

02-02-2000



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**RECORDATION FORM COVER SHEET
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TO: The Commissioner of Patents and Trademarks: Please record the attached original document(s) or copy(ies).

Submission Type

- ☒ New
☐ Resubmission (Non-Recordation)
Document ID#
☐ Correction of PTO Error
Reel # Frame #
☐ Corrective Document
Reel # Frame #

Conveyance Type

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

U.S. Government

(For Use ONLY by U.S. Government Agencies)

- ☐ Departmental File ☐ Secret File

Conveying Party(ies)

☐ Mark if additional names of conveying parties attached

Execution Date
Month Day Year
10 09 98

Name (line 1)

Name (line 2)

Second Party

Execution Date
Month Day Year

Name (line 1)

Name (line 2)

Receiving Party

☐ Mark if additional names of receiving parties attached

☐ If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative is attached. (Designation must be a separate document from Assignment.)

Name (line 1)

Name (line 2)

Address (line 1)

Address (line 2)

Address (line 3)

City

State/Country

Zip Code

Domestic Representative Name and Address

Enter for the first Receiving Party only.

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

02/02/2000 DNGUYEN 00000060 406301

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Mail documents to be recorded with required cover sheet(s) information to:
Commissioner of Patents and Trademarks, Box Assignments, Washington, D.C. 20231

PATENT
REEL: 010506 FRAME: 0832

Correspondent Name and Address

Area Code and Telephone Number

606-281-5278

Name DELBERT J. ELDER

Address (line 1) 301 EAST MAIN STREET

Address (line 2) LEXINGTON, KY 40507

Address (line 3)

Address (line 4)

Pages

Enter the total number of pages of the attached conveyance document including any attachments.

#

4

Application Number(s) or Patent Number(s)

☐

Mark if additional numbers attached

Enter either the Patent Application Number or the Patent Number (DO NOT ENTER BOTH numbers for the same property).

Patent Application Number(s)

Patent Number(s)

D406,301

If this document is being filed together with a new Patent Application, enter the date the patent application was signed by the first named executing inventor.

Month Day Year

Patent Cooperation Treaty (PCT)

Enter PCT application number
only if a U.S. Application Number
has not been assigned.

PCT

PCT

PCT

PCT

PCT

PCT

Number of Properties

Enter the total number of properties involved.

#

Fee Amount

Fee Amount for Properties Listed (37 CFR 3.41): \$

40.00

Method of Payment:
Deposit Account

Enclosed

☒

Deposit Account

☐

(Enter for payment by deposit account or if additional fees can be charged to the account.)

Deposit Account Number:

#

Authorization to charge additional fees:

Yes

☐

No

☐

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. Charges to deposit account are authorized, as indicated herein.

DELBERT J. ELDER

Name of Person Signing

Signature

Date

SECURITY AGREEMENT (INVENTORY, RECEIVABLES AND INTANGIBLES)

The undersigned borrower, jointly and severally if more than one, (hereinafter called, "Borrower") does hereby sell, mortgage and grant a security interest to National City Bank of Kentucky (hereinafter called "Secured Party"), a national banking association having its principal place of business at 101 South Fifth Street, Louisville, Kentucky, in all of the Borrower's (a) goods which are now owned or hereafter acquired by Borrower and are held for sale or lease, or held by Borrower as lessor under a lease, or furnished (or to be furnished) by Borrower to another party under a contract of service, lease or sale or used or consumed (or to be used or consumed) in Borrower's business and includes, without limitation, all raw materials, work in process, finished goods or supplies, and further includes without limitation, the following specifically described property: (if none, so indicate)

All machinery and equipment now owned or hereafter acquired, including; but not limited to, that listed under the attached Exhibit A; all inventory all accounts receivables, all furniture and fixtures, all general business assets.

("Inventory"); (b) all accounts including rights to payment for goods sold or leased or for services rendered which are not evidenced by instruments or chattel paper, whether or not such rights have been earned by performance, now owned or hereafter acquired by Borrower ("Accounts"); (c) claims for money which are now due or hereafter become due to Borrower, however arising, and whether classified as accounts, instruments, chattel paper, royalties, or otherwise (subparagraph (b) and (c) collectively "Receivables"); (d) general intangibles, including things in action and any personal property which is not tangible personal property owned by the Borrower or in which it may now or hereafter have an interest ("Intangibles"); (e) instruments, documents or other writings of any nature which evidence inventory, receivables, and/or intangibles, or any part of any of the foregoing, or any interest therein or proceeds thereof or which otherwise relate thereto in any manner, including without limitation, documents of title, policies and certificates of insurance, securities, warehouse receipts, bills of lading, certificates or affidavits, assignments, endorsements, trust receipts, contracts of sale, leases, invoices or checks, together with all accessories, attachments, parts, accretions and repairs with respect to all items of inventory, and all substitutions, replacements and additions thereto, all right, title and interest of Borrower in and to any of the foregoing which may be subject to any title retention or other security agreement the lien of which may be or become superior to the lien herein created, and all proceeds (including, without limitation, insurance proceeds) from any of the foregoing (all of which property is hereinafter collectively called the "Collateral").

as security for the payment of the sum of \$ 310,000.00 evidenced by and subject to the provisions of Borrower's promissory note and/or loan agreement (hereinafter collectively called the "Note") dated 10-9-98 (including any renewals, extensions, substitutions or modifications thereof), and for the payment of any and all liabilities and obligations of Borrower to Secured Party whether arising under this Agreement or not, now existing or hereafter incurred, created by loan, overdraft, guaranty, or operation of law, originally contracted with Secured Party or with any other or others and acquired by Secured Party by purchase, pledge, participation or otherwise, absolute or contingent, secured or unsecured, and matured or unmatured, including without limitation all interest, fees, charges, expenses and attorney's fees, to the extent permitted by law, incurred to enforce Secured Party's rights against Borrower under this Agreement or otherwise, or arising out of the defense or prosecution of any matter growing out of this Agreement or any security interest granted hereby. The indebtedness evidenced by the Note and any other indebtedness and obligations secured hereby are hereinafter called Borrower's "Obligations".

The Borrower represents and warrants to Secured Party, its successors and assigns, that (1) Borrower is the true and lawful owner of the Collateral, has full right and power to enter into this Agreement and, if Borrower is not an individual, that all necessary action has been taken authorizing it to enter into this Agreement,

that the entering into and performance of this Agreement serves a valid and lawful business purpose of Borrower and that it does not contravene the provisions of any document or writing pursuant to which Borrower is organized or the provisions of any agreement by which it is bound, (2) the Collateral is free and clear of all liens, charges and encumbrances, other than any security interest in favor of Secured Party, and that no financing statement is on file with respect to the Collateral; (3) Borrower's principal place of business is at 700 S. Keeneland Dr., Suite B
Richmond, KY 40475

Borrower has (no) other places of business at _____

If a corporation, Borrower has its registered office at 700 S. Keeneland Drive, Suite B
Richmond, KY 40475

(4) Borrower will forever defend the Collateral against any claim by any person or entity except Secured Party. (5) Borrower keeps all of its records relating to the Collateral at its principal place of business, or at _____

(6) except in the case of inventory being shipped to or from Borrower in the ordinary course of business, Borrower keeps its inventory at its principal place of business and, in addition, at the following locations: (If None, so indicate) _____

(7) Borrower will give Secured Party at least seven days prior written notice of change of any of the addresses contained herein. Borrower shall have the possession and use of the Collateral in any lawful manner not inconsistent with this Agreement or with the terms and conditions of any insurance policy until default hereunder. Specifically, so long as no default under this Agreement exists, Borrower shall have the right, in the ordinary course of business but not otherwise, to process and sell inventory for customary prices, provided, that Borrower shall immediately deposit the proceeds of each such sale to the Cash Collateral Account if any then exists pursuant to Paragraph 10.1 or, if none then exists, to the credit of Borrower's general checking account with Secured Party.

The proceeds of the Note will () will not () be used to acquire all or any part of the Collateral. If all or any part thereof are so used, this is a purchase money security interest with respect thereto. The Borrower represents that the property will be used for commercial or business purposes only.

AND IT IS EXPRESSLY AGREED AS FOLLOWS:

1. EVENTS OF DEFAULT. The occurrence of any of the following events shall constitute a default, as such term is used herein: (a) failure to pay, when due, any amount payable on the Note or any other of the Obligations; (b) if any statement, representation or warranty made herein or in any related credit application, or in any supporting financial statement furnished by or on behalf of Borrower shall be false or misleading in any material respect; (c) failure to observe or perform any covenant or agreement herein or in the Note or other instrument between the parties; (d) death (if a natural person) or dissolution (if a corporation or a partnership) of Borrower or of any partner of Borrower (if borrower is a partnership) or of any guarantor or endorser of any of the Obligations; (e) should Borrower, or any of them if more than one, or any such guarantor or endorser, become insolvent (whether on a net worth basis or by reason of inability to pay debts as they mature, or otherwise), commit any act of bankruptcy, call a meeting of creditors, make an assignment for the benefit of creditors, or if any proceeding is instituted by or against any of them for any relief under any bankruptcy or insolvency laws, or if a receiver is appointed for any of them; (f) termination or suspension of the transaction of the usual business of Borrower; (g) failure to pay any tax or failing to withhold, collect or remit any tax or tax deficiency when assessed or due or if a tax assessment is made by the United States or any State; (h) any circumstance which constitutes, or which upon the lapse of any applicable grace period or the giving of notice (or both) would constitute, a default which accelerates or

gives any creditor of Borrower the right to accelerate the maturity of any debt outstanding; (i) an "accumulated funding deficiency" or a "reportable event" shall occur under ERISA; (j) failure to pay any judgment or cause any attachment or garnishment to be released, if such failure shall have a material adverse effect on Borrower's operation or financial condition; (k) the substantial damage or destruction of a sufficient portion of the Collateral such that Secured Party in good faith believes its position is impaired; (l) Borrower's violation of any federal, state or local statute, law, ordinance, code, rule, regulation, order or decree ("Applicable Law") now or hereafter in effect regulating, relating to or imposing liability or standards of conduct concerning any hazardous, toxic or dangerous waste, substance, pollutant, or material or any solid waste, as any of the foregoing may be now or hereafter defined by any Applicable Law; or (m) Secured Party shall, in its reasonable discretion exercised in good faith, deem itself insecure in respect of the Obligations or any security therefor, provided, however, that this subsection (m) shall not constitute a default until Secured Party shall have given written notice to Borrower thereof, specifying in reasonable detail its reasons for such belief and (unless Secured Party believes in good faith that its risk of loss is imminent, or that under no circumstances could Borrower alleviate Secured Party's insecurity, or that any delay would adversely affect its ability to collect the Obligations) setting forth the actions Borrower may take to alleviate Secured Party's insecurity and allowing a reasonable time for Borrower to do so.

2. REMEDIES ON DEFAULT. Borrower agrees that whenever a default shall be existing Secured Party shall have the following rights and remedies to the extent permitted by applicable law: (a) to declare the entire unpaid principal balance of the Note and to declare all Obligations, due and payable at the option of the Secured Party without notice or demand; (b) to exercise any and all rights and remedies in respect of the collateral as if Secured Party were the sole beneficial owner and may, without limitation, grant such waivers and consents to and enter into such compromises with any account debtors, release (regardless of whether Secured Party receives any consideration therefor) any security for any account debtor or other obligor liable on any of the Collateral, and grant any account debtors and other obligors such other indulgences as Secured Party in good faith may from time to time deem available; (c) to enter the foregoing premises or such place or places where any of the Collateral may be located and take and carry away the same and any books and records relating thereto, by any of its representatives, with or without legal process, to Secured Party's place of storage; (d) to sell the Collateral at public or private sale without advertisement, notice or demand, except as the same shall be required by law, whether or not the Collateral is present at such sale and whether or not the Collateral is in constructive possession of Secured Party or the person conducting the sale, in one or more sales, as an entirety or in parcels, and upon such terms as Secured Party may deem desirable; (e) to be the purchaser at any such sale; (f) to require Borrower to pay all expenses of such sale, including taking, keeping and storing of the Collateral, and attorneys' fees; (g) to apply the proceeds of such sale to all expenses in connection with the taking and sale of the Collateral, including attorneys' fees, and any balance of such proceeds toward the payment of the Obligations in such order of application as Secured Party may from time to time elect; (h) to exercise such rights in respect of the Receivables as are set forth in Paragraphs 9 and 10; and (i) to exercise any one or more rights or remedies accorded by the Uniform Commercial Code and exercise such other rights as set out in the Note and/or other documents executed in connection with the Note or with this Security Agreement. If the proceeds of any such sale are insufficient to pay the expenses as aforesaid and the Obligations, the Borrower agrees to pay any deficiency plus attorney's fees to Secured Party upon demand and if such proceeds are more than sufficient to pay such expenses and Obligations, Secured Party agrees to pay the surplus to Borrower.

3. In the event that any co-maker, endorser, acceptor, accommodation party, surety, guarantor, indemnitor or any other person or entity shall make any payment or assume any liability or responsibility of Borrower herein or on account of any Obligations hereunder, the Secured Party may assign to such person or entity (whether a co-maker, accommodation party or otherwise) the whole or any part of, or any participation in, this Agreement and any right or Collateral hereunder. Borrower (and each of them if more than one) hereby irrevocably consents to such assignment and agrees that such assignee may enforce all rights, liabilities and obligations so assigned and that any payment by such person or

entity shall not discharge the Obligations, terminate this Agreement or release any Collateral.

4. If the Collateral consists of motor vehicles, mobile homes, trailers, or any other property now or hereafter required to be evidenced by a certificate of title, Borrower will cause the certificate of title evidencing the ownership of such vehicle to be endorsed so as to show Secured Party's interest in all states where such endorsements are required or permitted.

5. Borrower agrees to (a) keep the Collateral in good repair, making all necessary repairs and replacements; whenever, in the Secured Party's sole judgment, the Collateral or any part thereof shall require any repairs or replacements in order to maintain it in a first class and marketable condition or to preserve it from excessive depreciation in value or wear, the Borrower will make such repairs or replacements immediately upon written demand by the Secured Party or will cause the same to be made; (b) not assign, transfer, dispose of, sell, encumber or suffer or permit the Collateral to be or become encumbered by any security interest, financing statement, attachment or other lien of any kind thereon in favor of any person other than Secured Party; (c) not acquire any inventory subject to any assignment, lease, or other title retention contract; (d) not permit any inventory to be evidenced by any warehouse receipt or any other document of title (other than any bill of lading or similar documents covering merchandise that has been sold in the ordinary course of business) or by any lease, conditional sale agreement or other chattel paper of any kind; (e) not secrete or abandon any of the Collateral or the records relating thereto or remove them from their present location (except as provided herein with respect to inventory) without the consent of the Secured Party, or, if the Collateral is of the type which in the normal course of business is ordinarily used in more than one location such as trucks, construction and road building equipment, etc., will not permit the same to leave this State without the prior written consent of Secured Party; (f) promptly send notice to the Secured Party of any damage or loss of any part of the Collateral; (g) allow the Secured Party full access to the Collateral, the records relating thereto, and any premises where they may be stored from time to time, complying with any landlord's requirement at Borrower's expense if the Collateral is stored on leased premises; (h) indemnify Secured Party against all claims arising out of or connected with the ownership or use of the Collateral; (i) reimburse Secured Party upon demand for all expenses incurred in connection with perfecting the security interest granted herein or the satisfaction thereof; (j) not use or permit the Collateral to be used for any unlawful purpose or in violation of any federal, state or municipal law, statute or ordinance or any rules, decrees, or regulations issued thereunder, or for hire, unless the consent of the Secured Party is first obtained; (k) not permit the Collateral to become a part of or to be affixed to any real property of any person or entity (including, without limitation, Borrower) without first making arrangements satisfactory to Secured Party to protect its security interest; (l) upon demand, furnish the Secured Party with any financial information that it may require and permit it to examine Borrower's books and records, and (m) assemble the Collateral and make it available to the Secured Party in case of default.

6. Borrower will keep the inventory insured against all risks including loss by fire, theft, collision and against such other risks of loss as are customarily insured by business and persons similar to Borrower by insurers and in form, amount and coverage satisfactory to Secured Party, naming Secured Party as insured thereunder and will assign and deliver the policies and certificates thereof to Secured Party and in default thereof, it shall be lawful for Secured Party to effect such insurance. In the event any of the aforesaid policies procured by Borrower shall fail to provide that all losses thereunder shall be payable to Secured Party, the Borrower hereby assigns to said Secured Party all of the proceeds or avails of any and all of said policies and agrees to accept said proceeds or avails in trust for Secured Party, and to forthwith deliver the same to said Secured Party in the exact form received (with the indorsement of Borrower where necessary). Secured Party is irrevocably appointed attorney for the Borrower, with full power of substitution and revocation, to compromise, settle or release any claims pertaining to or arising out of said policies, and to take possession of and endorse in the name of the Borrower any check or other instrument for the payment of money representing the proceeds or avails of said policies. Borrower shall not effect any settlement, compromise or release without Secured Party's prior written consent. Borrower will pay all taxes, assessments and

charges levied against the said Collateral, or for the use, storage, maintenance or repair thereof, and upon Borrower's failure to do so, Secured Party may pay them. Any premiums, taxes assessments and charges so paid shall be part of the Obligations secured by this Agreement and shall be payable, on demand, with interest at the rate designated in the Note if permitted by law and, if not, at the maximum legal rate.

7. In the event that Borrower shall fail to pay any sum or perform any act or keep any promise, warranty or covenant hereunder, the Secured Party may, in its sole discretion, pay the sum, or perform the said act, or remedy the said breach of promise, warranty or covenant, for the Borrower and on its behalf, and in the event that the Secured Party shall do so, the Borrower will immediately upon written demand therefore, reimburse the Secured Party for all its expenses, disbursements, fees and costs in connection therewith, together with interest thereon at the rate designated in the Note if permitted by law and, if not, at the maximum legal rate. It is expressly understood that the Borrower's obligations hereunder are "Obligations" as defined above. In the event that the Borrower shall fail to make any payment due hereunder or under the Note or upon any of the Obligations, Secured Party may charge such penalty(ies) as set forth in the Note.

8. Borrower agrees to cause its chief financial officer (or in his absence, another officer designated to act in his absence) to give Secured Party (a) not less than seven (7) days' prior written notice of any change in Borrower's name or of any change in circumstances which affects or may affect the continuing efficacy of any financing statement filed by Borrower and Secured Party or the continuing status of Secured Party's security interest as the first and prior lien on the Collateral, (b) immediate written notice if any creditor or other third party claims any lien or other interest in any of the Collateral, (c) immediate written notice whenever any Receivable arises out of a contract with or order from the United States of America or any department, agency or instrumentality thereof, and (d) immediate written notice whenever any Receivable does not take the form of an Account and is evidenced by a note, letter of credit, lease or any similar instrument, chattel paper or general intangible.

9. Subject to any contrary provision in Paragraph 10, Borrower agrees to collect the Receivables in the ordinary course of business for the benefit of both Secured Party and Borrower at no cost or expense to Secured Party.

9.1 Borrower shall immediately deposit all such collections to a checking account maintained by Borrower with Secured Party or, if Secured Party shall so require by a prior written notice to Borrower (which notice may be given whether or not Borrower shall then be in Default), deposit all such collections (In the form received and with appropriate endorsements) to the Cash Collateral Account referred to in Paragraph 10.1.

9.2 Unless and until Secured Party shall have made demand upon the Account Debtors, as defined herein, pursuant to paragraph 10 that they thereafter make their payments directly to Secured Party, Borrower shall have the right in the ordinary course of business but not otherwise to grant such waivers and consents to and to enter into such compromises with and otherwise deal with the Account Debtors in respect of the Receivables as Borrower in good faith may from time to time deem advisable.

9.3 Borrower will at all times keep accurate and complete records of the Collateral. Secured Party and its agents shall have the right at all reasonable times to examine, inspect and make extracts from Borrower's books and records, to arrange for verification of Receivables directly with Account Debtors or by other methods and to examine, appraise and protect the inventory.

9.4 At Secured Party's request, Borrower will furnish from time to time borrowing base reports, in form and substance satisfactory to Secured Party, reporting in such detail and with such supporting documentation as Secured Party may require, any Collateral supporting requests for borrowing. Borrower understands and agrees that Secured Party may treat any of the Collateral as fully or partially ineligible to support borrowing. Secured Party may from time to time advise Borrower of general criteria governing eligibility, which Secured Party may change at any time and from time to time on notice to Borrower, but it is expressly understood and agreed that the final decision on the

degree, if any, of eligibility of any of the Collateral to support borrowing is exclusively that of Secured Party.

10. Secured Party shall have the right (a) in the event of any Default under this Agreement to make demand upon the Account Debtors on the Receivables ("Account Debtors"), at Borrower's expense, that they thereafter make their payments directly to Secured Party and (b) whether or not Borrower shall then be in default hereunder, by giving prior written notice to Borrower, to require Borrower to instruct the Account Debtors thereafter to mail their payments to a post office lockbox which Secured Party shall maintain at Borrower's expense and to which only Secured Party shall have access.

10.1 All payments received by Secured Party in respect of the Receivables shall at Secured Party's option be deposited either to a checking account maintained by Borrower with Secured Party or to a Cash Collateral Account which shall bear no interest and over which Secured Party shall have sole dominion and control and from which only Secured Party may withdraw funds, whichever option Secured Party shall from time to time elect by giving Borrower written notice thereof. Secured Party shall have no responsibility to ascertain whether any such payment is in the correct amount owing. Each such deposit shall be subject to Secured Party's general rules and regulations except to the extent inconsistent with this Agreement.

10.2 Secured Party may from time to time withdraw funds from the Cash Collateral Account, except that upon each request of Borrower, Secured Party shall withdraw all such funds that are then deemed "collected." All funds so withdrawn shall be applied to the payment of Borrower's Debt to Secured Party with such allocation as to item and maturity as Secured Party in its discretion may deem advisable (except that so long as no Default under this Agreement exists, Secured Party shall not apply any such withdrawal to any Debt that is not then due and payable without first obtaining Borrower's consent). If for any reason Secured Party is required to pay out funds so applied, the Debt to the extent of any such payment shall be reinstated retroactive to the date of application. Secured Party in its discretion may from time to time release to Borrower (or to Borrower's order) all or any of the funds then held in the Cash Collateral Account, but no such release or releases, regardless of the frequency or extent thereof, shall constitute a "course of dealing" or otherwise require Secured Party to make any further releases.

10.3 Borrower irrevocably authorizes and directs each Account Debtor to honor any demand by Secured Party that all payments in respect of the Receivables thereafter be paid directly to Secured Party. In each case the Account Debtor may continue directing all such payments to Secured Party until the Account Debtor shall have received written notice from Secured Party either that Borrower's Debt to Secured Party has been paid in full or that Secured Party has released its security interest. No Account Debtor shall have any responsibility to inquire into Secured Party's right to make any such demand or to see to Secured Party's application of any monies paid to Secured Party by the Account Debtor.

10.4 Secured Party shall have full power and authority to execute and deliver such vouchers and receipts in respect of the Receivables, such endorsements of checks and such other writings in respect of the foregoing as Secured Party may from time to time deem advisable. Borrower hereby irrevocably appoints Secured Party its true and lawful attorney, with power of substitution, to take control in any manner of any cash or non-cash items of payment or proceeds thereof; to endorse the name of Borrower upon any notes, acceptances, checks, drafts, money orders or other evidences of payment that may come into Secured Party's possession; to sign Borrower's name on any invoices relating to any accounts, on drafts against Account Debtors and notices to Account Debtors; to sign Borrower's name on any proof of claim in bankruptcy against any Account Debtors; to sign Borrower's name on any notice of lien; and to do all other acts and things necessary, in Secured Party's sole discretion, to carry out this Agreement.

10.5 Secured Party may, but in no event shall be required to, enforce payment of the Receivables by suit or otherwise. Secured Party may withdraw from any such enforcement action

without notice to Borrower. In each case Secured Party may proceed with counsel of Secured Party's choosing and Borrower agrees to reimburse Secured Party for Secured Party's out-of-pocket costs and expenses including without limitation attorney's fees, court costs and costs of sale.

10.6 If Secured Party shall have exercised its right hereunder to require direct payment to Secured Party of all Receivables, Borrower agrees that without Secured Party's prior written consent Borrower will not demand payment in respect of any Receivable. If, notwithstanding the foregoing, Borrower shall at any time receive any payment in respect of any Receivable, Borrower will in each case give Secured Party prompt written notice thereof, hold the amount so received in trust for the benefit of Secured Party and promptly remit the same to Secured Party in the very form in which received but with all endorsements and assignments necessary or desirable to facilitate Secured Party's collection thereof.

11. Borrower recognizes that Secured Party will incur additional administrative expense in handling loans, and accordingly agrees that it will pay Secured Party an annual Collateral monitoring fee of _____ % of the approved line of credit, to be assessed in the first billing period succeeding the Secured Party's request for collateral reporting.

12. Borrower agrees that nothing contained in this Agreement shall impair, modify, limit, abolish or in any manner whatsoever affect Secured Party's unrestricted and absolute right contained in any demand note secured hereby to demand payment in accordance therewith, irrespective of whether Borrower shall be in default hereunder or thereunder.

13. Borrower waives a trial by jury, and the right to interpose any defense, counterclaim, or offset of any nature and description in any litigation between Borrower and Secured Party with respect to this Agreement or any claim arising out of, relating to or connected with the loan secured thereby, the Collateral or the repossession thereof, to the full extent permitted by applicable law.

14. Whenever an attorney is used to collect on or enforce this Agreement or to enforce, defend, declare or adjudicate any of Secured Party's rights or interests hereunder or with respect to any Collateral and/or the Note, whether by suit, negotiation or otherwise, and regardless of the forum, such attorney's fees shall be payable by Borrower to the full extent permitted by law.

15. This Agreement may not be modified, amended or rescinded except in writing. The rights of Secured Party under this Agreement are in addition to and not in limitation of any other rights and remedies Secured Party may have by virtue of any other instrument or agreement heretofore, contemporaneously herewith or hereafter executed by Borrower or by law or otherwise. If any provision of this Agreement is contrary to applicable law, such provision shall be deemed ineffective without invalidating the remaining provisions hereof. If and to the extent that applicable law confers any rights or imposes any duties inconsistent with or in addition to any the provisions of this Agreement, the affected provision shall be considered amended to conform thereto. Secured Party shall not by any act, delay, omission or otherwise be deemed to have waived any of its rights or remedies hereunder. A waiver by Secured Party of any right or remedy hereunder on any one occasion, shall not be construed as a bar to or waiver of any such right or remedy which Secured Party would have had on any future occasion nor shall Secured Party be liable for exercising or failing to exercise any such right or remedy.

National City Bank of Kentucky
(Secured Party)

By Roy C. Gray, III
Title Vice President

16. Borrower hereby waives all notices except such notices as are required herein or are required by law and cannot be waived. It is expressly understood and agreed that whenever the service of any notice to Borrower is required hereby or is otherwise required, such notice may be sent to Borrower by ordinary mail to Borrower's principal place of business and, if so mailed at least five days in advance, such notice shall be deemed sufficient and reasonable notice.

17. The Secured Party shall not be liable to the Borrower for any damages by reason of delays, temporary withdrawals of the Collateral from service or other causes.

18. Borrower agrees to join Secured Party in signing and filing, at Borrower's expense, such financing statements, and title lien statements, if applicable, as Secured Party may from time to time require in such public offices as Secured Party may from time to time require. Borrower agrees that whenever Secured Party hereafter makes a written request Borrower will, in each case, execute and deliver to Secured Party such additional writings (including, without limitation, affidavits, assignments and endorsements of specific items of collateral, security agreements and financing statements) and make and do all such further and other acts and things (including, without limitation, the delivery to Secured Party of any instrument, documents, chattel paper or other writing of any kind the possession of which perfects a security interest therein) as Secured Party may from time to time require for the better evidence, validation, perfection, enforcement or other protection of its security interest. Borrower shall pay the expense of all record searches and public filings which Secured Party may reasonably require. Borrower hereby appoints Secured Party as its true and lawful attorney, with power of substitution, to prepare, sign and file of record, for Borrower, in Borrower's name, any financing statements, title lien statements, assignments, or take any other action deemed necessary by Secured Party in order to perfect the security interests of Secured Party hereunder.

19. Secured Party's security interest in the Collateral shall remain in effect in accordance with this Agreement until Borrower's Obligations to Secured Party shall have been fully satisfied and shall not be affected by the lapse of time or by the fact that there may be a time or times when no Obligations shall be outstanding. If and when Secured Party's security interest shall have terminated in accordance with the provisions of this Agreement, Secured Party shall, on request of and at the expense of Borrower, release its security interest of record and notify those Account Debtors which Borrower shall specify.

20. This Agreement shall be binding upon and inure to the benefit of the parties hereto, their successors and assigns, executors, administrators, heirs and legal representatives. It shall be binding, jointly and severally, upon all parties described as Borrower. This Agreement and all rights and obligations hereunder, including matters of construction, validity and performance, shall be governed by the laws of Kentucky.

21 Supplemental Provisions: _____

IN WITNESS WHEREOF, the parties have duly executed this Security Agreement the 9th day of October 19 98

BORROWER X-RING ARCHERY PRODUCTS, INC.

By Joe Fitzgerald James J. Fitzgerald
Title President Secretary

700 S. Keeneland Dr., Suite B
Street Address
Richmond, Madison, Kentucky 40475
City, County and State

By _____
Title _____

If debtor/borrower and owner of collateral are not the same (i.e. individual Borrower with Corporate owner) then have both Borrower and Owner sign Security Agreement