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*2/2/99*

02-05-1999



100959185

To the Honorable Commissioner of Patents and Trademarks. Please record the

1. Name of conveying party(ies):  
K & B Custom Machining, Inc.

*2.2.97*

Additional name(s) of conveying party(ies) attached?

3. Nature of conveyance:

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

Execution Date: August 14, 1996

2. Name and address of receiving party(ies)

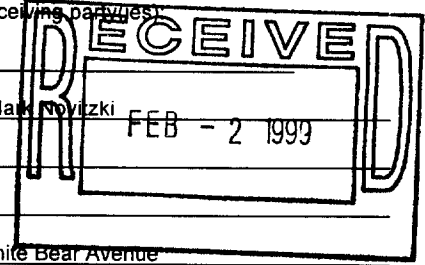
Name: Premier Bank

Internal Address: Attn: Mark Novitzki

Street Address: 2866 White Bear Avenue

City: Maplewood State: MN ZIP: 55109

Additional name(s) & address(es) attached?



4. Application number(s) or patent number(s): patent no. 4,329,802

If this document is being filed together with a new application, the execution date of the application is: \_\_\_\_\_

A. Patent Application No.(s)

B. Patent No.(s) 4, 329, 802

Additional numbers attached?

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

Name: Steven B. Mayeron

Internal Address: 2400 IDS Center

Street Address: 80 South Eighth Street

City: Minneapolis State: MN ZIP: 55402

6. Total number of applications and patents involved: 1

7. Total fee (37 CFR 3.41): ..... \$ 40.00

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number:

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

DO NOT USE THIS SPACE

9. Statement and signature.

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

Steven B. Mayeron  
Name of Person Signing

*Steven Mayeron* 1/30/99  
Signature Date

Total number of pages comprising cover sheet: 1

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

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

02/04/1999 **DNHUYEN 00000131 4329802**

01 **FC:581**

**40.00 DP**

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

## SECURITY AGREEMENT

K & B CUSTOM MACHINING, INC., a Minnesota corporation (hereinafter called the "Debtor") and PREMIER BANK, a Minnesota corporation, whose address is 2866 White Bear Avenue, in the City of Maplewood, in the County of Ramsey, State of Minnesota (hereinafter called the "Secured Party"), agree as follows: The Debtor grants to the Secured Party a first position security interest in the property described below together with any additions and accessions thereto and all insurance and other proceeds thereof, to secure prompt payment when due of the sum of Two Hundred Fifty Thousand and no/100 (\$250,000.00) Dollars as evidenced by that certain \$125,000.00 Term Promissory Note and that certain \$125,000.00 Revolving Line of Credit Promissory Note, both of even date herewith from the Debtor to the Secured Party (individually and collectively the "Notes"):

(a) all fixtures, equipment, and personal property of every kind and nature whatsoever now owned or hereafter owned by the Debtor; (b) all Accounts and General Intangibles of the Debtor as those terms are defined in Minnesota Statutes Section 336.9-106; and, (c) all inventory now owned or hereafter owned by the Debtor.

The above-described property hereinafter referred to as the "Collateral".

DEBTOR HEREBY AGREES, WARRANTS AND COVENANTS THAT:

1. The Collateral will be kept at 1745 East Highway 36, in the City of Maplewood, in the County of Ramsey and State of Minnesota. The Debtor will not remove the Collateral from the above location without the prior written consent of the Secured Party. The Secured Party may examine and inspect the Collateral at any time, wherever located.
2. The Collateral is for business use and is specifically to be used in operation of the Debtor's business.
3. The Debtor's place of business in this State is 1745 East Highway 36, in the City of Maplewood, in the County of Ramsey and State of Minnesota.
4. The Collateral shall not be attached to real estate without the Secured Party's prior written consent. If any of the Collateral is or is to become a fixture, the Debtor agrees to furnish the Secured Party with a statement signed by all persons who have or claim an interest in the real estate concerned, which statement shall provide that the signer consents to the security interest created hereby and disclaims any interest in the Collateral as fixtures.
5. Except for the first position security interest granted hereby, the Debtor is the owner of the Collateral, free and clear of all liens, security interests or encumbrances, and the

Debtor will defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein.

6. The Debtor will not sell or offer to sell or otherwise transfer or encumber the Collateral without the prior written consent of the Secured Party, and will keep the Collateral in good order and repair, and will not waste or destroy the Collateral.
7. No financing statement covering the Collateral is on file in any public office other than the financing statements filed by or at the direction of the Secured Party and at the request of the Secured Party, the Debtor will join with the Secured Party in executing one or more financing statements pursuant to the Uniform Commercial Code in form satisfactory to the Secured Party for filing in all public offices wherever filing is deemed necessary or desirable by the Secured Party.
8. The Debtor will keep the Collateral insured at all times against loss by fire and other hazards concerning which, in the judgment of the Secured Party, insurance protection is necessary, in a company or companies satisfactory to the Secured Party and in amounts sufficient to protect the Secured Party against loss or damage to the Collateral and will pay the premiums therefor. Such policy or policies of insurance will be delivered to and held by the Secured Party, together with loss payable clauses in favor of the Secured Party as its interest may appear, in form satisfactory to the Secured Party. The Secured Party may act as attorney-in-fact for the Debtor in obtaining, adjusting, settling and canceling such insurance and endorsing any drafts.
9. At its option, the Secured Party may discharge taxes, liens, or security interests or other encumbrances placed on the Collateral, may pay for insurance on the Collateral, and may pay for the maintenance and preservation of the Collateral. The Debtor agrees to reimburse the Secured Party on demand for any payment made, or any expense incurred by the Secured Party pursuant to the foregoing authorization.
10. UNTIL DEFAULT, the Debtor may retain possession of the Collateral and use the same in any lawful manner not inconsistent with the agreements herein or with the terms and conditions of any policy of insurance thereon.
11. Upon the Debtor's default, the Secured Party shall have the right, at its option and without demand or notice, in addition to all other rights and remedies available in law and equity, to exercise all of the rights and remedies of a Secured Party under the Uniform Commercial Code or any other applicable law. The Debtor agrees that upon default, the Debtor will make the Collateral available to the Secured Party at a place to be designated by the Secured Party which is reasonably convenient. The Debtor further agrees to pay all costs and expenses of the Secured Party, including reasonable attorney's fees, in collection of any amount due from the Debtor to the Secured Party herein or for the enforcement hereof. If any notice of sale, disposition or other intended action by the Secured Party is required by law to be given to the Debtor, such notice shall be deemed

reasonably and properly given if mailed to the Debtor at the address specified at Paragraph 3, or at such other address of the Debtor as may be shown on the Secured Party's records, at least ten (10) days before such sale, disposition or other intended action. Waiver of any default hereunder by the Secured Party shall not be a waiver of any other default or of the same default on a later occasion. No delay or failure by the Secured Party to exercise any right or remedy shall be a waiver of any such right or remedy and no single or partial exercise by the Secured Party of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy at any time.

- 12. This Agreement and the security interest in the Collateral created hereby shall terminate when the Debtor has paid the Secured Party the amount due on the Notes and all other indebtedness and liability from the Debtor to the Secured Party whether now existing or hereafter existing.
- 13. No waiver by the Secured Party of any default shall be effective unless in writing nor operate as a waiver of any other default or of the same default on a future occasion.
- 14. The Secured Party is hereby appointed the Debtor's attorney-in-fact to do all things and acts necessary to perfect and to continue to perfect the security interest in the Collateral and to exercise its rights with respect to the Collateral.

IN WITNESS WHEREOF, the parties have signed this Agreement this 14 day of Aug., 1996.

SECURED PARTY:

DEBTOR:

PREMIER BANK

K & B CUSTOM MACHINING, INC.

By: Steven Kittleson  
Steven Kittleson  
Its Assistant Vice President

By: William H. Stathas  
William H. Stathas  
Its President

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