

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): December 10, 2010

NATURAL GAS SERVICES GROUP, INC.

(Exact Name of Registrant as Specified in Charter)

Colorado
(State or Other Jurisdiction
of Incorporation)

1-31398
(Commission File Number)

75-2811855
(IRS Employer Identification No.)

508 West Wall Street, Suite 550
Midland, TX 79701
(Address of Principal Executive Offices)

(432) 262-2700
(Registrant's Telephone Number, Including Area Code)

N/A
(Former Name or Former Address if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b)).
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c)).
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Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

On December 10, 2010, we established a \$20 million senior secured revolving credit facility (subject to a right, on an uncommitted basis, to increase the commitments thereunder to up to \$40 million) with JPMorgan Chase Bank, N.A. (the "Credit Agreement").

The Credit Agreement provides us with an aggregate initial commitment amount of \$20 million, subject to collateral availability. The terms of the Credit Agreement also include:

Borrowing Base. At any time before the maturity of the facility, we may draw, repay and re-borrow amounts available under the borrowing base up to the maximum aggregate availability discussed above. Generally, the borrowing base equals the sum of (a) 80% of our eligible accounts receivable plus (b) 50% of the book value of our eligible general inventory (not to exceed 50% of the commitment amount at the time) plus (c) 75% of the book value of our eligible equipment inventory. JPMorgan Chase Bank (the "Lender") may adjust the borrowing base components if material deviations in the collateral are discovered in future audits of the collateral.

Interest and Fees. Under the terms of the Credit Agreement, we have the option of selecting the applicable variable rate for each revolving loan, or portion thereof, of either (a) LIBOR multiplied by the Statutory Reserve Rate (as defined in the Credit Agreement) to which the Lender is subject, with respect to this rate, for Eurocurrency funding, plus the Applicable Margin ("LIBOR-based"), or (b) CB Floating Rate, which is the Lender's Prime Rate less the Applicable Margin; provided, however, that no more than three LIBOR-based borrowings under the facility may be outstanding at any one time. The "Applicable Margin" is based on our leverage ratio (debt-to-EBITDA). For purposes of the LIBOR-based interest rate, the Applicable Margin ranges from 2.25% if our leverage ratio exceeds 2.00x to 1.75% if our leverage ratio is less than 1.00x. For purposes of the CB Floating Rate, the Applicable Margin ranges from 0.50% if our leverage ratio exceeds 2.00x to 1.00% if our leverage ratio is less than 1.00x.

Accrued interest is payable monthly on outstanding principal amounts, provided that accrued interest on LIBOR-based loans is payable at the end of each interest period, but in no event less frequently than quarterly. In addition, fees and expenses are payable in connection with our requests for letters of credit (generally equal to the Applicable Margin for LIBOR-related borrowings multiplied by the face amount of the requested letter of credit) and administrative and legal costs.

Maturity. The maturity date of the secured revolving credit facility under the Credit Agreement is December 31, 2011, at which time all amounts borrowed under the facility will be due and outstanding letters of credit must be cash collateralized. The facility may be terminated early upon our request or the occurrence of an event of default.

Security. The obligations under the Credit Agreement are secured by a first priority lien equal to approximately two times the loan commitment as represented by our rental fleet equipment.

Covenants. The Credit Agreement contains customary representations and warranties, as well as covenants which, among other things, limit our ability to incur additional indebtedness and liens; enter into transactions with affiliates; make acquisitions in excess of certain amounts; pay dividends; redeem or repurchase capital stock or senior notes; make investments or loans; make negative pledges; consolidate, merge or effect asset sales; or change the nature of our business.

Events of Default and Acceleration. The secured revolving credit facility contains customary events of default for credit facilities of this size and type, and includes, without limitation, payment defaults; defaults in performance of covenants or other agreements contained in the transaction documents; inaccuracies in representations and warranties; certain defaults, termination events or similar events; certain defaults with respect to any other Company indebtedness in excess of \$50,000; certain bankruptcy or insolvency events; the rendering of certain judgments in excess of \$150,000; certain ERISA events; certain change in control events and the defectiveness of any liens under the secured revolving credit facility. Obligations under the secured revolving credit facility may be accelerated upon the occurrence of an event of default.

In connection with establishing the credit facility, we paid \$2,816,106 to Western National Bank which represented payment in full of the principal and interest owed under our term loan with WNB. In making this payment, we drew \$2,000,000 on the line of credit under the Credit Agreement described above.

This description of the JPMorgan Chase Bank revolving credit facility is qualified in its entirety by the Credit Agreement, Security Agreement and Promissory Note, which are attached as exhibits hereto.

Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers; Compensatory Arrangements of Certain Officers.

On December 10, 2010, Earl R. Wait announced his intention to resign and retire as our Vice President – Accounting (principal accounting officer), effective December 31, 2010. In order to assist with the transition to a new principal accounting officer, Mr. Wait has agreed to provide accounting and financial consulting services during the first quarter of 2011 at a rate of \$2,000 per week (subject to reduction at a rate of \$50 per hour if Mr. Wait is unavailable to provide services.) In addition,

- we have agreed to reimburse Mr. Wait up to \$500 per month for health care insurance premiums for up to 18 months after December 31, 2010; and
 - upon execution of a release, we have agreed to pay Mr. Wait any unused vacation pay and accelerate the vesting of (i) 6,667 shares of our common stock underlying a stock option with an exercise price \$17.74 per share and a restricted stock award in the amount of 1,227 shares of our common stock.
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On December 14, 2010, our Board of Directors approved a resolution promoting our current accounting controller, G. Larry Lawrence, to the position of Treasurer, Manager of Accounting, Principal Accounting Officer and Corporate Secretary, effective upon Mr. Wait's last day of employment. Mr. Lawrence has worked in accounting and related management consulting for over 30 years. From June 2006 to August 2010 Mr. Lawrence was self employed as a management consultant doing business as Crescent Consulting. Overlapping this time, from September 2006 to August 2009, he also served as the CFO of Lynx Operating Company. Lynx is a private company engaged in oil and gas production and gas processing activities. From May 2004 through April 2006 Mr. Lawrence served as Controller of Pure Resources, an exploration and production company and wholly owned subsidiary of Unocal Corporation which was acquired by Chevron Corporation. From June 2000 through May 2004, Mr. Lawrence was a practice manager of the Parson Group, LLC, a financial management consulting firm whose services included Sarbanes Oxley engagements with oil and natural gas industry clients. From 1973 through May 2000, Mr. Lawrence was employed by Atlantic Richfield Company where he most recently (from 1993 through 2000) served as Controller of ARCO Permian. Since May 2006, Mr. Lawrence has served as a director of Legacy Reserves, LP. Mr. Lawrence has a Bachelor of Arts in Accounting, with honors, from Dillard University.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
10.1	Credit Agreement between Natural Gas Services Group, Inc. and JPMorgan Chase Bank, N.A., dated December 10, 2010
10.2	Security Agreement between Natural Gas Services Group, Inc. and JPMorgan Chase Bank, N.A., dated December 10, 2010
10.3	Promissory Note in the aggregate amount of \$20,000,000 issued to JPMorgan Chase Bank, N.A., dated December 10, 2010, in connection with the revolving credit line under the Credit Agreement with JPMorgan Chase Bank, N.A.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NATURAL GAS SERVICES GROUP, INC.

Dated: December 16, 2010

By: /s/ Stephen C. Taylor

Stephen C. Taylor
President & Chief Executive Officer

CREDIT AGREEMENT

This Credit Agreement ("Agreement") is made as of December 10, 2010, by and between NATURAL GAS SERVICES GROUP, INC., a Colorado corporation ("Borrower"), and JPMORGAN CHASE BANK, N.A., a national banking association ("Lender"). Borrower has requested that Lender make loans to Borrower in the following manner and subject to the following terms and conditions:

ARTICLE I

Definitions

Section 1.01 Certain Definitions. Unless a particular word or phrase is otherwise defined or the context otherwise requires, capitalized words and phrases used in this Agreement shall have the following meanings (all definitions that are defined in this Agreement in the singular to have the same meanings when used in the plural and vice versa):

Account shall have the meaning set forth in Article 9 of the UCC.

Acquisition means any transaction, or any series of related transactions, consummated on or after the date hereof, by which the Borrower or any of its Domestic Subsidiaries (a) acquires any going business or all or substantially all of the assets of any Person, whether through purchase of assets, merger or otherwise or (b) directly or indirectly acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes) of the Equity Interests of a Person which has ordinary voting power for the election of directors or other similar management personnel of a Person (other than Equity Interests having such power only by reason of the happening of a contingency) or a majority of the outstanding Equity Interests of a Person.

Adjusted LIBOR Rate means, with respect to any LIBOR Borrowing for any Interest Period or for any CBF Borrowing, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBOR Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate

Adjusted One Month LIBOR Rate means, for any day, an interest rate per annum equal to the sum of (i) 2.50% per annum plus (ii) the Adjusted LIBOR Rate for a one month Interest Period on such day (or if such day is not a Business Day, the immediately preceding Business Day); provided that, for the avoidance of doubt, the Adjusted LIBOR Rate for any day shall be based on the rate appearing on the Reuters Screen LIBOR01 Page (or on any successor or substitute page) at approximately 11:00 a.m. London time on such day (without any rounding).

Affiliate means any Person controlling, controlled by or under common control with any other Person. For purposes of this definition, "control" (including "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of any indicia of equity rights (whether issued and outstanding capital stock, partnership interests or otherwise) or by any other means.

Agreement means this Credit Agreement, as it may from time to time be amended, modified, restated or supplemented.

Annual Audited Financial Statements means, with respect to each fiscal year of the Borrower, (a) the Borrower's 10-K Report filed with the Securities Exchange Commission for such fiscal year, prepared in conformity with GAAP and accompanied by a report and opinion of independent certified public accountants with an accounting firm of standing and reputation acceptable to the Lender, which shall state that such financial statements, in the opinion of such accountants, present fairly, in all material respects, the financial position of the Borrower and its Subsidiaries, on a consolidated basis, as of the date thereof and the results of its operations and cash flows for the period covered thereby in conformity with GAAP, and (b) the annual consolidating financial statements of the Borrower and its Subsidiaries, containing a balance sheet as of the end of such fiscal year and an income statement, retained earnings statements and a statement of cash flows for such fiscal year, all prepared in reasonable detail and certified as true and correct by an authorized officer of Borrower acceptable to Lender on behalf of Borrower, with the parties recognizing that such consolidating statements will be prepared in accordance with GAAP only to the extent normal and customary and shall not be required until the end of the first full fiscal quarter of Borrower occurring after the creation or acquisition by Borrower of its first Subsidiary, if any.

Applicable Margin means, for any day, the applicable rate per annum set forth below based upon the Borrower's Leverage Ratio as of the most recent determination date, provided that until the delivery to the Lender, pursuant to Section 5.02(b) below, of the Borrower's Quarterly Financial Statements for the Borrower's fiscal quarter ending December 31, 2010, the "Applicable Margin" shall be the applicable rate per annum set forth below in Category 3:

Leverage Ratio	Applicable Margin for CBFR Borrowings	Applicable Margin for LIBOR Borrowings
Category 1 > 2.00x	-0.50%	+2.25%

Category 2 > 1.00x	-0.75%	+2.00%
Category 3 > 1.00x	-1.00%	+1.75%

For purposes of the foregoing, (a) the Applicable Margin shall be determined as of the end of each fiscal quarter of the Borrower (commencing with the fiscal quarter ending December 31, 2010) based upon the Borrower's Annual Financial Statements or Quarterly Financial Statements, as applicable, together with the related Compliance Certificates, delivered pursuant to Sections 5.02(a), 5.02(b) and 5.02(c) hereof, and (b) each change in the Applicable Margin resulting from a change in the Leverage Ratio shall be effective during the period commencing ten (10) days after the date of delivery to the Lender of such financial statements indicating such change and ending on the date immediately preceding the effective date of the next such change, provided that the Leverage Ratio shall be deemed to be in Category 1 at the option of the Lender if the Borrower fails to deliver the Annual Audited Financial Statements or Quarterly Financial Statements, as applicable, together with the related Compliance Certificates, required to be delivered pursuant to Sections 5.02(a), 5.02(b) and 5.02(c) hereof during the period from the expiration of the time for delivery thereof until such financial statements are delivered.

Applicable Lending Office shall mean Lender's Domestic Lending Office in the case of a CBFR Borrowing and Lender's LIBOR Lending Office in the case of a LIBOR Borrowing.

Applications means all applications and agreements for Letters of Credit, or similar instruments or agreements, in Proper Form, now or hereafter executed by Borrower in favor of Lender in connection with any Letter of Credit now or hereafter issued or to be issued under the terms of Section 2.08 at the request of Borrower.

Availability means, as at any date, an amount equal to (a) the lesser of (i) the Commitment or (ii) the Borrowing Base, minus (b) the aggregate amount of the Loans then outstanding, minus (c) the aggregate amount of the Letter of Credit Liabilities then outstanding, minus (c) all Rent Reserves, all at said date.

Bankruptcy Code means the United States Bankruptcy Code, as amended, and any successor statute.

Board means the Board of Governors of the Federal Reserve System of the United States of America and any successor entity performing similar functions.

Book Value means the depreciated book value of the applicable Equipment Inventory or General Inventory, as the case may be, as shown on the Borrower's financial records, so long as the applicable depreciation schedule utilized (i) is in accordance with GAAP for depreciating the applicable type of Inventory and (ii) is consistently applied at all times during the term of this Agreement.

Borrowing Authorization means (i) with respect to a corporation, a certificate, in Proper Form, of the Secretary or an Assistant Secretary of a corporation as to the resolutions of the Board of Directors of such corporation authorizing the execution, delivery and performance of the Credit Documents to be executed by such corporation; the incumbency and signature of the officer of such corporation executing such documents on behalf of such corporation, and the Organizational Documents of such corporation, and (ii) with respect to a partnership, limited liability company, joint venture or other non-individual Person, such written instruments as shall be required by Lender, each in Proper Form, authorizing the execution, delivery and performance of the Credit Documents to be executed by such Person; the incumbency and signature of the representative of such Person executing such documents on behalf of such Person, and the Organizational Documents of such Person.

Borrowing Base means, as at any date, the amount of the Borrowing Base shown on the Borrowing Base Certificate then most recently delivered pursuant to Paragraph 5.02(c) hereof, determined by calculating the amount equal to the sum of the following:

- (a) 80% of the Eligible Receivables of Borrower and its Domestic Subsidiaries at said date; plus
- (b) 50% of the Book Value of the Eligible General Inventory of Borrower at said date; provided, however, that the amount of the Borrowing Base attributable to the Eligible General Inventory component described in this subparagraph on any date shall never exceed 50% of the aggregate amount of the Commitment as of such date; plus
- (c) 75% of the Book Value of the Eligible Equipment Inventory of Borrower at said date.

In the absence of a current Borrowing Base Certificate, Lender may determine the Borrowing Base from time to time in its reasonable discretion, taking into account all information reasonably available to it, and the Borrowing Base from time to time so determined shall be the Borrowing Base for all purposes of this Agreement until a current Borrowing Base Certificate, in Proper Form, is furnished to and accepted by Lender. Notwithstanding any provision to the contrary in this Agreement or in any other Credit Document, if any collateral audit or field exam of Borrower's and its Subsidiaries' operations and Collateral by Lender after the date hereof (i) discloses any material deviations for the applicable Borrowing Base components reported under the most recently delivered Borrowing Base Certificate, then the applicable Borrowing Base components for which such deviations are discovered may be adjusted accordingly at Lender's reasonable discretion, or (ii) results in material negative adjustments when compared to the results from the collateral audit or field exam of Borrower's operations and Collateral conducted by Lender prior to the date of this Agreement, then the Borrowing Base components and features (i.e., eligibility criteria and/or Borrowing Base advance rates) may be adjusted accordingly at Lender's reasonable discretion.

Borrowing Base Certificate means a certificate, duly executed by an appropriate officer or other responsible party acceptable to Lender on behalf of Borrower, appropriately completed and in substantially the form of Exhibit C hereto. Each Borrowing Base Certificate shall be effective only as accepted by Lender (and with such revisions, if any, as Lender may reasonably require as a condition to such acceptance).

Business Day means a day (other than a Saturday or Sunday) on which banks generally are open in Austin, Chicago and Dallas for the conduct of substantially all of their commercial lending activities and interbank wire transfers can be made on the Fedwire system; provided, however, that with respect to LIBOR Borrowings and the Adjusted One Month LIBOR Rate, Business Day shall also mean a day on which transactions in dollar deposits between lenders may be carried on in the London eurodollar interbank market.

Capital Expenditures means, as to any Person, without duplication, any expenditure or commitment to expend money for any purchase or other acquisition of any asset which would be classified as a fixed or capital asset on a balance sheet of such Person prepared in accordance with GAAP.

Capital Lease Obligations means, as to any Person, the obligations of such Person to pay rent or other amounts under a lease of (or other agreement conveying the right to use) real and/or personal Property which obligations are required to be classified and accounted for as a capital lease on a balance sheet of such Person under GAAP (including Statement of Financial Accounting Standards No. 13 of the Financial Accounting Standards Board, as amended) and, for purposes of this Agreement, the amount of such obligations shall be the capitalized amount thereof, determined in accordance with GAAP (including such Statement No. 13).

CBFR Borrowing shall mean, as of any date, that portion of the principal balance of the Loans bearing interest at the CB Floating Rate as of such date.

CB Floating Rate means, on any day, the Prime Rate for such day; provided that the CB Floating Rate shall never be less than the Adjusted One Month LIBOR Rate for a one month Interest Period on such day (or if such day is not a Business Day, the immediately preceding Business Day). Any change in the CB Floating Rate due to a change in the Prime Rate or the Adjusted One Month LIBOR Rate shall be effective from and including the effective date of such change in the Prime Rate or the Adjusted One Month LIBOR Rate, respectively.

Ceiling Rate means, on any day, the maximum nonusurious rate of interest permitted for that day by whichever of applicable federal or Texas laws permits the higher interest rate, stated as a rate per annum. On each day, if any, that the Texas Finance Code establishes the Ceiling Rate, the Ceiling Rate shall be the "weekly ceiling" (as defined in the Texas Finance Code) for that day. Lender may from time to time, as to current and future balances, implement any other ceiling under the Texas Finance Code by notice to Borrower, if and to the extent permitted by the Texas Finance Code. Without notice to Borrower or any other person or entity, the Ceiling Rate shall automatically fluctuate upward and downward as and in the amount by which such maximum nonusurious rate of interest permitted by applicable law fluctuates.

Change in Law means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by Lender (or, for purposes of Section 2.06(a), by any lending office of Lender or by Lender's holding company) with any binding request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement. Notwithstanding anything herein to the contrary, the Dodd Frank Wall Street Reform and Consumer Protection Act, and all requests, rules, guidelines and directives promulgated thereunder shall be deemed to be "Changes in law", regardless of the date enacted or adopted.

Chattel Paper shall have the meaning set forth in Article 9 of the UCC.

Code means the Internal Revenue Code of 1986, as amended, as now or hereafter in effect, together with all regulations, rulings and interpretations thereof or thereunder by the Internal Revenue Service.

Collateral means (a) all Accounts now or hereafter owned by Borrower and/or any of its Domestic Subsidiaries, (b) all leases and other Chattel Paper covering all or any portion of any rental compressor Inventory of Borrower and/or any of its Domestic Subsidiaries (including any Equipment Inventory), including without limitation, all rights to payments now or hereafter due and owing thereunder, (c) all General Inventory now or hereafter owned by Borrower and/or any of its Domestic Subsidiaries, (d) all Equipment Inventory now or hereafter designated by Borrower in accordance with the other terms of this Agreement, together with all leases of any Equipment Inventory and other Chattel Paper covering or otherwise related to any Equipment Inventory, now or hereafter owned by Borrower and/or any of its Domestic Subsidiaries, (e) 100% of all Equity Interests hereafter owned by Borrower and/or any of its Domestic Subsidiaries (i) in all Domestic Subsidiaries of the Borrower hereafter created or acquired and (ii) in any other non-Subsidiary entity in which Borrower and/or any of its Domestic Subsidiaries hereafter acquires any Equity Interest, (f) 65% of all Equity Interests in all non-Domestic Subsidiaries of the Borrower hereafter existing, and (g) all products and proceeds of any of the foregoing.

Collateral Access Agreement means any landlord waiver, subordination or other agreement, in form and substance satisfactory to Lender, between Lender and any third party (including any licensor, bailee, consignee, customs broker, or other similar Person) in possession of any Collateral or any landlord of Borrower or any of its Domestic Subsidiaries for any leased real property where any Collateral is located, as such landlord waiver, subordination or other agreement may be amended, restated, or otherwise modified from time to time.

Commitment means the obligation of Lender to make Loans to the Borrower in an aggregate principal amount at any one time outstanding up to (but not exceeding) \$20,000,000.00, as the same may hereafter be reduced by Borrower in accordance with the terms of Section 2.01(b) hereof or increased in accordance with the terms of Section 2.01(c) hereof.

Commitment Coverage Ratio means, on any day, the ratio of (a) the amount of the Borrowing Base as of such date to (b) the amount of the Commitment as of such date.

Compliance Certificate shall have the meaning given to it in Section 5.02(c) hereof.

Consequential Loss shall mean, any amounts payable under Section 2.05(d).

Controlled Group means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the applicable Person, are treated as a single employer under Section 414 of the Code.

Cover means, on any day, an amount equal to 105% of the aggregate Letter of Credit Liabilities then outstanding on such day, such amount to be paid in immediately available funds and collaterally assigned by Borrower to Lender and held by Lender as security for the Obligations using documentation satisfactory to Lender. Such amount shall be retained by Lender in a collateral account until such time as the applicable Letters of Credit for which such Cover has been paid shall have expired and the Letter of Credit Liabilities, if any, with respect thereto shall have been fully satisfied; provided, however, that at such time if a Default or Event of Default has occurred and is continuing, Lender shall not be required to release such amount in such collateral account.

Credit Documents means any and all papers now or hereafter governing, evidencing, guaranteeing or securing or otherwise relating to all or any part of the Obligations, including the Note, this Agreement, Borrowing Authorizations with respect to all such Persons as Lender may require, the Security Documents, the Letter of Credit Documents, all instruments, certificates and agreements now or hereafter executed or delivered to Lender pursuant to any of the foregoing or in connection with the Loans or any commitment regarding the Loans, including without limitation, any International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement or any similar or other agreement with respect to any Rate Management Transaction, and all amendments, modifications, renewals, extensions, increases and rearrangements of, and substitutions for, any of the foregoing.

Default means an Event of Default or an event which with notice or lapse of time or both would, unless cured or waived, become an Event of Default.

Default Rate means, on any day, a rate per annum equal to the lesser of (a) the Ceiling Rate for that day, or (b) a rate per annum equal to five percent (5.00%) in excess of (i) the CB Floating Rate minus (ii) the Applicable Margin for CBFRR Borrowings.

Distributions means all dividends and other distributions made by a Person to holders of Equity Interests in such Person or to the officers or directors of such Person, as the case may be, other than salary, bonuses, stock grants, restricted stock awards, option grants and other compensation for services expended or rendered.

Dollars or \$ refers to lawful money of the United States of America.

Domestic Lending Office shall mean the office of Lender specified in the address portion on the signature pages hereof, or such other office of Lender as Lender may from time to time specify to the Borrower as its "Domestic Lending Office."

Domestic Subsidiary shall mean any Subsidiary that is organized and domiciled in the United States of America.

EBITDA means for any Person for any period, (a) Net Income, plus (b) the sum of (i) income tax expense, (ii) Interest Expense, (iii) depreciation, depletion, obsolescence and amortization expense, (iv) non-cash stock compensation expense, (v) unrealized losses on derivatives and investments in Equity Interests, (vi) extraordinary expenses (including, but not limited to, impairment of goodwill and other intangibles), (vii) non-recurring, non-cash expenses, and (viii) losses attributable to minority ownership interests in Equity Interests, minus (c) the sum of (i) unrealized gains on derivatives and investments in Equity Interests, (ii) extraordinary income, (iii) non-recurring, non-cash income, (iv) gains attributable to minority ownership interests in Equity Interests, in each case of such Person for such period, with each component of EBITDA to be computed and calculated, all without duplication, on a consolidated basis and in accordance with GAAP.

Eligible Receivables means, as at any date of determination thereof, each Receivable which at such date is payable and owing to Borrower or any of its Domestic Subsidiaries and which complies with all of the following requirements:

- (a) all payments due on the Receivable have been billed and invoiced in a timely fashion and in the normal course of business;
 - (b) no payment on the Receivable is more than 90 days past the date of invoice or 60 days past due;
 - (c) the Receivable has been created by Borrower or its applicable Domestic Subsidiary in the ordinary course of business from a completed, outright and lawful sale of goods, to which such goods have been shipped and title has passed to the applicable account debtor on an absolute sales basis, or from the rendering of services by or on behalf of Borrower or such Domestic Subsidiary and is deemed "earned" under the applicable service contract or other agreement between the applicable account debtor and Borrower or such Domestic Subsidiary; provided, however, that notwithstanding the foregoing and except as expressly excluded in the immediately following proviso, Receivables arising under leases of rental Inventory owned by Borrower or its applicable Domestic Subsidiary may be billed for up to thirty (30) days in advance in accordance with the terms of the applicable rental Inventory lease; provided further, however, that one-half (1/2) of the difference between (i) the aggregate amount of all Receivables shown on the most recent listing and aging of Receivables furnished to Lender and (ii) the actual amount of such Receivables permitted to be included as an asset on the consolidated balance sheet of the Borrower in accordance with GAAP (as determined by Lender based upon Lender's review of (A) the most recent Annual Audited Financial Statements or Quarterly Financial Statements of Borrower, as applicable, furnished by Borrower to Lender, or (B) if applicable, the supporting schedules accompanying the most recent Borrowing Base Certificate furnished by Borrower to Lender with respect to any calendar month-end not coinciding with the end of any fiscal quarter of Borrower) shall be expressly excluded from Eligible Receivables;
 - (d) the Receivable is Collateral hereunder and is subject to a first priority perfected Lien in favor of Lender which is free and clear of all other Liens of any nature whatsoever (except for Liens permitted under Section 6.02);
 - (e) less than twenty percent (20%) of all billed Receivables owing by the applicable account debtor to Borrower and its Domestic Subsidiaries are more than 60 days past due;
 - (f) the Receivable, together with all other Receivables owing from the applicable debtor and its Affiliates to Borrower and its Domestic Subsidiaries, is not in excess of twenty percent (20%) of the aggregate amount of all Receivables then owing to Borrower and its Domestic Subsidiaries by all account debtors (it being agreed that for purposes of this subparagraph, only the aggregate amount of such Receivables owing from the applicable debtor and its Affiliates in excess of such 20% concentration threshold shall be excluded from Eligible Receivables);
 - (g) the Receivable does not arise out of a bill-and-hold, guaranteed sale, sale-and-return, consignment, sale-on-approval, progress billing, promotional (including samples), C.O.D. or cash in advance arrangement;
 - (h) the Receivable is not subject to any setoff, contra, offset, deduction, dispute, charge back, credit, counterclaim or other defense arising out of the transactions represented by the Receivable or independently thereof (but in each case regarding an undisputed liquidated sum, only to the extent of such undisputed sum, and in each case regarding a disputed sum or claim, only to the extent of the sum or amount claimed by the party adverse to Borrower or its applicable Domestic Subsidiary);
 - (i) the applicable account debtor has finally accepted the goods or services from the sale out of which the Receivable arose and has not (1) objected to such account debtor's liability thereon, (2) rejected any of such services or goods, or (3) returned or repossessed any of such goods, except for goods returned in the ordinary course of business for which, in the case of goods returned, goods of equal or greater value have been shipped in return;
 - (j) the applicable account debtor is not any Governmental Authority;
 - (k) the applicable account debtor is not a director, officer, employee or any Affiliate of Borrower or any of its Subsidiaries;
 - (l) the applicable account debtor must not be a natural Person, must be organized under the laws of any state, and must have its principal place of business located within the United States;
 - (m) the Receivable is not evidenced by a promissory note or other instrument (other than by Chattel Paper constituting any lease of any rental compressor Inventory of Debtor);
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- (n) the Receivable complies with all material Legal Requirements (including without limitation, all usury laws, fair credit reporting and billing laws, fair debt collection practices and rules, and regulations relating to truth in lending and other similar matters);
- (o) the Receivable is in full force and effect and constitutes a legal, valid and binding obligation of the applicable account debtor enforceable in accordance with the terms thereof;
- (p) the Receivable is denominated in and provides for payment by the applicable account debtor in U.S. dollars;
- (s) the Receivable has not been and is not required to be charged or written off as uncollectible in accordance with GAAP; and
- (q) the credit standing of the applicable account debtor in relation to the amount of credit extended has not become unsatisfactory to Lender in its reasonable discretion.

Additionally, in calculating Eligible Receivables, each of the following shall be excluded (to the extent the same are otherwise included in Eligible Receivables): (i) unpaid sales, excise or similar taxes owed by Borrower and/or any of its Domestic Subsidiaries; and (ii) returns, discounts, claims, credits and allowances of any nature asserted or taken by account debtors of Borrower and/or any of its Domestic Subsidiaries. In the event of any dispute under the foregoing criteria about whether a Receivable is or has ceased to be an Eligible Receivable, the decision of Lender shall be conclusive and binding, absent manifest error. Nothing in this definition of "Eligible Receivables" shall be construed to limit or release any right of Lender to any Collateral.

Eligible Equipment Inventory means, as at any date of determination thereof, any Equipment Inventory of Borrower or any of its Domestic Subsidiaries which complies with the following requirements:

- (a) good title to such Equipment Inventory is owned by and recorded on the books and records of Borrower or its applicable Domestic Subsidiary in the ordinary course of business;
- (b) such Equipment Inventory shall not include or be permanently attached to vehicles, trailers or other transportation equipment covered by any certificate of title;
- (c) the Book Value of such Equipment Inventory is determined in accordance with GAAP on an average cost basis;
- (d) such Equipment Inventory is Collateral hereunder and is subject to a first priority perfected Lien in favor of the Lender and is free and clear of all other Liens of any nature whatsoever (except for Liens permitted under Section 6.02);
- (e) to the extent such Equipment Inventory is not in the possession of the third-party lessee pursuant to the terms of any lease covering the same, such Equipment Inventory must not be in transit and must be housed or stored in the United States at a real Property location either owned or leased by Borrower or any of its Domestic Subsidiaries, so long as (i) such leased facility is covered by a Collateral Access Agreement delivered to the Lender by the lessor thereof or (ii) a Rent Reserve for such leased facility has been established and is then applicable, provided, that notwithstanding the foregoing, no such Rent Reserve will be required during the first 60 days after the date of this Agreement with respect to any leased facility not covered by a Collateral Access Agreement;
- (f) such Equipment Inventory meets all applicable laws and standards imposed by any Governmental Authority having regulatory authority over it;
- (g) such Equipment Inventory must be adequately insured to the reasonable satisfaction of the Lender pursuant to insurance coverage required by this Agreement and the Security Documents;
- (h) such Equipment Inventory is not obsolete, slow moving, unmerchantable, defective, unfit for lease, not leasing at reasonable prices in the ordinary course of business or unacceptable due to age, type, category and/or quantity;
- (i) which contains or bears any intellectual property rights licensed to Borrower or its applicable Domestic Subsidiary unless the Lender is satisfied that it may sell, lease or otherwise dispose of such Equipment Inventory without (i) infringing the rights of such licensor, (ii) violating any contract with such licensor, or (iii) incurring any liability with respect to payment of any royalties to such licensor; and
- (j) the Lender has not deemed such Equipment Inventory ineligible because the Lender considers such Equipment Inventory in its reasonable discretion to be unmarketable or the value thereof to be impaired or its ability to realize such value to be insecure in any material respect.

In the event of any dispute under the foregoing criteria about whether any Equipment Inventory is or has ceased to be an Eligible Equipment Inventory, the decision of Lender shall be conclusive and binding, absent manifest error. Nothing in this definition of "Eligible Equipment Inventory" shall be construed to limit or release any right of Lender to any Collateral.

Eligible General Inventory means, as at any date of determination thereof, any General Inventory of Borrower or any of its Domestic Subsidiaries (excluding compressors and any and all accessions thereto) which complies with the following requirements:

- (a) good title to such General Inventory is owned by and recorded on the books and records of Borrower or its applicable Domestic Subsidiary in the ordinary course of business;
- (b) such General Inventory is only raw materials or finished goods and is not work-in-progress Inventory, is not scrap or remnants Inventory and is not display items or manufacturing, replacement, packaging or shipping supplies or materials;
- (c) the Book Value of such General Inventory is valued in accordance with GAAP on a average cost basis;
- (d) such General Inventory is Collateral hereunder and is subject to a first priority perfected Lien in favor of the Lender and is free and clear of all other Liens of any nature whatsoever (except for Liens permitted under Section 6.02);
- (e) such General Inventory meets all applicable laws and standards imposed by any Governmental Authority having regulatory authority over it;
- (f) such General Inventory must not be in transit and must be housed or stored in the United States at a real Property location either owned or leased by Borrower or any of its Domestic Subsidiaries, so long as (i) such leased facility is covered by a Collateral Access Agreement delivered to the Lender by the lessor thereof or (ii) a Rent Reserve for such leased facility has been established and is then applicable, provided, that notwithstanding the foregoing, no such Rent Reserve will be required during the first 60 days after the date of this Agreement with respect to any leased facility not covered by a Collateral Access Agreement;
- (g) such General Inventory must be adequately insured to the reasonable satisfaction of the Lender pursuant to insurance coverage required by this Agreement and the Security Documents;
- (h) such General Inventory has not been sold and must not be on consignment;
- (i) such General Inventory is not obsolete or slow moving (with the amount of such obsolete or slow moving General Inventory as of any date to never be less than the Obsolescence Reserve on such date), unmerchantable, defective, unfit for sale, not salable at prices approximating at least the cost of such General Inventory in the ordinary course of business or unacceptable due to age, type, category and/or quantity;
- (j) which contains or bears any intellectual property rights licensed to Borrower or its applicable Domestic Subsidiary unless the Lender is satisfied that it may sell or otherwise dispose of such General Inventory without (i) infringing the rights of such licensor, (ii) violating any contract with such licensor, or (iii) incurring any liability with respect to payment of any royalties to such licensor; and
- (k) the Lender has not deemed such Inventory ineligible because the Lender considers such General Inventory in its reasonable discretion to be unmarketable or the value thereof to be impaired or its ability to realize such value to be insecure in any material respect.

In the event of any dispute under the foregoing criteria about whether any Inventory is or has ceased to be a Eligible General Inventory, the decision of Lender shall be conclusive and binding, absent manifest error. Nothing in this definition of "Eligible General Inventory," shall be construed to limit or release any right of Lender to any Collateral.

Environmental Claim means any third party (including Governmental Authorities and employees) action, lawsuit, claim or proceeding (including claims or proceedings at common law or under the Occupational Safety and Health Act or similar laws relating to safety of employees) which seeks to impose liability for (i) noise; (ii) pollution or contamination of the air, surface water, ground water or land or the clean-up of such pollution or contamination; (iii) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation; (iv) exposure to Hazardous Substances; (v) the safety or health of employees or (vi) the manufacture, processing, distribution in commerce or use of Hazardous Substances. An "Environmental Claim" includes a common law action, as well as a proceeding to issue, modify or terminate an Environmental Permit, or to adopt or amend a regulation to the extent that such a proceeding attempts to redress violations of an applicable permit, license, or regulation as alleged by any Governmental Authority.

Environmental Liabilities includes all liabilities arising from any Environmental Claim, Environmental Permit or Requirement of Environmental Law under any theory of recovery, at law or in equity, and whether based on negligence, strict liability or otherwise, including remedial, removal, response, abatement, restoration (including natural resources), investigative, monitoring, personal injury and damage to Property or natural resources or injuries to persons, and any other related costs, expenses, losses, damages, penalties, fines, liabilities and obligations, and all costs and expenses necessary to cause the issuance, reissuance or renewal of any Environmental Permit, including reasonable attorneys' fees and court costs.

Environmental Matters means matters relating to pollution or protection of the environment, including emissions, discharges, releases or threatened releases of Hazardous Substances into the environment (including ambient air, surface water or ground water, or land surface or subsurface), or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Substances.

Environmental Permit means any permit, license, approval or other authorization under any applicable Legal Requirement relating to pollution or protection of health or the environment, including laws, regulations or other requirements relating to emissions, discharges, releases or threatened releases of pollutants, contaminants or hazardous substances or toxic materials or wastes into ambient air, surface water, ground water or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants or Hazardous Substances.

Equipment shall have the meaning set forth in Article 9 of the UCC.

Equipment Inventory means the specific rental compressor Inventory, together with any and all accessions thereto, now or hereafter owned by Borrower or any of its Domestic Subsidiaries, if any, for purposes of rental or leasing of the same to customers to the extent, but only to the extent, such compressors have been properly identified and designated by the Borrower as "Equipment Inventory" for purposes hereof in accordance with the requirements of Section 5.11.

Equity Interests means shares of the capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, or any warrants, options or other rights to acquire such interests.

ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time, and all rules, regulations, rulings and interpretations adopted by the Internal Revenue Service or the U.S. Department of Labor thereunder.

Event of Default shall have the meaning assigned to it in Section 7.01 hereof.

Financing Statements means all such Uniform Commercial Code financing statements as Lender shall require, in Proper Form, naming Lender, as secured party, and naming Borrower or its applicable Domestic Subsidiary, as applicable, as debtor, in order to give notice of and to perfect or continue perfection of Lender's Liens in all Collateral.

Funded Indebtedness means, as to a particular Person at any particular time, without duplication, the sum of all Indebtedness (whether matured or unmatured, liquidated or unliquidated, direct or indirect, absolute or contingent, or joint or several) of such Person for or in respect of (a) borrowed money, (b) amounts raised under or liabilities in respect of any note purchase or acceptance credit facility, (iii) reimbursement obligations (contingent or otherwise) under any letter of credit agreement or facility, (iv) obligations under any Rate Management Transaction or any other currency swap agreement, interest rate swap, cap, collar or floor agreement or other interest rate management devices, (v) any other transaction (including forward sale or purchase agreements, Capital Lease Obligations (other than the interest component of such obligations) or conditional sales agreements) having the commercial effect of a borrowing of money entered into by such Person to finance its operations or capital requirements (but not including trade payables and accrued expenses incurred in the ordinary course of business which are not represented by a promissory note or other evidence of Indebtedness and which are not more than thirty (30) days past due), (vi) all guarantees and other surety obligations by such Person of Indebtedness of others for borrowed money, and (vii) all Indebtedness for borrowed money Indebtedness of others secured by any Lien existing on any interest of the Person with respect to which Funded Indebtedness is being determined in Property owned subject to such Lien whether or not the Indebtedness secured thereby shall have been assumed by or such Person is otherwise liable therefor; provided, that such term shall not mean or include any Indebtedness in respect of which monies sufficient to pay and discharge the same in full (either on the expressed date of maturity thereof or on such earlier date as such Indebtedness may be duly called for redemption and payment) shall be deposited with a depository, agency or trustee acceptable to Lender in trust for the payment thereof

GAAP means, as to a particular Person, such accounting practice as, in the opinion of the independent certified public accountants of recognized national standing regularly retained by such Person and acceptable to Lender, conforms at the time to generally accepted accounting principles, consistently applied. GAAP means those principles and practices (a) which are recognized as such by the Financial Accounting Standards Board, (b) which are applied for all periods after the date hereof in a manner consistent with the manner in which such principles and practices were applied to the most recent audited financial statements of the relevant Person furnished to Lender, and (c) which are consistently applied for all periods after the date hereof so as to reflect properly the financial condition, and results of operations and changes in financial position, of such Person. If any change in any accounting principle or practice is required by the Financial Accounting Standards Board in order for such principle or practice to continue as a GAAP or practice, all reports and financial statements required hereunder may be prepared in accordance with such change only after written notice of such change is given to Lender.

General Intangibles shall have the meaning set forth in Article 9 of the UCC.

General Inventory means any Inventory of Borrower or any of its Domestic Subsidiaries (excluding compressors held for lease to third parties and any and all accessions thereto), now or hereafter owned by Borrower or any of its Domestic Subsidiaries.

Governmental Authority means any foreign governmental authority, the United States of America, any State of the United States and any political subdivision of any of the foregoing, and any central bank, agency, department, commission, board, bureau, court or other tribunal having jurisdiction over Lender, Borrower, any other Obligor or their respective Property.

Guarantor means each Domestic Subsidiary of the Borrower, if any, hereafter becoming a guarantor of the Obligations in accordance with the other terms of this Agreement.

Guaranty means each and every guaranty of the Obligations, if any, from time to time executed and delivered to Lender after the date hereof by any Guarantor, as each of the same may be amended, supplemented, modified and/or restated from time to time.

Hazardous Substance means petroleum products and any hazardous or toxic waste or substance defined or regulated as a hazardous substance from time to time by any law, rule, regulation or order described in the definition of "Requirements of Environmental Law".

Indebtedness means, as to a particular Person at any particular time, without duplication, the sum of (a) all Funded Indebtedness of such Person and (b) all Off-Balance Sheet Liabilities of such Person.

Interest Expense means, for any Person during any applicable period, the total interest expense accruing on Indebtedness of such Person and/or its Subsidiaries, on a consolidated basis, during such period (including interest expense attributable to Capitalized Lease Obligations and amounts, both positive and negative, attributable to interest expense incurred under any Rate Management Transaction), computed and calculated, without duplication, in accordance with GAAP.

Interest Option shall have the meaning specified in Section 2.04(a) hereof.

Interest Payment Date means (a) with respect to any CBRF Borrowing, the first day of each calendar month and the Maturity Date, and (b) with respect to any LIBOR Borrowing, the last day of the Interest Period applicable to such Borrowing and the Maturity Date.

Interest Period means the period commencing on the date of the applicable LIBOR Borrowing and ending on the numerically corresponding day in the calendar month that is one, two or three months thereafter, as the Borrower may elect; provided, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, (ii) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period, (iii) no Interest Period shall end later than the Maturity Date, and (iv) interest shall accrue from and including the first day of an Interest Period to, but excluding, the last day of such Interest Period.

Inventory shall have the meaning set forth in Article 9 of the UCC.

Investment means the purchase or other acquisition of any securities or Indebtedness of, or the making of any loan, advance, extension of credit or capital contribution to, or the incurring of any liability, contingently or otherwise, in respect of the Indebtedness of, any Person.

Joinder Agreement shall mean any agreement, in Proper Form, executed by a Domestic Subsidiary of Borrower from time to time after the date hereof in accordance with Section 6.08 hereof, pursuant to which such Subsidiary joins in the execution and delivery of a Guaranty and the applicable Security Documents.

Legal Requirement means any law, statute, ordinance, decree, requirement, order, judgment, rule, or regulation (or interpretation of any of the foregoing) of, and the terms of any license or permit issued by, any Governmental Authority, whether presently existing or arising in the future. The term "Legal Requirement" includes Requirements of Environmental Law.

Letter of Credit Advances means all sums which may from time to time be paid by Lender pursuant to any and all of the Letters of Credit, together with all other sums, fees, reimbursements or other obligations which may be due to Lender pursuant to or in connection with any of the Letters of Credit.

Letter of Credit Documents means the Letters of Credit and the Applications.

Letter of Credit Liabilities means at any time the sum of (i) the aggregate undrawn amount of all Letters of Credit outstanding at such time plus (ii) the aggregate amount of all Letter of Credit Advances for which Lender has not been reimbursed and which remain unpaid at such time (it being agreed that any Letter of Credit Advances satisfied by proceeds of a Loan hereunder shall be deemed to have been reimbursed and paid for purposes of this definition).

Letters of Credit means all standby letters of credit issued by Lender for the account or liability of Borrower pursuant to the terms of Section 2.08 hereof. Letter of Credit means any one of the Letters of Credit.

Leverage Ratio means the ratio, determined as of the end of each fiscal quarter of Borrower for the most-recently ended four (4) fiscal quarters, of (a) all Funded Indebtedness to (b) EBITDA, all computed and calculated, without duplication, for Borrower, on a consolidated basis, and in accordance with GAAP.

LIBOR Borrowing shall mean, as of any date, that portion of the principal balance of the Loans bearing interest at the Adjusted LIBOR Rate as of such date.

LIBOR Lending Office shall mean the office of Lender specified in the address portion on the signature pages hereof, or such other office of Lender as Lender may from time to time specify in writing to the Borrower as its LIBOR Lending Office.

LIBOR Rate means, with respect to any LIBOR Borrowing for any Interest Period, the rate appearing on Reuters Screen LIBOR01 Page (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Lender from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the LIBOR Rate with respect to such LIBOR Borrowing for such Interest Period shall be the rate at which dollar deposits of \$5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Lender in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

Lien means any mortgage, pledge, charge, encumbrance, security interest, collateral assignment or other lien or restriction of any kind, whether based on common law, constitutional provision, statute or contract, and shall include reservations, exceptions, encroachments, easements, rights of way, covenants, conditions, restrictions, leases and other title exceptions.

Loan means a loan described in and provided for by Section 2.01, and Loans means all of such Loans.

Material Adverse Effect means a material adverse effect on (a) the business, assets, property, or condition (financial or otherwise) of Borrower and its Subsidiaries, if any, taken as a whole, which in Lender's judgment, impairs or could reasonably be expected to impair Lender's ability in any material respect to collect the Obligations when due, or (b) the validity or enforceability of Lender's Lien on any material portion of the Collateral or the priority of such Lien.

Maturity Date means the earlier to occur of (a) December 31, 2011, (b) any date that the Commitment is terminated in full by Borrower pursuant to Section 2.01(b) hereof, and (c) any date the Maturity Date is accelerated or the Commitment is terminated by Lender pursuant to Section 7.02 hereof.

Net Income means gross revenues and other proper income credits, less all proper income charges (including taxes on income), all determined in accordance with GAAP; provided, that there shall not be included in such revenues (a) any gains resulting from the write-up of assets, (b) any proceeds of any life insurance policy, or (c) any gain which is classified as "extraordinary" in accordance with GAAP; and provided further, that capital gains may be included in revenues only to the extent of capital losses. Net Income shall be determined on a consolidated basis.

Note means the promissory note dated concurrently herewith executed by Borrower payable to the order of Lender in the face amount of \$20,000,000.00, and any and all renewals, extensions, modifications, increases, rearrangements and/or replacements thereof.

Obligations means the Indebtedness evidenced by the Note and other sums now or hereafter payable to Lender by Borrower or any other Obligor under any of the Credit Documents, including all payment obligations, contingent or otherwise, whether now or hereafter arising under any Rate Management Transaction, together with performance of all other payment obligations, liabilities and Indebtedness of Borrower to Lender under any one or more of the Credit Documents, including all fees, costs, expenses and indemnity obligations under this Agreement and all other Credit Documents.

Obligor means Borrower and each Guarantor now or hereafter primarily or secondarily obligated to pay to Lender all of the Obligations.

Obsolescence Reserve means, on any day, an amount equal to the obsolescence reserve established and maintained by the Borrower on its balance sheet as of such date.

Off-Balance Sheet Liability of a Person means (a) any repurchase obligation or liability of such Person with respect to accounts or notes receivable sold by such Person, (b) any indebtedness, liability or obligation under any so-called "synthetic lease" transaction entered into by such Person, or (c) any indebtedness, liability or obligation arising with respect to any other transaction which is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the balance sheets of such Person (other than operating leases).

Organizational Documents means, with respect to a corporation, the certificate of incorporation, articles of incorporation and bylaws of such corporation; with respect to a partnership, the partnership agreement establishing such partnership; with respect to a limited liability company, the articles of organization or formation and regulations or operating agreement of such limited liability company; with respect to a joint venture, the joint venture agreement establishing such joint venture, and with respect to a trust, the instrument establishing such trust; in each case including any and all modifications thereof as of the date of the Credit Document referring to such Organizational Document and any and all future modifications thereof which are consented to by Lender.

Parties means all Persons other than Lender executing any Credit Document.

PBGC means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

Permitted Acquisition means any Acquisition by the Borrower or any of its Domestic Subsidiaries in a transaction that satisfies each of the following requirements:

(a) such Acquisition is not a hostile or contested acquisition;

(b) the business acquired in connection with such Acquisition is not engaged, directly or indirectly, in any line of business other than the businesses in which the Borrower is engaged on the date of this Agreement, any Permitted Other Business Lines and any business activities that are substantially similar, related, or incidental to any of the foregoing;

(c) as soon as available, but not less than thirty (30) days prior to such Acquisition, the Borrower has provided the Lender with written notice of such Acquisition;

(d) the purchase price paid by the Borrower or its applicable Subsidiary (i) in connection with any single Acquisition shall not exceed \$15,000,000.00, and (ii) for all Acquisitions made during any twelve (12) consecutive calendar months shall not exceed \$15,000,000.00 in the aggregate (provided, however, that for Acquisitions for permitted pipeline business activities of the type described in the definition of Permitted Other Business Lines, such aggregate Acquisition price threshold shall not exceed \$5,000,000.00); provided, however, that for Acquisitions of pipeline business activities of the type described in the definition of Permitted Other Business Lines, the foregoing single Acquisition price threshold and aggregate Acquisition purchase price threshold shall each not exceed \$5,000,000.00; provided further, however, that to the extent any purchase price paid for any single Acquisition (whether for pipeline or for other permitted business line activities) equals or exceeds \$5,000,000.00, then the written notice of such Acquisition required to be furnished by the Borrower to the Lender pursuant to subparagraph (c) above shall be accompanied by a written certificate in favor of the Lender and executed on behalf of the Borrower by an authorized officer of Borrower, together with a pro forma calculation in form and substance reasonably satisfactory to the Lender, confirming that after giving effect to the completion of such Acquisition, the consolidated Leverage Ratio of the Borrower will be less than or equal to 2.25 to 1.0 on a pro forma basis which includes all consideration given in connection with such Acquisition, other than Equity Interests of the Borrower delivered to the seller(s) in such Acquisition, as having been paid in cash at the time of making such Acquisition;

(e) if such Acquisition is an acquisition of the Equity Interests of a Person, the Acquisition is structured so that the acquired Person shall become (i) a Domestic Subsidiary of the Borrower of which greater than fifty percent (50%) of the issued and outstanding Equity Interests thereof are owned and held by Borrower and/or one or more Subsidiaries of Borrower and (ii) a Guarantor pursuant to the terms of this Agreement;

(f) in connection with an Acquisition of the Equity Interests of any Person, all Liens on property of such Person shall be terminated unless the Lender in its sole discretion consents otherwise, and in connection with an Acquisition of the assets of any Person, all Liens on such assets shall be terminated; and

(g) both before and after giving effect to such Acquisition and the Loans (if any) requested to be made in connection therewith, (i) each of the representations and warranties in this Agreement and the other Credit Documents is true and correct (except (1) any such representation or warranty which relates to a specified prior date and (2) to the extent the Lender have been notified in writing by the Borrower that any representation or warranty is not correct and the Lender has explicitly waived in writing compliance with such representation or warranty), and (ii) no Default or Event of Default exists, will exist, or would result therefrom.

Permitted Encumbrances means:

(a) Liens for taxes, assessments or other governmental charges or levies which are not delinquent or which are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with GAAP;

(b) Liens in connection with workers' compensation, unemployment insurance or other social security, old age pension or public liability obligations which are not overdue by more than 30 days or which are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with GAAP;

(c) statutory landlord's liens, operators', vendors', carriers', warehousemen's, repairmen's, mechanics', suppliers', workers', materialmen's, construction or other like Liens arising by operation of law in the ordinary course of business or incident to the exploration, development, operation and maintenance of oil and gas properties each of which is in respect of obligations that are not overdue by more than 30 days or which are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with GAAP;

(d) easements, restrictions, servitudes, permits, conditions, covenants, exceptions or reservations in any property of Borrower that do not secure any monetary obligations and which in the aggregate do not materially impair the use of such property for the purposes of which such property is held by Borrower or materially impair the value of such property subject thereto; and

(e) judgment and attachment Liens not giving rise to an Event of Default, if any appropriate legal proceedings which may have been duly initiated for the review of such judgment shall not have been finally terminated or the period within which such proceeding may be initiated shall not have expired and no action to enforce such Lien has been commenced; and

(f) to the extent not otherwise described above, Liens not securing borrowed money Indebtedness and arising in the ordinary course of business.

Permitted Investments means:

(a) readily marketable securities issued or fully guaranteed by the United States of America with maturities of not more than one year;

(b) commercial paper rated "Prime 1" by Moody's Investors Service, Inc. or "A-1" by Standard and Poor's Corporation with maturities of not more than 180 days;

(c) certificates of deposit or repurchase obligations issued by any U.S. domestic bank having capital surplus of at least \$100,000,000 or by any other financial institution acceptable to Lender, all of the foregoing not having a maturity of more than one year from the date of issuance thereof;

(d) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria described in clause (c) above; and

(e) money market funds that (i) comply with the criteria set forth in SEC Rule 2a-7 under the Investment Company Act of 1940, (ii) are rated A2 by Standard & Poor's Ratings Group or P2 by Moody's Investors Service, Inc., and (iii) have portfolio assets of at least \$250,000,000.

Permitted Other Business Lines means any and all of the following: (a) sales, rental and/or servicing of gas treating and/or processing equipment and/or the providing of gas treating and/or processing services; (b) sales, rental and/or servicing of oil and gas measurement and/or treating equipment and/or the providing of oil and gas measurement and/or treating services; (c) sales, rental and/or servicing of natural gas emissions equipment and/or the providing of natural gas emissions measurement services; and (d) operation of pipelines for in-state transportation of oil and/or gas from a wellhead to a treatment or processing facility.

Person means any individual, corporation, partnership, joint venture, joint stock association, business or other trust, unincorporated organization, Governmental Authority or any other form of entity.

Plan means an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and is either (a) maintained by Borrower, any of its Subsidiaries or any member of a Controlled Group for employees of Borrower or any of its Subsidiaries or (b) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which Borrower, any of its Subsidiaries or any member of a Controlled Group for employees of Borrower or any of its Subsidiaries is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

Prime Rate means the rate of interest per annum publicly announced from time to time by the Lender as its prime rate and each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective. THE PRIME RATE IS A REFERENCE RATE AND MAY NOT BE LENDER'S LOWEST RATE.

Proper Form means in form and substance reasonably satisfactory to Lender.

Property means any interest in any kind of property or asset, whether real, personal or mixed, tangible or intangible.

Quarterly Financial Statements means, with respect to each fiscal quarter of the Borrower (except for the last fiscal quarter), (a) the Borrower's 10-Q Report filed with the Securities Exchange Commission for such fiscal quarter, prepared in accordance with GAAP and certified as true and correct by an authorized officer of Borrower acceptable to Lender on behalf of Borrower, and (b) the quarterly consolidating financial statements of the Borrower and its Subsidiaries, containing a balance sheet as of the end of such fiscal quarter and an income statement, retained earnings statements and a statement of cash flows for such fiscal quarter, and for the fiscal year to date, subject to normal year-end adjustments, all prepared in reasonable detail and setting forth in comparative form the corresponding figures for the corresponding period of the preceding year, certified as true and correct by an authorized officer of Borrower acceptable to Lender on behalf of Borrower, with the parties recognizing that such consolidating statements will be prepared in accordance with GAAP only to the extent normal and customary and shall not be required until the end of the first full fiscal quarter of Borrower occurring after the creation or acquisition by Borrower of its first Subsidiary, if any.

Rate Management Transaction means (a) any transaction (including an agreement with respect thereto) now existing or hereafter entered into between Borrower and Lender and/or its Affiliates which is a rate swap, swap option, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap, floor, collar, currency swap, cross-currency rate swap, currency option, credit protection transaction, credit swap, credit default swap, credit default option, total return swap, credit spread, repurchase transaction, reverse repurchase transaction, buy/sell-back transaction, securities lending transaction, weather index transaction or forward purchase or sale of a security, commodity or other financial instrument or interest (including any option with respect to any of these transactions), or (b) any type of transaction that is similar to any transaction referred to in clause (a) above that is currently, or in the future becomes, recurrently entered into in the financial markets and which is a forward, swap, future, option or other derivative on one or more rates, currencies, commodities, equity securities or other equity instruments, debt securities or other debt instruments, economic indices or measures of economic risk or value, or other benchmarks against which payments or deliveries are to be made, or any combination of the foregoing transactions.

Rate Selection Date shall mean that Business Day which is (a) in the case of CBFR Borrowings, the date of such borrowing, or (b) in the case of LIBOR Borrowings, the date three (3) Business Days preceding the first day of any proposed Interest Period.

Rate Selection Notice shall have the meaning specified in Section 2.04(b)(1) hereof.

Receivables shall mean each of the following items now or hereafter payable and owing to Borrower and/or any of its Domestic Subsidiaries: (a) all Accounts; and (b) all rights to payments under leases or other Chattel Paper covering all or any portion of any rental compressor Inventory of Debtor (including any Equipment Inventory).

Regulation D means Regulation D of the Board of Governors of the Federal Reserve System from time to time in effect and shall include any successor or other regulation relating to reserve requirements applicable to member lenders of the Federal Reserve System.

Regulatory Change means, with respect to Lender, any change on or after the date of this Agreement in any Legal Requirement (including Regulation D) or the adoption or making on or after such date of any interpretation, directive or request applying to a class of lenders including Lender under any Legal Requirement (whether or not having the force of law) by any Governmental Authority charged with the interpretation or administration thereof.

Rent Reserves means, (a) with respect to any real property location leased by Borrower as of the date of this Agreement and for which a Collateral Access Agreement has not yet been delivered to Lender as of the applicable determination date, an amount equal to all rent, charges and other amounts payable (or to become payable) by Borrower under the lease covering such location for (i) a three (3)-month period if the applicable determination date for Rent Reserves is within 180 days after the date of this Agreement, provided, that notwithstanding the foregoing, no such 3-month Rent Reserve will be required during the first 60 days after the date of this Agreement, or (ii) a six (6)-month period if the applicable determination date for Rent Reserves is later than 180 days after the date of this Agreement, and (b) with respect to any real property location leased by Borrower after the date of this Agreement and for which a Collateral Access Agreement has not yet been delivered to Lender as of the applicable determination date, an amount equal to all rent, charges and other amounts payable (or to become payable) by Borrower under the lease covering such location for a six (6)-month period.

Request for Loan means a request for a Loan duly executed by an appropriate officer or other responsible party acceptable to Lender on behalf of Borrower, appropriately completed and substantially in the form of Exhibit A attached hereto, or any other request for a Loan by Borrower submitted under the terms of other documentation or any auto-advance feature acceptable to Lender.

Requirements of Environmental Law means all requirements imposed by any law (including The Resource Conservation and Recovery Act and The Comprehensive Environmental Response, Compensation, and Liability Act), rule, regulation or order of any Governmental Authority in effect at the applicable time which relate to (i) noise; (ii) pollution, protection or clean-up of the air, surface water, ground water or land; (iii) solid, gaseous or liquid waste generation, recycling, reclamation, treatment, storage, disposal or transportation; (iv) exposure to Hazardous Substances; (v) the safety or health of employees or (vi) regulation of the manufacture, processing, distribution in commerce, use, discharge, release, threatened release, emission or storage of Hazardous Substances.

Reserve Requirement means the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed under Regulation D.

Security Agreements means, collectively, (a) any and all security agreements, pledge agreements, collateral assignments or other similar documents now or hereafter executed by Borrower or any of its Domestic Subsidiaries, if any, in favor of Lender, as security for the payment or performance of any and/or all of the Obligations, and (b) any amendment, modification, restatement or supplement of all or any of the above-described agreements and assignments.

Security Documents means, collectively, this Agreement, the Security Agreements, the Financing Statements and any and all other agreements, deeds of trust, mortgages, chattel mortgages, security agreements, pledges, guaranties, assignments, subordination agreements, undertakings and other instruments and Financing Statements now or hereafter executed and delivered in connection with, or as security for the payment or performance of, any Credit Document, as any of them may from time to time be amended, modified, restated or supplemented.

Statutory Reserve Rate means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Lender is subject with respect to the Adjusted LIBOR Rate, for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. LIBOR Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

Subordinated Indebtedness means all Indebtedness, if any, of Borrower or any of its Subsidiaries which has been subordinated on terms and conditions satisfactory to Lender, in its sole discretion, to all Obligations to Lender. Indebtedness shall not be considered as "Subordinated Indebtedness" unless and until Lender shall have received copies of the documentation evidencing or relating to such Indebtedness together with a subordination agreement, in Proper Form, duly executed by the holder or holders of such Indebtedness and evidencing the terms and conditions of subordination required by Lender in its discretion.

Subsidiary means, as to a particular parent Person, any other Person of which 50% or more of the indicia of equity rights (whether outstanding capital stock, partnership interests or otherwise) is at the time directly or indirectly owned or held by such parent Person, or by one or more of its Affiliates.

UCC means the Uniform Commercial Code, as in effect from time to time, of the State of Texas or of any other state the laws of which are required as a result thereof to be applied in connection with the attachment, perfection or priority of, or remedies with respect to, Lender's Lien on any Collateral.

Unfunded Liabilities means, with respect to any Plan, at any time, the amount (if any) by which (a) the present value of all benefits under such Plan exceeds (b) the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent actuarial valuation report for such Plan, but only to the extent that such excess represents a potential liability of any member of the applicable Controlled Group to the PBGC or a Plan under Title IV of ERISA. With respect to multiemployer Plans, the term "Unfunded Liabilities" shall also include contingent liability for withdrawal liability under Section 4201 of ERISA to all multiemployer Plans to which Borrower, any other Obligor or any member of a Controlled Group for employees of Borrower or any other Obligor contribute in the event of complete withdrawal from such Plans.

Section 1.02 Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights

ARTICLE II
Loans; Credit Facility Administration

Section 2.01 Loans; Commitment. Lender agrees, subject to all of the terms and conditions of this Agreement, to make Loans to Borrower as follows:

(a) Prior to the Maturity Date, Lender will make Loans to Borrower, if after giving effect to the applicable requested Loan, Availability will be equal to or greater than zero. Within the foregoing limits and subject to the terms and conditions set forth herein, Borrower may borrow, prepay and reborrow Loans prior to the Maturity Date. Borrower and Lender agree pursuant to Chapter 346 ("Chapter 346") of the Texas Finance Code that Chapter 346 (which relates to open-end line of credit revolving loan accounts) shall not apply to this Agreement, the Note or any Loan obligation hereunder and that none of this Agreement, the Note nor any Loan obligation hereunder shall be governed by Chapter 346 or subject to its provisions in any manner whatsoever. Loans shall be evidenced by the Note, and Lender shall in no event be obligated to fund more than one (1) Loan per day. Loan proceeds shall be made available to Borrower by depositing them in an account designated by Borrower and maintained with Lender.

(b) Upon at least five (5) Business Days' prior irrevocable written notice to Lender, Borrower may at any time in whole permanently terminate, or from time to time in part permanently reduce, the Commitment; provided, however, that the Commitment shall not be reduced at any time to an amount less than the sum of the aggregate principal amount of all Loans outstanding at such time and the aggregate Letter of Credit Liabilities outstanding at such time. Each partial reduction of the Commitment shall be in a minimum of \$500,000.00, or an integral multiple of \$100,000.00 in excess thereof.

(c) Borrower shall have the right to request from the Lender one or more increases of up to up to \$20,000,000.00 in the aggregate in the Commitment, provided that (i) any such request for an increase shall be in a minimum amount of \$5,000,000.00 and Borrower may only make a maximum of four such requests, (ii) the aggregate amount of the Commitment after such increase shall not exceed \$40,000,000.00, and (iii) the Lender shall have thirty (30) days after receipt from Borrower of the applicable Commitment increase request to review and either approve or reject such requested Commitment increase, in the sole discretion of Lender. Borrower acknowledges and agrees that Lender shall have no obligation to approve any such requested increase in the Commitment, but in the event of approval by Lender of any such Commitment increase request, Borrower will thereafter promptly execute and deliver to Lender an amendment of this Agreement in the form reasonably required by Lender to evidence the approved increase in the amount of the Commitment.

Section 2.02 Repayment of Principal and Interest of Loans.

(a) Borrower hereby unconditionally promises to pay to Lender in full the unpaid principal balance of the Note on the Maturity Date.

(b) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date, as well as upon the Maturity Date. After the Maturity Date, accrued and unpaid interest on the Loans shall be payable on demand.

Section 2.03 Prepayments of Loans.

(a) Borrower shall have the right at any time and from time to time to prepay any Loan in whole or in part, without premium or penalty, except as otherwise provided in this Section 2.03 and subsections (a), (b) or (c) of Section 2.05 hereof, but subject to the requirements of this Section. Prepayments under this subparagraph (a) of any Loan shall be subject to the following additional conditions:

(1) In giving notice of prepayment as hereinafter provided, Borrower shall specify, for the purpose of paragraphs (2) and (3) immediately following, the manner of application of such prepayment as between CBFR Borrowings and LIBOR Borrowings.

(2) Prepayments applied to any LIBOR Borrowing may be made on any Business Day, provided, that (i) Borrower shall have given Lender at least three (3) Business Days' prior irrevocable written or telecopied notice of such prepayment, specifying the principal amount of the LIBOR Borrowing to be prepaid, the particular LIBOR Borrowing to which such prepayment is to be applied and the prepayment date; and (ii) if such prepayment is made on any day other than the last day of the Interest Period corresponding to the LIBOR Borrowing to be prepaid, Borrower shall pay directly to Lender, on the last day of such Interest Period, any Consequential Loss as a result of such prepayment.

(3) Prepayments applied to any CBFR Borrowing may be made prior to 1:00 p.m., Austin, Texas time, on any Business Day.

(b) Borrower shall from time to time on demand by Lender and subject to the requirements of this Section, prepay the Loans in such amounts as shall be necessary so that Availability at all times shall be equal to or greater than zero.

Section 2.04 Interest Rates for Loans; Interest Options.

(a) Subject to Section 8.01 hereof, the outstanding principal balance of the Loans shall bear interest on and after the date of this Agreement at the CB Floating Rate minus the Applicable Margin; provided, that (i) all principal outstanding after the occurrence of an Event of Default which has not been cured or waived in writing by Lender shall bear interest at the Default Rate, (ii) past due principal and interest shall bear interest at the Default Rate, which shall be payable on demand, and (iii) subject to the provisions hereof, Borrower shall have the option of having all or any portion of the principal balances from time to time outstanding under the Loans bear interest until their respective maturities at a rate per annum equal to the Adjusted LIBOR Rate plus the Applicable Margin (together with the CB Floating Rate, individually herein called an "Interest Option" and collectively called "Interest Options"). The records of Lender, with respect to Interest Options, Interest Periods and the amounts of the Loans to which they are applicable shall be binding and conclusive, absent manifest error. Interest on the Loans shall be calculated at the CB Floating Rate minus the Applicable Margin, except where it is expressly provided pursuant to this Agreement that the Adjusted LIBOR Rate plus the Applicable Margin is to apply.

(b) In accordance with the provisions hereof, and provided no Default or Event of Default has occurred and is continuing, Borrower may elect to have the Adjusted LIBOR Rate plus the Applicable Margin apply or continue to apply to all or any portion of the principal balances of the Loans. Each change in Interest Options shall be a conversion of the rate of interest applicable to the specified portion of the Loans, but such conversion alone shall not change the outstanding principal balance of the Loans and the Note. The Interest Options shall be designated or converted in the manner provided below:

(1) Borrower shall give Lender by telephone, promptly confirmed by written notice (the "Rate Selection Notice") substantially in the form of Exhibit B hereto. Each such telephone and written notice shall specify the amount and type of borrowings which are the subject of the designation, if any; the amount and type of borrowings into which such borrowings are to be converted or for which an Interest Option is designated; the proposed date for the designation or conversion (which, in the case of conversion of LIBOR Borrowings, shall be the last day of the Interest Period applicable thereto) and the Interest Period or Periods, if any, selected by the Borrower. Such notice by telephone shall be irrevocable and shall be given to Lender no later than the applicable Rate Selection Date. If a new Loan is to be a LIBOR Borrowing, then the Rate Selection Notice shall be included in the Request for Loan applicable to the new Loan, which shall be given to Lender no later than the applicable Rate Selection Date;

(2) No more than three (3) LIBOR Borrowings and corresponding Interest Periods shall be outstanding at any one time with respect to the Loans. Each LIBOR Borrowing shall be in a minimum aggregate principal amount of at least \$500,000, with any increases over such minimum amount being in integral aggregate multiples of \$100,000;

(3) Principal included in any borrowing shall not be included in any other borrowing which exists at the same time;

(4) Each designation or conversion shall occur on a Business Day; and

(5) Except as provided in Section 2.05 hereof, no LIBOR Borrowing shall be converted on any day other than the last day of the applicable Interest Period.

(c) All interest will be computed on the basis of a year of 360 days and actual days elapsed (including the first day but excluding the last day) occurring in the period for which payable, unless the effect of so computing shall be to cause the rate of interest to exceed the Ceiling Rate.

Section 2.05 Special Provisions Applicable to LIBOR Borrowings.

(a) If, after the date of this Agreement, any Change in Law or compliance by Lender with any request or directive (whether or not having the force of law) of any Governmental Authority shall at any time make it unlawful or impracticable for Lender to permit the establishment of or to maintain any LIBOR Borrowing, the commitment of Lender to establish or maintain the LIBOR Borrowings affected by such adoption or change shall forthwith be canceled and the Borrower shall forthwith, upon demand by Lender to Borrower, (1) convert such LIBOR Borrowings to CBFR Borrowings; (2) pay all accrued and unpaid interest to date on the amount so converted; and (3) pay any amounts required under paragraph (d) below. All present and subsequent requests for LIBOR Borrowings by Borrower shall be deemed to be requests for CBFR Borrowings with respect to Lender for all LIBOR Borrowings affected by such adoption or change until such adoption or change no longer affects the LIBOR Borrowings for Lender.

(b) If any Change in Law or compliance by Lender with any request or directive (whether or not having the force of law) from any Governmental Authority shall at any time as a result of any portion of the principal balance of the Loans being maintained on the basis of the Adjusted LIBOR Rate impose, modify, increase or deem applicable any reserve requirement, special deposit requirement or similar requirement (including state law requirements and Regulation D, but excluding Statutory Reserve Rates) against assets held by Lender, or against deposits or accounts in or for the account of Lender, or against loans made by Lender, or against any other funds, obligations or other Property owned or held by Lender and the result of any of the foregoing is to increase the cost to Lender of agreeing to make or of making, renewing or maintaining such borrowing on the basis of the Adjusted LIBOR Rate, or reduce the amount of principal or interest received by Lender, then Borrower shall pay to Lender from time to time additional amounts sufficient to compensate such Lender for such increased cost or reduced amount.

(c) If for any reason with respect to any Interest Period, Lender shall have determined (which determination shall be conclusive and binding upon Borrower) that: (1) Lender is unable through its customary general practices to determine a rate at which Lender is offered deposits in United States dollars by prime banks in the London interbank market, in the appropriate amount for the appropriate period, or by reason of circumstances affecting the London interbank market, generally, Lender is not being offered deposits for the applicable Interest Period and in an amount equal to the amount any LIBOR Borrowing requested by Borrower, or (2) the Adjusted LIBOR Rate will not adequately and fairly reflect the cost to Lender of making and maintaining any LIBOR Borrowing hereunder for any proposed Interest Period, then Lender shall give Borrower notice thereof and thereupon, (A) any Rate Selection Notice previously given by Borrower designating an Adjusted LIBOR Rate which has not commenced as of the date of such notice from Lender shall be deemed for all purposes hereof to be of no force and effect, as if never given, and (B) until Lender shall notify Borrower that the circumstances giving rise to such notice from Lender no longer exist, each Rate Selection Notice requesting an Adjusted LIBOR Rate shall be deemed a request for a CBFR Borrowing, and each outstanding LIBOR Borrowing then in effect shall be converted, without any notice to or from the Borrower, upon the termination of the Interest Period then in effect to a CBFR Borrowing.

(d) Borrower hereby agrees to indemnify Lender against and hold Lender harmless from any actual loss or expense that Lender may sustain or incur as a consequence of (i) failure by Borrower to timely convert or borrow any LIBOR Borrowing after Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (ii) failure by Borrower to make any prepayment after Borrower has given a notice thereof in accordance with the provisions of this Agreement or (iii) the making of a payment or prepayment of any LIBOR Borrowing, or the conversion of any LIBOR Borrowing, on a day that is not the last day of an Interest Period with respect thereto, including without limitation, in each case, any such loss or expense arising from the liquidation or reemployment of funds obtained by Lender or from fees payable to terminate the deposits from which such funds were obtained.

(e) If Borrower requests quotes of the Adjusted LIBOR Rate for different Interest Periods being considered for election by Borrower, Lender will use reasonable efforts to provide such quotes to Borrower promptly. However, all such quotes provided shall be representative only and shall not be binding on Lender, nor shall they be determinative, directly or indirectly, of any Adjusted LIBOR Rate or any component of any such rate, nor will Borrower's failure to receive or Lender's failure to provide any requested quote or quotes either (1) excuse or extend the time for performance of any obligation of Borrower or for the exercise of any right, option or election of Borrower or (2) impose any duty or liability on Lender. If Borrower requests a list of the Business Days in any calendar month, Lender will use reasonable efforts to provide such list promptly. However, any such list provided shall be understood to identify only those days which Lender believes in good faith at the time such list is prepared will be the Business Days for such month. Lender shall not have any liability for any failure to provide, delay in providing, error or mistake in or omission from, any such quote or list.

(f) With respect to Lender having a LIBOR Lending Office which differs from its Domestic Lending Office, all Loans that are part of LIBOR Borrowings advanced by Lender's LIBOR Lending Office shall be deemed to have been made by Lender and the obligation of Borrower to repay such Loans shall nevertheless be to Lender and shall be deemed held by Lender for the account of Lender's LIBOR Lending Office.

Section 2.06 Increased Costs.

- (a) If Lender reasonably determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on Lender's capital or on the capital of Lender's holding company, if any, as a consequence of this Agreement or any of the Loans to a level below that which Lender or Lender's holding company could have achieved but for such Change in Law (taking into consideration Lender's policies and the policies of Lender's holding company with respect to capital adequacy), then from time to time Borrower will pay to Lender such additional amount or amounts as will compensate Lender or Lender's holding company for any such reduction suffered; provided, however, that notwithstanding the foregoing, if Borrower (i) fully pays all outstanding Obligations, (ii) pays to Lender, in immediately available funds, an amount equal to 105% of the then aggregate amount available for drawings under all outstanding Letters of Credit, if any (which funds shall be held by Lender as Cover for said Letters of Credit), and (iii) irrevocably terminates the Commitment in writing delivered to Lender, all within twenty (20) days after Borrower's receipt of any notice from Lender that amounts are or will be owing by Borrower to Lender pursuant to the terms of this Section 2.06, then in such event, Borrower shall not be obligated to pay to Lender any such amounts to the extent, but only to the extent, such amounts are attributable to any period prior to the date of Borrower's receipt of such notice from Lender.
- (b) A certificate of Lender setting forth the amount or amounts necessary to compensate Lender or its holding company, as the case may be, as specified in Section 2.06(a) shall be delivered to Borrower, demonstrating in reasonable detail the calculation of the amounts. Borrower shall pay amounts due under this Section 2.06 within ten (10) days after receipt of the corresponding certificate.
- (c) Failure or delay on the part of Lender to demand compensation pursuant to this Section shall not constitute a waiver of Lender's right to demand such compensation; but Borrower shall not be required to compensate Lender pursuant to this Section for any increased costs or reductions incurred more than 180 days before the date that Lender notifies Borrower of the Change in Law giving rise to such increased costs or reductions and of Lender's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive and if Lender notifies Borrower of such Change of Law within 180 days after the adoption, enactment or similar act with respect to such Change of Law, then the 180-day period referred to above shall be extended to include the period from the effective date of such Change of Law to the date of such notice.

Section 2.07 Payments Generally.

(a) All payments of the Obligations hereunder shall be made to Lender at Lender's address specified pursuant to Section 8.08, or at any other office of Lender specified in writing by Lender to Borrower, by 1 p.m. (local time) on the date when due.

(b) Borrower shall make each payment required to be made by it hereunder or under any other Credit Document (whether of principal, interest or fees, or other amounts payable under Article II, or otherwise) on or before the time expressly required hereunder or under such other Credit Document for such payment (or, if no such time is expressly required, before 2:00 p.m., Austin, Texas time), on the date when due, in immediately available funds, without set-off, deduction or counterclaim. Any amounts received after such time on any date may, in the discretion of Lender, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. If any payment under any Credit Document shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. Unless otherwise specified therein, all payments under each Credit Document shall be made in Dollars.

(c) If at any time insufficient funds are received by and available to Lender to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due Capital Lease Obligations or purchase money Indebtedness and do not cover any other Property of Borrower or any of its Subsidiaries; and

(d) Permitted Encumbrances.

Section 6.03 Fundamental Changes. Neither Borrower nor any of its Subsidiaries, in any single transaction or series of transactions, directly or indirectly, (a) consolidate, terminate, liquidate or dissolve, (b) be a party to any consolidation, termination, merger or consolidation, (c) sell, convey or lease all or substantially all of its assets (other than to Borrower or another Obligor that is a wholly-owned Subsidiary of Borrower), or (d) except for Permitted Acquisitions, acquire all or substantially all of the assets of any Person, or acquire any Equity Interests of any other Person after the date hereof,

without the prior consent of Lender; provided, however, that any wholly-owned Subsidiary of an Obligor may (i) consolidate or merge with Borrower or another Obligor that is a wholly-owned Subsidiary of Borrower or (ii) otherwise terminate, liquidate or dissolve, so long as all of the assets of such Obligor that is terminating, liquidating or dissolving are conveyed to Borrower or another Obligor that is a wholly-owned Subsidiary of Borrower.

Section 6.04 Asset Sales. Neither Borrower nor any of its Subsidiaries will, in any single transaction or series of transactions, directly or indirectly, sell, transfer, lease or otherwise dispose of any of its assets, except for (i) sales or other dispositions of Inventory or other assets in the ordinary course of business and for fair value, including, without limitation, sales or other dispositions of damaged, used, surplus or obsolete assets, (ii) sales or other dispositions to any other Obligor and (iii) sales or other dispositions of assets not to exceed \$1,000,000.00 in the aggregate in any fiscal year.

Section 6.05 Nature of Business; Management. Neither Borrower nor any of its Subsidiaries will (a) change the nature of its business in any material respect or enter into any business which is substantially different from the business in which it is presently engaged, other than any Permitted Other Business Lines, or (b) permit a change in the Chief Executive Officer and/or President of the Borrower.

Section 6.06 Affiliate Transactions. Neither Borrower nor any of its Subsidiaries will enter into any transaction or agreement with any Affiliate or any officer, director, partner, trustee or owner or holder of any Equity Interests of Borrower or any of its Subsidiaries, except (a) transactions in the ordinary course of business that are at prices and on terms and conditions not less favorable to it than could be obtained on an arm's-length basis from unrelated third parties, (b) any Distribution with respect to any Equity Interests in Borrower permitted hereunder or other transaction or agreement otherwise permitted hereunder, and (c) compensation, employment, severance and benefit arrangements in the ordinary course of business, including payment of directors' fees.

Section 6.07 Investments; Loans; Advances. Neither Borrower nor any of its Subsidiaries will make any Investment in, any Person, or make any commitment to make any Investment, except the following:

(a) Permitted Investments;

(b) Accounts, Inventory and other working capital accounts, if created in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(c) loans or advances to employees, officers or directors in the ordinary course of business of Borrower or any of its Subsidiaries, in each case only as permitted by applicable law, including Section 402 of the Sarbanes Oxley Act of 2002, but in any event not to exceed \$100,000.00 in the aggregate at any time outstanding;

(d) Investments received in satisfaction or partial satisfaction from financially troubled account debtors as a result of the applicable Obligor's exercise of its reasonable business judgment;

(e) Equity Interests issued by Subsidiaries permitted hereunder;

(f) Investments in another Obligor;

(g) Investments existing on the date hereof to the extent the same are reflected in the most recent financial statements of Borrower furnished to Lender prior to the date of this Agreement; and

(h) Permitted Acquisitions.

Section 6.08 New Subsidiaries. Neither Borrower nor any of its Subsidiaries will form, create or acquire any Subsidiary without the prior written consent of Lender, unless (a) Lender is provided not less than thirty (30) days prior written notice by Borrower of the intention to create or acquire such new Subsidiary, (b) if such new Subsidiary is to be acquired, such Acquisition is a Permitted Acquisition, and (c) contemporaneously with the actual creation or acquisition of such new Subsidiary, as applicable, Borrower causes (i) each such Subsidiary that is a Domestic Subsidiary to become an Obligor, by execution and delivery to Lender, of a Guaranty or a Joinder Agreement (if a Joinder Agreement is requested by Lender in lieu of a Guaranty), (ii) each such Subsidiary that is a Domestic Subsidiary to grant to Lender a first priority perfected Lien (subject only to Liens permitted under Section 6.02) against all Collateral now or hereafter owned by such Domestic Subsidiary (subject to the limitations of Section 5.11), (iii) sixty-five percent (65%) of the issued and outstanding Equity Interests of each Subsidiary that is a non-Domestic Subsidiary (or such greater percentage that, due to a change in applicable law after the date hereof, (1) could not reasonably be expected to cause the undistributed earnings of such foreign Subsidiary as determined for U.S. federal income tax purposes to be treated as a deemed dividend to such foreign Subsidiary's U.S. parent and (2) could not reasonably be expected to cause a ny material adverse tax consequences) entitled to vote (within the meaning of Treas. Reg. Section 1.956-2(c)(2)) and 100% of the issued and outstanding Equity Interests not entitled to vote (within the meaning of Treas. Reg. Section 1.956-2(c)(2) in each foreign Subsidiary directly owned by the Borrower or any Domestic Subsidiary to be subject at all times to a first priority, perfected Lien in favor of the Lender pursuant to the terms and conditions of the Credit Documents or other security documents as the Lender shall reasonably request., and (iv) each such Subsidiary to deliver to Lender such related certificates, legal opinions and documents (including Organizational Documents) as Lender may reasonably require.

Section 6.09 ERISA; Unfunded Liabilities. Neither Borrower nor any of its Subsidiaries will incur any material Unfunded Liabilities or allow any material Unfunded Liabilities to arise or exist under any Plan.

Section 6.10 Sale and Leaseback Transactions. Neither Borrower nor any of its Subsidiaries will enter into any arrangement, directly or indirectly, whereby it shall sell or transfer any Property, real or personal, used or useful in its business, whether now owned or hereinafter acquired, and thereafter rent or lease such Property or other Property that it intends to use for substantially the same purpose or purposes as the Property sold or transferred.

Section 6.11 Control of Voting Rights of Borrower's and its Subsidiaries' Equity Interests. Borrower will not permit (i) any change in the control of the voting rights for any Equity Interests in Borrower which results in any Person and its Affiliates controlling, directly or indirectly, more than one-third (1/3) of the voting rights under all issued and outstanding classes of Equity Interests in Borrower at any time, or (ii) any change in the ownership of any Equity Interests in any Subsidiary now or hereafter owned and held by Borrower.

Section 6.12 Dividends and Other Distributions. Borrower will not: (a) redeem, retire or otherwise acquire, directly or indirectly, any of its Equity Interests; or (b) pay or make any Distribution of any Property or cash to holders of Equity Interests in Borrower as such, except (i) non-cash dividends of additional Equity Interests, (ii) dividends required to be paid under the current terms of any preferred stock issued and outstanding as of the date of this Agreement, and (iii) redemptions of Equity Interests from officers, directors, employees and consultants upon termination of employment or service of such Person.

Section 6.13 Other Negative Pledge Agreements. Neither Borrower nor any of its Subsidiaries will enter into any contract or other agreement for any purpose with any Person (other than the applicable negative covenants of this Agreement and the other Credit Documents) that directly or indirectly prohibits the Borrower or any of its Subsidiaries from granting any Lien against any Property now or hereafter owned by Borrower or any of its Subsidiaries.

ARTICLE VII

Defaults

Section 7.01 Default. The occurrence of any of the following events shall constitute an Event of Default (herein so called) under this Agreement:

(a) any part of the Obligations is not paid when due, whether by lapse of time or acceleration or otherwise;

(b) Borrower or any other Obligor fails to perform, observe or comply with--or defaults under--any of the terms, covenants, conditions or provisions of any Credit Document (other than any such failure or default described in one of the other subparagraphs of this Section), unless Lender declares the failure or default fully cured to Lender's satisfaction within fifteen (15) calendar days after Lender has given Borrower written notice thereof (such curative period to run concurrently with, and not in addition to, any other curative periods, if any, provided for in any of the other Credit Documents with respect to the same default);

(c) Borrower or any of its Subsidiaries fails to perform, observe or comply with--or defaults under--Sections 5.02, 5.03 or 5.07 hereof or any negative covenant under Article VI of this Agreement;

(d) any representation or warranty by Borrower or any other Obligor made in any Credit Document or in any other report or other paper now or hereafter provided to Lender pursuant or incident to any Credit Document or the Obligations proves to have been untrue or misleading in any material respect as of the date made or deemed made;

(e) Borrower or any of its Subsidiaries: (i) voluntarily suspends transaction of business (except as permitted hereunder); (ii) becomes insolvent or unable to pay its Indebtedness as it matures; (iii) commences a voluntary case in bankruptcy or a voluntary petition seeking reorganization or to effect a plan or other arrangement with creditors; (iv) makes an assignment for the benefit of creditors; (v) applies for or consents to the appointment of a receiver or trustee for any such person or entity or for any substantial portion of its Property; or (vi) makes an assignment to an agent authorized to liquidate any substantial part of its assets;

(f) in respect of Borrower or any of its Subsidiaries: (i) an involuntary case shall be commenced with any court or other authority seeking liquidation, reorganization or a creditor's arrangement of any such person or entity; (ii) an order of any court or other authority shall be entered appointing any receiver or trustee for any such person or entity or for any substantial portion of its Property; or (iii) a writ or warrant of attachment or any similar process shall be issued by any court or other authority against any substantial portion of the Property of any such person or entity, and in each case, such petition seeking liquidation, reorganization or a creditor's arrangement or such order appointing a receiver or trustee is not vacated or stayed, or such writ, warrant of attachment or similar process is not vacated, released or bonded off within sixty (60) days after its entry or levy;

(g) the dissolution, liquidation or termination of the existence of Borrower or any of its Subsidiaries except as otherwise permitted under this Agreement;

(h) any one or more final judgments for the payment of money in excess of \$150,000.00 in the aggregate shall be rendered against any Obligor and the same shall remain unstayed or undischarged for a period of 30 days (it being agreed that a judgment shall be deemed stayed for purposes hereof during the prosecution by the applicable Obligor of any legally valid appeal process if a proper supersedeas bond has been timely filed in connection therewith);

(i) the occurrence of any Material Adverse Effect;

(j) Borrower or any of its Subsidiaries shall default in the payment of any amount when due under any other Funded Indebtedness obligation in excess of \$50,000.00 in principal amount or the holder of such other obligation declares--or has the right to declare--such obligation due before its stated maturity because of default;

(k) Borrower or any other applicable Obligor shall claim--or any court shall find or rule--that Lender does not have a valid Lien on any material portion of the Collateral;

(l) Borrower or any of its Subsidiaries shall have concealed, removed, or permitted to be concealed or removed, any part of its Property, with intent to hinder, delay or defraud any of its creditors, or made or suffered a transfer of any of its Property which may be fraudulent under any bankruptcy, fraudulent conveyance or similar law, or shall have made any transfer of its Property to or for the benefit of a creditor at a time when other creditors similarly situated have not been paid, or, while insolvent, shall have suffered or permitted any creditor to obtain a lien upon any of its Property through legal proceedings or distraint which is not vacated within 30 days from its date;

(m) Borrower or any of its Subsidiaries fails to pay when due any amount which he or it is liable to pay to the PBGC or its successor regarding a Plan or to a Plan, or notice of intent to terminate any Plan is filed under ERISA, or PBGC commences proceedings under ERISA to terminate any Plan or to cause a trustee to be appointed to administer any Plan, or a proceeding is commenced by any fiduciary of any Plan to enforce Section 515 or Section 4219(c)(5) of ERISA, or PBGC becomes entitled to obtain a decree adjudicating that any Plan must be terminated; or

(n) The occurrence of any default or event of default under any International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement or other agreement evidencing any Rate Management Transaction that remains uncured after any applicable grace or cure period, if any, provided for therein.

Section 7.02 Remedies. Upon the occurrence of any Event of Default that is then continuing, Lender shall have the right, at its option, (a) to declare the Commitment terminated (whereupon the Commitment shall be terminated) and to declare the unpaid balance of the Indebtedness evidenced by the Note and all other Credit Documents to be immediately due and payable without further notice (including notice of intent to accelerate and notice of acceleration), protest or demand or presentment for payment, all of which are hereby expressly waived by Borrower, (b) to require Borrower to pay to Lender, in immediately available funds, an amount equal to 105% of the then aggregate amount available for drawings under all Letters of Credit (which funds shall be held by Lender as Cover), and/or (c) to enforce or avail itself of any and all powers, rights and remedies available at law or provided in this Agreement, the Note, the other Credit Documents or any other document executed pursuant hereto or in connection herewith. All powers, rights and remedies of Lender set forth in this Section shall be cumulative and not exclusive of any other power, right or remedy available to Lender under the law or under this Agreement, the Note, the other Credit Documents or any other document executed pursuant hereto or in connection herewith to enforce the performance or observance of the covenants and agreements contained in this Agreement, and no delay or omission of Lender to exercise any such power, right or remedy accruing to Lender shall impair any such power, right or remedy, or shall be construed to be a waiver of the right to exercise any such power, right or remedy. Every power, right or remedy of Lender set forth in this Agreement, the Note, the other Credit Documents or any other document executed pursuant hereto or in connection herewith, or afforded by law may be exercised from time to time, and as often as may be deemed expedient by Lender.

Section 7.03 Lender's Right to Cure. If Borrower or any other Obligor should fail to comply with any of its agreements, covenants or obligations under any Credit Document, then after reasonable notice thereof to Borrower, Lender (in the name of Borrower or such other applicable Obligor or in Lender's own name) may perform them or cause them to be performed for Borrower's account and at Borrower's expense, but shall have no obligation to perform any of them or cause them to be performed. Any and all expenses thus incurred or paid by Lender shall be Borrower's obligations to Lender due and payable on demand, and each shall bear interest from the date Lender pays it until the date Borrower repays it to Lender at the Default Rate. Upon making any such payment or incurring any such expense, Lender shall be fully and automatically subrogated to all of the rights of the person, corporation or body politic receiving such payment. Any amounts owing by Borrower to Lender pursuant to this or any other provision of this Agreement shall be secured by all Security Documents. The amount and nature of any such expense and the time when it was paid shall be fully established by the affidavit of Lender or any of Lender's officers or agents. The exercise of the privileges granted to Lender in this Section shall in no event be considered or constitute a cure of the default or a waiver of Lender's right at any time after an Event of Default that is then continuing to declare the Note to be at once due and payable, but is cumulative of such right and of all other rights given by this Agreement, the Note and the Credit Documents and of all rights given Lender by law.

ARTICLE VIII

Miscellaneous

Section 8.01 Usury Not Intended; Savings Provisions. Notwithstanding any provision to the contrary contained in any Credit Document, it is expressly provided that in no case or event shall the aggregate of any amounts accrued or paid pursuant to this Agreement which under applicable laws are or may be deemed to constitute interest ever exceed the maximum nonusurious interest rate permitted by applicable Texas or federal laws, whichever permit the higher rate. In this connection, Borrower and Lender stipulate and agree that it is their common and overriding intent to contract in strict compliance with applicable usury laws. In furtherance thereof, none of the terms of this Agreement shall ever be construed to create a contract to pay, as consideration for the use, forbearance or detention of money, interest at a rate in excess of the maximum rate permitted by applicable laws. Neither Borrower nor any other Obligor shall ever be liable for interest in excess of the maximum rate permitted by applicable laws. If, for any reason whatever, such interest paid or received during the full term of the applicable Indebtedness produces a rate which exceeds the maximum rate permitted by applicable laws, Lender shall credit against the principal of such Indebtedness (or, if such Indebtedness shall have been paid in full, shall refund to the payor of such interest) such portion of said interest as shall be necessary to cause the interest paid to produce a rate equal to the maximum rate permitted by applicable laws. All sums paid or agreed to be paid to Lender for the use, forbearance or detention of money shall, to the extent required to avoid or minimize usury and to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of the applicable Indebtedness so that the interest rate does not exceed the Ceiling Rate. The provisions of this Section shall control all agreements, whether now or hereafter existing and whether written or oral, between Borrower and Lender.

Section 8.02 Documentation Requirements. Each written instrument required by this Agreement, the Note or the other Credit Documents to be furnished to Lender shall be duly executed by the person or persons specified (or where no particular person is specified, by such person as Lender shall require), duly acknowledged where reasonably required by Lender and, in the case of affidavits and similar sworn instruments, duly sworn to and subscribed before a notary public duly authorized to act by governmental authority; shall be furnished to Lender in one or more copies as required by Lender; and shall in all respects be in form and substance satisfactory to Lender and to its legal counsel.

Section 8.03 Credit Documents Cumulative. The benefits, rights and remedies of Lender and the security contained herein or provided for in the Note, the other Credit Documents or any other document executed pursuant hereto or in connection herewith are cumulative; provided, however, that to the extent of any conflict between any provision of this Agreement and any provision contained in the Note, the other Credit Documents or any other document executed pursuant hereto or in connection herewith, the provisions of this Agreement shall control.

Section 8.04 Satisfaction of Conditions. Where evidence of the existence or nonexistence of any circumstance or condition is required by this Agreement, the Note, the other Credit Documents or any other document executed pursuant hereto or in connection herewith to be furnished to Lender, such evidence shall in all respects be in form and substance reasonably satisfactory to Lender.

Section 8.05 Survival. All covenants, agreements, representations and warranties made by Borrower in this Agreement, the Note and the other Credit Documents shall survive the execution and delivery of this Agreement, the Note and the other Credit Documents, and shall continue in full force and effect until full payment of the Indebtedness evidenced by the Note and/or secured by the Credit Documents, complete performance of all of the obligations of Borrower and all other Obligors under the Credit Documents and final termination of Lender's obligations--if any--to make any further advances under the Note or to provide any other financial accommodation to Borrower (provided, however, that all reimbursement obligations, indemnification and hold harmless obligations and other similar obligations of Borrower under any of the Credit Documents shall survive such payment, performance and termination). No Person other than Borrower shall have any right or action hereon or any rights to Loans at any time, the Loans shall not constitute a trust fund for the benefit of any third parties and no third party shall under any circumstances have or be entitled to any Lien or any trust impressed on any undisbursed Loans.

Section 8.06 Borrower Agrees to Pay or Reimburse Lender's Expenses. To the extent not prohibited by applicable law and except as otherwise expressly limited herein, Borrower will pay all of the following costs and expenses and reimburse Lender for any and all of the following expenditures incurred or expended from time to time, regardless of whether a Default or an Event of Default shall have occurred, in connection with:

(a) all reasonable out-of-pocket costs and expenses for (i) the preparation, negotiation, documentation, closing, renewal, revision, modification, increase, review or restructuring of any loan or credit facility secured by the Credit Documents, including legal, accounting, auditing, architectural, engineering and inspection services and disbursements, and (ii) Lender's creating and perfecting its Liens against the Collateral; and

(b) all costs and expenses of realizing upon Lender's Liens on the Collateral, and all costs and expenses relating to Lender's exercising any of its rights and remedies under any Credit Document or at law and/or protecting the Collateral, including all such appraisal fees, consulting fees, filing fees, taxes, brokerage fees and commissions, title review and abstract fees, litigation report fees, UCC search fees, other fees and expenses incident to title searches, reports and security interests, escrow fees, attorneys' fees, legal expenses, court costs, other fees and expenses incurred in connection with any complete or partial liquidation of the Collateral, and all such fees and expenses for any professional services relating to the Collateral or any operations conducted in connection therewith. Provided, that no right or option granted by Borrower to Lender or otherwise arising pursuant to any provision of any Credit Document shall be deemed to impose or admit a duty on Lender to supervise, monitor or control any aspect of the character or condition of the Collateral or any operations conducted in connection therewith for the benefit of Borrower or any person or entity other than Lender. Borrower agrees to indemnify, defend and hold Lender, its shareholders, directors, officers, agents, attorneys, advisors and employees (collectively "Indemnified Parties") harmless from and against any and all Environmental Liabilities and any and all other loss, liability, obligation, damage, penalty, judgment, claim, deficiency, expense, action, suit, cost and disbursement of any kind or nature whatsoever (including interest, penalties, attorneys' fees and amounts paid in settlement) **REGARDLESS OF WHETHER CAUSED IN WHOLE OR IN PART BY THE NEGLIGENCE OF ANY OF THE INDEMNIFIED PARTIES**, imposed on, incurred by or asserted against the Indemnified Parties growing out of or resulting from any Credit Document or any transaction or event contemplated therein (except that such indemnity shall not be paid to any Indemnified Party to the extent that such loss, etc. directly results from the gross negligence or willful misconduct of that Indemnified Party). Any amount to be paid under this Section by Borrower to Lender shall be a demand obligation owing by Borrower to Lender and shall bear interest from the date of expenditure until paid at the Default Rate.

Section 8.07 Amendments in Writing. This Agreement shall not be changed orally but shall be changed only by agreement in writing signed by Borrower and Lender. Any waiver or consent with respect to this Agreement shall be effective only in the specific instance and for the specific purpose for which given. No course of dealing between the parties, no usage of trade and no parol or extrinsic evidence of any nature shall be used to supplement or modify any of the terms or provisions of this Agreement.

Section 8.08 Notices. Any notice, request or other communication required or permitted to be given hereunder shall be given in writing by delivering it against receipt for it, by depositing it with an overnight delivery service or by depositing it in a receptacle maintained by the United States Postal Service, postage prepaid, registered or certified mail, return receipt requested, addressed to the respective parties at the addresses shown herein (and if so given, shall be deemed given when mailed) or by facsimile or electronic transmission (with confirmation of receipt). Borrower's or Lender's address for notice may be changed at any time and from time to time, but only after ten (10) days' advance written notice to the other party and shall be the most recent such address furnished in writing by the applicable party to the other party hereto. Actual notice, however and from whomever given or received, shall always be effective when received. Whenever (and if) notice by telecopy by Borrower is permitted hereunder, it is intended for the convenience of Borrower, and Lender may rely on, and shall not be liable for acting (or refraining from acting) upon, any notice, instruction or request purporting to have been signed or presented by the proper party unless such action (or refraining from action) constitutes gross negligence or willful misconduct.

Section 8.09 Gender; "Including" is Not Limiting; Section Headings. The masculine and neuter genders used in this Agreement each includes the masculine, feminine and neuter genders, and whenever the singular number is used, the same shall include the plural where appropriate, and vice versa. Wherever the term "including" or a similar term is used in this Agreement, it shall be read as if it were written "including by way of example only and without in any way limiting the generality of the clause or concept referred to." The headings used in this Agreement are included for reference only and shall not be considered in interpreting, applying or enforcing this Agreement.

Section 8.10 Lender's Offset Rights. Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set-off and apply any and all monies and securities owed to Borrower against any and all of Borrower's Obligations to Lender now or hereafter existing under this Agreement, irrespective of whether Lender shall have made any demand under this Agreement. Lender agrees to use reasonable efforts to promptly notify Borrower after any such set-off and application, provided that failure to give--or delay in giving--any such notice shall not affect the validity of such set-off and application or impose any liability on Lender. Lender's rights under this Section are in addition to other rights and remedies (including other rights of set-off) which Lender may have.

Section 8.11 Governing Law; Venue. This Agreement and the other Credit Documents are performable in Travis County, Texas. Any legal proceeding in respect of this Agreement or the other Credit Documents shall be brought exclusively in the district courts of Travis County, Texas or the United States District Court for the Western District of Texas, Austin Division (collectively, the "Specified Courts"), to the exclusion of all other venues. Borrower and Lender hereby irrevocably submit to the exclusive jurisdiction of such state and federal courts of the State of Texas. Each of Borrower and Lender hereby irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to any Credit Document brought in any Specified Court, and hereby further irrevocably waives any claims that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Each of Borrower and Lender further irrevocably consents to the service of process out of any of the Specified Courts in any such suit, action or proceeding by the delivery of copies thereof by certified mail, return receipt requested, postage prepaid. Each of Borrower and Lender agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE APPLICABLE LAWS OF THE STATE OF TEXAS AND THE UNITED STATES OF AMERICA FROM TIME TO TIME IN EFFECT.**

Section 8.12 Rights Cumulative; Delay Not Waiver. Lender's exercise of any right, benefit or privilege under any of the Credit Documents or any other papers or at law or in equity shall not preclude the concurrent or subsequent exercise of Lender's other present or future rights, benefits or privileges. The remedies provided in this Agreement are cumulative and not exclusive of any remedies provided by law, the Credit Documents or any other papers. No failure by Lender to exercise, and no delay in exercising, any right under any Credit Document or any other papers shall operate as a waiver thereof.

Section 8.13 Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws, the legality, validity and enforceability of the remaining provisions of this Agreement shall not be affected thereby, and this Agreement shall be liberally construed so as to carry out the intent of the parties to it. Each waiver in this Agreement is subject to the overriding and controlling rule that it shall be effective only if and to the extent that (a) it is not prohibited by applicable law and (b) applicable law neither provides for nor allows any material sanctions to be imposed against Lender.

Section 8.14 Entire Agreement. This Agreement, the Note and the other Credit Documents together embody the entire agreement and understanding between Borrower and Lender with respect to the subject matter hereof and supersede all prior conflicting or inconsistent agreements, consents and understandings relating to such subject matter. Borrower acknowledges and agrees that there is no oral agreement between Borrower and Lender which has not been incorporated in this Agreement, the Note and the other Credit Documents.

Section 8.15 Counterparts. This Agreement may be executed in several identical counterparts, and by the parties hereto on separate counterparts, and each counterpart, when so executed and delivered, shall constitute an original instrument, and all such separate counterparts shall constitute but one and the same instrument.

Section 8.16 Sale and Assignment. All obligations of the Borrower shall be binding upon any successors and assigns of Borrower, but any attempted assignment of any rights of Borrower hereunder without the prior written consent of Lender shall be null and void. Lender reserves the right, in its sole discretion, without notice to Borrower or any other Person, to sell participations or assign its interest, or both, in all or any part of this Agreement, the Note, any of the other Credit Documents, any Loan and the Commitment and to disseminate to Lender's Affiliates, potential purchasers, derivative counterparties and rating agencies any information it has pertaining to the Loans, including without limitation, complete and current credit information on Borrower and any of its Subsidiaries. In the event of any such assignment, Borrower will agree (and will cause each of its Subsidiaries to agree) to such modifications to this Agreement and the other Credit Documents, and will cause to be delivered to Lender any legal opinion and other Credit Documents, as required to facilitate such assignment, so long as the same do not modify, alter or increase in any material respect the obligations and liabilities of Borrower under the Credit Documents. Without limiting the foregoing, and notwithstanding anything contained in any Credit Document to the contrary, Lender may at any time assign all or any portion of its rights under this Agreement, the Note and the other Credit Documents as collateral to a Federal Reserve Bank

Section 8.17 JURY TRIAL WAIVER. EACH OF BORROWER AND LENDER HEREBY AGREES NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY BORROWER AND LENDER, AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE. ;BORROWER AND LENDER ARE EACH HEREBY AUTHORIZED TO FILE A COPY OF THIS SECTION IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER BY BORROWER AND LENDER.

Section 8.18 USA Patriot Act. Lender is subject to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act") and hereby notifies Borrower that pursuant to the requirements of the Act, it is required to obtain, verify and record information that identifies Borrower, which information includes the name and address of Borrower and other information that will allow Lender to identify Borrower in accordance with the Act.

Section 8.19 Confidentiality. Lender agrees to keep confidential all Information (as defined below); provided that nothing herein shall prevent Lender from disclosing any such Information (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or any other Credit Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or participant in, or any prospective assignee of or participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any Rate Management Transaction relating to Borrower and its Obligations, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to Lender on a non-confidential basis from a source other than Borrower. For the purposes of this Section, "Information" means all information received from Borrower relating to Borrower or its business, other than any such information that is available to Lender on a non-confidential basis prior to disclosure by Borrower; provided that, in the case of information received from Borrower after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

NOTICE PURSUANT TO TEX. BUS. & COMM. CODE §26.02

THIS AGREEMENT, THE NOTE AND THE OTHER CREDIT DOCUMENTS AND ALL OTHER CREDIT DOCUMENTS EXECUTED BY ANY OF THE PARTIES SUBSTANTIALLY CONCURRENTLY HEREWITH CONSTITUTE A WRITTEN LOAN AGREEMENT WHICH REPRESENTS 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.

EXECUTED effective as of the date first set forth above.

NATURAL GAS SERVICES GROUP, INC.,
a Colorado corporation

By: /s/ Stephen Taylor
Stephen C. Taylor, Chief Executive Officer

Borrower's Address:

508 W. Wall Street, Suite 550
Midland, Texas 79701
Attention: Mr. Steve Taylor, CEO

JPMORGAN CHASE BANK, N.A.

By: /s/ Brenda Pollard
Name: Brenda Pollard
Title: Vice President

Lender's Address:

Mail Code TX3-8211
221 West 6th Street, 2nd Floor
Austin, Texas 78701
Attention: Manager/Commercial Lending Group

**SECURITY AGREEMENT
(Borrower)**

THIS SECURITY AGREEMENT (as it may be amended or modified from time to time, the "Agreement") is entered into as of December ____, 2010 by and between NATURAL GAS SERVICES GROUP, INC., a Colorado corporation (the "Debtor"), and JPMORGAN CHASE BANK, N.A., a national banking association (the "Secured Party").

PRELIMINARY STATEMENT

Debtor and Secured Party are entering into a Credit Agreement of even date herewith (as it may be amended or modified from time to time, the "Credit Agreement"). Debtor is entering into this Agreement in order to induce Secured Party to enter into and extend credit to Debtor under the Credit Agreement.

ACCORDINGLY, Debtor and Secured Party, hereby agree as follows:

ARTICLE I

DEFINITIONS

1.1 Terms Defined in Credit Agreement. All capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Credit Agreement.

1.2 Terms Defined in UCC. Terms defined in the UCC which are not otherwise defined in this Agreement are used herein as defined in the UCC.

1.3 Definitions of Certain Terms Used Herein. As used in this Agreement, in addition to the terms defined in the Preliminary Statement, the following terms shall have the following meanings:

"Accounts" shall have the meaning set forth in Article 9 of the UCC.

"Article" means a numbered article of this Agreement, unless another document is specifically referenced.

"Chattel Paper" shall have the meaning set forth in Article 9 of the UCC.

"Collateral" shall have the meaning set forth in Article II.

"Collateral Access Agreement" means any landlord subordination or other agreement, in form and substance satisfactory to Secured Party, between Secured Party and any third party (including any licensor, bailee, consignee, customs broker, or other similar Person) in possession of any Collateral or any landlord of any Obligor for any real property where any Collateral is located, as such landlord subordination or other agreement may be amended, restated, or otherwise modified from time to time.

"Collateral Report" means any certificate (including any Borrowing Base Certificate), report or other document delivered by Debtor to Secured Party with respect to the Collateral pursuant to any Credit Document.

"Control" shall have the meaning set forth in Article 8 or, if applicable, in Section 9-104, 9-105, 9-106 or 9-107 of Article 9 of the UCC.

"**Default**" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"**Documents**" shall have the meaning set forth in Article 9 of the UCC.

"**Equipment Inventory**" means the specific rental compressor Inventory of Debtor identified in Exhibit D attached hereto, together with any and all accessions thereto and any and all leases or other Chattel Paper covering any portion of such specific rental compressor Inventory.

"**Event of Default**" means an event described in Section 5.1.

"**Exhibit**" refers to a specific exhibit to this Agreement, unless another document is specifically referenced.

"**General Intangibles**" shall have the meaning set forth in Article 9 of the UCC.

"**General Inventory**" means any Inventory (excluding specific rental compressor Inventory of Debtor identified in Exhibit D attached hereto and all other compressors held by Debtor for lease to third parties and any and all accessions thereto), now or hereafter owned by Debtor.

"**Instruments**" shall have the meaning set forth in Article 9 of the UCC.

"**Inventory**" shall have the meaning set forth in Article 9 of the UCC.

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

"**UCC**" means the Uniform Commercial Code, as in effect from time to time, of the State of Texas or of any other state the laws of which are required as a result thereof to be applied in connection with the attachment, perfection or priority of, or remedies with respect to, Secured Party's Lien on any Collateral.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

ARTICLE II

GRANT OF SECURITY INTEREST

2.1 In order to secure the prompt and complete payment and performance of the Obligations, Debtor hereby pledges, collaterally assigns and grants to Secured Party, a security interest in all of its right, title and interest in, to and under all of the following described personal property, whether now owned by or owing to, or hereafter acquired by or arising in favor of Debtor, regardless of where located (all of which will be collectively referred to as the "Collateral"):

(i) all Accounts;

(ii) all General Inventory;

(iii) the specific rental compressor Inventory of Debtor identified in Exhibit D attached hereto, together with any and all accessions thereto and any and all leases or other Chattel Paper covering any portion of such specific rental compressor Inventory;

(iv) all leases and other Chattel Paper covering all or any portion of any rental compressor Inventory of Debtor (including any specific rental compressor Inventory of Debtor identified in Exhibit D attached hereto), including without limitation, all rights to payments now or hereafter due and owing thereunder; and

(v) all accessions to, substitutions for and replacements, proceeds, insurance proceeds and products of the foregoing, together with all books and records, customer lists, credit files, computer files, programs, printouts and other computer materials and records related thereto and any Chattel Paper or General Intangibles at any time evidencing or relating to any of the foregoing.

2.2 The Obligations secured hereby include (a) interest and other obligations of any Obligor accruing or arising after (i) commencement of any case under any bankruptcy or similar laws by or against Debtor or any other Obligor or (ii) the obligations of any Obligor shall cease to exist by operation of law or for any other reason (it being the intention of Secured Party to not reinstate the liability of any discharged Obligor, but only to confirm that the discharge of any Obligor from liability for the Obligations shall not effect all remaining Obligors' liability for interest and other obligations accruing or arising with respect to the Obligations after any such discharged Obligor has been released from liability for all or any portion of the Obligations), and (b) all reasonable attorneys' fees and any other reasonable expenses incurred by Secured Party in enforcing any of the Credit Documents.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Debtor represents and warrants to Secured Party that:

3.1 Title, Perfection and Priority. Debtor has good and valid rights in the Collateral 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(e), and has full power and authority to grant to Secured Party the security interest in such Collateral pursuant hereto. When financing statement(s) have been filed in the appropriate office against Debtor in the location listed on Exhibit C, Secured Party will have a fully perfected first priority security interest in the Collateral in which a security interest may be perfected by filing a financing statement, subject only to Liens permitted under Section 4.1(e).

3.2 Type and Jurisdiction of Organization, Organizational and Identification Numbers. The type of entity of Debtor, its state of organization, the organizational number issued to it by its state of organization and its federal employer identification number are set forth on Exhibit A.

3.3 Collateral Locations. All of Debtor's locations where Collateral is located are listed on Exhibit B. All of said locations are owned by Debtor except for locations (i) which are leased by Debtor as lessee and designated in Exhibit B as leased, and (ii) at which Inventory is held in a public warehouse or is otherwise held by a bailee or on consignment as designated as such in Exhibit B.

3.4 Accounts.

(a) The names of the obligors, amounts owing, due dates and other information with respect to the Accounts and Chattel Paper relating thereto are and will be correctly stated in all records of Debtor relating thereto and in all invoices and Collateral Reports with respect thereto furnished to Secured Party by Debtor from time to time. As of the time when each Account or each item of Chattel Paper relating thereto arises, Debtor shall be deemed to have represented and warranted that such Account or Chattel Paper, as the case may be, and all records relating thereto, are genuine and in all respects what they purport to be.

(b) With respect to Accounts, except as specifically disclosed on the most recent Collateral Report, (i) all Accounts are Eligible Accounts; (ii) all Accounts represent bona fide sales of General Inventory, lease payment under bona fide leases of Equipment Inventory or rendering of services to account debtors in the ordinary course of Debtor's business and are not evidenced by a judgment, Instrument or Chattel Paper; (iii) except for setoffs, claims or disputes that customarily occur during the normal course of Debtor's business and which will be disclosed on the next Collateral Report to be provided by Debtor to Secured Party, there are no setoffs, claims or disputes existing or asserted with respect thereto and Debtor has not made any agreement with any account debtor for any extension of time for the payment thereof, any compromise or settlement for less than the full amount thereof, any release of any account debtor from liability therefor, or any deduction therefrom except a discount or allowance allowed by Debtor in the ordinary course of its business for prompt payment and disclosed to Secured Party; (iv) to Debtor's knowledge, there are no facts, events or occurrences which in any way impair the validity or enforceability thereof or could reasonably be expected to reduce the amount payable thereunder as shown on Debtor's books and records and any invoices, statements and Collateral Reports with respect thereto, including without limitation, any actual knowledge that any account debtor is unable generally to pay its debts as they become due; and (v) Debtor has not received any notice of proceedings or actions which are threatened or pending against any account debtor which might result in any adverse change in such account debtor's financial condition.

(c) In addition, with respect to all Accounts, the amounts shown on all invoices, statements and Collateral Reports with respect thereto are bona-fide amounts owing to Debtor as indicated thereon and are not in any way contingent.

3.5 General Inventory. With respect to any General Inventory scheduled or listed on the most recent Collateral Report, (a) such General Inventory (other than General Inventory in transit) is located at one of Debtor's locations set forth on Exhibit B, (b) no General Inventory (other than General Inventory in transit) is now, or shall at any time or times hereafter be stored at any other location except as permitted by Section 4.1(g), (c) Debtor has good, indefeasible and merchantable title to such General Inventory and such General Inventory is not subject to any Lien or security interest or document whatsoever except for the Lien granted to Secured Party and except for other Liens permitted under the Credit Agreement, (d) except as specifically disclosed in the most recent Collateral Report, such General Inventory is Eligible General Inventory of good and merchantable quality, free from any defects, (e) such General Inventory is not subject to any copyright, license, patent, trademark, royalty or trade name agreements with any third parties which would require any consent of any third party upon sale or disposition of that General Inventory or the payment of any monies to any third party upon such sale or other disposition, and (f) the sale or other disposition of such General Inventory by Secured Party following an Event of Default shall not require the consent of any Person and shall not constitute a breach or default under any contract or agreement to which Debtor is a party or to which such property is subject.

3.6 Equipment Inventory. With respect to any Equipment Inventory scheduled or listed on the most recent Collateral Report, (a) to the extent such Equipment Inventory is not in the possession of the third-party lessee pursuant to the terms of any lease covering the same, such Equipment Inventory (other than Equipment Inventory in transit) is located at one of Debtor's locations set forth on Exhibit B, (b) no Equipment Inventory (other than Equipment Inventory in transit) is now, or shall at any time or times hereafter be stored at any other location except as permitted by Section 4.1(g) or except such Equipment Inventory that is in the possession of the third-party lessee pursuant to the terms of a lease covering the same, (c) Debtor has good, indefeasible and merchantable title to such Equipment Inventory, subject to the rights of any lessee pursuant to the terms of any lease covering the same, and such Equipment Inventory is not subject to any Lien or security interest or document whatsoever except for the Lien granted to Secured Party and except for other Liens permitted under the Credit Agreement, (d) except as specifically disclosed in the most recent Collateral Report, such Equipment Inventory is Eligible Equipment Inventory of good and merchantable quality, free from any defects, (e) such Equipment Inventory is not subject to any copyright, license, patent, trademark, royalty or trade name agreements with any third parties which would require any consent of any third party upon sale or disposition of that Equipment Inventory or the payment of any monies to any third party upon such sale or other disposition, and (f) the sale or other disposition of such Equipment Inventory by Secured Party following an Event of Default shall not require the consent of any Person and shall not constitute a breach or default under any contract or agreement to which Debtor is a party or to which such property is subject

3.7 No Financing Statements, Security Agreements. No financing statement or security agreement describing all or any portion of the Collateral which has not lapsed or been terminated naming Debtor as debtor has been filed or is of record in any jurisdiction except (a) for financing statements or security agreements naming Secured Party as the secured party, and (b) as permitted by the Credit Agreement and Section 4.1(e) hereof.

ARTICLE IV

COVENANTS

From the date of this Agreement, and thereafter until this Agreement is terminated, Debtor agrees that:

4.1 General.

(a) Collateral Records. Debtor will maintain complete and accurate books and records with respect to the Collateral.

(b) Authorization to File Financing Statements; Ratification. To the extent permitted by law, Debtor hereby authorizes Secured Party to file, and if requested will deliver to Secured Party, all financing statements and other documents and take such other actions as may from time to time be reasonably requested by Secured Party in order to maintain a first priority perfected security interest in the Collateral, and, if applicable in order to maintain a first priority perfected security interest, Control of, the Collateral. Debtor also ratifies its authorization for Secured Party to have filed in any UCC jurisdiction any initial financing statements or amendments thereto if filed prior to the date hereof.

(c) Further Assurances. Debtor agrees to take any and all actions reasonably 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 or under the Credit Agreement.

(d) Disposition of Collateral. Debtor will not sell, lease or otherwise dispose of the Collateral except (i) in the ordinary course of Debtor's business and (ii) other dispositions permitted pursuant to the Credit Agreement.

(e) Liens. Debtor 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 under the terms of the Credit Agreement.

(f) Other Financing Statements. Debtor will not authorize the filing of any financing statement (other than by Secured Party) covering all or any portion of the Collateral, except as permitted by Section 4.1(e). Debtor acknowledges that it is not authorized to file any financing statement or amendment or termination statement with respect to any financing statement filed in connection with this Agreement without the prior written consent of Secured Party, subject to Debtor's rights under Section 9-509(d)(2) of the UCC.

(g) Locations. Other than any Inventory in transit and any Equipment Inventory in the possession of a third-party lessee pursuant to the terms of a lease covering the same, Debtor will not (i) maintain any Collateral at any location other than those locations listed on Exhibit B or otherwise change, or add to, such locations without providing Secured Party with not less than fifteen (15) days prior written notice and unless Debtor has obtained a Collateral Access Agreement for each such newly leased location (it being understood that absent further agreement of Secured Party, any Collateral located at any leased location for which no Collateral Access Agreement is obtained may not be included within Eligible Inventory for purposes hereof), or (ii) change its principal place of business or chief executive office from the location identified on Exhibit A except as permitted by the Credit Agreement. Notwithstanding the foregoing requirement that a Collateral Access Agreement is required to have been fully executed and delivered to Secured Party with respect to any location leased by Debtor prior to any Collateral located at such leased location being permitted to be included within Eligible Inventory, Secured Party hereby agrees that Debtor shall have sixty (60) days after the date of this Agreement to secure and furnish such Collateral Access Agreements to Secured Party before any Collateral located at any leased location for which no such Collateral Access Agreement has been received will be excluded from Eligible Inventory due to the failure of Secured Party to have received a Collateral Access Agreement for such leased location.

4.2 Accounts.

(a) Certain Agreements on Accounts. Debtor will not make or agree to make any discount, credit, rebate or other reduction in the original amount owing on an Account or accept in satisfaction of an Account less than the original amount thereof, except that if no Event of Default then exists, Debtor may reduce the amount of Accounts in accordance with its present policies and in the ordinary course of business.

(b) Collection of Accounts. Except as otherwise provided in this Agreement, Debtor will collect and enforce, at Debtor's sole expense, all amounts due or hereafter due to Debtor under all Accounts.

(c) Delivery of Invoices. During the existence of an Event of Default, Debtor will deliver to Secured Party immediately upon its request duplicate invoices with respect to each Account bearing such language of assignment as Secured Party shall specify.

(d) Disclosure of Counterclaims on Accounts. If during the existence of an Event of Default (i) any discount, credit or agreement to make a rebate or to otherwise reduce the amount owing on an Account exists or (ii) if, to the knowledge of Debtor, any dispute, setoff, claim, counterclaim or defense exists or has been asserted or threatened with respect to an Account, and if such discount, credit, agreement, dispute, setoff, claim, counterclaim or defense is not otherwise shown on the most recent Collateral Report previously delivered to Secured Party and reduces or could reasonably be expected to reduce the collectability of the applicable Account by an amount in excess of \$25,000, Debtor will promptly disclose such fact to Secured Party in writing. During the existence of an Event of Default, Debtor shall send Secured Party a copy of each credit memorandum (other than credit memoranda with respect to applications of customer advances or deposits issued in the ordinary course) in excess of \$50,000 as soon as issued, and Debtor shall promptly report each credit memo and each of the facts required to be disclosed to Secured Party in accordance with this Section 4.2(d) on the Borrowing Base Certificates submitted by it.

4.3 Inventory.

(a) Maintenance of Inventory. Debtor will do all things reasonably necessary to maintain, preserve, protect and keep the General Inventory in saleable condition and the Equipment Inventory in good repair and working condition, except for damaged or defective Inventory arising in the ordinary course of such Debtor's business and except for ordinary wear and tear in respect of the Equipment Inventory.

(b) Returned General Inventory. During the existence of an Event of Default, if an account debtor returns any General Inventory to Debtor, then Debtor shall promptly determine the reason for such return and shall issue a credit memorandum to such account debtor in the appropriate amount. Debtor shall immediately report to Secured Party any return involving an amount in excess of \$50,000. Each such report shall indicate the reasons for the returns and the locations and condition of the returned General Inventory. All returned General Inventory shall be subject to Secured Party's Liens thereon. Whenever any General Inventory is returned, the related Account shall be deemed excluded from Eligible Accounts to the extent of the amount owing by the account debtor with respect to such returned General Inventory and such returned General Inventory shall not be Eligible General Inventory.

(c) Returned Equipment Inventory. During the existence of an Event of Default, if any lessee of any Equipment Inventory returns any Equipment Inventory to Debtor alleging a defect with respect to the same, then Debtor shall immediately report to Secured Party any such return. Each such report shall indicate the reasons for the returns and the location and condition of the returned Equipment Inventory. Whenever any Equipment Inventory is returned, such Equipment Inventory shall be deemed excluded from Eligible Equipment Inventory unless and until Debtor furnishes Secured Party with reasonably sufficient evidence to confirm that the applicable alleged defect has been cured or does not actually exist.

4.4 Delivery of Instruments and Chattel Paper. Debtor will (a) deliver to Secured Party immediately upon execution of this Agreement the originals of all Instruments constituting Collateral (if any then exist), (b) hold in trust for Secured Party upon receipt and immediately thereafter deliver to Secured Party any and all Instruments constituting Collateral hereafter acquired by Debtor, (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) the originals of any Chattel Paper evidencing or constituting Collateral and (d) upon Secured Party's request, deliver to Secured Party a duly executed amendment to this Agreement pursuant to which Debtor will pledge such additional Equipment Inventory hereafter identified and designated by Debtor as additional "Equipment Inventory" for purposes hereof in accordance with the requirements of Section 5.11 or any other applicable provision of the Credit Agreement; provided, however, that notwithstanding the foregoing, Instruments held by Debtor need not be delivered to be held in trust by Secured Party to the extent that the value of all such Instruments then held by Debtor does not exceed \$25,000 in the aggregate.

4.5 Registration and Certificate of Title Requirements. To the extent that Secured Party reasonably determines that any portion of the Inventory of Debtor constituting Collateral hereunder is required to be registered with any applicable Governmental Authority so as to obtain a certificate of title for such Inventory in accordance with any applicable Legal Requirement, Debtor hereby agrees that upon the written request of Secured Party, Debtor shall promptly cause the registration of such Inventory with such applicable Governmental Authority to occur and cause Secured Party's Lien against such Inventory to be properly reflected on the applicable certificate(s) of title issued by such applicable Governmental Authority for such Inventory.

4.6 Collateral Access Agreements. Debtor shall use commercially reasonable efforts to obtain a Collateral Access Agreement from the lessor of each leased property, mortgagee of owned property or bailee or consignee with respect to any warehouse, processor or converter facility or other location where any Collateral is stored or located, which agreement or letter shall provide access rights, contain a waiver or subordination of all Liens or claims that the landlord, mortgagee, bailee or consignee may assert against the Collateral at that location, and shall otherwise be reasonably satisfactory in form and substance to Secured Party. With respect to such locations or warehouse space now or hereafter leased by Debtor, if Secured Party has not received a Collateral Access Agreement, at the option of Secured Party, any Inventory at that location shall be excluded from the Borrowing Base or subject to such rent reserves against the Borrowing Base as may be established by Secured Party in its discretion. After the date hereof, no real property or warehouse space shall be leased by Debtor, unless and until a satisfactory Collateral Access Agreement shall first have been obtained with respect to such location and if it has not been obtained, then at the option of Secured Party, any Inventory at that location shall be excluded from the Borrowing Base or subject to such rent reserves against the Borrowing Base as may be established by Secured Party in its discretion. Debtor shall timely and fully pay and perform its obligations under all leases and other agreements with respect to each leased location or third party warehouse where any Collateral is or may be located.

4.7 No Interference. Debtor agrees that it will not interfere with any right, power and remedy of Secured Party provided for in this Agreement or now or hereafter existing at law or in equity or by statute or otherwise, or the exercise or beginning of the exercise by Secured Party of any one or more of such rights, powers or remedies.

4.8 Insurance.

(a) In the event any Collateral is located in any area owned and/or operated by Debtor that has been designated by the Federal Emergency Management Agency as a "Special Flood Hazard Area", Debtor shall purchase and maintain flood insurance on such Collateral (including any personal property which is located on any real property leased by the applicable Obligor within a "Special Flood Hazard Area"). The amount of all insurance required by this Section shall at a minimum comply with applicable law, including the Flood Disaster Protection Act of 1973, as amended.

(b) All insurance policies required under the Credit Agreement or any other Credit Document shall name Secured Party as an additional insured or as loss payee, as applicable, and shall contain loss payable clauses or mortgagee clauses, through endorsements in form and substance satisfactory to Secured Party, which provide that: (i) all proceeds thereunder with respect to any Collateral shall be payable to Secured Party; (ii) no such insurance shall be affected by any act or neglect of the insured or owner of the property described in such policy; and (iii) such policy and loss payable or mortgagee clauses may be canceled, amended, or terminated only upon at least thirty (30) days prior written notice given to Secured Party.

(c) All premiums on any insurance required by the Credit Agreement or any other Credit Document shall be paid when due by Debtor, and Debtor agrees to furnish due proof of payment of the premiums for all such insurance to Secured Party promptly after each such payment is made and in any case at least fifteen (15) days before payment becomes delinquent. If Debtor fails to obtain any insurance as required by the Credit Agreement or any other Credit Document, Secured Party may obtain such insurance at Debtor's expense. By purchasing such insurance, Secured Party shall not be deemed to have waived any Default arising from Debtor's failure to maintain such insurance or pay any premiums therefor, and Secured Party shall have no obligation to cause Debtor or anyone else to be named as an insured, to cause Debtor's or anyone else's interests to be insured or protected or to inform Debtor or anyone else that his or its interests are uninsured or underinsured.

(d) In connection with Secured Party's right to obtain coverage to protect Secured Party's interest in the Collateral, the following notice is hereby given to Debtor in accordance with the requirements of Section 307.052 of the Texas Finance Code:

NOTICE:

- (i) **DEBTOR IS REQUIRED TO: (i) KEEP THE COLLATERAL INSURED AGAINST DAMAGE FOR THE FULL REPLACEMENT COST THEREOF; (ii) PURCHASE THE INSURANCE FROM AN INSURER THAT IS AUTHORIZED TO DO BUSINESS IN THE STATE OF TEXAS OR AN ELIGIBLE SURPLUS LINES INSURER; AND (iii) NAME SECURED PARTY AS THE PERSON TO BE PAID UNDER THE POLICY IN THE EVENT OF LOSS;**
- (ii) **DEBTOR MUST, IF REQUIRED BY SECURED PARTY, DELIVER TO SECURED PARTY A COPY OF THE POLICY AND PROOF OF THE PAYMENT OF PREMIUMS; AND**
- (iii) **IF DEBTOR FAILS TO MEET ANY REQUIREMENT LISTED IN CLAUSE (i) OR (ii) ABOVE, SECURED PARTY MAY OBTAIN COLLATERAL PROTECTION INSURANCE ON BEHALF OF DEBTOR AT DEBTOR'S EXPENSE.**

(e) Debtor hereby assigns to Secured Party the exclusive right to collect any and all monies that may become payable under any insurance policies covering any part of the Collateral, or any risk to or about the Collateral. Except as provided below in Sections 4.8(f) and (g), all proceeds of insurance which was paid for by Debtor or by anyone other than Secured Party and which proceeds are actually received by Secured Party before foreclosure shall be applied in payment of the Obligations or, at the option of Secured Party, shall be paid to Debtor or to such other person as is legally entitled to them.

(f) Promptly upon obtaining knowledge thereof, Debtor shall notify Secured Party of any casualty to the Collateral after the date hereof which exceeds \$50,000, and Debtor shall pursue claims for payment related to such casualty. Upon the receipt by Debtor or Secured Party of any insurance proceeds from insurance policies required to be maintained pursuant to this Agreement or any other Credit Document on account of (1) each separate loss, damage or injury to any Collateral after the date hereof in excess of \$100,000 if no Default or Event of Default shall have occurred which is continuing or (2) any separate loss, damage or injury to any Collateral (regardless of the amount of loss, damage or injury) if a Default or Event of Default shall have occurred which is continuing, such insurance proceeds shall be promptly delivered and turned over to Secured Party (if the same have not been previously received by Secured Party), and except as otherwise specified below, such insurance proceeds shall be promptly applied by Secured Party in payment of the Obligations (such order and manner of application to be at the discretion of Secured Party). With respect to such net insurance proceeds, Debtor may elect, by written notice delivered to Secured Party, not later than the thirtieth (30th) day after receipt of such net proceeds by Secured Party or Debtor, to utilize and apply all or a portion of such net proceeds for the purpose of replacing, repairing or restoring the relevant Collateral, and in such event, any required application of such net proceeds against the Obligations in accordance with the preceding sentence shall be reduced dollar for dollar by the amount of such election by Debtor. Such an election by Debtor shall not be effective, however, unless (1) at the time of such election and subsequent usage no Default or Event of Default shall have occurred which is continuing, (2) Debtor shall have certified to Secured Party that the net proceeds of the insurance adjustment for such loss, damage or injury to Collateral, together with other funds available to Debtor, shall be sufficient to complete such contemplated replacement, repair or restoration in accordance with all applicable laws, regulations and ordinances, and (3) if the amount of the net proceeds in question exceeds \$50,000 and is payable with respect to loss, damage or injury to Inventory, Debtor shall have obtained the written consent of Secured Party to such use and application of such insurance proceeds.

(g) In the event of a valid election by Debtor under Section 4.8(f) above to utilize all or a portion of insurance proceeds in excess of \$100,000 to replace, repair or restore the relevant Collateral, Debtor shall place into an account under Secured Party's control (the "Insurance Proceeds Account") the amount of net insurance proceeds to be utilized for such contemplated replacement, repair or restoration, pursuant to agreements in form, scope and substance reasonably satisfactory to Secured Party (including a pledge of such Insurance Proceeds Account as additional security for the Obligations). 0; Amounts deposited in the Insurance Proceeds Account shall continue to be held by Secured Party without payment of interest to Debtor. The Insurance Proceeds Account shall be available to Debtor solely for the replacement, repair or restoration of the Collateral suffering the applicable injury, loss or damage; provided, however, that at any time that a Default or Event of Default shall occur and be continuing, the balance of the Insurance Proceeds Account, together with all earnings thereon, may be immediately applied by Secured Party to repay the Obligations in such order as Secured Party shall elect in its discretion. Secured Party shall be entitled to require proof, as a condition to Debtor making any withdrawal from the Insurance Proceeds Account, that the amount of such withdrawal is being applied for the purposes permitted hereunder. Additionally, any proceeds of the Insurance Proceeds Account may be made available and advanced by Secured Party directly to Debtor, or directly to suppliers, manufacturers, contractors and other persons entitled to payment in accordance with and subject to reasonable conditions to disbursements as Secured Party may impose to assure that such replacement, repair or restoration of the relevant Collateral is paid for and performed and that no Liens arise by reason thereof.

(h) [Notwithstanding the foregoing property insurance requirements or any other property insurance requirement set forth in any other Credit Document, so long as Debtor continues to maintain in all material respects the existing self-insurance program currently maintained by Debtor as of the date of this Agreement for property insurance coverage in lieu of third-party property insurance coverage, Debtor shall be deemed to have complied with all applicable property insurance requirements set forth in this Agreement or in any other Credit Document.]

ARTICLE V

EVENTS OF DEFAULT AND REMEDIES

5.1 Events of Default. The occurrence of any Event of Default under the Credit Agreement shall constitute an Event of Default hereunder.

5.2 Remedies.

(a) Upon the occurrence of an Event of Default that is continuing, Secured Party may exercise any or all of the following rights and remedies:

(i) those rights and remedies provided in this Agreement, the Credit Agreement, or any other Credit Document; *provided that*, this Section 5.2(a) shall not be understood to limit any rights or remedies available to Secured Party prior to an Event of Default;

(ii) those rights and remedies available to a secured party under the UCC or under any other applicable law (including, without limitation, any law governing the exercise of a bank's right of setoff or bankers' lien) when a debtor is in default under a security agreement;

(iii) give notice of sole control or any other instruction under any control agreement, if any, with any financial institution or securities intermediary and take any action therein with respect to such Collateral;

(iv) without notice (except as specifically provided in Section 7.1 or elsewhere herein), demand or advertisement of any kind to Debtor or any other Person, enter any of the premises of Debtor, whether leased or owned by Debtor, where any Collateral is located (through self-help and without judicial process, and Debtor hereby irrevocably authorizes Secured Party to enter any such premises during the existence of any Event of Default and to show any landlord or other third party this provision to the extent necessary to confirm to such landlord or other third party Secured Party's right of entry) to collect, receive, assemble, process, appropriate, sell, lease, assign, grant an option or options to purchase or otherwise dispose of, deliver, or realize upon, the Collateral or any part thereof in one or more parcels at public or private sale or sales (which sales may be adjourned or continued from time to time with or without notice and may take place at Debtor's premises or elsewhere), for cash, on credit or for future delivery without assumption of any credit risk, and upon such other terms as Secured Party may deem commercially reasonable; and

(v) concurrently with written notice to Debtor, transfer and register in its name or in the name of its nominee the whole or any part of the pledged Collateral, to exchange certificates or instruments representing or evidencing pledged Collateral for certificates or instruments of smaller or larger denominations, to exercise the voting and all other rights as a holder with respect thereto, to collect and receive all cash dividends, interest, principal and other distributions made thereon and to otherwise act with respect to the pledged Collateral as though Secured Party was the outright owner thereof.

(b) Secured Party may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered to adversely affect the commercial reasonableness of any sale of the Collateral.

(c) Secured Party shall have the right upon any such public sale or sales and, to the extent permitted by law, upon any such private sale or sales, to purchase for the benefit of Secured Party, the whole or any part of the Collateral so sold, free of any right of equity redemption, which equity redemption Debtor hereby expressly releases.

(d) Until Secured Party is able to effect a sale, lease, or other disposition of Collateral, Secured Party shall have the right to hold or use Collateral, or any part thereof, to the extent that it deems appropriate for the purpose of preserving Collateral or its value or for any other purpose deemed appropriate by Secured Party. Secured Party may, if it so elects, seek the appointment of a receiver or keeper to take possession of Collateral and to enforce any of Secured Party's remedies, with respect to such appointment without prior notice or hearing as to such appointment.

(e) Notwithstanding the foregoing, Secured Party shall not be required to (i) make any demand upon, or pursue or exhaust any of their rights or remedies against, Debtor, any other obligor, guarantor, pledgor or any other Person with respect to the payment of the Obligations or to pursue or exhaust any of their rights or remedies with respect to any Collateral therefor or any direct or indirect guarantee thereof, (ii) marshal the Collateral or any guarantee of the Obligations or to resort to the Collateral or any such guarantee in any particular order, or (iii) effect a public sale of any Collateral.

(f) Debtor recognizes that Secured Party may be unable to effect a public sale of any or all the pledged Collateral and may be compelled to resort to one or more private sales thereof in accordance with clause (a) above. Debtor also acknowledges that any private sale may result in prices and other terms less favorable to the seller than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall not be deemed to have been made in a commercially unreasonable manner solely by virtue of such sale being private. Secured Party shall be under no obligation to delay a sale of any of the pledged Collateral for the period of time necessary to permit Debtor or the issuer of the pledged Collateral to register such securities for public sale under the Securities Act of 1933, as amended, or under applicable state securities laws, even if Debtor and the issuer would agree to do so.

5.3 Debtor's Obligations Upon Event of Default. Upon the request of Secured Party after the occurrence of an Event of Default that is continuing, Debtor will:

(a) assemble and make available to Secured Party the Collateral and all books and records relating thereto at Debtor's premises at a time or times convenient to Secured Party;

(b) permit Secured Party, by Secured Party's representatives and agents, to enter, occupy and use 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 or the books and records relating thereto, or both, to remove all or any part of the Collateral or the books and records relating thereto, or both, and to conduct sales of the Collateral, without any obligation to pay Debtor for such use and occupancy; and

(c) at its own expense, cause the independent certified public accountants then engaged by each Debtor to prepare and deliver to Secured Party, at any time, and from time to time, promptly upon Secured Party's request, the following reports: (i) a reconciliation of all Accounts; (ii) an aging of all Accounts; (iii) trial balances; and (iv) a test verification of such Accounts.

ARTICLE VI

ACCOUNT VERIFICATION; ATTORNEY IN FACT; PROXY

6.1 Account Verification. Secured Party may, at any time, in Secured Party's own name, in the name of a nominee of Secured Party, or, in the name of Debtor, communicate (by mail, telephone, facsimile or otherwise) with the Account Debtors of Debtor, parties to contracts with Debtor and obligors in respect of Instruments of Debtor to verify with such Persons, to Secured Party's satisfaction, the existence, amount, terms of, and any other matter relating to, Accounts, Instruments or Chattel Paper constituting Collateral hereunder.

6.2 Authorization for Secured Party to Take Certain Action.

(a) Debtor irrevocably appoints Secured Party as its attorney in fact and authorizes Secured Party at any time and from time to time if an Event of Default has occurred and is continuing (i) to apply the proceeds of any Collateral received by Secured Party to the Obligations in the order determined by Secured Party, (ii) to demand payment or enforce payment of any and all Accounts in the name of Secured Party or Debtor and to endorse any and all checks, drafts, and other instruments for the payment of money relating to the applicable Accounts, (iii) to sign Debtor's name on any invoice or bill of lading relating to any and all Accounts, drafts against any account debtor of Debtor, assignments and verifications of any and all Accounts, (iv) to exercise all of Debtor's rights and remedies with respect to the collection of any and all Accounts and any other Collateral, (v) to settle, adjust, compromise, extend or renew any and all Accounts, (vi) to settle, adjust or compromise any legal proceedings brought to collect any and all Accounts, (vii) to prepare, file and sign Debtor's name on a proof of claim in bankruptcy or similar document against any account debtor of Debtor, (viii) to prepare, file and sign Debtor's name on any notice of Lien, assignment or satisfaction of Lien or similar document in connection with any and all Accounts, and (ix) to change the address for delivery of mail addressed to Debtor to such address as Secured Party may designate and to receive, open and dispose of all mail addressed to Debtor. Debtor agrees to reimburse Secured Party on demand for any payment made or any expense incurred by Secured Party in connection with any of the foregoing provisions of this Section 6.2(a); *provided that*, this authorization shall not relieve Debtor of any of its obligations under this Agreement or under any other Credit Document.

(b) All acts of said attorney or designee are hereby ratified and approved. The powers conferred on Secured Party under this Section 6.2 are solely to protect Secured Party's interests in the Collateral and shall not impose any duty upon Secured Party to exercise any such powers.

6.3 Limitation of Duty. NOTWITHSTANDING ANYTHING CONTAINED HEREIN, NEITHER SECURED PARTY NOR ANY OF ITS RESPECTIVE AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR REPRESENTATIVES SHALL HAVE ANY DUTY TO EXERCISE ANY RIGHT OR POWER GRANTED HEREUNDER OR OTHERWISE OR TO PRESERVE THE SAME AND SHALL NOT BE LIABLE FOR ANY FAILURE TO DO SO OR FOR ANY DELAY IN DOING SO, EXCEPT IN RESPECT OF DAMAGES ATTRIBUTABLE SOLELY TO THEIR OWN GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AS FINALLY DETERMINED BY A COURT OF COMPETENT JURISDICTION; PROVIDED THAT, IN NO EVENT SHALL THEY BE LIABLE FOR ANY PUNITIVE, EXEMPLARY, INDIRECT OR CONSEQUENTIAL DAMAGES.

ARTICLE VII

GENERAL PROVISIONS

7.1 Waivers. Debtor 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 Debtor, addressed as set forth in Section 7.17, at least ten days prior to (i) the date of any such public sale or (ii) the time after which any such private sale or other disposition may be made. To the maximum extent permitted by applicable law, Debtor waives all claims, damages, and demands against Secured Party arising out of the repossession, retention or sale of the Collateral, except such as arise solely out of the gross negligence or willful misconduct of Secured Party as finally determined by a court of competent jurisdiction. To the extent it may lawfully do so, Debtor absolutely and irrevocably waives and relinquishes the benefit and advantage of, and covenants not to assert against Secured Party, any valuation, stay, appraisal, extension, moratorium, redemption or similar laws and any and all rights or defenses it may have as a surety now or hereafter existing which, but for this provision, might be applicable to the sale of any Collateral made under the judgment, order or decree of any court, or privately under the power of sale conferred by this Agreement, or otherwise. Except as otherwise specifically provided herein, Debtor hereby waives presentment, demand, protest or any notice (to the maximum extent permitted by applicable law) of any kind in connection with this Agreement or any Collateral.

7.2 Limitation on Secured Party's Duty with Respect to the Collateral. Secured Party shall have no obligation to clean-up or otherwise prepare the Collateral for sale. Secured Party shall use reasonable care with respect to the Collateral in its possession or under its control. Secured Party shall not have any other duty as to any Collateral in its possession or control or in the possession or control of any agent or nominee of Secured Party, or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto. To the extent that applicable law imposes duties on Secured Party to exercise remedies in a commercially reasonable manner, Debtor acknowledges and agrees that it is commercially reasonable for Secured Party (i) to fail to incur expenses deemed significant by Secured Party to prepare Collateral for disposition or otherwise to transform raw material or work in process into finished goods or other finished products for disposition, (ii) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (iii) to fail to exercise collection remedies against Account Debtors or other Persons obligated on Collateral or to remove Liens on or any adverse claims against Collateral, (iv) to exercise collection remedies against Account Debtors and other Persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (v) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (vi) to contact other Persons, whether or not in the same business as Debtor, for expressions of interest in acquiring all or any portion of such Collateral, (vii) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the Collateral is of a specialized nature, (viii) to dispose of Collateral by utilizing internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capacity of doing so, or that match buyers and sellers of assets, (ix) to dispose of assets in wholesale rather than retail markets, (x) to disclaim disposition warranties, such as title, possession or quiet enjoyment, (xi) to purchase insurance or credit enhancements to insure Secured Party against risks of loss, collection or disposition of Collateral or to provide to Secured Party a guaranteed return from the collection or disposition of Collateral, or (xii) to the extent deemed appropriate by Secured Party, to obtain the services of other brokers, investment bankers, consultants and other professionals to assist Secured Party in the collection or disposition of any of the Collateral. Debtor acknowledges that the purpose of this Section 7.2 is to provide non-exhaustive indications of what actions or omissions by Secured Party would be commercially reasonable in Secured Party's exercise of remedies against the Collateral and that other actions or omissions by Secured Party shall not be deemed commercially unreasonable solely on account of not being indicated in this Section 7.2. Without limitation upon the foregoing, nothing contained in this Section 7.2 shall be construed to grant any rights to Debtor or to impose any duties on Secured Party that would not have been granted or imposed by this Agreement or by applicable law in the absence of this Section 7.2.

7.3 Compromises and Collection of Collateral. Debtor and Secured Party recognize that setoffs, counterclaims, defenses and other claims may be asserted by obligors with respect to certain of the Accounts, that certain of the Accounts may be or become uncollectible in whole or in part and that the expense and probability of success in litigating a disputed Account may exceed the amount that reasonably may be expected to be recovered with respect to an Account. In view of the foregoing, Debtor agrees that Secured Party may at any time and from time to time, if an Event of Default has occurred and is continuing, compromise with the obligor on any Account, accept in full payment of any Account such amount as Secured Party in its sole discretion shall determine, or abandon any Account, and any such action by Secured Party shall be commercially reasonable so long as Secured Party acts in good faith based on information known to it at the time it takes any such action.

7.4 Secured Party Performance of Debtor Obligations. Without having any obligation to do so, Secured Party may perform or pay any obligation which Debtor has agreed to perform or pay in this Agreement and Debtor shall reimburse Secured Party for any amounts paid by Secured Party pursuant to this Section 7.4. Debtor's obligation to reimburse Secured Party pursuant to the preceding sentence shall be an Obligation payable on demand.

7.5 No Waiver; Amendments; Cumulative 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 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 the Obligations have been paid in full.

7.6 Limitation by Law; Severability of Provisions. All rights, remedies and powers provided in this Agreement may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Agreement are intended to be subject to all applicable mandatory provisions of law that may be controlling and to be limited to the extent necessary so that they shall not render this Agreement invalid, unenforceable or not entitled to be recorded or registered, in whole or in part. Any provision in any this Agreement that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of this Agreement are declared to be severable.

7.7 Reinstatement. This Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against Debtor for liquidation or reorganization, should Debtor become insolvent or make an assignment for the benefit of any creditor or creditors or should a receiver or trustee be appointed for all or any significant part of Debtor's assets, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

7.8 Benefit of Agreement. The terms and provisions of this Agreement shall be binding upon and inure to the benefit of Debtor, Secured Party and their respective successors and assigns (including all persons who become bound as a debtor to this Agreement), except that Debtor 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. No sales of participations, assignments, transfers, or other dispositions of any agreement governing the Obligations or any portion thereof or interest therein shall in any manner impair the Lien granted to Secured Party hereunder.

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

7.10 Taxes and Expenses. Any taxes (excluding generally applicable income, franchise or similar taxes of Secured Party, which shall be paid by Secured Party) payable or ruled payable by Federal or State authority in respect of this Agreement shall be paid by Debtor, together with interest and penalties, if any. Debtor 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, administration, collection and enforcement 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 as provided in the Credit Agreement). Any and all costs and expenses incurred by Debtor in the performance of actions required pursuant to the terms hereof shall be borne solely by Debtor.

7.11 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.

7.12 Termination. This Agreement shall continue in effect (notwithstanding the fact that from time to time there may be no Obligations outstanding) until (i) the Credit Agreement has terminated pursuant to its express terms and (ii) all of the Obligations have been indefeasibly paid and performed in full (other than contingent indemnification and reimbursement obligations and similar obligations which may survive payment in full) and no commitments of Secured Party which would give rise to any Obligations are outstanding.

7.13 Entire Agreement. This Agreement and the Credit Agreement embody the entire agreement and understanding between Debtor and Secured Party relating to the Collateral and supersedes all prior agreements and understandings between Debtor and Secured Party relating to the Collateral.

7.14 Governing Law; Venue. This Agreement is performable in Travis County, Texas. Any legal proceeding in respect of this Agreement (other than any sale or other disposition of any of the Collateral in accordance with the terms of the UCC) shall be brought exclusively in the district courts of Travis County, Texas or the United States District Court for the Western District of Texas, Austin Division (collectively, the "Specified Courts"), to the exclusion of all other venues. Debtor and Secured Party irrevocably submit it to the exclusive jurisdiction of such state and federal courts of the State of Texas. Debtor and Secured Party hereby irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement brought in any Specified Court, and hereby further irrevocably waives any claims that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Debtor and Secured Party further irrevocably consents to the service of process out of any of the Specified Courts in any such suit, action or proceeding by the delivery of copies thereof by certified mail, return receipt requested, postage prepaid, to the applicable party. Debtor and Secured Party hereby agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE APPLICABLE LAWS OF THE STATE OF TEXAS AND THE UNITED STATES OF AMERICA FROM TIME TO TIME IN EFFECT.**

7.15 Indemnity. Debtor hereby agrees to indemnify Secured Party, and its successors, assigns, agents and employees, from and against any and all liabilities, damages, penalties, suits, costs, and expenses of any kind and nature (including interest, penalties, attorneys' fees and amounts paid in settlement) imposed on, incurred by or asserted against Secured Party, or its successors, assigns, agents and employees, in any way relating to or arising out of this Agreement, or the manufacture, purchase, acceptance, rejection, ownership, delivery, lease, possession, use, operation, condition, sale, return or other disposition of any Collateral (including, without limitation, latent and other defects, whether or not discoverable by Secured Party or Debtor), **REGARDLESS OF WHETHER CAUSED IN WHOLE OR IN PART BY THE NEGLIGENCE OF SECURED PARTY OR ITS SUCCESSORS, ASSIGNS, AGENTS AND EMPLOYEES** (except that such indemnity shall not be paid to Secured Party or its successors, assigns, agents and employees to the extent, but only to the extent, that such loss, etc. results from the gross negligence or willful misconduct of such parties).

7.16 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart.

7.17 Sending Notices. Any notice required or permitted to be given under this Agreement shall be given in accordance with the notice provisions of Section 8.08 of the Credit Agreement.

NOTICE PURSUANT TO TEX. BUS. & COMM. CODE §26.02

THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS EXECUTED BY ANY OBLIGOR AND SECURED PARTY OR BY ANY OBLIGOR IN FAVOR OF SECURED PARTY SUBSTANTIALLY CONCURRENTLY HERewith CONSTITUTE A WRITTEN LOAN AGREEMENT WHICH REPRESENTS THE FINAL AGREEMENT BETWEEN OBLIGORS AND SECURED PARTY AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF OBLIGORS AND SECURED PARTY. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN OBLIGORS AND SECURED PARTY.

[Signature Page(s) Follow]

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

DEBTOR:

NATURAL GAS SERVICES GROUP, INC.,
a Colorado corporation

By: /s/ Stephen C. Taylor
Stephen C. Taylor, Chief Executive Officer

SECURED PARTY:

JPMORGAN CHASE BANK, N.A.

By: /s/ Brenda Pollard
Name: Brenda Pollard
Title: Vice President

PROMISSORY NOTE

Austin, Texas
\$20,000,000.00 December 10, 2010

FOR VALUE RECEIVED, NATURAL GAS SERVICES GROUP, INC., a Colorado corporation, promises to pay to the order of JPMORGAN CHASE BANK, N.A., a national banking association, at its banking house in the City of Austin, Travis County, Texas (or such other place as the holder hereof may hereafter designate in writing), in immediately available funds and in lawful money of the United States of America, the unpaid balance of all principal advanced against this note in an amount up to TWENTY MILLION DOLLARS (\$20,000,000.00), together with interest on the unpaid principal balance of this note from time to time outstanding at the Stated Rate, subject to Section 3(b); provided, that for the full term of this note the interest rate produced by the aggregate of all sums paid or agreed to be paid to the holder of this note for the use, forbearance or detention of the debt evidenced hereby (including, but not limited to, all interest on this note at the Stated Rate and the Default Rate) shall not exceed the Ceiling Rate.

1. Definitions. Unless otherwise defined herein, capitalized terms used in this note shall have the same meaning in this note as in the Credit Agreement (hereafter defined). As used in this note, the following terms shall have the respective meanings indicated:

(a) "Credit Agreement" means the Credit Agreement of even effective date herewith, between Maker and Payee, as the same may be amended, supplemented, restated or replaced from time to time.

(b) "Maker" means NATURAL GAS SERVICES GROUP, INC., a Colorado corporation.

(c) "Maturity Date" means one (1) year after the date hereof, or any earlier date that the maturity date of this note is hereafter accelerated pursuant to the provisions of this note or the Credit Agreement.

(d) "Payee" means JPMORGAN CHASE BANK, N.A., a national banking association, and any other holder or holders of this note from time to time and, upon acquisition of this note by any holder or holders other than the named payee, effective as of the time of such acquisition, the term "Payee" shall mean all of the then holders of this note, to the exclusion of all prior holders not then retaining or reserving an interest in this note, to the end that all the rights, powers, remedies, liens, benefits and privileges accruing and to accrue hereunder to Payee, as such term is used herein, shall inure to the benefit of and be owned and held by the holder or holders of this note from time to time, whether such holder acquires this note through succession to or assignment from a prior Payee.

(e) "Stated Rate" means, for any day, a rate per annum equal to (i) the CB Floating Rate minus the Applicable Margin for all CBF Borrowings, if any, outstanding on such date, and (ii) the applicable Adjusted LIBOR Rate plus the Applicable Margin for all LIBOR Borrowings, if any, outstanding on such date; provided, that if on any day the Stated Rate for all or any portion of the principal balance of this note for that day would exceed the Ceiling Rate for that day, the Stated Rate for such applicable portion of the principal balance of this note shall be fixed at the Ceiling Rate on that day and on each day thereafter until the total amount of interest accrued at the Stated Rate (as so fixed) on such applicable portion of the unpaid principal balance of this note equals the total amount of interest which would have accrued if there had been no Ceiling Rate. If this note matures (or is prepaid) before such equality is achieved, then, in addition to the unpaid principal and accrued interest then owing pursuant to the other provisions of this note, Maker promises to pay on demand to the order of the holder of this note interest in an amount equal to the excess (if any) of (a) the lesser of (i) the total interest which would have accrued on this note if the Stated Rate had been defined as equal to the Ceiling Rate from time to time in effect and (ii) the total interest which would have accrued on this note if the Stated Rate were not so prohibited from exceeding the Ceiling Rate, over (b) the total interest actually accrued hereon to such maturity (or prepayment) date. Without notice to Maker or any other person or entity, the Stated Rate shall automatically fluctuate upward and downward in accordance with the provisions of this Subparagraph and the Credit Agreement.

2. Credit Agreement; Advances; Security. This note has been issued pursuant to the terms of the Credit Agreement, and is the Note referred to in the Credit Agreement. Advances against this note by Payee shall be governed by the terms of the Credit Agreement, and Maker may borrow, repay and reborrow hereunder. Except as set forth in the Credit Agreement, there is no limitation on the number of advances made hereunder so long as the total unpaid principal amount at any time outstanding hereunder does not exceed the lesser of (a) the Borrowing Base or (b) the Commitment. Payee is entitled to the benefits of and security provided for in the Credit Documents. Such security includes, among other security, the Security Documents covering and affecting the applicable Collateral more fully described therein. The unpaid principal balance of this note at any time shall be the total amount lent or advanced against this note less the amount of all payments or permitted prepayments made on this note and by or for the account of Maker. All loans and advances and all payments and permitted prepayments made hereon may be endorsed by the holder of this note on a schedule which may be attached hereto (and thereby made a part hereof for all purposes) or otherwise recorded in the holder's records; provided, that any failure to make notation of (a) any advance shall not cancel, limit or otherwise affect Maker's obligations or any holder's rights with respect to that advance, or (b) any payment or permitted prepayment of principal shall not cancel, limit or otherwise affect Maker's entitlement to credit for that payment as of the date received by the holder. 60; Maker and Payee agree pursuant to Chapter 346 ("Chapter 346") of the Texas Finance Code, that Chapter 346 (which relates to open-end line of credit revolving loan accounts) shall not apply to this note or any obligation hereunder and that neither this note nor any obligation hereunder shall be governed by Chapter 346 or subject to its provisions in any manner whatsoever.

3. Computation of Interest.

(a) Interest at the Stated Rate shall be computed for the actual number of days elapsed in a year consisting of 360 days, unless the Ceiling Rate would thereby be exceeded, in which event, to the extent necessary to avoid exceeding the Ceiling Rate, interest at the Stated Rate shall be computed on the basis of the actual number of days elapsed in the applicable calendar year in which accrued.

(b) All principal outstanding after the occurrence of an Event of Default which has not been cured or waived in writing by Payee shall bear interest at the Default Rate.

4. Mandatory Payments of Principal and Interest.

(a) Accrued and unpaid interest and the principal of this note shall be due and payable as and when required under Sections 2.02(a) and 2.02(b) of the Credit Agreement.

(b) All regularly scheduled payments on this note shall be applied first to accrued interest, the balance to principal.

(c) If any payment provided for in this note shall become due on a day other than a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest on this note.

5. Prepayment. Subject to the applicable terms of the Credit Agreement, Maker may prepay this note, in whole or in part, at any time without penalty or fee. All prepayments hereon shall be applied first to accrued interest and the balance to principal.

6. Usury Not Intended; Savings Provisions. Notwithstanding any provision to the contrary contained in any Credit Document, it is expressly provided that in no case or event shall the aggregate of any amounts accrued or paid pursuant to the Credit Documents which under applicable laws are or may be deemed to constitute interest ever exceed the maximum nonusurious interest rate permitted by applicable Texas or federal laws, whichever permit the higher rate. In this connection, Maker and Payee stipulate and agree that it is their common and overriding intent to contract in strict compliance with applicable usury laws. In furtherance thereof, none of the terms of the Credit Documents shall ever be construed to create a contract to pay, as consideration for the use, forbearance or detention of money, interest at a rate in excess of the maximum rate permitted by applicable laws. Maker shall never be liable for interest in excess of the maximum rate permitted by applicable laws. If, for any reason whatever, such interest paid or received during the full term of the applicable Indebtedness produces a rate which exceeds the maximum rate permitted by applicable laws, Payee shall credit against the principal of such Indebtedness (or, if such Indebtedness shall have been paid in full, shall refund to the payor of such interest) such portion of said interest as shall be necessary to cause the interest paid to produce a rate equal to the maximum rate permitted by applicable laws. All sums paid or agreed to be paid to Payee for the use, forbearance or detention of money shall, to the extent required to avoid or minimize usury and to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of the applicable Indebtedness so that the interest rate does not exceed the Ceiling Rate. The provisions of this Paragraph shall control all agreements, whether now or hereafter existing and whether written or oral, between Maker and Payee.

7. Default. If any Event of Default exists under the Credit Agreement, then that shall automatically constitute default under this note, and unless Payee declares the default fully cured to Payee's satisfaction, then the obligation (if any) of Payee to make further advances against this note shall cease and terminate and the owner or holder hereof may, at its, his or her option, exercise any or all rights, powers and remedies afforded under any Credit Document and by law, including the right to declare the unpaid balance of principal and accrued interest on this note at once due and payable.

8. No Waiver by Payee. No delay or omission of Payee or any other holder hereof to exercise any power, right or remedy accruing to Payee or any other holder hereof shall impair any such power, right or remedy or shall be construed to be a waiver of the right to exercise any such power, right or remedy. Any right Payee may have to accelerate this note for any late payment or Maker's failure to timely fulfill its other obligations hereunder or under the other Credit Documents shall not be waived or deemed waived by Payee by Payee's having accepted a late payment or late payments in the past or Payee otherwise not accelerating this note or exercising other remedies for Maker's failure to timely perform its obligations hereunder or under the other Credit Documents. Payee shall not be obligated or be deemed obligated to notify Maker that it is requiring Maker to strictly comply with the terms and provisions of this note and the other Credit Documents before accelerating this note and exercising its other remedies hereunder or under the other Credit Documents because of Maker's failure to timely perform its obligations under this note and the other Credit Documents.

9. Costs and Attorneys' Fees. The non-prevailing party under any lawsuit or in any probate, reorganization, bankruptcy or other proceeding involving any alleged default or attempt to collect, enforce or defend this note or any of the Credit Documents agrees to pay to the prevailing party (in addition to principal, interest and/or damages, as applicable), all reasonable direct costs and expenses incurred by such prevailing party in any such collection action, suit or proceeding, including reasonable attorneys' fees. Any amount to be paid under this Paragraph by any non-prevailing party shall be a demand obligation owing by such non-prevailing party to the prevailing party and shall bear interest from the date of expenditure until paid at the Default Rate.

10. Waivers by Maker and Others. Except to the extent, if any, that notice of default is expressly required herein or in any of the other Credit Documents or is required by applicable state or federal law, Maker and any and all co-makers, endorsers, guarantors and sureties severally waive notice (including, but not limited to, notice of intent to accelerate and notice of acceleration, notice of protest and notice of dishonor), demand, presentment for payment, protest, diligence in collecting and the filing of suit for the purpose of fixing liability and consent that the time of payment hereof may be extended and re-extended from time to time without notice to any of them. Each such person agrees that his, her or its liability on or with respect to this note shall not be affected by any release of or change in any guaranty or security at any time existing or by any failure to perfect or to maintain perfection of any lien against or security interest in any such security or the partial or complete unenforceability of any guaranty or other surety obligation, in each case in whole or in part, with or without notice and before or after maturity.

11. Paragraph Headings. Paragraph headings appearing in this note are for convenient reference only and shall not be used to interpret or limit the meaning of any provision of this note.

12. Venue; Choice of Law. This note is performable in Travis County, Texas, which shall be a proper place of venue for suit on or in respect of this note. Maker hereby irrevocably agrees that any legal proceeding in respect of this note shall be brought in the district courts of Travis County, Texas, or in the United States District Court for the Western District of Texas, Austin Division (collectively, the "Specified Courts"). Maker hereby irrevocably submits to the nonexclusive jurisdiction of the state and federal courts of the State of Texas. Maker hereby irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this note or any of the Credit Documents brought in any Specified Court, and hereby further irrevocably waives any claims that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Maker further irrevocably consents to the service of process out of any of the Specified Courts in any such suit, action or proceeding by the mailing of copies thereof by certified mail, return receipt requested, postage prepaid, to Maker. Nothing herein shall affect the right of Payee to commence legal proceedings or otherwise proceed against Maker in any jurisdiction or to serve process in any manner permitted by applicable law. Maker agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. **THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE APPLICABLE LAWS OF THE STATE OF TEXAS AND THE UNITED STATES OF AMERICA FROM TIME TO TIME IN EFFECT.**

13. Successors and Assigns. This note and all the covenants and agreements contained herein shall be binding upon, and shall inure to the benefit of, the respective legal representatives, heirs, successors and assigns of Maker and Payee.

14. Records of Payments. The records of Payee shall be prima facie evidence of the amounts owing on this note, unless such records are timely disputed and conclusively proven by Maker to be inaccurate.

15. Severability. If any provision of this note is held to be illegal, invalid or unenforceable under present or future laws, the legality, validity and enforceability of the remaining provisions of this note shall not be affected thereby, and this note shall be liberally construed so as to carry out the intent of the parties to it. Each waiver in this note is subject to the overriding and controlling rule that it shall be effective only if and to the extent that (a) it is not prohibited by applicable law and (b) applicable law neither provides for nor allows any material sanctions to be imposed against Payee for having bargained for and obtained it.

16. Sale and Assignment. Payee reserves the right, exercisable in its sole discretion and without notice to Maker or any other person, to sell participations in or assign its rights and obligations in this note, any loan evidenced by this note or any of the other Credit Documents.

17. Business Loans. Maker warrants and represents to Payee and all other holders of this note that all loans evidenced by this note are and will be for business, commercial, investment or other similar purpose and not primarily for personal, family, household or agricultural use, as such terms are used in the Texas Finance Code, as amended.

18. Entire Agreement. This note and the other Credit Documents embody the entire agreement and understanding between Payee and Maker and other parties with respect to their subject matter and supersede all prior agreements, consents and understandings relating to such subject matter. Maker acknowledges and agrees that there is no oral agreement between Maker and Payee which has not been incorporated in and superceded by this note and the other Credit Documents.

NOTICE PURSUANT TO TEX. BUS. & COMM. CODE §26.02

THIS NOTE AND ALL OTHER CREDIT DOCUMENTS EXECUTED BY ANY OF THE PARTIES SUBSTANTIALLY CONCURRENTLY HERewith TOGETHER CONSTITUTE A WRITTEN CREDIT AGREEMENT WHICH REPRESENTS 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.

NATURAL GAS SERVICES GROUP, INC.,
a Colorado corporation

By: Stephen C. Taylor
Stephen C. Taylor, Chief Executive Officer
