

10-30-2001

Form PTO-1895 (Rev. 03/01)



U.S. DEPARTMENT OF COMMERCE
U.S. Patent and Trademark Office

OMB No. 0651-0027 (exp. 5/31/2002)

101888916

Tab settings

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):
BMCI, Inc., a California corporation

10-25-01

2. Name and address of receiving party(ies)
Name: Rohrbacher Survivor's Trust

Internal Address: c/o Marcie Rohrbacher

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

3. Nature of conveyance:

- Assignment Merger
- Security Agreement Change of Name
- Other

Street Address: 3582 Windspun Drive

Huntington

City: Beach State: CA Zip: 92649

Execution Date: August 31, 2001

Additional name(s) & address(es) attached? Yes No

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

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) ~~-4,353,512~~ -4,513,793
~~-4,566,501~~ -5,592,978 -5,785,097
-5,908,052

Additional numbers attached? Yes No

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

Name: Mara Morner-Ritt

Internal Address: Brandon McHale & Morner-Ritt

6. Total number of applications and patents involved:

7. Total fee (37 CFR 3.41).....\$ 240.00

Enclosed

Authorized to be charged to deposit account

8. Deposit account number:

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

10/29/2001 TD/AZ1 00000167 4353512

01 FC:581

240.00 DP

Street Address: 2001 Wilshire Blvd.

Suite 400

City: Santa Monica State: CA Zip: 90403

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.

Mara Morner-Ritt
Name of Person Signing

M. Morner-Ritt
Signature

10/24/01
Date

Total number of pages including cover sheet, attachments, and documents:

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

REFORMATION AND ASSIGNMENT AGREEMENT

This Reformation and Assignment Agreement (the "Agreement") is dated with effect from August 31, 2001 by and among BMCI, Inc., a California corporation (the "Company"), Mary Rohrbacher ("MR") and the Rohrbacher Survivor's Trust (the "Survivor's Trust").

RECITALS

WHEREAS, MR, among others, and the Company have entered into that certain Security Agreement dated as of August 31, 2001, the Company has executed that certain Secured Promissory Note - Senior Subordinated Debt dated August 31, 2001 in favor of MR, and MR and the Company have executed that certain Subordination Agreement dated as of August 31, 2001 in favor of Merrill Lynch Business Credit (all of such documents referred to herein collectively and the "Transaction Documents"); and

WHEREAS, the parties desire to assign the Transaction Documents to the Survivor's Trust.

AGREEMENT

NOW, THEREFORE, the parties hereto agree as follows.

1. MR hereby assigns and delegates all of her rights and obligations under each of the Transaction Documents to the Survivor's Trust, and the Survivor's Trust agrees to discharge and perform all obligations of MR under each of the Transaction Documents. Each party hereto consents to such assignment and agrees that each of the Transaction Documents is hereby reformed and amended, effective as of August 31, 2001, to refer to the Survivor's Trust in each place in the Transaction Documents where MR is referenced.
2. Each of the parties hereto agrees to take all such further action as may be required to effectuate the intents of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement with effect from the date set forth above.

BMCI, Inc.

By: *Scott Barsotti*
Scott Barsotti, President

Mary Rohrbacher
Mary Rohrbacher

Rohrbacher Survivor's Trust

By: 
Mary Rohrbacher, Trustee

The undersigned hereby consents
to any assignment of the Transaction
Documents occurring hereby:

Merrill Lynch Business Credit

By: _____
Title: _____



LOAN AND SECURITY AGREEMENT
Trust

This LOAN AND SECURITY AGREEMENT - Trust ("Agreement"), is dated as of August 31, 2001, by and between BMCI, Inc., a California corporation (the "Debtor"), and The Herbert and Mary Rohrbacher Revocable Trust (the "Trust").

a. The Trust desires to make available to the Debtor a loan subject to the terms and conditions contained in this Agreement.

b. The Debtor has agreed to grant to the Trust a security interest in the property hereinafter described as security for the prompt and complete payment of all indebtedness of the Debtor to the Trust under this Agreement and the Note in the form attached hereto as Exhibit A (the "Note"), and for the other obligations of the Debtor to the Trust under this Agreement and the Note (the "Obligations").

NOW, THEREFORE, in consideration of the foregoing and the mutual promises and other agreements hereinafter contained, the Debtor and the Trust hereby agree as follows:

1. Loan.

A. Agreement to Lend. Subject to the terms and conditions of this Agreement, the Trust hereby agrees to lend to the Debtor, on and after September 1, 2001 to but excluding September 1, 2003 an amount not exceeding \$50,000 (the "Commitment") to be used solely for the working capital of the Debtor.

B. Notice of Borrowing. When the Debtor desires to borrow, it shall deliver to the Trust a notice (the "Borrowing Notice") specifying (i) the amount of the proposed borrowing (which, when taken together with all other loans made hereunder and remaining outstanding at such date, shall not exceed the Commitment), (ii) the proposed funding date (which shall be no sooner that 5 business days after the Trust's receipt of the Borrowing Notice) (the "Proposed Funding Date"), and (iii) that the conditions to funding set forth in Section 1.D have been satisfied on the date of the Borrowing Notice and will be satisfied on and as of the proposed funding date. Subject to the other terms and conditions hereof, the Trust will make the proposed borrowing available by check to the Debtor on the Proposed Funding Date.

C. Interest and Repayment. The Debtor is executing and delivering to the Trust concurrently herewith the Note. The loans made hereunder shall bear interest at the rate, and shall be repaid in strict compliance with the terms of, the Note.

D. Conditions to Obligations. The Trust's obligation to make loans available under Section 1 of this Agreement is subject to the satisfaction of the following conditions of the date of the Borrowing Notice and on the Proposed Funding Date:

(i) The total amount of the loans to the Debtor outstanding under the Loan and Security Agreement - Barsotti of even date herewith by and between Debtor and Scott Barsotti (the "Barsotti Loan Agreement") shall equal or exceed \$150,000;

(ii) No Event of Default (as defined in Section 9) shall have occurred;

(iii) There shall be no material adverse change in the condition of the Debtor from the condition of the Debtor as of the date hereof.

2. Grant of Security Interest.

The Debtor hereby grants to the Trust a continuing security interest in all of the personal property of the Debtor, wherever located and whether the same is now owned or hereafter acquired (the "**Collateral**"), including without limitation:

A. All Investment Property and Instruments, including without limitation, any stock, shares, partnership interests, voting trust certificates, bonds, debentures, notes or other evidences of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or in general any instruments commonly known as "securities" or any certificates of interest, depository trust receipts, shares or participations in temporary or interim certificates, and any options or warrants for the purchase or acquisition of, or any other right to subscribe to, purchase or acquire, any of the foregoing and the certificates or instruments representing such Investment Property and any interest of Debtor in the entries on the books of any financial intermediary pertaining to the Investment Property, and all dividends, cash or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Investment Property or Instruments;

B. All Goods and Equipment, including without limitation machinery, fixtures, furniture, furnishings, motor vehicles, motor vehicle equipment in all forms (including trucks, trailers and parts), implements and other tangible personal property of every kind and description, wherever the same may be located, all goods of like kind or type hereafter acquired in substitution or replacement thereof and all additions and accessions thereto;

C. All Inventory, including, without limitation, all merchandise, raw materials, components, parts, supplies, unfinished goods, work-in-process, finished products intended for sale, lease or other disposition, and packing and shipping materials of every kind, nature and description, wherever the same may be located;

D. All deposits, Deposit Accounts, cash and cash equivalents, Cash Proceeds, drafts, checks, certificates of deposit, notes, bills of exchange and other writings which evidence a right to the payment of money and all amounts from time to time in any collection accounts of the Debtor (the "**Pledged Deposits**");

E. All common law and/or statutory copyrights, rights and interests of every kind and nature in copyright, whether now owned or hereafter created or acquired and renewals and extensions of copyrights, and the right (but not the obligation) to make publication thereof for copyright purposes, to register claim upon copyright and the right (but not the obligation) to sue in the name of Debtor or in the name of the Trust for past, present and future infringement of copyright;

F. All trademarks, trademark rights, service marks, service mark rights, tradenames, tradename rights, designs, logos, indicia, corporate names, company names, fictitious business names, trade styles and/or other source and/or business identifiers and applications pertaining thereto, and renewals and extensions thereof, whether now owned or hereafter acquired or issued, all common law and other rights in and to the foregoing and the accompanying goodwill and other like business property rights and the right (but not the obligation) to register claim under trademark and renew and extend such trademarks, and the right (but not the obligation) to sue in the name of Debtor or in the name of the Trust for past, present or future infringement of trademark;

G. All United States and foreign patents and patent applications now owned or hereafter acquired, and licenses and rights in, and the right to sue for all past, present and future infringements of, and any and all such now owned or hereafter acquired patents or patent applications, and all re-issues, divisions, continuations, renewals, extensions and continuations in part thereof (including, without limitation, rights and interests pursuant to licensing or other contracts in favor of Debtor pertaining to patent applications and patents now owned or hereafter acquired or used by third parties);

H. All Accounts, General Intangibles (including Payment Intangibles), Chattel Paper, Documents, Letter of Credit Rights, and rights to payment for money or funds advanced or sold, instruments, goods and books and records, including inventory and contract rights, not elsewhere included in this definition; and

I. All Proceeds of any of the foregoing and all substitutions and replacements of, and additions and accessions to, any of the foregoing.

Nothing in this Agreement shall be deemed to constitute an assumption by the Trust of any liability or obligation of Debtor with respect to any of the Collateral.

All capitalized terms used herein without definition shall have the meaning assigned such terms in the Uniform Commercial Code, as in effect in the State of California.

3. Security for Obligations.

This Agreement secures and the Collateral is collateral security for the prompt payment or performance in full when due, whether at stated maturity, by acceleration or otherwise (including the payment of amounts which would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. § 362(a)), of all of Debtor's Obligations now existing or hereafter arising, whether for principal or interest (including, without limitation, interest which, but for the filing of a petition in bankruptcy, would accrue on such obligations) or payments of fees, expenses or otherwise and all modification, renewals or extensions thereof (all such obligations being the "**Secured Obligations**").

4. Representations and Warranties.

Debtor represents and warrants as follows:

A. Status of Debtor. The Debtor is a corporation duly organized, validly existing and in good standing under the laws of the state of California and has offices in no other states. The Debtor has the requisite power and authority to own its assets and to transact the business in which it is presently engaged and in which it proposes to engage and to grant the security interests in the Collateral as herein provided.

B. Binding Agreement. This Agreement has been duly authorized and constitutes the legal, valid and binding obligation of the Debtor enforceable against the Debtor in accordance with its terms.

C. Title to Collateral. The Debtor has good and marketable title to all and every part of the Collateral, free and clear of any mortgage, pledge, lien, security interest, encumbrance, conditional sale contract or other title retention agreement, or any other adverse claim of any nature whatsoever (collectively, "**Lien**") except for (i) the security interest granted to the Trust hereby, (ii) the security interests in favor of Merrill Lynch Business Financial Services, Inc. pursuant to the WCMA Note, Loan and Security Agreement dated as of June 18, 1998, as amended to date (the "**Line of Credit**"), (iii) the security interests in favor of Scott Barsotti pursuant to the Barsotti Loan Agreement, (iv) the security interests in favor of Marcie Rohrbacher Malatka, as agent on behalf of various secured parties pursuant to the Security Agreement - Senior Subordinated Debt of even date herewith (the "Senior Subordinated Security Agreement"), and (v) the security interests described in the financing statements listed on Schedule 1 attached hereto (the Liens listed in clauses (i) through (v) are hereinafter referred to as "Permitted Liens"). No effective financing statement or other instrument similar in effect covering all or any part of the Debtor's Collateral is on file in any recording office, except such as may have been filed in favor of the Trust or the security interests permitted under this Section 4.C.

D. No Default or Required Consent. Neither the execution and delivery of this Agreement by the Debtor nor the effectuation by the Trust of its rights and remedies hereunder, whether upon default or otherwise, will result in a breach of or constitute a default under any charter provision or bylaw of the Debtor or any other agreement or instrument to which the Debtor is a party or by which any of the Debtor's Collateral is bound, nor violate any law or any rule or regulation of any administrative agency or any order, writ, injunction or decree of any court or administrative agency, nor does any of the foregoing require the consent of any person, entity or governmental agency or any notice or filing with any governmental or regulatory body, except as shall have been previously obtained, given or made.

E. Perfection. Upon the execution and delivery of this Agreement by Debtor, the filing of financing statements with the Secretary of State of the State of California and the taking of the other actions described in Section 5.B, the Trust will have a perfected security interest in and to the Collateral of the Debtor, subject only to the Permitted Liens.

F. Collateral. Set forth on Schedule 2 attached hereto is a true and correct list of (a) each bank account of the Debtor (including the account number and the name and location of the branch) (b) each motor vehicle owned by Debtor (including make, model, year, vehicle identification number and location), (c) each patent and patent application held by the Debtor, and (d) each registered trademark and trademark application held by the Debtor.

G. Authorization. Debtor hereby authorizes the Trust to file a financing statement describing the Collateral.

5. Affirmative Covenants.

Debtor covenants and agrees that until such time as all of the Secured Obligations are indefeasibly paid or otherwise satisfied in full, unless the Trust shall otherwise consent in writing:

A. Conduct of Business and Maintenance of Assets and Licenses. The Debtor shall do or cause to be done all things necessary to preserve in full force and effect its corporate existence, powers and authority, its qualifications to carry on business in all applicable jurisdictions, and all rights, interests and assets necessary to the conduct of its business, except where the failure to do so does not have a material adverse effect on the financial condition or operations of the Debtor.

B. Perfection of Security Interests. With respect to any Collateral as to which the security interest granted hereby must be perfected by, or the priority thereof must be assured by possession of the Collateral, the Debtor shall deliver possession of same in pledge to the Trust or its agents appointed to hold such Collateral on behalf of the Trust, endorsed or accompanied by such instruments of assignment or transfer as the Trust may specify and stamped or marked in such manner as the Trust may specify. In addition, Debtor shall (i) maintain the Pledged

Deposits with banks or other financial institutions which have executed and delivered to Secured Parties an agreement sufficient in Agent's discretion to perfect the security interests in the Pledged Deposits, with other banks or financial institutions as to which the Secured Parties' security interest has been perfected, (ii) cooperate with the Trust in obtaining control over Collateral consisting of Investment Property or other Collateral for which such control is required to perfect or assure priority of the security interests granted hereby, and (iii) execute and file with the registrar of motor vehicles or other appropriate authority an application requesting notation on the certificate of title of any Collateral consisting of motor vehicles indicating the security interest created hereunder.

C. Protection of Security and Legal Proceedings. The Debtor shall, at its own expense, take any and all actions necessary to preserve, protect and defend the security interests of the Trust in the Collateral and the perfection and priority thereof against any and all adverse claims, including appearing in and defending all actions and proceedings which purport to affect any of the foregoing. The Debtor shall promptly reimburse the Trust for any and all sums, including costs, expenses and actual attorneys' fees, which such parties may pay or incur in defending, protecting or enforcing his or her security interest in the Collateral or the perfection or priority thereof.

D. Payment of Taxes. The Debtor shall pay or cause to be paid all taxes and other levies with respect to the Collateral when the same become due and payable, except for any taxes which are being diligently contested in good faith by appropriate proceedings and for which appropriate reserves have been established.

E. Use and Maintenance of Collateral. The Debtor shall comply with all laws, statutes and regulations pertaining to its use and ownership of the Collateral and its conduct of its business; maintain all of the Collateral in good condition, reasonable wear and tear excepted, and keep accurate and complete books and records pertaining to the Collateral in accordance with generally accepted accounting principles, except where the failure to do any of the foregoing does not have a material adverse affect on the Collateral or the Trust's rights therein.

F. Insurance. The Debtor shall, at its own expense, maintain insurance on all of its properties and assets of an insurable character to the extent and for the time periods consistent with normal industry standards pursuant to policies issued or underwritten by financially sound and reputable insurers.

G. Inspection. The Debtor shall give the Trust such information as may be reasonably requested concerning the Secured Obligations and the Collateral and shall during regular business hours and upon reasonable notice permit the Trust and its agents and representatives to have full access to and the right to examine, audit and make copies and abstracts from any and all of the Debtor's books and records pertaining to the Secured Obligations and the Collateral, to confirm and verify the value of the Collateral and to do

whatever else the Trust reasonably may deem necessary or desirable to protect its interests. Furthermore, the Debtor agrees to furnish promptly to the Trust such information regarding the financial condition or business of the Debtor or the Collateral as the Trust may request, and all such information hereafter furnished to the Trust by the Debtor will be true and correct when furnished.

H. Notification. The Debtor shall notify the Trust in writing within ten (10) business days of the occurrence of (i) an Event of Default (as defined in Section 9) or of the occurrence of an event which, with notice or lapse of time, or both, would constitute an Event of Default, or (ii) any event which materially adversely affects the value of the Collateral, the ability of the Debtor or the Trust to dispose of the Collateral or the rights and remedies of the Trust in relation thereto.

I. Further Assurances. The Debtor agrees that at any time and from time to time, at its expense, it will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Trust may request, in order to perfect and to protect any security interest granted or purported to be granted hereby or to enable the Trust to exercise and to enforce its rights and remedies hereunder with respect to any Collateral.

6. Negative Covenants.

The Debtor covenants and agrees that until such time as all of the Secured Obligations are indefeasibly paid or otherwise satisfied in full:

A. Incurrence of Indebtedness. The Debtor shall not create, incur, guaranty, or otherwise become liable for, any indebtedness for borrowed money or for the deferred purchase price of property under capital leases ("Indebtedness") that is senior to the prior and indefeasible payment in full of the Secured Obligations ("Senior Indebtedness") or Indebtedness that is pari passu with the Secured Obligations (other than the Indebtedness outstanding on the date hereof under (x) the Line of Credit, (y) the Notes (as defined in the Senior Subordinated Security Agreement, or (z) the Barsotti Loan Agreement), unless the holders of in excess of 50% of the dollar amount of the Secured Obligations then outstanding have consented in writing to such incurrence of Indebtedness.

B. Sale or Hypothecation of Collateral. The Debtor shall not, and the Trust expressly does not authorize the Debtor to, directly or indirectly, whether voluntarily, involuntarily, by operation of law or otherwise (i) sell, assign, license, transfer, exchange, lease, lend, grant any option with respect to or dispose of any of the Collateral or any of the Debtor's rights therein, except for sales, assignments, licenses, transfers, exchanges, leases or loans in the ordinary course of the Debtor's business, nor (ii) create or permit to exist any Lien on or with respect to any of the Collateral, except for the Permitted Liens. The inclusion of "proceeds" as a component of the Collateral shall not be deemed a consent by the Trust to any sale, assignment,

transfer, exchange, lease, loan, granting of an option with respect to or disposition of all or any part of the Collateral.

C. Change of Location or Name. The Debtor shall not, without giving to the Trust at least thirty (30) days' prior written notice (i) move its principal place of business or the location of its books or records, (ii) change its name, its trade or fictitious business name(s), the state where it is located, or its form of doing business, (iii) establish any Deposit Accounts other than those set forth on Schedule 2 attached hereto, or (iv) merge or consolidate into or with any other entity, or sell all or substantially all of its assets, in each case in one transaction or in a series of transactions.

D. Preservation of Collateral. The Debtor shall use reasonable efforts to preserve the value of the Collateral and the security interests of the Trust therein.

7. Trust Appointed Attorney-in-Fact.

Debtor hereby appoints the Trust as the Debtor's attorney-in-fact with full authority in the place and stead of the Debtor and in the name of the Debtor or otherwise, from time to time, in the Trust's sole and absolute discretion, to take any action and to execute any instrument which the Trust may deem necessary or advisable to accomplish the purposes of this Agreement. Debtor acknowledges that the foregoing grant of power of attorney is coupled with an interest and is irrevocable. In addition, the Trust shall have the right, at any time in her discretion, upon five (5) Business Days' notice to Debtor, to transfer to or to register in the name of the Trust or any of its nominees any or all of the Investment Property. In addition, the Trust shall have the right at any time to exchange certificates or instruments representing or evidencing Investment Property for certificates or instruments evidencing smaller or larger denominations. The Trust may at any time enforce Debtor's rights against account debtors and obligors.

8. Trust May Perform.

If Debtor fails to perform any agreement or covenant contained herein, then the Trust may perform or cause the performance of such agreement or covenant, and the expenses of the Trust incurred in connection therewith (as provided in Section 12), plus interest from the date of such advance to the date of reimbursement at the lesser of (a) 12% per annum or (b) the maximum rate permitted by law, shall be payable by Debtor. However, nothing in this Agreement shall obligate the Trust to perform any obligations of the Debtor hereunder.

9. Events of Default.

The occurrence of any of the following shall constitute an event of default ("Event of Default") hereunder:

A. Failure to Pay. The failure of Debtor to pay any installment of principal or interest hereunder and under the Note within five (5) days after such payment is due;

B. Other Defaults Under Note or this Agreement. The failure of Debtor to perform any material term, condition or covenant in favor of the Trust contained in the Note or this Agreement or to pay any amounts due to the Trust pursuant to the Note or this Agreement (other than as set forth in Section 9.A) if such default is not cured within 30 days after receiving notice of such default;

C. Change of Control. The failure of Scott Barsotti to render full time employment services to the Debtor for any reason or a change of control with respect to the Debtor;

D. Other Indebtedness. The occurrence of any material breach of any note, loan agreement, indenture or debt instrument of the Debtor evidencing or representing indebtedness in an aggregate principal amount in excess of \$50,000, in each case where such default is not cured within any grace period provided for in such agreement;

E. Bankruptcy Events. Debtor shall admit in writing its inability to, or shall fail generally or be generally unable to, pay its debts (including its payrolls) as such debts become due, or shall make a general assignment for the benefit of creditors; or Debtor shall file a voluntary petition in bankruptcy or a petition or answer seeking reorganization, to effect a plan or other arrangement with creditors or any other relief under the Bankruptcy Reform Act of 1978, as amended or recodified from time to time (the "Bankruptcy Code") or under any other state or federal law relating to bankruptcy or reorganization granting relief to debtors, whether now or hereafter in effect, or shall file an answer admitting the jurisdiction of the court and the material allegations of any involuntary petition filed against Debtor pursuant to the Bankruptcy Code or any such other state or federal law; or Debtor shall be adjudicated a bankrupt, or shall make an assignment for the benefit of creditors, or there shall be applied for or appointed any custodian, receiver or trustee for all or any substantial part of Debtor's property, or shall take any action to authorize any of the actions set forth above in this paragraph; or an involuntary petition seeking any of the relief specified in this paragraph shall be filed against Debtor and shall not be dismissed within 60 days; or any order for relief shall be entered against Debtor in any involuntary proceeding under the Bankruptcy Code or any such other state or federal law referred to in this subsection E.;

F. Liens on Collateral. The initiation of steps by any third party to obtain a levy or writ of attachment or garnishment upon Collateral in excess of \$50,000 or to affect any of such Collateral by other legal process, unless the same is dismissed within sixty (60) days after the initiation thereof;

G. Misrepresentation. Should any representation made by Debtor to the Trust concerning the financial condition or credit standing of Debtor prove to be materially false or

misleading or should any representation or warranty of Debtor contained in this Agreement or in any document, certificate or instrument delivered pursuant thereto or hereto prove to be materially false or misleading; or

H. Adverse Judgments. The rendering of a final judgment for the payment of money the uninsured portion of which is in excess of \$50,000 by any court of competent jurisdiction against Debtor, and the same is not discharged or execution thereunder stayed, whether pursuant to appeal or otherwise, within sixty (60) days of the entry thereof.

10. Remedies upon Default.

If any Event of Default shall have occurred and be continuing:

A. Acceleration of Indebtedness. The Trust may declare any or all Secured Obligations, or any part thereof, to be immediately due and payable without demand or notice (and upon the occurrence of any Event of Default specified in Section 9.E, all Secured Obligations shall without further action by the Trust become immediately due and payable), and the Trust may proceed to collect the same.

B. Compromise of Claims. The Trust may grant extensions, compromise claims and settle the Collateral for less than face value, all without prior notice to Debtor.

C. Use of Trade Names, Etc. The Trust may use in connection with any disposition of the Collateral, any trademark, trade name, trade style, copyright, patent right, technical process or other proprietary right used or utilized by Debtor.

D. Other Rights Against Debtor Hereunder. The Trust may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to them at law (including all the rights and remedies of a secured party under the Uniform Commercial Code as then in effect in the State of California) or in equity, and the Trust may also without notice except as specified below sell the Collateral or any part thereof in one or more parcels at public or private sale, for cash, on credit or for future delivery, and upon such other terms as the Trust in its sole and absolute discretion may deem commercially reasonable. Debtor agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to the Debtor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Trust shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Trust may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Debtor hereby waives any claims against the Trust arising by reason of the fact that the price at which any Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale, even if the Trust accepts the first offer received and does not offer such Collateral to more than one offeree, and in all events such sale shall be

deemed to be commercially reasonable. At any such public or private sale, the Trust may be the purchaser of the Collateral.

E. Application of Proceeds. Any cash held by the Trust as Collateral and all cash proceeds received by the Trust in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of the Trust, be held by the Trust as collateral for, and/or then or at any time thereafter applied (after payment of any amounts payable to the Trust pursuant to Section 11 and 12) in whole or in part by the Trust against all or any part of the Secured Obligations in the order as the Trust may elect. Any surplus of such cash or cash proceeds held by the Trust and remaining after payment in full of all the Secured Obligations shall be paid over to Debtor or to whomsoever may be lawfully entitled to receive such surplus. In a like manner, Debtor agrees to pay to the Trust, without demand, whatever amount of the Secured Obligations remains unpaid after the Collateral has been sold and the proceeds applied as aforesaid, together with interest thereon from the date of demand at the highest rate specified in the Note, which interest shall also constitute a part of the Secured Obligations.

F. Other Rights. The Trust shall not be obligated to resort to its rights or remedies with respect to any other security for or guaranty or payment of the Secured Obligations before resorting to their rights and remedies against Debtor hereunder. All rights and remedies of the Trust shall be cumulative and not in the alternative.

11. Liability and Indemnification.

The Trust shall not be liable to Debtor for any act (including, without limitation, any act of active negligence) or omission by the Trust under this Agreement unless the Trust's conduct constitutes willful misconduct or gross negligence. Debtor agrees to indemnify and to hold the Trust harmless from and against all losses, liabilities, claims, damages, costs and expenses (including actual attorneys' fees and disbursements) with respect to (a) any action taken (including, without limitation, any act of active negligence) or any omission by the Trust with respect to the Note or this Agreement, provided that the Trust's conduct does not constitute willful misconduct or gross negligence, and (b) any claims arising out of Debtor's ownership of the Collateral or the Trust's security interest therein.

12. Expenses.

Debtor agrees to pay upon demand to the Trust any and all reasonable expenses, including the reasonable fees and expenses of their counsel and of any experts and agents, plus interest at the lesser of (a) the maximum rate permitted by law or (b) 12% per annum, from the date such expenses were incurred to the date of reimbursement, which the Trust may incur in connection with (i) the amendment, waiver or modification of the Note and/or this Agreement, if initiated or requested by Debtor, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of the

Trust under the Note and/or this Agreement, and (iv) the failure by Debtor to perform or observe any of the provisions of the Note and/or this Agreement.

13. Security Interest Absolute.

All rights of the Trust and security interests hereunder, and all Secured Obligations of Debtor hereunder, shall be absolute and unconditional irrespective of:

A. any lack of validity or enforceability of the Note;

B. any change in the time, manner or place of payment of, or in any other term of, all or any of the Secured Obligations, or any other amendment or waiver of or any consent to any departure from the Note; or

C. any furnishing, exchange, release or non-perfection of any other collateral, or any release or amendment or waiver of or consent to departure from any guaranty for all or any of the Secured Obligations.

14. Amendments, Waiver.

No amendment or waiver of any provision of this Agreement nor consent to any departure by Debtor herefrom shall in any event be effective unless the same shall be in writing and signed by the Trust and Debtor, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose any party for which given.

15. Notices.

Any notice, request, demand, instruction or other communication to be given to any party hereunder shall be in writing and shall be either served personally, or sent by overnight courier, or registered or certified mail, return receipt requested with postage prepaid, and addressed to the party to be notified at the address set forth below, or to such other place as the party to be notified may from time to time designate by at least fifteen (15) days notice to the notifying party. Any such notice, request, demand, instruction or other communication shall be deemed sufficiently served or given for all purposes hereunder either (a) if personally served, upon such service, (b) if sent by overnight courier, the following business day, or (c) if mailed, two (2) business days after the time of mailing or on the date of receipt shown on the return receipt, whichever is first to the address for such party set forth below.

If to Debtor: BMCI, Inc.
 1520 Adelia Avenue
 South El Monte, CA 91733
 Attn: President

If to the Trust: To the Trust at the address for the Trust maintained at the office of Debtor

16. Continuing Security Interest; Assignment of Obligations.

This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until indefeasible payment or other satisfaction in full of the Secured Obligations, (b) be binding upon Debtor, and the Debtor's successors and assigns, (c) inure, together with the rights and remedies of the Trust hereunder, to the benefit of the Secured Parties and their successors, transferees and assigns, (d) constitute, along with the Note, the entire agreement between Debtor and the Trust with respect to the subject matters covered hereby, and (e) be severable in the event that one or more of the provisions herein is determined to be illegal or unenforceable. Without limiting the generality of the foregoing clause (c), the Trust may assign or otherwise transfer any Secured Obligation to any other person or entity, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to the Trust herein or otherwise, but the Trust may not assign this Agreement or the benefits in respect hereof except to assignee(s) of the Secured Obligations. Upon the indefeasible payment or other satisfaction in full of the Secured Obligations, the Trust, at the request and expense of Debtor, shall release the security interests in the Collateral granted herein and execute such termination statements as may be necessary therefor, to the extent that such Collateral shall not have been sold or otherwise applied pursuant to the terms hereof.

17. Return of Collateral.

Subject to any duty imposed by law or otherwise to the holder of any subordinate lien on the Collateral known to the Trust, and subject to the direction of a court of competent jurisdiction, upon payment in full of the Secured Obligations, Debtor shall be entitled to the return of all Collateral belonging to the Debtor in the possession of the Trust; provided, however, that the Trust shall not be obligated to return to the Debtor or deliver to the holder of any subordinate lien any such Collateral until it is satisfied that all amounts with respect to the Secured Obligations are no longer subject to being recaptured under applicable bankruptcy or insolvency laws or otherwise. The return of Collateral, however effected, shall be without recourse to the Trust and the Trust shall be entitled to receive appropriate documentation to such effect. The return of Collateral shall be effected without representation or warranty and shall not entitle Debtor to any right to any endorsement.

18. Governing Law; Terms.

This Agreement shall be governed by, and construed in accordance with, the laws of the State of California.

19. Subordination.

A. The Trust agrees that all security interests created by this Agreement shall be subordinate to the security interests in favor of the Agent (as defined in the Senior Subordinated Security Agreement) and the Secured Parties (as defined in the Senior Subordinated Security Agreement) (referred to herein as the "Senior Secured Parties").

B. The Trust agrees that until such time as the Secured Obligations (as defined in the Senior Subordinated Security Agreement) (the "Senior Secured Obligations") is paid in full, the Trust will not seek to foreclose or realize upon its security interests hereunder; provided, however, that if a case under the Bankruptcy Code is commenced by or against the Debtor, the Trust may file a proof of claim with the court and provided, further that the Trust may defend or preserve its security interest as against third parties in such proceeding or in the event that the Senior Secured Parties have commenced foreclosure or liquidation proceedings with respect to the Collateral, so long as such action does not in any way interfere with or adversely impact the rights of the Senior Secured Parties as secured creditors with respect to the Collateral.

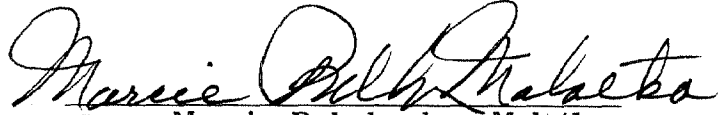
C. The Trust agrees that it will not exercise any of its rights as a secured party with respect to its security interest hereunder until the Agent has received five days prior written notice of any such action. Any proceeds, payments or distributions received by the Trust from sale, foreclosure or other disposition of the Collateral (whether upon dissolution, winding up, reorganization or otherwise) shall be applied to repayment of the Senior Secured Obligations. Upon payment in full of the Senior Secured Obligations, any amounts remaining with respect to the Collateral shall be promptly remitted to the Trust. In the event that the Trust receives any payment or any other distribution related to the Collateral, the Trust shall, after receiving notice of such mistake, turn over such payment or other distribution to the Agent.

D. The Trust agrees that the Senior Secured Parties may, at any time, renew or extend the time or payment or the other terms applicable to any of the Senior Secured Obligations, increase the amount of the Senior Secured Obligations, waive or release any of the collateral pledged therefor, or subordinate their interests to any third party, and that any such action shall in no way alter the parties' respective rights and obligations under this Section 19. In the event that the Senior Secured Parties release any of the collateral pledged to them, the Trust shall no longer be subordinated to the Senior Secured Parties with respect to the released collateral.

E. The provisions of this Section 19 are made by the Trust in favor of the Senior Secured Parties and apply notwithstanding any provision to the contrary contained in this Agreement or the Note.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

BMCI, Inc.



Name: Marcie Rohrbacher Malatka

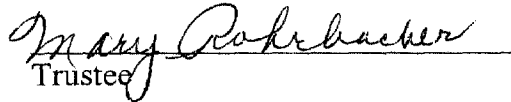
Title: President



Name: LD Malatka

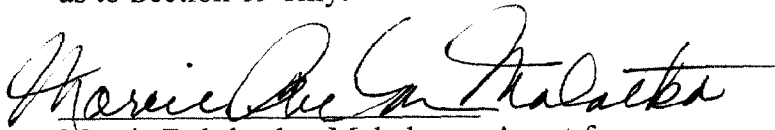
Title: Secretary

The Mary and Herbert Rohrbacher
Revocable Trust



Trustee

Acknowledged and Agreed
as to Section 19 only:



Marcie Rohrbacher Malatka, as Agent for
the Senior Secured Parties

**SECURED PROMISSORY NOTE
JUNIOR SUBORDINATED DEBT**

\$50,000

Dated: August 31, 2001

FOR VALUE RECEIVED, the undersigned ("Maker") promises to pay to The Herbert and Mary Rohrbacher Revocable Trust ("Payee"), at the address of Payee maintained at the office of BMCI, Inc., or such other place as the holder(s) of this Note may from time to time designate, unpaid principal amount of all advances made to Payee under the Loan and Security Agreement by and between Payee and Maker of even date herewith (the "Principal Amount") on the dates set forth below and to pay interest on unpaid Principal Amount at a rate per annum equal to eight percent (8%).

1.1 Amount Due. The Principal Amount and interest thereon shall be due and payable in immediately available funds in lawful money of the United States of America as cash shall become available therefor, with the final installment of all remaining principal and interest being due and payable on August 31, 2003 (the "Maturity Date"). Payments shall be applied first to accrued interest, if any, and then to principal.

1.2 Prepayment. Amounts due hereunder may be prepaid by Maker at any time and from time to time without penalty. Prepayments shall be applied to amounts due hereunder in reverse order of maturity. Amounts outstanding hereunder shall be prepaid in advance of the payment of any amounts owed by the Maker under Tranche 2 (as defined therein) of that certain Loan and Security Agreement - Barsotti of even date herewith.

1.3 Security. This Note is entitled to the benefits of, and is secured by the security interests in all of the assets of the Company granted in, the Loan and Security Agreement of even date herewith among the Maker and the Payee (the "Loan and Security Agreement"). The Loan and Security Agreement, among other things, contains various covenants of the Maker and contains provisions for the acceleration of amounts payable hereunder upon the occurrence of an Event of Default (as defined in the Loan and Security Agreement). Should there be an Event of Default, then the entire unpaid principal balance of this Note, together with accrued interest thereon, may be accelerated and become due and payable. The Loan and Security Agreement also contains provisions whereby the Payee of this Note agrees to subordinate its interest to certain other debt.

1.4 Collection Costs. In the event the holder of this Note incurs any loss, cost or expense in enforcing or collecting this Note, in whole or in part, or by enforcing any of the terms hereof, the Maker agrees to pay the costs and expenses so paid or incurred by the holder, including, without limitation, reasonable attorneys' fees and costs.

1.5 Miscellaneous. Any extensions of time granted to the Maker shall not release the Maker nor constitute a waiver of any payment due on principal or interest or otherwise diminish

the rights of the holders of this Note. The Maker waives presentment for payment, demand and protest and notice of protest, and of dishonor in nonpayment of this Note, and expressly consents to an extension of the time of payment hereof, or of any installment hereof. Notwithstanding anything to the contrary contained herein, in no event shall any interest be payable under this Note which exceeds the maximum amount permitted by applicable law. In the event any payment of interest exceeds the amount permitted by applicable law, such payment shall be applied to reduce the outstanding principal balance hereunder.

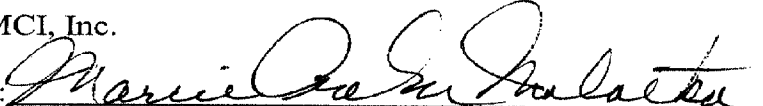
1.6 Subordination. This Note and the rights of the holder hereof are in all respects subject and subordinate to the rights of Merrill Lynch Business Financial Services, Inc. pursuant to a certain Subordination Agreement dated as of August 28, 2001.

This Note may only be modified, changed, or amended by a written instrument executed by Payee and Maker. This Note may not be assigned, pledged, hypothecated or otherwise encumbered by Maker, without the prior written consent of Payee. This Note shall inure to the benefit of the Payee and his or its respective successors and assigns, and shall bind Maker and his heirs, successors and assigns.

The provisions of this Note are to be governed by and construed in accordance with the laws of the State of California, without regard to conflict of laws principles.

IN WITNESS WHEREOF, the Maker has executed and delivered this Note on August 31, 2001.

BMCI, Inc.

By: 
Title: President

Marcie Rohrbacher Malatka

By: 
Title: Secretary

'LD' Malatka

Schedule 1
UCC Filings



UCC Summary Report

Your Billing Reference: 75606 lrw

PARASEC
640 Bercut Dr, Ste A
Sacramento, CA 95814

800.538.7272 / 800.603.5868 (fax)

The following represents a listing of the documentation you requested through a careful search of effective UCC, state and federal tax lien and judgment lien filings recorded in the Office of the Secretary of State, licensed from the State or an independent third party. This information is maintained in computerized form and available through our offices. Variations of the Name and Address of the search key appear on this report as a result of the search findings and your individual request for that information.

Results for California UCC Search by Company Name

Current as of: 06/22/2001

Subject: Bergandi Machinery Company

* File Number:	199819660609
File Date:	07/13/1998
File Status:	Active
File Type:	Original
Debtor:	BERGANDI MACHINERY COMPANY 1520 ADELIA AVE S EL MONTE, CA 91733

BMCI, INC.
1520 ADELIA AVE
S EL MONTE, CA 91733

Secured Party:

GRANITE FINANCIAL, INC.
16100 TABLE MOUNTAIN PKWY, STE A
GOLDEN, CO 80403

* File Number:	199819761129
File Date:	07/16/1998
File Status:	Active
File Type:	Original
Debtor:	BCMI, INC. 1520 ADELIA AVE SOUTH EL MONTE, CA 91733

BERGANDI MACHINERY COMPANY
1520 ADELIA AVE
SOUTH EL MONTE, CA 91733

Secured Party:

MERRILL LYNCH BUSINESS FINANCIAL SERVICES INC.
33 W MONROE ST, 22ND FL
CHICAGO, IL 60603

* File Number:	199831660088
File Date:	11/05/1998
File Status:	Active
File Type:	Original
Debtor:	BMCI INC DBA BERGANDI MACHINERY COMPANY 1520 ADELIA AVE SOUTH EL MONTE, CA 91733

Schedule 2
Identification of Collateral