

PLEDGE AGREEMENT

THIS PLEDGE AGREEMENT is entered into as of May 22, 2018, by and between **GENTRY MILLS CAPITAL, L.L.C.**, a Texas limited liability company (“*Grantor*”), and **LSM INITIATIVES, LLC**, a Texas limited liability company (“*Lender*”), on behalf of itself and its Affiliates (“*Secured Party*”).

RECITALS

WHEREAS, Grantor and Lender are entering into a Credit Agreement dated as of May 22, 2018 (as it may be amended, restated or modified from time to time, the “*Credit Agreement*”).

WHEREAS, Grantor is entering into this Pledge Agreement (as it may be amended, restated or modified from time to time, this “*Agreement*”) in order to, among other things, induce Lender to enter into and extend credit under the Credit Agreement.

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

1. DEFINITIONS

1.1. **Reference to Pledge Agreement.** Unless otherwise specified, all references herein to Articles, Sections, Preliminary Statements, Exhibits, and Schedules refer to Articles and Sections of, and Preliminary Statements, Exhibits and Schedules to, this Agreement. All Schedules include amendments and supplements thereto from time to time.

1.2. **Principles of Construction.** Words used herein, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neutral, as the context indicates is appropriate. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation”. All references to agreements and other contractual instruments shall be deemed to include subsequent amendments, permitted assignments and other modifications thereto, but only to the extent such amendments, assignments and other modifications are not prohibited by the terms of any Loan Document. Furthermore, any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time.

1.3. **Definitions.** Unless otherwise defined herein, or the context hereof otherwise requires, each term defined in either of the Credit Agreement or in the UCC is used in this Agreement with the same meaning; *provided that*, if the definition given to such term in the Credit Agreement conflicts with the definition given to such term in the UCC, the Credit Agreement definition shall control to the extent legally allowable; and if any definition given to such term in Article 9 of the UCC conflicts with the definition given to such term in any other chapter of the UCC, the Article 9 definition shall prevail. All definitions herein shall be equally

applicable to both the singular and plural forms of the defined terms. As used herein, the following terms have the meanings indicated:

“**Collateral**” shall have the meaning set forth in *Section 2.1*.

“**Control**” shall have the meaning set forth in *Section 9-314* of the UCC.

“**Controlled Foreign Corporation**” means “*controlled foreign corporation*” as defined in the Internal Revenue Code of 1986.

“**Dispute**” means any action, dispute, claim or controversy of any kind, whether in contract or tort, statutory or common law, legal or equitable, now existing or hereafter arising under or in connection with, or in any way pertaining to, this Agreement and each other document, contract and instrument required hereby or now or hereafter delivered to Secured Party in connection herewith, or any past, present or future extensions of credit and other activities, transactions or obligations of any kind related directly or indirectly to any of the foregoing documents, including without limitation, any of the foregoing arising in connection with the exercise of any self-help, ancillary or other remedies pursuant to any of the foregoing documents.

“**Excluded Equity**” means any voting stock in excess of sixty-five percent (65%) of the outstanding voting stock of any Controlled Foreign Corporation, which, pursuant to the terms of the Credit Agreement, is not required to guaranty the Obligations. For the purposes of this definition, “voting stock” means, with respect to any issuer, the issued and outstanding shares of each class of Stock of such issuer entitled to vote (within the meaning of Treasury Regulations §1.956-2(c)(2)); *provided, however*, “**Excluded Equity**” shall not include any proceeds, products, substitutions, or replacements of Excluded Equity (unless such proceeds, products, substitutions, or replacements would otherwise constitute Excluded Equity).

“**Grantor**” has the meaning set forth in the introductory paragraph of this Agreement and includes Grantor’s successors and assigns.

“**Instrument**” means any “*instrument*”, as such term is defined in *Section 9.102(a)(47)* of the UCC.

“**Obligations**” means:

(a) Grantor’s present and future obligations, liabilities and indebtedness under the Credit Agreement, each Loan Document and this Agreement;

(b) all future advances by Secured Party or its Affiliates to Grantor under the Credit Agreement;

(c) all costs and expenses, including all reasonable attorneys’ fees and legal expenses, incurred by Secured Party or its Affiliates to preserve and maintain the Collateral, collect the obligations herein described, and enforce this Agreement or any rights under the other Loan Documents;

- (d) intentionally blank;
- (e) the obligation to reimburse any amount that Secured Party (in its sole and absolute discretion) elects to pay or advance on behalf of Grantor following the occurrence of any Event of Default;
- (f) intentionally blank;
- (g) all amounts owed under any extension, renewal, or modification of any of the foregoing; and
- (h) any of the foregoing that arises after the filing of a petition by or against Grantor under the Bankruptcy Code, even if the obligations due do not accrue because of the automatic stay under Bankruptcy Code § 362 or otherwise.

“**Permitted Liens**” means Liens permitted under *Section 4.1(f)*.

“**Pledged Equity Interests**” means all interests of Grantor in the entities listed on *Exhibit A*, and the certificates, if any, representing such interests and any interest of Grantor on the books and records of such entities or on the books and records of any securities intermediary pertaining to such interests and all dividends, distributions, cash, warrants, rights, options, instruments, securities and other property or Proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such interests, as well as all proceeds from the sales of such interests and the rights to receive such proceeds.

“**Proceeds**” means any “*proceeds*,” as such term is defined in *Section 9-102(a)(64)* of the UCC and, in any event, shall include, but not be limited to, (a) any and all proceeds of any insurance, indemnity, warranty, or guaranty payable to Grantor from time to time with respect to any of the Collateral, (b) any and all payments (in any form whatsoever) made or due and payable to Grantor from time to time in connection with any requisition, confiscation, condemnation, seizure, or forfeiture of all or any part of the Collateral by any Governmental Authority (or any person acting under color of Governmental Authority), and (c) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

“**Section**” means a numbered Section of this Agreement, unless another document is specifically referenced.

“**Secured Obligations**” means the Obligations, whether or not (a) such Obligations arise or accrue before or after the filing by or against Grantor of a petition under the Bankruptcy Code, or any similar filing by or against Grantor under the laws of any jurisdiction, or any bankruptcy, insolvency, receivership or other similar proceeding, (b) such Obligations are allowable under *Section 502(b)(2)* of the Bankruptcy Code or under any other insolvency proceedings, (c) the right of payment in respect of such Obligations is reduced to judgment, or (d) such Obligations are liquidated, unliquidated, similar, dissimilar, related, unrelated, direct, indirect, fixed, contingent, primary, secondary, joint, several, or joint and several, matured, disputed, undisputed, legal, equitable, secured, or unsecured.

“**Security**” has the meaning set forth in *Section 8-102(a)(15)* of the UCC.

“**Security Interests**” means the pledge and security interests securing the Secured Obligations, including (a) the pledge and security interest in the Collateral granted in this Agreement, and (b) all other security interests created or assigned as additional security for the Secured Obligations pursuant to the provisions of this Agreement.

“**Stock Rights**” means any securities, dividends or other distributions and any other right or property which Grantor shall receive or shall become entitled to receive for any reason whatsoever with respect to, in substitution for or in exchange for any Pledged Equity Interests constituting Collateral and any securities, any right to receive securities and any right to receive earnings with respect to the Collateral, in which Grantor now has or hereafter acquires any right, issued by an issuer of such securities.

“**UCC**” means the Uniform Commercial Code as the same may, from time to time, be in effect in the State of Texas; provided, however, that in any event, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority (or terms of similar import in any applicable jurisdiction) of Secured Party’s Security Interest in any Collateral is governed by the UCC (or other similar law) as in effect in a jurisdiction (whether within or outside the United States) other than the State of Texas, the term “UCC” shall mean the Uniform Commercial Code (or other similar law) as in effect in such other jurisdiction for purposes of the provisions hereof relating to such attachment, perfection or priority (or terms of similar import in such jurisdiction) and for purposes of definitions related to such provisions.

2. **GRANT OF SECURITY INTEREST**

2.1. **Grant of Security Interest.**

(a) As collateral security for the Secured Obligations and subject and subordinate to the Permitted Liens, Grantor hereby pledges and grants to Secured Party (including its Affiliates), a Lien on and security interest in and to, and agrees and acknowledges that Secured Party has and shall continue to have, subject and subordinate to the Permitted Liens, a Security Interest in and to, and assigns, transfers, pledges and conveys to Secured Party, all of Grantor’s right, title and interest in and to the Pledged Equity Interests, including all Stock Rights and Proceeds with respect thereto (the “**Collateral**”) now owned or hereafter acquired, wherever located, howsoever arising or created and whether now existing or hereafter arising, existing or created.

(b) If the Security Interest granted hereby in any rights of Grantor under any contract included in the Collateral is expressly prohibited by such contract, then the Security Interest hereby granted therein nonetheless remains effective to the extent allowed by Article 9 of the UCC or other applicable law but is otherwise limited by that prohibition. Notwithstanding the foregoing, no Lien or security interest is hereby granted on any Excluded Equity.

(c) The Security Interests are granted as security only and shall not subject Secured Party or any holder of the Secured Obligations to, or transfer or in any way modify, any Obligations or liability of Grantor with respect to any of the Collateral.

2.2. **Grantor Remains Liable.** Notwithstanding anything to the contrary contained herein, (a) Grantor shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein to perform all of its respective duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by Secured Party of any of its rights hereunder shall not release Grantor from any of its duties or obligations under the contracts and agreements included in the Collateral, and (c) Secured Party shall not have any obligations or liability under any of the contracts and agreements included in the Collateral by reason of this Agreement, nor shall Secured Party be obligated to perform any of the Obligations or duties of Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

2.3. **Authorization to File Financing Statements.** Grantor hereby irrevocably authorizes Secured Party at any time and from time to time to file in any UCC jurisdiction any initial financing statements and amendments thereto that describe the Collateral and contain any other information required by Part 5 of Article 9 of the UCC for the sufficiency or filing office acceptance of any financing statement or amendment, including (i) whether Grantor is an organization, the type of organization and any organization identification number issued to Grantor, and (ii) in the case of a financing statement filed as a fixture filing or indicating Collateral as as-extracted Collateral or timber to be cut, a sufficient description of real property to which the Collateral relates. Grantor agrees to furnish any such information to Secured Party promptly upon request.

3. **REPRESENTATIONS AND WARRANTIES.** Grantor represents and warrants to Secured Party that:

3.1. **Title, Authorization, Validity and Enforceability.** Grantor has good and valid rights in and title to the Collateral with respect to which it has purported to grant a Security Interest hereunder, free and clear of all Liens except for Liens permitted under *Section 4.1(f)*, and has full power and authority to grant to Secured Party the Security Interest in such Collateral pursuant hereto. The execution and delivery by Grantor of this Agreement has been duly authorized by proper corporate proceedings, and this Agreement constitutes a legal, valid and binding obligation of Grantor and creates a Security Interest which is enforceable against Grantor in all now owned and hereafter acquired Collateral. When financing statements have been filed in the appropriate offices against Grantor in the locations listed on *Exhibit B*, Secured Party will have, subject and subordinate to the Permitted Liens, a fully perfected Security Interest in that Collateral in which a Security Interest may be perfected by filing, subject only to Liens permitted under *Section 4.1(f)*.

3.2. **Conflicting Laws and Contracts.** Neither the execution and delivery by Grantor of this Agreement, the creation and perfection of the Security Interest in the Collateral granted hereunder, nor compliance with the terms and provisions hereof will violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on Grantor or Grantor's articles or certificate of incorporation, bylaws, articles of organization or operating agreement or other charter documents, as the case may be, the provisions of any indenture, instrument or agreement to which Grantor is a party or is subject, or by which it, or its property, is bound, or conflict with or constitute a default thereunder, or result in the creation or imposition of any Lien

pursuant to the terms of any such indenture, instrument or agreement (other than any Lien of Secured Party).

3.3. **Intentionally blank.**

3.4. **Litigation.** There is no litigation investigation or governmental proceeding threatened against Grantor or any of its properties which if adversely determined would result in a Material Adverse Event with respect to the Collateral or Grantor.

3.5. **No Other Names.** Grantor has not conducted business under any name except the name in which it has executed this Agreement.

3.6. **No Default or Event of Default.** No Default or Event of Default has occurred.

3.7. **No Financing Statements.** No financing statement describing all or any portion of the Collateral which has not lapsed or been terminated naming Grantor as debtor has been filed in any jurisdiction except (a) financing statements naming Secured Party as the secured party, (b) as permitted by *Section 4.1(d)*, and (c) with respect to a Permitted Lien.

3.8. **Pledged Securities and Other Investment Related Property.** *Exhibit A* sets forth a true, correct, and complete list of the Pledged Equity Interests owned by Grantor and pledged hereunder. Grantor is the direct and beneficial owner of each Pledged Equity Interests listed on *Exhibit A* as being owned by it, free and clear of any Liens, except for the security interest granted to Secured Party hereunder and any Permitted Lien. Grantor further represents and warrants that (a) all such Pledged Equity Interests which are ownership interests in a partnership or limited liability company have been (to the extent such concepts are relevant with respect to such Pledged Equity Interests) duly and validly issued, are fully paid and non-assessable and (b) with respect to any certificates delivered to Secured Party representing an ownership interest in a partnership or limited liability company, either such certificates are Securities as defined in Article 8 of the UCC of the applicable jurisdiction as a result of actions by the issuer or otherwise, or, if such certificates are not Securities, Grantor has so informed Secured Party so that Secured Party may take steps to perfect its Security Interest therein as a general intangible.

3.9. **Excluded Equity.** Grantor hereby represents and warrants that the Excluded Equity, when taken as a whole, is not material to the business operations or financial condition of Grantor.

4. **COVENANTS.** From the date of this Agreement, and thereafter until this Agreement is terminated:

4.1. **General.**

(a) **Inspection.** Grantor will permit Secured Party, by its representatives and agents (i) to inspect the Collateral, (ii) to examine and make copies of the records of Grantor relating to the Collateral and (iii) to discuss the Collateral and the related records of Grantor with, and to be advised as to the same by, Grantor's officers, employees, and

accountants all at such reasonable times and intervals as Secured Party may determine, and all at Grantor's expense.

(b) **Taxes.** Grantor will pay when due all taxes, assessments and governmental charges and levies upon the Collateral, except those which are being contested in good faith by appropriate proceedings and with respect to which no Lien exists and as to which appropriate reserves are being maintained.

(c) **Records and Reports; Notification of a Default and Event of Default.** Grantor will maintain true, complete, and accurate books and records with respect to the Collateral, and furnish to Secured Party such reports relating to the Collateral at such intervals as Secured Party shall from time to time request. Grantor will give prompt notice in writing to Secured Party of the occurrence of any Default or Event of Default and of any other development, financial or otherwise, which might materially and adversely affect the Collateral. Grantor shall mark its books and records to reflect the Security Interest of Secured Party under this Agreement.

(d) **Financing Statements and Other Actions; Defense of Title.** Grantor will deliver to Secured Party all financing statements and execute and deliver control agreements and other documents and take such other actions as may from time to time be requested by Secured Party in order to maintain, subject and subordinate to the Permitted Liens, a Security Interest in the Collateral. Grantor will take any and all actions necessary to defend title to the Collateral against all persons and to defend the Security Interest of Secured Party in the Collateral and the priority thereof against any Lien not expressly permitted hereunder.

(e) **Disposition of Collateral.** Grantor will not sell, lease or otherwise dispose of the Collateral.

(f) **Liens.** Grantor will not create, incur, or suffer to exist any Lien on the Collateral except (i) the Security Interest created by this Agreement, and (ii) other Liens permitted pursuant to the Credit Agreement.

(g) **Change in Location, Jurisdiction of Organization or Name.** Grantor will not (a) maintain a place of business at a location other than a location specified on *Exhibit D*, (b) change its name or taxpayer identification number, (c) change its mailing address, or (d) change its jurisdiction of organization, unless Grantor shall have given Secured Party not less than thirty (30) days' prior written notice thereof, and Secured Party shall have determined that such change will not adversely affect the validity, perfection or priority of Secured Party's Security Interest in the Collateral. Prior to making any of the foregoing changes, Grantor shall execute and deliver all such additional documents and perform all additional acts as Secured Party, in its sole discretion, may request in order to continue or maintain the existence and priority of its Security Interest in all of the Collateral

(h) **Other Financing Statements.** Grantor will not sign or authorize the signing on its behalf of any financing statement naming it as debtor covering all or any portion of the Collateral, except for Permitted Liens.

4.2. **Instruments and Securities.** Grantor will (a) deliver to Secured Party immediately upon execution of this Agreement the originals of all Securities and Instruments constituting Collateral, (b) hold in trust for Secured Party upon receipt and immediately thereafter deliver to Secured Party any future Securities and Instruments constituting Collateral, and (c) upon Secured Party's request, deliver to Secured Party (and thereafter hold in trust for Secured Party upon receipt and immediately deliver to Secured Party) any document evidencing or constituting Collateral.

4.3. **Uncertificated Securities and Certain Other Investment Property.** Grantor will permit Secured Party from time to time to cause the appropriate issuers (and, if held with a securities intermediary, such securities intermediary) of uncertificated securities or other types of investment property not represented by certificates which are Collateral to mark their books and records with the numbers and face amounts of all such uncertificated securities or other types of investment property not represented by certificates and all rollovers and replacements therefor to reflect the Lien of Secured Party granted pursuant to this Agreement. Grantor will take any actions necessary to cause (a) the issuers of uncertificated securities which are Collateral and which are Securities and (b) any financial intermediary which is the holder of any investment property, to cause Secured Party to have and retain Control over such Securities or other investment property. Without limiting the foregoing, Grantor will, with respect to investment property which is Collateral and held with a financial intermediary, cause such financial intermediary to enter into a control agreement with Secured Party in form and substance satisfactory to Secured Party.

4.4. **Stock, Pledged Equity Interests, and Other Ownership Interests.**

(a) **Changes in Capital Structure of Issuers.** Grantor will not (i) permit or suffer any issuer of privately held corporate securities or other ownership interests in a corporation, partnership, joint venture or limited liability company constituting Collateral to dissolve, liquidate, retire any of its capital stock or other Instruments or Securities evidencing ownership, reduce its capital or merge or consolidate with any other entity, or (ii) vote any of the Instruments, Securities or Pledged Equity Interests in favor of any of the foregoing.

(b) **Intentionally blank.**

(c) **Registration of Pledged Securities.** Grantor will permit any registerable Collateral to be registered in the name of Secured Party or its nominee at any time.

(d) **Exercise of Rights in Pledged Securities.** Grantor will permit Secured Party or its nominee at any time after the occurrence of an Event of Default, without notice, to exercise all voting and corporate rights relating to the Collateral, including exchange, subscription or any other rights, privileges, or options pertaining to any corporate securities or other ownership interests or investment property in or of a

corporation, partnership, joint venture or limited liability company constituting Collateral and the Stock Rights as if it were the absolute owner thereof.

(e) **Issuance of Securities.** Grantor shall not permit any Pledged Equity Interest to at any time constitute a Security or consent to the issuer of any such interests taking any action to have such interests treated as a Security unless (i) all certificates or other documents constituting such Security have been delivered to Secured Party and such Security is properly defined as such under Article 8 of the UCC of the applicable jurisdiction, whether as a result of actions by the issuer thereof or otherwise, or (ii) Secured Party has entered into a control agreement with the issuer of such Security or with a securities intermediary relating to such Security and such Security is defined as such under Article 8 of the UCC of the applicable jurisdiction, whether as a result of actions by the issuer thereof or otherwise.

4.5. **Intentionally blank.**

4.6. **Compliance with Agreements.** Grantor shall comply in all material respects with all mortgages, deeds of trust, instruments, and other agreements binding on it or affecting its properties or business.

4.7. **Compliance with Laws.** Grantor shall comply with all applicable laws, rules, regulations, and orders of any court or Governmental Authority.

4.8. **Further Assurances.** At any time and from time to time, upon the request of Secured Party, and at the sole expense of Grantor, Grantor shall promptly execute and deliver all such further instruments and documents and take such further action as Secured Party may deem necessary or desirable (a) to assure Secured Party that its Security Interests hereunder are perfected with a Lien, subject and subordinate to the Permitted Liens, and (b) to carry out the provisions and purposes of this Agreement, including (i) the filing of such financing statements as Secured Party may require, (ii) executing control agreements with respect to the Collateral, in each case naming Secured Party, as secured party, in form and substance satisfactory to Secured Party; (iii) furnishing to the Secured Party from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as Secured Party may reasonably request, all in reasonable detail, and (iv) taking all actions required by law in any relevant UCC, or by other law as applicable in any foreign jurisdiction. 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. Grantor shall promptly endorse and deliver to Secured Party all documents, instruments, and chattel paper that it now owns or may hereafter acquire.

5. **EVENTS OF DEFAULT**

5.1. **Remedies.** On and after the occurrence of an Event of Default under the Credit Agreement or any other Loan Document, Secured Party may exercise any or all of the following rights and remedies:

(a) Those rights and remedies provided in this Agreement, the Credit Agreement, or any other Loan Document, *provided that this Section 5.1(a)* shall limit any rights or remedies available to Secured Party prior to the occurrence an Event of Default.

(b) Those rights and remedies available to a secured party under the UCC (whether or not the UCC applies to the affected Collateral) or under any other applicable law (including any law governing the exercise of a bank's right of setoff or bankers' lien) when a Grantor is in default under a security agreement.

(c) Without notice except as specifically provided in *Section 8.1* or elsewhere herein, sell, lease, assign, grant an option or options to purchase or otherwise dispose of the Collateral or any part thereof in one or more parcels at public or private sale, for cash, on credit or for future delivery, and upon such other terms as Secured Party may deem commercially reasonable. Neither Secured Party's compliance with any applicable state or federal law in the conduct of such sale, nor its disclaimer of any warranties relating to the Collateral, shall be considered to affect the commercial reasonableness of such sale.

(d) On and after the occurrence of an Event of Default, all payments and distributions made on behalf of Grantor's Stock Rights shall be paid or delivered to Secured Party, and Grantor agrees to take all such action as Secured Party may deem necessary or appropriate to cause all such payments and distributions to be made to Secured Party. Further, Secured Party shall have the right, at any time after the occurrence of any Event of Default, to notify and direct any issuer to thereafter make all payments, dividends, and any other distributions payable in respect thereof directly to Secured Party. Such issuer shall be fully protected in relying on the written statement of Secured Party that it then holds a Security Interest which entitles it to receive such payments and distributions. Any and all money and other property paid over to or received by Secured Party hereunder shall be retained by as additional Collateral hereunder.

(e) On and after the occurrence of an Event of Default, Secured Party at any time may have any Collateral that is Pledged Equity Interests and that is in the possession of Secured Party, or its nominee or nominees, registered in its name, or in the name of its nominee or nominees, as Secured Party; and, as to any Collateral that is Pledged Equity Interests so registered, Secured Party shall execute and deliver (or cause to be executed and delivered) to Grantor all such proxies, powers of attorney, dividend coupons or orders, and other documents as Grantor may reasonably request for the purpose of enabling Grantor to exercise the voting rights and powers which it is entitled to exercise under this Agreement or to receive the dividends and other distributions and payments in respect of such Collateral that is Pledged Equity Interests or Proceeds thereof which it is authorized to receive and retain under this Agreement.

(f) Grantor recognizes that, by reason of certain prohibitions contained in the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (collectively, the "*Securities Act*") and applicable state securities laws, Secured Party may be compelled, with respect to any sale of all or any part of the Collateral conducted without prior registration or qualification of such Collateral under the Securities Act

and/or such state securities laws, to limit purchasers to those who will agree, among other things, to acquire the Collateral for their own account, for investment and not with a view to the distribution or resale thereof. Grantor acknowledges that any such private sale may be at prices and on terms less favorable than those obtainable through a public sale without such restrictions (including a public offering made pursuant to a registration statement under the Securities Act) and, notwithstanding such circumstances, Grantor agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner and that Secured Party shall have no obligation to engage in public sales and no obligation to delay the sale of any Collateral for the period of time necessary to permit the issuer thereof to register it for a form of public sale requiring registration under the Securities Act or under applicable state securities laws, even if such issuer would, or should, agree to so register it. If Secured Party determines to exercise its right to sell any or all of the Collateral, upon written request, Grantor shall and shall cause each issuer of any Securities to be sold hereunder, each partnership and each limited liability company from time to time to furnish to Secured Party all such information as Secured Party may request in order to determine the number and nature of interest, shares or other instruments included in the Collateral which may be sold by Secured Party in exempt transactions under the Securities Act and the rules and regulations of the Securities and Exchange Commission thereunder, as the same are from time to time in effect. In case of any sale of all or any part of the Collateral on credit or for future delivery, such Collateral so sold may be retained by Secured Party until the selling price is paid by the purchaser thereof, but the Secured Party shall not incur any liability in case of the failure of such purchaser to take up and pay for such assets so sold and in case of any such failure, such Collateral may again be sold upon like notice. Secured Party, instead of exercising the power of sale herein conferred upon them, may proceed by a suit or suits at law or in equity to foreclose Security Interests created hereunder and sell such Collateral, or any portion thereof, under a judgment or decree of a court or courts of competent jurisdiction.

(g) If Secured Party sells any of the Collateral upon credit, Grantor will be credited only with payments actually made by the purchaser, received by Secured Party, and applied to the indebtedness of the purchaser. In the event the purchaser fails to pay for the Collateral, Secured Party may resell the Collateral and Grantor shall be credited with the Proceeds of the sale

5.2. Grantor's Obligations Upon Event of Default. Upon the request of Secured Party on and after the occurrence of an Event of Default, Grantor will:

(a) **Assembly of Collateral.** Assemble and make available to Secured Party the Collateral and all records relating thereto at any place or places specified by Secured Party.

(b) **Secured Party Access.** Permit Secured Party, by Secured Party's representatives and agents, to enter any premises where all or any part of the Collateral, or the books and records relating thereto, or both, are located, to take possession of all or any part of the Collateral and to remove all or any part of the Collateral.

6. **WAIVERS, AMENDMENTS AND REMEDIES.** No delay or omission of Secured Party to exercise any right or remedy granted under this Agreement shall impair such right or remedy or be construed to be a waiver of any Event of Default, or an acquiescence therein, and any single or partial exercise of any such right or remedy shall not preclude any other or further exercise thereof or the exercise of any other right or remedy. No waiver, amendment or other variation of the terms, conditions or provisions of this Agreement whatsoever shall be valid unless in writing signed by Secured Party and then only to the extent in such writing specifically set forth. All rights and remedies contained in this Agreement or by law afforded shall be cumulative and all shall be available to Secured Party until this Agreement has been terminated pursuant to *Section 8.11*.

7. **PROCEEDS**

7.1. **Application of Proceeds.** After the occurrence and during the continuation of an Event of Default, the Proceeds of the Collateral shall be applied by Secured Party to payment of the Secured Obligations in such manner and order as Secured Party may elect in its sole discretion.

8. **GENERAL PROVISIONS**

8.1. **Notice of Disposition of Collateral.** Grantor hereby waives notice of the time and place of any public sale or the time after which any private sale or other disposition of all or any part of the Collateral may be made. To the extent such notice may not be waived under applicable law, any notice made shall be deemed reasonable if sent to Grantor, addressed as set forth in *Section 9.1*, at least ten (10) days prior to (a) the date of any such public sale or (b) the time after which any such private sale or other disposition may be made. Secured Party shall not be obligated to make any sale or other disposition of the Collateral regardless of notice having been given. Subject to the provisions of applicable law, Secured Party may postpone or cause the postponement of the sale of all or any portion of the Collateral by announcement at the time and place of such sale, and such sale may, without further notice, to the extent permitted by law, be made at the time and place to which the sale was postponed, or Secured Party may further postpone such sale by announcement made at such time and place.

8.2. **Secured Party Performance of Grantor's Obligations.** Without having any obligation to do so, Secured Party may perform or pay any Obligations which Grantor has agreed to perform or pay in this Agreement, and Grantor shall reimburse Secured Party for any amounts paid by Secured Party pursuant to this *Section 8.2*. Grantor's obligation to reimburse Secured Party pursuant to the preceding sentence shall be a Secured Obligation payable on demand.

8.3. **Authorization for Secured Party to Take Certain Action.** Grantor irrevocably authorizes Secured Party at any time and from time to time in the sole discretion of Secured Party, and appoints Secured Party as its attorney in fact, coupled with an interest, (a) to execute on behalf of Grantor as debtor and to file financing statements necessary or desirable in Secured Party's sole discretion to perfect and to maintain the perfection and priority of Secured Party's Security Interest in the Collateral, (b) to indorse and collect any cash Proceeds of the Collateral, (c) to file a carbon, photographic or other reproduction of this Agreement or any financing statement with respect to the Collateral as a financing statement in such offices as Secured Party

in its sole discretion deems necessary or desirable to perfect and to maintain the perfection and priority of Secured Party's Security Interest in the Collateral, (d) to contract and enter into one or more agreements with the issuers of uncertificated securities which are Collateral or Securities or with financial intermediaries holding other Collateral as may be necessary or advisable to give Secured Party Control over such Securities or other Collateral, (e) to apply the Proceeds of any Collateral received by Secured Party to the Secured Obligations as provided in **Section 7** and (f) to discharge past due taxes, assessments, charges, fees or Liens on the Collateral (except for such Liens as are specifically permitted hereunder), and Grantor agrees to reimburse Secured Party on demand for any payment made or any expense incurred by Secured Party in connection therewith, *provided that* this authorization shall not relieve Grantor of any of its obligations under this Agreement or under the Credit Agreement.

8.4. Specific Performance of Certain Covenants. Grantor acknowledges and agrees that a breach of any of the covenants contained in **Sections 4.1(d), 4.1(f), 4.2, or 8.7** or in **Section 7** will cause irreparable injury to Secured Party, that Secured Party has no adequate remedy at law in respect of such breaches and therefore agrees, without limiting the right of Secured Party to seek and obtain specific performance of other Obligations of Grantor contained in this Agreement, that the covenants of Grantor contained in the Sections referred to in this **Section 8.4** shall be specifically enforceable against Grantor.

8.5. Use and Possession of Certain Premises. Upon the occurrence of an Event of Default, Secured Party shall be entitled to occupy and use any premises owned or leased by Grantor where any of the Collateral or any records relating to the Collateral are located until the Secured Obligations are paid or the Collateral is removed therefrom, whichever first occurs, without any obligation to pay Grantor for such use and occupancy.

8.6. Dispositions Not Authorized. Grantor is not authorized to sell or otherwise dispose of the Collateral and notwithstanding any course of dealing between Grantor and Secured Party or other conduct of Secured Party, no authorization to sell or otherwise dispose of the Collateral (except as set forth in **Section 4.1(e)**) shall be binding upon Secured Party unless such authorization is in writing signed by Secured Party.

8.7. Benefit of Agreement. The terms and provisions of this Agreement shall be binding upon and inure to the benefit of Grantor, Secured Party and their respective successors and assigns, except that Grantor shall not have the right to assign its rights or delegate its Obligations under this Agreement or any interest herein, without the prior written consent of Secured Party.

8.8. Survival of Representations. All representations and warranties of Grantor contained in this Agreement shall survive the execution and delivery of this Agreement.

8.9. Taxes and Expenses. Any taxes (including income taxes) payable or ruled payable by Federal or State authority in respect of this Agreement shall be paid by Grantor, together with interest and penalties, if any. Grantor shall reimburse Secured Party for any and all out-of-pocket expenses and internal charges (including reasonable attorneys', auditors' and accountants' fees and reasonable time charges of attorneys, paralegals, auditors and accountants who may be employees of Secured Party) paid or incurred by Secured Party in connection with

the preparation, execution, delivery, and administration of this Agreement and in the audit, analysis, administration, collection, preservation or sale of the Collateral (including the expenses and charges associated with any periodic or special audit of the Collateral). In addition, Grantor shall be obligated to pay all of the costs and expenses incurred by Secured Party, including reasonable attorneys' fees and court costs, in obtaining or liquidating the Collateral, in enforcing payment of the Secured Obligations, or in the prosecution or defense of any action or proceeding by or against Secured Party or Grantor concerning any matter arising out of or connected with this Agreement, any Collateral or the Secured Obligations, including any of the foregoing arising in, arising under or related to a case under any bankruptcy, insolvency or similar law. Any and all costs and expenses incurred by Grantor in the performance of actions required pursuant to the terms hereof shall be borne solely by Grantor.

8.10. **Headings.** The title of and Section headings in this Agreement are for convenience of reference only, and shall not govern the interpretation of any of the terms and provisions of this Agreement.

8.11. **Termination.** This Agreement shall continue in effect (notwithstanding the fact that from time to time there may be no Secured Obligations outstanding) until all of the Secured Obligations have been indefeasibly paid and performed in full and no commitments of Secured Party which would give rise to any Secured Obligations are outstanding; *provided that* any termination of this Agreement under this **Section 8.11** is subject to **Section 8.17**.

8.12. **FINAL AGREEMENT.** THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

8.13. **CHOICE OF LAW.** THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF TEXAS, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

8.14. **INDEMNITY.** GRANTOR DOES HEREBY ASSUME ALL LIABILITY FOR THE COLLATERAL, FOR THE SECURITY INTEREST OF SECURED PARTY, AND FOR ANY USE, POSSESSION, MAINTENANCE, AND MANAGEMENT OF, ALL OR ANY OF THE COLLATERAL, INCLUDING ANY TAXES ARISING AS A RESULT OF, OR IN CONNECTION WITH, THE TRANSACTIONS CONTEMPLATED HEREIN, AND AGREES TO ASSUME LIABILITY FOR, AND TO INDEMNIFY AND HOLD SECURED PARTY AND ITS RESPECTIVE SUCCESSORS, ASSIGNS, AGENTS, ATTORNEYS, AND EMPLOYEES HARMLESS FROM AND AGAINST, ANY AND ALL CLAIMS, CAUSES OF ACTION, OR LIABILITY, FOR INJURIES TO OR DEATHS OF PERSONS AND DAMAGE TO PROPERTY, HOWSOEVER ARISING FROM OR INCIDENT TO SUCH USE, POSSESSION, MAINTENANCE, AND MANAGEMENT, WHETHER SUCH PERSONS BE AGENTS OR EMPLOYEES OF GRANTOR OR OF THIRD PARTIES, OR SUCH DAMAGE BE TO PROPERTY OF GRANTOR OR OF OTHERS. GRANTOR DOES HEREBY INDEMNIFY, SAVE, AND HOLD SECURED PARTY AND ITS RESPECTIVE

SUCCESSORS, ASSIGNS, AGENTS, ATTORNEYS, AND EMPLOYEES HARMLESS FROM AND AGAINST, AND COVENANTS TO DEFEND SECURED PARTY AGAINST, ANY AND ALL LOSSES, DAMAGES, CLAIMS, COSTS, PENALTIES, LIABILITIES, AND EXPENSES (COLLECTIVELY, "**CLAIMS**"), INCLUDING COURT COSTS AND REASONABLE ATTORNEYS' FEES, AND ANY OF THE FOREGOING ARISING FROM THE NEGLIGENCE OF SECURED PARTY OR ANY OF THEIR RESPECTIVE OFFICERS, EMPLOYEES, AGENTS, ADVISORS, EMPLOYEES, OR REPRESENTATIVES, HOWSOEVER ARISING OR INCURRED BECAUSE OF, INCIDENT TO, OR WITH RESPECT TO COLLATERAL OR ANY USE, POSSESSION, MAINTENANCE, OR MANAGEMENT THEREOF; *PROVIDED, HOWEVER*, THAT THE INDEMNITY SET FORTH IN THIS **SECTION 8.14** WILL NOT APPLY TO CLAIMS CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SECURED PARTY OR ANY OF THEIR RESPECTIVE OFFICERS, EMPLOYEES, AGENTS, ADVISORS, EMPLOYEES, OR REPRESENTATIVES, AS DETERMINED BY A COURT OF COMPETENT JURISDICTION IN FINAL AND NONAPPEALABLE JUDGMENT.

8.15. Limitation of Obligations.

(a) The provisions of this Agreement are severable, and in any action or proceeding involving any applicable law affecting the rights of creditors generally, if the Obligations of Grantor under this Agreement would otherwise be held or determined to be avoidable, invalid or unenforceable on account of the amount of Grantor's liability under this Agreement, then, notwithstanding any other provision of this Agreement to the contrary, the amount of such liability shall, without any further action by Grantor or Secured Party, be automatically limited and reduced to the highest amount that is valid and enforceable as determined in such action or proceeding (such highest amount determined hereunder being Grantor's "**Maximum Liability**").

(b) Notwithstanding any or all of the Secured Obligations becoming unenforceable against Grantor or the determination that any or all of the Secured Obligations shall have become discharged, disallowed, invalid, illegal, void or otherwise unenforceable as against Grantor (whether by operation of any present or future law or by order of any court or governmental agency), the Secured Obligations shall, for the purposes of this Agreement, continue to be outstanding and in full force and effect.

8.16. NO RELEASE OF GRANTOR. THE OBLIGATIONS OF GRANTOR UNDER THIS AGREEMENT SHALL NOT BE REDUCED, LIMITED OR TERMINATED, NOR SHALL GRANTOR BE DISCHARGED FROM ANY OBLIGATION HEREUNDER, FOR ANY REASON WHATSOEVER (other than pursuant to **Section 8.11**), including (and whether or not the same shall have occurred or failed to occur once or more than once and whether or not Grantor shall have received notice thereof):

(a) (i) any increase in the principal amount of, or interest rate applicable to, (ii) any extension of the time of payment, observance or performance of, (iii) any other amendment or modification of any of the other terms and provisions of, (iv) any release, composition or settlement (whether by way of acceptance of a plan of reorganization or otherwise) of, (v) any subordination (whether present or future or contractual or

otherwise) of, or (vi) any discharge, disallowance, invalidity, illegality, voidness or other unenforceability of, the Secured Obligations;

(b) (i) any failure to obtain, (ii) any release, composition or settlement of, (iii) any amendment or modification of any of the terms and provisions of, (iv) any subordination of, or (v) any discharge, disallowance, invalidity, illegality, voidness or other unenforceability of, any Loan Documents;

(c) (i) any failure to obtain or any release of, any failure to protect or preserve, (ii) any release, compromise, settlement or extension of the time of payment of any obligations constituting, (iii) any failure to perfect or maintain the perfection or priority of any Lien upon, (iv) any subordination of any Lien upon, or (v) any discharge, disallowance, invalidity, illegality, voidness or other unenforceability of any Lien or intended Lien upon, any Collateral now or hereafter securing the Secured Obligations or any other guaranties thereof;

(d) any termination of or change in any relationship between Grantor and Secured Party or the addition or release of Grantor;

(e) any exercise of, or any failure or election not to exercise, delay in the exercise of, waiver of, or forbearance of or other indulgence with respect to, any right, remedy or power available to Secured Party, including (i) any election not to or failure to exercise any right of setoff, recoupment or counterclaim, (ii) any election of remedies effected by Secured Party, including the foreclosure upon any real estate constituting Collateral, whether or not such election affects the right to obtain a deficiency judgment, and (iii) any election by Secured Party in any proceeding under the Bankruptcy Code of the application of *Section 1111(b)(2)* of the Bankruptcy Code; and

(f) ANY OTHER ACT OR FAILURE TO ACT OR ANY OTHER EVENT OR CIRCUMSTANCE THAT (i) VARIES THE RISK OF GRANTOR UNDER THIS AGREEMENT OR (ii) BUT FOR THE PROVISIONS HEREOF, WOULD, AS A MATTER OF STATUTE OR RULE OF LAW OR EQUITY, OPERATE TO REDUCE, LIMIT OR TERMINATE THE OBLIGATIONS OF GRANTOR HEREUNDER OR DISCHARGE GRANTOR FROM ANY OBLIGATION HEREUNDER.

8.17. Subordination of Certain Claims. Any and all rights and Claims of Grantor against any Person or property, arising by reason of any payment by Grantor to Secured Party pursuant to the provisions, or in respect, of this Agreement shall be subordinate, junior and subject in right of payment to the prior and indefeasible payment in full of all Secured Obligations to Secured Party, and until such time, Grantor defers all rights of subrogation, contribution or any similar right and until such time agree not to enforce any such right or remedy Secured Party may now or hereafter have against any Person of all or any part of the Secured Obligations and any right to participate in, or benefit from, any security given to Secured Party to secure any of the Secured Obligations. All Liens and Security Interests of Grantor, whether now or hereafter arising and howsoever existing, in any assets securing the Secured Obligations shall be and hereby are subordinated to the rights and interests of Secured Party and in those assets until the prior and indefeasible final payment in full of all Secured

Obligations to Secured Party. If any amount shall be paid to Grantor contrary to the provisions of this *Section* at any time when any of the Secured Obligations shall not have been indefeasibly paid in full, such amount shall be held in trust for the benefit of Secured Party and shall forthwith be turned over in kind in the form received to Secured Party (duly endorsed if necessary) to be credited and applied against the Secured Obligations, whether matured or unmatured, in accordance with the terms of the Credit Agreement

8.18. **Recovered Payments.** The Secured Obligations shall be deemed not to have been paid, observed or performed, and the Grantor's obligations under this Agreement in respect thereof shall continue and not be discharged, to the extent that any payment, observance or performance thereof by Grantor is recovered from or paid over by or for the account of Secured Party for any reason, including as a preference or fraudulent transfer or by virtue of any subordination (whether present or future or contractual or otherwise) of the Secured Obligations, whether such recovery or payment over is effected by any judgment, decree or order of any court or governmental agency, by any plan of reorganization or by settlement or compromise by Secured Party (whether or not consented to by Grantor) of any claim for any such recovery or payment over. Grantor hereby expressly waives the benefit of any applicable statute of limitations and agrees that it shall be liable hereunder whenever such a recovery or payment over occurs.

9. NOTICES

9.1. **Sending Notices.** Whenever any notice is required or permitted to be given under the terms of this Agreement, the same shall, except as otherwise expressly provided for in this Agreement, be given in writing, and sent by: (a) certified mail, return receipt requested, postage pre-paid; (b) a national overnight delivery service; (c) hand delivery with written receipt acknowledged; or (d) facsimile, followed by a copy sent in accordance with *clause (b)* or *(c)* of this *Section 9.1* sent the same day as the facsimile, in each case to the address or facsimile number (together with a contemporaneous copy to each copied addressee), as applicable, set forth in *Exhibit D*. Grantor and Secured Party shall not conduct communications contemplated by this Agreement by electronic mail or other electronic means, except by facsimile transmission as expressly provided in this *Section 9.1*, and the use of the phrase "in writing" or the word "written" shall not be construed to include electronic communications except by facsimile transmissions as expressly provided in this *Section 9.1*. Any notice required or given hereunder shall be deemed received the same Business Day if sent by hand delivery or facsimile, the next Business Day if sent by overnight courier, or three (3) Business Days after posting if sent by certified mail, return receipt requested; *provided that* any notice received after 5:00 p.m. Dallas, Texas time on any Business Day or received on any day that is not a Business Day shall be deemed to have been received on the following Business Day.

9.2. **Change in Address for Notices.** Grantor and Secured Party may change the address for service of notice upon it by a notice in writing to the other parties.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK
SIGNATURE PAGE FOLLOWS.]

IN WITNESS WHEREOF, Grantor and Secured Party have executed this Agreement as of the date first above written.

GRANTOR:

GENTRY MILLS CAPITAL, L.L.C.,
a Texas limited liability company

By:  _____
William P. Glass, Manager

SECURED PARTY:

LSM INITIATIVES, LLC

By: _____
Larry Long, Manager

IN WITNESS WHEREOF, Grantor and Secured Party have executed this Agreement as of the date first above written.

GRANTOR:

GENTRY MILLS CAPITAL, L.L.C.,
a Texas limited liability company

By: _____
William P. Glass, Manager

SECURED PARTY:

LSM INITIATIVES, LLC

By:  _____
Larry Long, Manager

EXHIBIT A

<u>Issuer</u>	<u>Description of Collateral</u>	<u>Percentage Ownership Interest</u>
GMI-Harrison 165, LP	Limited Partner Interest	100%*
GMI-Harrison 165 GP, LLC	Membership Interest	100%
GMI-AF, GP LLC	Membership Interest	100%
GMI- Bay Vista Apartments I GP, LLC	Membership Interest	100%
GMI- Broomfield 139 GP, LLC	Membership Interest	100%
GMI- BWI GP, LLC	Membership Interest	100%
GMI- 164 Corpus GP, LLC	Membership Interest	100%
GMI- Lakeway 109 GP, LLC	Membership Interest	100%
GMI- Long Island 154 GP, LLC	Membership Interest	100%
GMI- Long Island HWS GP, LLC	Membership Interest	100%
GMI- 108 Mission GP, LLC	Membership Interest	100%
GMI- 192 Mission GP, LLC	Membership Interest	100%
GMI- NOMA GP, LLC	Membership Interest	100%
GMI- Palmdale Hospitality GP, LLC	Membership Interest	100%
GMI- Pine Hill Crossing GP, LLC	Membership Interest	100%
GMI- Portland 121 GP, LLC	Membership Interest	100%
GMI- Shiloh/O'Fallon GP, LLC	Membership Interest	100%
GMI- TPS Irving GP, LLC	Membership Interest	100%

*to be reduced as additional limited partners are admitted

EXHIBIT B

UCC Filing Jurisdictions

<u>Grantor</u>	<u>Jurisdiction</u>
Gentry Mills Capital, L.L.C.	Texas Secretary of State

EXHIBIT C

Federal Employer Identification Number

<u>Grantor</u>	Federal Employer <u>Identification Number</u>
Gentry Mills Capital, L.L.C.	75-2780201

EXHIBIT D

Principal Place of Business and Mailing Address:

GENTRY MILLS CAPITAL, L.L.C.
251 O'Connor Ridge Boulevard, Suite 100
Irving, Texas 75038
Attention: William P. Glass