debtor shall have given Secured Party thirty (30) days prior written notice thereof and shall have taken all action deemed necessary or desirable by Secured Party to make each financing statement not seriously misleading. No Debtor shall change its principal place of business, chief executive office, or the place where it keeps its books and records unless it shall have given Secured Party thirty (30) days prior written notice thereof and shall have taken all action deemed necessary or desirable by Secured Party to cause its security interest in the Collateral to be perfected with the priority required by this Agreement.

3.13 Location of Collateral. No Debtor shall move any of its equipment, machinery, or inventory from the locations specified herein without the prior written consent of Secured Party.

ARTICLE IV Rights of Secured Party

4.1 Power of Attorney. Each Debtor hereby irrevocably constitutes and appoints Secured Party and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the name of such Debtor or in its own name, from and after the occurrence of any Event of Default, to take any and all action and to

execute any and all documents and instruments which Secured Party at any time and from time to time deems necessary or desirable to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, such Debtor hereby gives Secured Party the power and right on behalf of such Debtor and in its own name to do any of the following, without notice to or the consent of such Debtor:

(i) to demand, sue for, collect, or receive in the name of such Debtor or in its own name, any money or property at any time payable or receivable on account of or in exchange for any of the Collateral and, in connection therewith, endorse checks, notes, drafts, acceptances, money orders, documents of title, or any other instruments for the payment of money under the Collateral or any policy of insurance;

(ii) to pay or discharge taxes, liens, security interests, or other encumbrances levied or placed on or threatened against the Collateral;

(iii) to send requests for verification to account debtors and other obligors;

(iv) to notify post office authorities to change the address for delivery of mail of such Debtor to an address designated by Secured Party and to receive, open, and dispose of mail addressed to such Debtor; and

(v) (A) to direct account debtors and any other parties liable for any payment under any of the Collateral to make payment of any and all monies due and to become due thereunder directly to Secured Party or as Secured Party shall direct; (B) to receive payment of and receipt for any and all monies, claims, and other amounts due and to become due at any time in respect of or arising out of any Collateral; (C) to sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, proxies, stock powers, verifications, and notices in connection with accounts and other documents relating to the Collateral; (D) to commence and prosecute any suit, action, or proceeding at law or in equity in any court of competent jurisdiction to collect the Collateral or any part thereof and to enforce any other right in respect of any Collateral; (E) to defend any suit, action, or proceeding brought against such Debtor with respect to any Collateral; (F) to settle, compromise, or adjust any suit, action, or proceeding described above and, in connection therewith, to give such discharges or releases as Secured Party may deem appropriate; (G) to exchange any of the Collateral for other property upon any merger, consolidation, reorganization, recapitalization, or other readjustment of the issuer thereof and, in connection therewith, deposit any of the Collateral with any committee, depository, transfer agent, registrar, or other designated agency upon such terms as Secured Party may determine; (H) to add or release any guarantor, indorser, surety, or other party to any of the Collateral or the Obligations; (I) to renew, extend, or otherwise change the terms and conditions of any of the Collateral or Obligations; (J) to insure, and to make, settle, compromise, or adjust claims under any insurance policy covering, any of the Collateral; and (K) to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Secured Party were the absolute owner

thereof for all purposes, and to do, at Secured Party's option and such Debtor's expense, at any time, or from time to time, all acts and things which Secured Party deems necessary to protect, preserve, or realize upon the Collateral and Secured Party's security interest therein.

This power of attorney is a power coupled with an interest and shall be irrevocable. Secured Party shall be under no duty to exercise or withhold the exercise of any of the rights, powers, privileges, and options expressly or implicitly granted to Secured Party in this Agreement, and shall not be liable for any failure to do so or any delay in doing so. Secured Party shall not be liable for any act or omission or for any error of judgment or any mistake of fact or law in its individual capacity or in its capacity as attorney-in-fact except acts or omissions resulting from its willful misconduct. This power of attorney is conferred on Secured Party solely to protect, preserve, and realize upon its security interest in the Collateral. Secured Party shall not be responsible for any decline in the value of the Collateral and shall not be required to take any steps to preserve rights against prior parties or to protect, preserve, or maintain any security interest or lien given to secure the Collateral.

4.2 Performance by Secured Party. If any Debtor fails to perform or comply with any of its agreements contained herein, Secured Party itself may, at its sole discretion, cause or attempt to cause performance or compliance with such agreement and the expenses of Secured Party, together with interest thereon at the maximum nonusurious per annum rate permitted by applicable law, shall be payable by Debtors to Secured Party on demand and shall constitute Obligations secured by this Agreement. Notwithstanding the foregoing, it is expressly agreed that Secured Party shall not have any liability or responsibility for the performance of any obligation of any Debtor under this Agreement.

4.3 Setoff: Property Held by Secured Party. Secured Party shall have the right to set off and apply against the Obligations, at any time and without notice to any Debtor, any and all deposits (general or special, time or demand, provisional or final) or other sums at any time credited by or owing from Secured Party to such Debtor whether or not the Obligations are then due. As additional security for the Obligations, each Debtor hereby grants Secured Party a security interest in all money, instruments, and other property of such Debtor now or hereafter held by Secured Party, including, without limitation, property held in safekeeping. In addition to Secured Party's right of setoff and as further security for the Obligations, each Debtor hereby grants Secured Party a security interest in all deposits (general or special, time or demand, provisional or final) and other accounts of such Debtor now or hereafter on deposit with or held by Secured Party and all other sums at any time credited by or owing from Secured Party to such Debtor. The rights and remedies of Secured Party hereunder are in addition to other rights and remedies (including, without limitation, other rights of setoff) which Secured Party may have.

4.4 Assignment by Secured Party. Secured Party may from time to time assign the Obligations and any portion thereof and/or the Collateral and any portion thereof, and the assignee shall be entitled to all of the rights and remedies of Secured Party under this Agreement in relation thereto.

ARTICLE V

Default

5.1 Events of Default. The occurrence of an Event of Default (as defined in the Credit Agreement) shall constitute an "Event of Default" hereunder.

5.2 Rights and Remedies. Upon the occurrence of an Event of Default, Secured Party shall have the following rights and remedies:

(i) Secured Party may declare the Obligations or any part thereof immediately due and payable, without notice, demand, presentment, notice of dishonor, notice of acceleration, notice of intent to accelerate, notice of intent to demand, protest, or other formalities of any kind, all of which are hereby expressly waived by each Debtor; provided, however, that upon the occurrence of an Event of Default under Section 11.1(d) or Section 11.1(e) of the Credit Agreement, the Obligations shall become immediately due and payable without notice, demand, presentment, notice of dishonor, notice of acceleration, notice of intent to accelerate, notice of intent to demand, protest, or other formalities of any kind, all of which are hereby expressly waived by each Debtor.

(ii) In addition to all other rights and remedies granted to Secured Party in this Agreement and in any other instrument or agreement securing, evidencing, or relating to the Obligations or any part thereof, Secured Party shall have all of the rights and remedies of a secured party under the UCC. Without limiting the generality of the foregoing, Secured Party may (A) without demand or notice to any Debtor, collect, receive, or take possession of the Collateral or any part thereof and for that purpose Secured Party may enter upon any premises on which the Collateral is located and remove the Collateral therefrom or render it inoperable, and/or (B) sell, lease, or otherwise dispose of the Collateral, or any part thereof, in one or more parcels at public or private sale or sales, at Secured Party's offices or elsewhere, for cash, on credit, or for future delivery. Upon the request of Secured Party, such Debtor shall assemble the Collateral and make it available to Secured Party at any place designated by Secured Party that is reasonably convenient to such Debtor and Secured Party. Each Debtor agrees that Secured Party shall not be obligated to give more than ten (10) days written notice of the time and place of any public sale or of the time after which any private sale may take place and that such notice shall constitute reasonable notice of such matters. Debtors shall be liable for all expenses of retaking, holding, preparing for sale, or the like, and all attorneys' fees, legal expenses, and all other expenses incurred by Secured Party in connection with the collection of the Obligations and the enforcement of Secured Party's rights under this Agreement. Secured Party may apply the Collateral against the Obligations in such order and manner as Secured Party may elect in its sole discretion. Debtors shall remain liable for any deficiency if the proceeds of any sale or disposition of the Collateral are insufficient to pay the Obligations. Each Debtor waives all rights of marshalling in respect of the Collateral.

(iii) Secured Party may cause any or all of the Collateral held by it to be transferred into the name of Secured Party or the name or names of Secured Party's nominee or nominees.

(iv) Secured Party may exercise or cause to be exercised all voting rights and corporate powers in respect of the Collateral.

(v) In addition to the remedies set forth above, as to such Collateral subject to the laws of the State of Louisiana, the Secured Party shall have the following rights and remedies: Instead of exercising the power of sale herein conferred upon it, Secured Party may proceed by a suit or suits at law or in equity to foreclose the Security Interests and sell the Collateral, or any portion thereof, under a judgment or decree of a court or courts of competent jurisdiction. For the purposes of Louisiana executory process procedures, each Debtor does hereby acknowledge the Obligations and confess judgment in favor of the Secured Party for the full amount of the Obligations. The Debtors do, by these presents, consent and agree that upon the occurrence of an Event of Default it shall be lawful for the Secured Party to cause all and singular the Collateral to be seized and sold under executory or ordinary process, at the Secured Party's sole option, without appraisal, appraisal being hereby expressly waived, in one lot as an entirety or in separate parcels or portions as the Secured Party may determine, to the highest bidder, and otherwise exercise the rights, powers and remedies afforded herein and under applicable Louisiana law. Any and all declarations of fact made by authentic act before a Notary Public in the presence of two witnesses by a person declaring that such facts lie within his knowledge shall constitute authentic evidence of such facts for the purpose of executory process. The Debtors hereby waive in favor of the Secured Party and the Banks: (a) the benefit of appraisal as provided in Louisiana Code of Civil Procedure Articles 2332, 2336, 2723 and 2724, and all other laws conferring the same; (b) the demand and three days delay accorded by Louisiana Code of Civil Procedure Articles 2639 and 2721; (c) the notice of seizure required by Louisiana Code of Civil Procedure Articles 2293 and 2721; (d) the three days delay provided by Louisiana Code of Civil Procedure Articles 2331 and 2722; and (e) the benefit of the other provisions of Louisiana Code of Civil Procedure Articles 2331, 2722 and 2723, not specifically mentioned above. In the event the Collateral or any part thereof is seized as an incident to an action for the recognition or enforcement of this Agreement by executory process, ordinary process, sequestration, writ of fieri facias, or otherwise, the Debtor and the Secured Party agree that the court issuing any such order shall, if petitioned for by the Secured Party, direct the applicable sheriff to appoint as a keeper of the Collateral, the Secured Party or any agent designated by the Secured Party or any person named by the Secured Party at the time such seizure is effected. This designation is pursuant to Louisiana Revised Statutes 9:5136-9:5140.2 and the Secured Party shall be entitled to all the rights and benefits afforded thereunder as the same may be amended. It is hereby agreed that the keeper shall be entitled to receive as compensation, in excess of its reasonable costs and expenses incurred in the administration or preservation of the Collateral, an amount equal to \$100 per day, payable on a monthly basis. The designation of keeper made herein shall not be deemed to require the Secured Party to provoke the appointment of such a keeper.

ARTICLE VI
Miscellaneous

6.1 Expenses; Indemnification. Debtors agree to pay on demand all costs and expenses incurred by Secured Party in connection with the preparation, negotiation, and execution of the Agreement and any and all amendments, modifications, and supplements hereto. Debtors agree to pay and to hold Secured Party harmless from and against all fees and all excise, sales, stamp, and other taxes payable in connection with this Agreement or the transactions contemplated hereby. Debtors hereby indemnify Secured Party and each affiliate thereof and their respective officers, directors, employees, attorneys, and agents from, and holds each of them harmless against, any and all losses, liabilities, claims, damages, penalties, judgments, costs, and expenses (including attorneys' fees) to which any of them may become subject which directly or indirectly arise from or relate to (i) the negotiation, execution, delivery, performance, administration, or enforcement of this Agreement or any other instrument or agreement securing, evidencing, or relating to the Obligations or any part thereof, (ii) any of the transactions contemplated by this Agreement or any other instrument or agreement securing, evidencing, or relating to the Obligations or any part thereof, (iii) any breach by any Debtor of any representation, warranty, covenant, or other agreement contained in this Agreement or any other instrument or agreement securing, evidencing, or relating to the Obligations or any part thereof, or (iv) any investigation, litigation, or other proceeding, including, without limitation, any threatened investigation, litigation, or other proceeding relating to any of the foregoing. Without limiting any provision of this Agreement or any other instrument, or agreement securing, evidencing, or relating to the Obligations or any part thereof, it is the express intention of the parties hereto that each person or entity to be indemnified under this Section shall be indemnified from and held harmless against any and all losses, liabilities, claims, damages, penalties, judgments, costs, and expenses (including attorneys' fees) arising out of or resulting from the sole or contributory negligence of the person or entity to be indemnified.

6.2 No Waiver; Cumulative Remedies. No failure on the part of Secured Party to exercise and no delay in exercising, and no course of dealing with respect to, any right, power, or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power, or privilege under this Agreement preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. The rights and remedies provided for in this Agreement are cumulative and not exclusive of any rights and remedies provided by law.

6.3 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Debtor and Secured Party and their respective heirs, successors, and assigns, except that Debtor may not assign any of its rights or obligations under this Agreement without the prior written consent of Secured Party.

6.4 AMENDMENT; ENTIRE AGREEMENT. THIS AGREEMENT AND ALL OTHER INSTRUMENTS, DOCUMENTS AND AGREEMENTS EXECUTED AND DELIVERED BY DEBTORS IN CONNECTION WITH THE OBLIGATIONS EMBODY THE FINAL, ENTIRE AGREEMENT BETWEEN DEBTORS AND SECURED PARTY AND SUPERSEDE ANY AND

ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS, AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THE SUBJECT MATTER HEREOF OR THEREOF AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF ANY DEBTOR AND SECURED PARTY. THERE ARE NO ORAL AGREEMENTS BETWEEN ANY DEBTOR AND SECURED PARTY. The provisions of this Agreement may be amended or waived only by an instrument in writing signed by the parties hereto.

6.5 Notices. All notices and other communications provided for in this Agreement shall be given or made by telex, telegraph, telecopy, cable, or in writing and telexed, telecopied, telegraphed, cabled, mailed by certified mail return receipt requested, or delivered to the intended recipient at the "Address for Notices" specified below its name on the signature pages hereof; or, as to any party at such other address as shall be designated by such party in a notice to the other party given in accordance with this Section. Except as otherwise provided in this Agreement, all such communications shall be deemed to have been duly given when transmitted by telex or telecopy, subject to telephone confirmation of receipt, or delivered to the telegraph or cable office, subject to telephone confirmation of receipt, or when personally delivered or, in the case of a mailed notice, when duly deposited in the mails, in each case given or addressed as aforesaid.

6.6 Applicable Law; Venue; Service of Process. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas and the applicable laws of the United States of America (without reference to principles of conflicts of laws). This Agreement has been entered into in Dallas County, Texas, and it shall be performable for all purposes in Dallas County, Texas. Any action or proceeding against Debtor under or in connection with this Agreement or any other instrument or agreement securing, evidencing, or relating to the Obligations or any part thereof may be brought in any state or federal court in Dallas County, Texas. Debtor hereby irrevocably (i) submits to the nonexclusive jurisdiction of such courts, and (ii) waives any objection it may now or hereafter have as to the venue of any such action or proceeding brought in such court or that such court is an inconvenient forum. Debtor agrees that service of process upon it may be made by certified or registered mail, return receipt requested, at its address specified or determined in accordance with the provisions of Section 6.05 of this Agreement. Nothing in this Agreement or any other instrument or agreement securing, evidencing, or relating to the Obligations or any part thereof shall affect the right of Secured Party to serve process in any other manner permitted by law or shall limit the right of Secured Party to bring any action or proceeding against Debtor or with respect to any of the Collateral in any state or federal court in any other jurisdiction. Any action or proceeding by Debtor against Secured Party shall be brought only in a court located in Dallas County, Texas.

6.7 Headings. The headings, captions, and arrangements used in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

6.8 Survival of Representations and Warranties. All representations and warranties made in this Agreement or in any certificate delivered pursuant hereto shall survive the execution and delivery of this Agreement, and no investigation by Secured Party shall affect the representations and warranties or the right of Secured Party to rely upon them.

6.9 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original with the same effect as if the signatures thereto and hereto were upon the same instrument. Pursuant to Section 8.8 of the Credit Agreement, the Borrower has agreed to cause all Persons that become Subsidiaries (as defined in the Credit Agreement) after the date hereof to execute and deliver a counterpart of this Agreement. Each such Subsidiary shall, by executing a counterpart of this Agreement, become a party to, and be bound in all respects by the terms of this Agreement.

6.10 Waiver of Bond. In the event Secured Party seeks to take possession of any or all of the Collateral by judicial process, Debtor hereby irrevocably waives any bonds and any surety or security relating thereto that may be required by applicable law as an incident to such possession, and waives any demand for possession prior to the commencement of any such suit or action.

6.11 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

6.12 Construction. Debtor and Secured Party acknowledge that each of them has had the benefit of legal counsel of its own choice and has been afforded an opportunity to review this Agreement with its legal counsel and that this Agreement shall be construed as if jointly drafted by Debtor and Secured Party.

6.13 Obligations Absolute. The obligations of Debtor under this Agreement shall be absolute and unconditional and shall not be released, discharged, reduced, or in any way impaired by any circumstance whatsoever, including, without limitation, any amendment, modification, extension, or renewal of this Agreement, the Obligations, or any document or instrument evidencing, securing, or otherwise relating to the Obligations, or any release or subordination of collateral, or any waiver, consent, extension, indulgence, compromise, settlement, or other action or inaction in respect of this Agreement, the Obligations, or any document or instrument evidencing, securing, or otherwise relating to the Obligations, or any exercise or failure to exercise any right, remedy, power, or privilege in respect of the Obligations.

6.14 WAIVER OF JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, DEBTOR HEREBY IRREVOCABLY AND EXPRESSLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THE ACTIONS OF SECURED PARTY IN THE NEGOTIATION, ADMINISTRATION, OR ENFORCEMENT THEREOF.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first written above.

DEBTORS:

Industrial Holdings, Inc., a Texas corporation

By: Christine Smith
Name: Christine Smith
Title: Exec. VP

The Rex Group, Inc., a Texas corporation

By: Christine Smith
Name: Christine Smith
Title: VP

Rex Machinery Sales, Inc., a Texas corporation d/b/a
Rex/Paul's Machine/Sales

By: Christine Smith
Name: Christine Smith
Title: VP

Rex Machinery Movers, Inc., a Texas corporation

By: Christine Smith
Name: Christine Smith
Title: VP

U.S. Crating, Inc., a Texas corporation (f/k/a Rex
Export Crating, Inc.)

By: Christine Smith
Name: Christine Smith
Title: VP

First Texas Credit Corporation, a Texas corporation

By: Christine Smith
Name: Christine Smith
Title: VP

Landreth Engineering Company, a Texas corporation

By: Christine Smith
Name: Christine Smith
Title: VP

Pipeline Valve Specialty, Inc., a Texas corporation
(f/k/a Industrial Municipal Supply Company)

By: Christine Smith
Name: Christine Smith
Title: VP

Bolt Manufacturing Co., Inc., a Texas corporation,
d/b/a Walker Bolt Manufacturing Co., Inc.

By: Christine Smith
Name: Christine Smith
Title: VP

LSS-Lone Star-Houston, Inc., a Texas corporation

By: Christine Smith
Name: Christine Smith
Title: VP

American Rivet Company, Inc., an Illinois
corporation

By: Christine Smith
Name: Christine Smith
Title: VP

Manifold Valve Services, Inc., a Delaware corporation, d/b/a Rogers Equipment & Supply Company

By: Christine Smith
Name: Christine Smith
Title: VP

Philform, Inc., a Michigan corporation

By: Christine Smith
Name: Christine Smith
Title: VP

GHX, Incorporated, a Texas corporation

By: Christine Smith
Name: Christine Smith
Title: VP

Regal Machine Tool, Inc., a Texas corporation, f/k/a Rex Machine Tool, Inc.

By: Christine Smith
Name: Christine Smith
Title: VP

WHIR Acquisition, Inc., a Texas corporation, d/b/a Ameritech Fastener Manufacturing

By: Christine Smith
Name: Christine Smith
Title: VP

Moore's Pump and Supply, Inc., a Louisiana corporation

By: Christine Smith
Name: Christine Smith
Title: VP

GHX, Incorporated of Louisiana, a Louisiana corporation

By: Christine Smith
Name: Christine Smith
Title: VP

Beaird Industries, Inc., a Delaware corporation

By: Christine Smith
Name: Christine Smith
Title: VP

Address for Notices (same for all Debtors):

c/o Industrial Holdings, Inc.

7135 Ardmore

Houston, Texas 77054

Attention: _____

Fax No.: (713) 220-5651

Telephone No.: (713) 220-5601

SECURED PARTY:

Comerica Bank - Texas, a Texas state banking association, for itself and as Agent, and its capacity as collateral agent for the Banks

By: [Signature]
Name: [Signature]
Title: Agent Bank Officer

Address for Notices:

Comerica Bank - Texas
P. O. Box 650-282
Dallas, Texas 75265-0282
Attention: Mr. Gary Orr

Fax No.: (214) 969-6416
Telephone No.: (214) 969-6472

With a copy to:

Comerica Bank - Texas
910 Louisiana, Suite 410
Houston, Texas 77002
Attention: Ms. Lizabeth Lary

Fax No.: (713) 220-5651
Telephone No.: (713) 220-5601

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SCHEDULE I TO SECURITY AGREEMENT

| LENDER | COLLATERAL | DOCUMENT/ DATE |
|------------------------|---|--|
| Heller Financial, Inc. | Machinery and equipment of Bolt Manufacturing, American Rivet and LLS Lone Star-Houston | Promissory Note and Security Agreement, each dated November 10, 1997 |
| City Bank & Trust | Real estate | Promissory Note dated February 28, 1997 |
| City Bank & Trust | All machinery and equipment of Philform | Promissory Note dated October 2, 1995 |
| HL&P | HL&P equipment | |
| G.E. | Connecticut machinery and equipment acquired in connection with purchase | Promissory Note dated December 6, 1995 |
| Judy Jandl | None | |
| Toshiba | Phone system | |
| Bank Vest | Spectrolab machine | |
| Toyota | Fork lift | |
| Hitachi Seiki | Hitachi Seiki HG 800 Horizontal Machining Center | Lease Agreement dated October 7, 1997 |
| Lois Crawford | Real estate | |
| Advanta | Computer equipment | |
| IBM | Computer equipment | |
| IBM | Computer equipment | |
| F.R. Pierce | 2nd lien on inventory and receivables | |
| Enterprise | 3 vans | |

359372.1

| | | |
|-------------------|---------------------|--|
| Caterpillar | Leased equipment | |
| GAL | Copies | |
| GAL | Copies | |
| G E. | Phone system | |
| Gay Roane | None | |
| Insurance Carrier | None | |
| Richard Espinosa | None | |
| GMAC | Chevy truck | |
| Norwest Bank | Chevy truck | |
| Norwest Bank | Chevy truck | |
| Alvin H. Dueitt | None | |
| Richard Espinosa | None | |
| Norwest Bank | Chevy truck | |
| Norwest Bank | 1997 Crown Victoria | |
| Bank One | Chevy truck | |
| Bank One | Chevy truck | |
| Norwest Bank | Chevy truck | |
| Norwest Bank | Chevy truck | |
| Norwest Bank | Chevy truck | |
| Norwest Bank | Chevy truck | |
| Norwest Bank | Chevy truck | |
| Norwest Bank | Chevy truck | |
| Norwest Bank | Chevy truck | |
| Norwest Bank | Chevy truck | |
| Norwest Bank | Chevy truck | |
| Norwest Bank | 1997 Chevy Lumina | |

SCHEDULE II

Title Vehicles

Any and all vehicles now or hereafter acquired.

SCHEDULE III

Patents and Trademarks

| <u>Company</u> | <u>Patent and Trademark Registrations</u> |
|----------------|--|
| Imsco | None |
| PVS | None |
| MVS | None |
| Rogers | None |
| Lone Star | U.S. Trademark #1764035 for "PCI 3" Coating System U.S. Trademark #1783219 for logo stamp |
| Walker | U.S. Trademark #1811830 for "Walker Bolt Manufacturing Co." |
| Ameritech | U.S. Trademark #2117931 for a stylized letter "A" |
| GHX | None |
| Pilform | U.S. Trademark #1262221 for "Orbitform" |
| Landreth | None |
| C-Rivet | None |
| American | None |
| Rex | None |
| Beaird | U.S. Trademark #750482 for "BELEX" U.S. Trademark #762329 for "MAXIM" U.S. Trademark #560540 for "MAXIM" U.S. Trademark #556158 for "MAXIM" People's Republic of China Trademark #239615 and #239616 for "MAXIM" Canadian Trademark #122337 for "MAXIM" |

SCHEDULE V -- SECURITY AGREEMENT

| SUBSIDIARY | LOCATION |
|--|---|
| Pipeline Valve Specialty Company, Inc. | 902 State Street South Houston Houston, Texas 77587 1205 W. Main Baytown, Texas 77520 |
| Landreth Engineering, Inc. | 7135 Ardmore Houston, Texas 77054 |
| The Rex Group, Inc. | 7135 Ardmore Houston, Texas 77054 |
| Rex Supply Corporation | 7135 Ardmore Houston, Texas 77054 |
| Regal Machine Tool, Inc. | 7135 Ardmore Houston, Texas 77054 |
| Rex Machinery Sales, Inc. | 7135 Ardmore Houston, Texas 77054 |
| Rex International Corporation | 7135 Ardmore Houston, Texas 77054 |
| U.S. Crating, Inc. | 7135 and 7111 Ardmore Houston, Texas 77054 |
| First Texas Credit Corporation | 7135 Ardmore Houston, Texas 77054 |
| XTEL Corporation | 7135 Ardmore Houston, Texas 77054 |
| Rex Machinery Movers, Inc. | 7135 Ardmore Houston, Texas 77054 |
| Losco, Inc. | 7135 Ardmore Houston, Texas 77054 |

| SUBSIDIARY | LOCATION |
|--------------------------------|---|
| LSS-Lone Star-Houston, Inc. | 24131 Hardy Road Spring, Texas 77383 |
| American Rivet Company, Inc. | 1130 W. Melrose Street Franklin Park, Illinois 60131 |
| Bolt Manufacturing Co., Inc. | 10202 Airline Drive Houston, Texas 77037 |
| Philform, Inc. | 1015 Beiden Jackson, Mississippi 49204 |
| Moores Pump & Supply, Inc. | 215 Thruway Park Drive Suites 206, 208, 210, 211, 212, and 213 Broussard, Louisiana 70518 |
| GHX, Incorporated | 1815 Franklin Houston, Texas 77002 |
| GHX Incorporated of Louisiana | 804 PPG Drive, Bldg. C Westlake, Louisiana 70669 |
| WHIR Acquisition, Inc. | 204 Busch Houston, Texas 77060 |
| Manifold Valve Services, Inc. | 1-10 Service Road South Jennings, Louisiana 70546 |
| Beaird Industries, Inc. | 601 Benton Kelly Street Shreveport, Louisiana 71106-7198 |
| United Wellhead Services, Inc. | 639 City Road 48 Robstown, Texas |

**Industrial Holdings, Inc.
Subsidiary Listing**

| Subsidiary | Jurisdiction | Ownership | Addresses of Inventory & Equipment | Landlord or Mortgage Information |
|--|--------------|-------------|--|---|
| Pipeline Valve Specialty Company, Inc. | Texas | 100% by IHI | 902 State Street S. Houston, TX 77587 | Owned -- no mortgage |
| | | | 1205 W. Main Baytown, TX 77520 | Leased -- Robert C. Griffin & Gary E. Armer 1719 Kilgore Rd. Baytown, TX 77520 |
| | | | 218 Commerce Freeport, TX 77541 | Leased -- Robert C. Griffin, Gary E. Armer, and A. J. Smith 15935 Larkfield Houston, TX 77059 |
| Landreth Engineering Company | Texas | 100% by IHI | 7135 Ardmore Houston, TX 77054 | See "The Rex Group" |
| | | | 1485 Thomaston Ave. Waterbury, CT 06704 | Leased -- Rich Hill Associates 425 Brushy Hill Rd. New Canaan, CT. 06480 |
| | | | 1100 Pendale El Paso, TX 79936 | Leased -- Texas Commerce Bank Corporate & International Banking P.O. Drawer 140 El Paso, TX 79980-0001 |
| | | | 8700 Scranton Houston, TX | Scranton Acres 2035 Millford Houston, TX 77098 |

**Industrial Holdings, Inc.
Subsidiary Listing**

| Subsidiary | Jurisdiction | Ownership | Addresses of Inventory & Equipment | Landlord or Mortgage Information |
|-----------------------------------|--------------|--------------------------|---|--|
| The Rex Group, Inc. | Texas | 100% by IHI | 7135 Ardmore Houston, TX 77054 | Leased - Baker Hughes Incorporated and Combustion Engineering, Inc. 3900 Essex Lane, Eighth Floor Houston, TX 77027 |
| Rex Supply Corporation | Texas | 100% by The Rex Group | 7135 Ardmore Houston, TX 77054 | See "The Rex Group" |
| Regal Machine Tool, Inc. | Texas | 100% by The Rex Group | 7135 Ardmore Houston, TX 77054 | See "The Rex Group" |
| Rex Machinery Sales, Inc. | Texas | 100% by The Rex Group | 7135 Ardmore Houston, TX 77054 | See "The Rex Group" |
| Rex International Corporation | Texas | 100% by The Rex Group | 7135 Ardmore Houston, TX 77054 | See "The Rex Group" |
| U.S. Crating, Inc. | Texas | 100% by The Rex Group | 7135 and 7111 Ardmore Houston, TX 77054 | See "The Rex Group" |
| First Texas Credit Corporation | Texas | 100% by The Rex Group | Building #2, First Floor, improved section 11A Manchester Terminal 7135 Ardmore Houston, TX 77054 | Leased - Manchester Terminal Corporation 10000 Manchester Street Houston, TX 77012-2400 |
| XTEL Corporation | Texas | 100% by The Rex Group | 7135 Ardmore Houston, TX 77054 | See "The Rex Group" |
| Rex Machinery Movers, Inc. | Texas | 100% by The Rex Group | 7135 Ardmore Houston, TX 77054 | See "The Rex Group" |
| Losco, Inc. | Texas | 100% by The Rex Group | 7135 Ardmore Houston, TX 77054 | See "The Rex Group" |

**Industrial Holdings, Inc.
Subsidiary Listing**

| Subsidiary | Jurisdiction | Ownership | Addresses of Inventory & Equipment | Landlord or Mortgage Information |
|------------------------------|--------------|-------------|--|--|
| LSS-Lone Star-Houston, Inc. | Texas | 100% by IHI | 24131 Hardy Road Spring, TX 77383 | Mortgage - Comerica Bank - Texas One Shell Plaza 910 Louisiana, 4 th Floor Houston, TX 77002 |
| | | | 9009 North Loop East Houston, TX | Leased - 9009 Realty Partners, L.P. c/o Vista Management Company 2470 Gray Falls Dr., Suite 150 Houston, TX 77077 |
| American Rivet Company, Inc. | Illinois | 100% by IHI | 11330 W. Meirhoe St. Franklin Park, IL 60131 | Owned - no mortgage |
| Boit Manufacturing Co., Inc. | Texas | 100% by IHI | 10202 Arline Drive Houston, TX 77037 | Leased - Jezierski Properties P. O. Box 1103 Spring, TX 77363 |
| Philiform, Inc. | Michigan | 100% by IHI | 120 and 125 Dale St. Houston, TX 77037 1800 Executive Drive Jackson, MI 48204 | Mortgage - City Bank and Trust Company One Jackson Square Jackson, MI 48201 |
| Moore's Pump & Supply, Inc. | Louisiana | 100% by IHI | 208, 208, 210, 211, 212, 213, and 215 Thruway Park Drive Broussard, LA 70518 | Leased - Crossroads Investments, LLC 600 Jefferson St., Suite 1401, Box 86 Lafayette, LA 70501 |
| | | | 119 Cason Road Broussard, LA 70518 | Owned - no mortgage |

**Industrial Holdings, Inc.
Subsidiary Listing**

| Subsidiary | Jurisdiction | Ownership | Addresses of Inventory & Equipment | Landlord or Mortgage Information |
|--|--|-------------|---|--|
| GHX, Incorporated | Texas | 100% by IHI | Bulcher Park Lots 10, 11, and 12, Broussard, LA 70518 | See "Crossroads Investments" above |
| | | | 402 E. Main Street Sandersville, MS | Leased - |
| | | | 1815 Franklin Houston, TX 77002 | Owned - no mortgage |
| | | | 1820 Commerce Ave. Houston, TX 77002 | Owned - no mortgage |
| | | | 1901 Franklin Houston, TX 77002 | Mortgage - Lois Crawford P. O. Box 980758 Houston, TX 77098-0758 |
| 4360 Gessner Houston, TX 77041 | Leased - Ivest, Inc. P. O. Box 691784 Houston, TX 77269-1784 | | | |
| 112 West 1 st Street Deer Park, TX 77536 | Leased - SRG, Texas, Inc c/o Charles R. Racusin 6100 Hillcroft, Suite 650 Houston, TX 77081 | | | |
| 1550 E. Cardinal Dr. Beesmont, TX 77705 | Leased - Polly Pierce c/o Charles P. Merrill P. O. Box 2518 Houston, TX 77252-2518 | | | |

**Industrial Holdings, Inc.
Subsidiary Listing**

| Subsidiary | Jurisdiction | Ownership | Addresses of Inventory & Equipment | Landlord or Mortgage Information |
|--------------------------------|--------------|--------------|--|--|
| | | | 2728 S. Port Ave. Corpus Christi, TX 78405 | Owned -- no mortgage |
| | | | 211 W. Cevallos St. San Antonio, TX 78204 | |
| GHX Incorporated of Louisiana | Louisiana | 100% by GHX | 804 PPG Drive, Bldg. C Westlake, LA 70669 | Leased - Cletus & Lillian Eckhardt 8616 Nobel Lark Boerne, TX 78006 Leased - A. C. Developers, Inc. 804 PPG Drive, Bldg. G Westlake, LA 70669 |
| WHR Acquisition, Inc. | Texas | 100% by IHI | 204 Busch Houston, TX 77060 | Leased from Walker Bolt |
| Manifold Valve Services, Inc. | Delaware | 100% by IHI | I-10 Service Road South Jennings, LA 70546 | Leased - Andrew & Carolyn Cormier Route 2, Box 388 Jennings, LA 70546 |
| | | | 5814 E. Mt. Houston Houston, TX 77293 | Owned - no mortgage |
| United Wellhead Services, Inc. | Texas | *100% by IHI | 639 Cty. Road 48 Robstown, TX | Leased - Richard Espinosa 6122 Kuddell Street Houston, TX 77074 |
| | | | 953 S. Advance Ave. Midland, TX | Leased - Vico Leasing |
| | | | 8730 Ley Road Houston, TX | Leased - |

**Industrial Holdings, Inc.
Subsidiary Listing**

| Subsidiary | Jurisdiction | Ownership | Addresses of Inventory & Equipment | Landlord or Mortgage Information |
|------------------------|--------------|-------------|--|---|
| | | | 126 Crip Lane Ducon, LA | Leased -- Nolan J. Guidry 1607 Ridge Road Ducon, LA 70529 |
| | | | 1325 Fullerton Shreveport, LA | Leased -- Bruce Graham Roberts, Jennifer Anne Roberts Beason, and Robert G. Pugh as Testamentary Executor of the Estate of Elizabeth Joyce Graham Roberts and Robert G. Pugh as Trustee of the J.I. Roberts Trust for the Children of Bruce Graham Roberts, Robert G. Pugh as Trustee of the J.I. Roberts Trust for the Children of Barbara Joyce Roberts Carlton, Robert G. Pugh as Trustee of the J.I. Roberts Trust for the Children of Jennifer Anne Roberts Beason and Barbara Joyce Roberts Carlton c/o Roberts Management P.O. Box 7125 Shreveport, LA 71137-7125 |
| Beard Industries, Inc. | Delaware | 100% by IHI | 601 Benton Kelly Street Shreveport, LA 71106-7198 | Leased -- City of Shreveport |

*The acquisition of United Wellhead Services, Inc. has not yet been completed.