

08-28-1998

COVER SHEET

U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office

ONLY

To the Honorable Commis

and the attached original documents or copy thereof.

1. Name of conveying party(ies):

100809702

Beaird Industries, Inc.

- ☐ Individual(s) ☐ Association
☐ General Partnership ☐ Limited Partnership
☒ Corporation-State Delaware
☐ Other _____

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

3. Nature of conveyance:

MRD 8-24-98

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

Execution Date: June 30, 1998

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

A. Trademark Application (s)

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

B. Trademark registration No.(s) 556.158
560.540
750.482
762.329

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: 4

7. Total fee (37 CFR 3.41): \$160.00

- ☐ 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

Date

Total number of pages including cover sheet: 21

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

Do not detach this portion

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

08/27/1998 DNGUYEN 00000112 536150

01 FC:481
02 FC:48240.00 OP
75.00 OPCommissioner of Patents and Trademarks
Box Assignments
Washington, D.C. 20231

Public burden reporting for this sample cover sheet is estimated to average about 30 minutes per document to be recorded, including time for reviewing the document and gathering the data needed, and completing and reviewing the sample cover sheet. Send comments regarding this burden estimate to the U.S. Patent and Trademark Office, Office of Information Systems, PK2-1000C, Washington, D.C. 20231, and to the Office of Management and Budget, Paperwork Reduction Project (0651-0011), Washington, D.C. 20503.

SECURITY AGREEMENT

This SECURITY AGREEMENT ("Agreement") dated as of June 30, 1998, is made by BEAIRD INDUSTRIES, INC., a Delaware corporation, (the "Debtor") whose address is set forth on the execution pages hereof in favor of COMERICA BANK-TEXAS, a Texas banking association, with its principal offices in Dallas, Texas (the "Secured Party").

WITNESSETH:

WHEREAS, Debtor forms a part of a group of affiliated business entities;

WHEREAS, Industrial Holdings, Inc., a Texas corporation ("IHI"), and the parent of the Debtor, has entered into that certain Credit Agreement dated as of even date herewith among Secured Party, for itself and as agent for the Banks from time to time parties thereto ("Banks") (as same may be amended, modified, revised, supplemented, and/or restated, the "Credit Agreement"; terms defined in the Credit Agreement and not otherwise defined herein are used herein as defined therein);

WHEREAS, Debtor 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 Debtor has any right, title or interest as security for all of the Obligations described in Exhibit A attached hereto;

WHEREAS, it is a condition under the Credit Agreement that, among other things, the Debtor, as a Subsidiary (as defined in the Credit Agreement) of IHI, execute and deliver this Agreement to the Secured Party; and

WHEREAS, the Debtor desires to execute this Agreement in order to satisfy such conditions 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. The 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 Debtor's right, title and interest in and to all assets of 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 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 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 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 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 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 Debtor 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 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" described in Exhibit "A" attached hereto; and

(b) 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, Debtor represents and warrants to Secured Party that:

2.1 Title. Except for the security interest granted herein and for Permitted Liens (as defined in the Credit Agreement), Debtor owns, and with respect to Collateral acquired after the date hereof, Debtor will own, the Collateral free and clear of any lien, security interest, or other encumbrance.

2.2 Accounts. Unless Debtor has given Secured Party written notice to the contrary, whenever the security interest granted hereunder attaches to an account, 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 Debtor or the sale or lease of goods by 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. Debtor is a corporation duly organized, validly existing, and in good standing under the laws of its state of incorporation. Debtor has the corporate power and authority to execute, deliver, and perform this Agreement, and the execution, delivery, and performance of this Agreement by Debtor have been authorized by all necessary corporate action on the part of Debtor and do not and will not violate any law, rule, or regulation or the articles of incorporation or bylaws of 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 Debtor or any of its property is bound.

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

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

ARTICLE III Covenants

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

3.1 Maintenance. 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. 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. 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. Debtor shall not create, permit, or suffer to exist, and 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 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. Debtor shall not do anything to impair the rights of Secured Party in the Collateral. Without the prior written consent of Secured Party, Debtor shall not 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, 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. Debtor shall not sell, lease, or otherwise dispose of the Collateral or any part thereof without the prior written consent of Secured Party, except Debtor 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 Debtor, 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. 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. Debtor shall be responsible for any loss of or damage to the Collateral. Debtor shall maintain the insurance coverage required by the Credit Agreement.

3.7 Warehouse Receipts Non-Negotiable. 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. Debtor shall permit Secured Party and its representatives to examine or inspect the Collateral wherever located and to examine, inspect, and copy Debtor's books and records at any reasonable time and as often as Secured Party may desire.

3.9 Mortgagee's and Landlord Waivers. Debtor shall cause each mortgagee of real property owned by Debtor and each landlord of real property leased by 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. Debtor agrees to pay or discharge prior to delinquency all taxes, assessments, levies, and other governmental charges imposed on it or its property, except 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 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. 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. Debtor shall not 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 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. Debtor shall not 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. Debtor shall not 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. 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 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, Debtor hereby gives Secured Party the power and right on behalf of Debtor and in its own name to do any of the following, without notice to or the consent of Debtor:

- (i) to demand, sue for, collect, or receive in the name of 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 Debtor and other obligors;

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

(v) (A) to direct account Debtor 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 Debtor, 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 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, depositary, 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 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 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 Debtor 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 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 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 Debtor whether or not the Obligations are then due. As additional security for the Obligations, Debtor hereby grants Secured Party a security interest in all money, instruments, and other property of 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, Debtor hereby grants Secured Party a security interest in all deposits (general or special, time or demand, provisional or final) and other accounts of 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 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 a default in the payment of any of the Obligations or 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 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 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 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, Debtor shall assemble the Collateral and make it available to Secured Party at any place designated by Secured Party that is reasonably convenient to Debtor and Secured Party. 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. Debtor 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. Debtor shall remain liable for any deficiency if the proceeds of any sale or disposition of the Collateral are insufficient to pay the Obligations. 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, Debtor does hereby acknowledge the Obligations and confess judgment in favor of the Secured Party for the full amount of the Obligations. The Debtor does, 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 Debtor hereby waives 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. Debtor agrees 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. Debtor agrees 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. Debtor 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 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 DEBTOR IN CONNECTION WITH THE OBLIGATIONS EMBODY THE FINAL, ENTIRE AGREEMENT BETWEEN DEBTOR 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 DEBTOR AND SECURED PARTY. THERE ARE NO ORAL AGREEMENTS BETWEEN 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.

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.

[THIS SPACE LEFT BLANK INTENTIONALLY]

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

DEBTOR:

Beaird Industries, Inc., a Delaware corporation

By: 
Name: Christine Smith
Title: Vice President

Address for Notices:

c/o Industrial Holdings, Inc.

7135 Ardmore

Houston, Texas 77054

Attention:

Christine Smith

Fax No.:

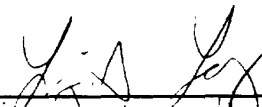
(713) 749-9642

Telephone No.:

(713) 747-1625

SECURED PARTY:

Comerica Bank - Texas, a Texas state banking association

By: 
Name: Gary Orr
Title: Chief Financial Officer

Address for Notices:

Comerica Bank - Texas

P. O. Box 650-282

Dallas, Texas 75265-0282

Attention:

Mr. Gary Orr

Fax No.:

(214) 969-6414

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) 220-5601
Telephone No.: (713) 220-5451

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Industrial Holdings, Inc.
Detail of Debt Outstanding

Company	Line of Credit	Note	Lender	Collateral	Balance at 3/31/88
IH				Receivables & Inventory plus \$1.6 million in equipment from Landreth	\$13,146,925
Monroe			Commerce	Receivables, Inventory, Vehicles & Equipment	\$1,568,134
CHX	Line of Credit		Commerce	Receivables & Inventory	\$4,245,817
CHX	Capital Lease		Commerce	Computer	\$27,120
CHX	Truck 1		Commerce	Truck	\$3,083
CHX	Truck 2		Commerce	Truck	\$25,433
CHX	Truck 3		Commerce	Truck	\$8,492
CHX	Truck 4		Commerce	Truck	\$5,118
CHX	Truck 5		Commerce	Truck	\$758,527
CHX	Truck 6		Commerce	Truck	\$38,887
CHX	Truck 7		Commerce	Truck	\$94,767
CHX	Truck 8		Commerce	Truck	\$16,520
CHX	Truck 9		Commerce	Truck	\$4,387
CHX	Truck 10		Commerce	Truck	\$78,720
CHX	Truck 11		Commerce	Truck	\$835,000
CHX	Truck 12		Commerce	Truck	\$309,244
CHX	Truck 13		Commerce	Truck	\$273,313
CHX	Truck 14		Commerce	Truck	\$68,585
CHX	Truck 15		Commerce	Truck	\$335,000
CHX	Truck 16		Commerce	Truck	\$12,000,000
CHX	Truck 17		Commerce	Truck	\$15,000,000
CHX	Truck 18		Commerce	Truck	\$5,000,000
CHX	Truck 19		Commerce	Truck	\$5,025,555
CHX	Truck 20		Commerce	Truck	\$1,760,900
CHX	Truck 21		Commerce	Truck	\$688,888
CHX	Truck 22		Commerce	Truck	\$75,179
CHX	Truck 23		Commerce	Truck	\$1,980,862
CHX	Truck 24		Commerce	Truck	\$415,188
CHX	Truck 25		Commerce	Truck	\$1,926
CHX	Truck 26		Commerce	Truck	\$43,338
CHX	Truck 27		Commerce	Truck	\$16,211
CHX	Truck 28		Commerce	Truck	\$429,454
CHX	Truck 29		Commerce	Truck	\$135,739
CHX	Truck 30		Commerce	Truck	\$8,042
CHX	Truck 31		Commerce	Truck	\$12,116
CHX	Truck 32		Commerce	Truck	\$6,028
CHX	Truck 33		Commerce	Truck	\$317,642
CHX	Truck 34		Commerce	Truck	Purchased subsequent to 3/31/88
CHX	Truck 35		Commerce	Truck	\$5,089
CHX	Truck 36		Commerce	Truck	\$9,802
CHX	Truck 37		Commerce	Truck	\$2,210
CHX	Truck 38		Commerce	Truck	\$39,888
CHX	Truck 39		Commerce	Truck	\$920,318
CHX	Truck 40		Commerce	Truck	\$68,801
CHX	Truck 41		Commerce	Truck	\$18,875
CHX	Truck 42		Commerce	Truck	\$12,835

Industrial Holdings, Inc. Detail of Debt Outstanding

Company	Note	Lender	Collateral	Balance at 3/31/98
United Weathers*	Truck	Norwest Bank	Cherry Truck	\$9,704
United Weathers**	Truck	Norwest Bank	Cherry Truck	\$5,008
United Weathers**	Preacquisition Note	Alan H. Duell	None	\$68,031
United Weathers**	Preacquisition Note	Richard Engstrom	None	\$80,408
United Weathers**	Truck	Norwest Bank	Cherry Truck	\$14,366
United Weathers**	Cherry Vehicle	Norwest Bank	'97 Crown Victoria	\$14,182
United Weathers**	Truck	Bank One	Cherry Truck	\$4,744
United Weathers**	Truck	Bank One	Cherry Truck	\$4,744
United Weathers**	Truck	Norwest Bank	Cherry Truck	\$9,848
United Weathers**	Truck	Norwest Bank	Cherry Truck	\$8,871
United Weathers**	Truck	Norwest Bank	Cherry Truck	\$10,808
United Weathers**	Truck	Norwest Bank	Cherry Truck	\$12,127
United Weathers**	Truck	Norwest Bank	Cherry Truck	\$11,180
United Weathers**	Truck	Norwest Bank	Cherry Truck	\$10,076
United Weathers**	Truck	Norwest Bank	Cherry Truck	\$15,417
United Weathers**	Truck	Norwest Bank	Cherry Truck	\$13,807
United Weathers**	Truck	Norwest Bank	Cherry Truck	\$12,864
United Weathers**	Lumina	Norwest Bank	'97 Cherry Lumina	\$14,568

* Proposed, balance not outstanding at 3/31/98

** The acquisition of United Weathers is not yet completed

*** This balance is as of 5/31/98. Accrues outstanding debt at the time of acquisition was rolled into Industrial Holdings, Inc. line of credit during May

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	

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
Moore's 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 77597	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"
			1495 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 Milford 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"
Loeco, 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. Melrose St. Franklin Park, IL 60131	Owned - no mortgage
Bolt Manufacturing Co., Inc.	Texas	100% by IHI	10202 Airline Drive Houston, TX 77037	Leased - Jezierski Properties P.O. Box 1103 Spring, TX 77383
			120 and 125 Dale St. Houston, TX 77037	
Philform, Inc.	Michigan	100% by IHI	1600 Executive Drive Jackson, MI 49204	Mortgage - City Bank and Trust Company One Jackson Square Jackson, MI 48201
Moores Pump & Supply, Inc.	Louisiana	100% by IHI	208, 209, 210, 211, 212, 213, and 215 Thruway Park Drive Broussard, LA 70518	Leased - Crossroads Investments, LLC 600 Jefferson St., Suite 1401, Box 96 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	Butcher 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. Beaumont, 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
WHIR 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 Trustees 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.