

12/5/03

12-12-2003



Form PTO-1595 (Rev. 10/02) OMB No. 0651-0027 (exp. 5/30/2005) Tab settings		RECORDED 102621227	DEPARTMENT OF COMMERCE U.S. Patent and Trademark Office
To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.			
1. Name of conveying party(ies): <u>Daniel Schnaars, Sr.</u>		2. Name and address of receiving party(ies) Name: <u>Briar Capital, L.P.</u> Internal Address: _____ _____ Street Address: <u>1500 City West Blvd.</u> <u>Suite 225</u> City: <u>Houston</u> State: <u>TX</u> Zip: <u>77042</u>	
Additional name(s) of conveying party(ies) attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		Additional name(s) & address(es) attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
3. Nature of conveyance: <input type="checkbox"/> Assignment <input type="checkbox"/> Merger <input checked="" type="checkbox"/> Security Agreement <input type="checkbox"/> Change of Name <input type="checkbox"/> Other _____ A copy of the Security Agreement is attached hereto as Attachment I. Execution Date: <u>November 24, 2003</u>		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: <u>N/A</u> A. Patent Application No.(s) _____ B. Patent No.(s) <u>See Exhibit "A"</u> <u>attached hereto</u> Additional numbers attached? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
5. Name and address of party to whom correspondence concerning document should be mailed: Name: <u>Patrick O. Hayes</u> Internal Address: _____ _____ Street Address: <u>4265 San Felipe</u> <u>Suite 1200</u> City: <u>Houston</u> State: <u>TX</u> Zip: <u>77027</u>		6. Total number of applications and patents involved: <u>5</u> 7. Total fee (37 CFR 3.41).....\$ <u>200.00</u> <input checked="" type="checkbox"/> Enclosed <input type="checkbox"/> Authorized to be charged to deposit account 8. Deposit account number: _____	
DO NOT USE THIS SPACE			
9. Signature. <u>Daniel R. Schnaars, Sr.</u> <u>Daniel R. Schnaars, Sr.</u> <u>11/24/03</u> Name of Person Signing Signature Date Total number of pages including cover sheet, attachments, and documents: <u>11</u> Mail documents to be recorded with required cover sheet information to: Commissioner of Patents & Trademarks, Box Assignments Washington, D.C. 20231			

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PATENT  
REEL: 014797 FRAME: 0482

**EXHIBIT "A"****LIST OF PATENTS**

U.S. Patent No. 5,582,651 entitled "Method of Cleaning Bulk Bags," issued December 10, 1996;

U.S. Patent No. 5,484,207 entitled "Discharge outlet for a bulk bag utilizing a side entry release," issued on January 16, 1996;

U.S. Patent No. 5,468,528 entitled "Bulk bag with internal baffles," issued on November 21, 1995;

U.S. Reissue Patent No. RE34,560 entitled "Semi-bulk with liner," issued on March 8, 1994; and

U.S. Patent No. 4,953,987 entitled "Cone top to flat top fabric transport bag," issued on September 4, 1990.

ATTACHMENT I**SECURITY AGREEMENT**

THIS SECURITY AGREEMENT (the "Security Agreement") is made as of the date set forth on the signature page hereof by and between **DAN SCHNAARS, SR.**, (SSN: 160-40-6318), whose principal residence address is 302 Bon Vie, Lafayette, Louisiana 70506 (the "Debtor"), and **BRIAR CAPITAL, L.P.**, a Texas limited partnership ("Agent"), as agent for itself and **SOUTHWEST BANK OF TEXAS, N.A.**, and whose address for purposes of this Security Agreement is 1500 City West Boulevard, Suite 225, Houston, Harris County, Texas 77042 (collectively, the "Lender").

W I T N E S S E T H:

WHEREAS, the Debtor is the majority shareholder of Flexcon and Systems, Inc., a Louisiana corporation ("Borrower");

WHEREAS, Borrower has entered into a Loan Agreement with Agent and Southwest Bank of Texas, N.A., pursuant to which Agent has agreed to loan Borrower up to \$3,500,000; and

WHEREAS, in the operation of its business, Borrower utilizes certain patented technologies that are owned by the Debtor;

WHEREAS, as a condition precedent to the obligation of Agent to make the loan to Borrower, the Debtor shall have entered into this Security Agreement for the purpose of granting Agent a security interest in the patents described herein and owned by the Debtor;

NOW, THEREFORE, to induce Agent to make the loan to the Borrower, and in consideration thereof and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it is hereby agreed as follows:

1. Defined Terms.

(a) Unless otherwise defined in this Security Agreement, terms defined in Chapter 9 of the UCC are used in this Security Agreement as defined in Chapter 9 of the UCC.

(b) As used in this Security Agreement, the following terms shall have the following meanings:

*"Collateral"* has the meaning specified in Section 2.

*"Event of Default"* has the meaning specified in Section 10.

*"Financing Documents"* means the Security Agreement, the Loan Agreement, the Notes, the Guaranty Agreements and any other documents entered into in connection with Agent or the Lender loaning monies to Borrower under the Notes.

*"Guarantors"* means Daniel R. Schnaars, Sr., Abacus Leasing Company, L.L.C. and Louisiana Sewn Products, Inc.

*"Guaranty Agreements"* means those certain Guaranty Agreements dated of even date herewith executed by each of the Guarantors, as each may be amended or supplemented from time to time.

*"Loan Agreement"* means that certain Loan Agreement dated as of even date herewith among Borrower, Agent and Southwest Bank of Texas, N.A., as amended or supplemented from time to time.

*"Notes"* means that Revolving Promissory Note dated of even date herewith in the original principal amount of \$3,000,000 made by Borrower in favor of Agent, and a Revolving Promissory Note dated of even date herewith in the original principal amount of \$1,000,000 made by Borrower in favor of Southwest Bank of Texas, N.A.

*"Proceeds"* means all proceeds of, and all other profits, rentals or receipts, in whatever form, arising from the collection, sale, lease, exchange, assignment, licensing or other disposition of, or realization upon, Collateral, including, without limitation, all claims of the Debtor against third parties for loss of, damage to or destruction of, or for proceeds payable under, or unearned premiums with respect to, policies of insurance in respect of, any Collateral, and any condemnation or requisition payments with respect to any Collateral, in each case whether now existing or hereafter arising.

*"Secured Liabilities"* means all present and future obligations and liabilities (whether actual or contingent and whether now or hereafter owed jointly or severally or as principal debtor, guarantor, surety or otherwise or as the equivalent obligor under the laws of any jurisdiction) of the Debtor or Borrower to Agent under the Financing Documents.

*"Security Interest"* means the security interest granted in accordance with Section 2, as well as all other security interests created or assigned as additional Collateral for the Secured Liabilities in accordance with the provisions of this Security Agreement or otherwise.

*"UCC"* means the Uniform Commercial Code in effect from time to time in the State of Texas; provided that if by reason of mandatory provisions of law, the perfection or the effect of perfection or non-perfection of the Security Interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of Texas, *"UCC"* means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions of this Agreement relating to such perfection or effect of perfection or non-perfection.

## 2. Security Interest.

(a) In order to secure the full and punctual payment of the Secured Liabilities in accordance with the terms thereof, the Debtor hereby grants and assigns to Agent a continuing security interest in and to all right, title and interest of the Debtor in all of the following property, whether now owned or existing or hereafter acquired or arising and regardless of where located (all being collectively referred to as the "Collateral"):

(i) U.S. Patent No. 5,582,651 entitled "Method of Cleaning Bulk Bags," issued December 10, 1996;

(ii) U.S. Patent No. 5,484,207 entitled "Discharge outlet for a bulk bag utilizing a side entry release" issued on January 16, 1996;

(iii) U.S. Patent No. 5,468,528 entitled "Bulk bag with internal baffles" issued on November 21, 1995;

(iv) U.S. Reissue Patent No. RE34,560 entitled "Semi-bulk with liner" issued on March 8, 1994;

(v) U.S. Patent No. 4,953,987 entitled "Cone top to flat top fabric transport bag" issued on September 4, 1990; and

(vi) All Proceeds of or substitutions for all or any of the Collateral described in Clauses (i) - (v) of this Section 2(a).

(b) The Security Interest is granted as security only and shall not subject Agent to, or transfer or in any way affect or modify, any obligation or liability of the Debtor with respect to any of the Collateral or any transaction in connection therewith.

3. Representations and Warranties. The Debtor represents and warrants as follows:

(a) The exact legal name of the Debtor as of the date of this Agreement is as set forth in the introductory paragraph of this Security Agreement.

(b) The Debtor's principal residence address is as set forth place in the introductory paragraph of this Security Agreement.

(c) The Debtor owns the Collateral free and clear of any lien, security interest, charge or encumbrance. No effective financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any recording office.

(d) Upon the filing of a UCC-1 financing statement in the appropriate jurisdiction, a valid and perfected first priority security interest shall be created in the Collateral, securing the payment of the Secured Liabilities.

(e) No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required either (i) for the grant by the Debtor of the security interest granted hereby or for the execution, delivery or performance of this Security Agreement by the Debtor, or (ii) for the perfection of or the exercise by Agent of its rights and remedies under this Security Agreement, other than the filing of a UCC-1 financing statement.

(f) The Debtor is not in violation of any applicable law, which violations, individually or in the aggregate, would affect the Debtor's performance of any obligation under this Security Agreement or the other Financing Documents to which he is a party; there is no litigation before any court or governmental authority now pending or (to the Debtor's knowledge after reasonable inquiry) threatened against the Debtor with respect to the Collateral.

(g) None of the execution and delivery of this Security Agreement, the consummation of the transactions contemplated in this Security Agreement or the other Financing Documents to which the Debtor is a party, or compliance with the terms and provisions of this Security Agreement or the other Financing Documents to which the Debtor is a party will conflict with or result in a breach of, or require any consent under or any applicable law, or any agreement or instrument to which the Debtor is a party or by which the Debtor is bound or to which the Debtor is subject, or constitute a default under any such agreement or instrument.

(h) The Debtor has all due capacity to execute, deliver and perform his obligations under this Security Agreement and the other Financing Documents to which he is a party and each constitutes the Debtor's legal, valid and binding obligation, enforceable in accordance with its and their terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization or moratorium or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles.

4. Encumbrances. The Debtor will not create, incur, assume, or suffer to exist now or at any time throughout the duration of the term of this Security Agreement, any lien, security interest or other encumbrances against the Collateral, whether now owned or hereafter acquired, except for liens in favor of Agent and any other liens allowed in writing by Agent. The Debtor will notify Agent of any lien, security interest or other encumbrance securing an obligation against the Collateral, and will defend the Collateral against such claim, lien, security interest or other encumbrance adverse to Agent.

5. Maintenance of Collateral. The Debtor shall preserve the Collateral for the benefit of Agent. Without limiting the generality of the foregoing, the Debtor shall:

(a) preserve all beneficial contract rights to the extent commercially reasonable; and

(b) pay all taxes, assessments or other charges on the Collateral when due, unless the amount or validity of such taxes, assessments or charges are being contested in good faith by appropriate proceedings and reserves have been provided on its books with respect thereto in conformity with generally accepted accounting principles.

6. Additional Provisions Concerning the Collateral.

(a) The Debtor authorizes Agent to file, without the signature of the Debtor, where permitted by law, one or more financing or continuation statements, and amendments thereto, relating to the Collateral, all in the discretion of Agent.

(b) The Debtor hereby irrevocably appoints Agent as its attorney-in-fact (which power of attorney is coupled with an interest) and proxy, with full authority in the place and stead of the Debtor and in its name or otherwise, from time to time in Agent's discretion, to take any action or execute any instrument which Agent may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, to file any claims or take any action or institute any proceedings which Agent may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of Agent with respect to any of the Collateral. The Debtor hereby ratifies and approves in advance all acts of said attorney; and so long as the attorney acts in good faith and without gross negligence it shall have no liability to the Debtor for any act or omission as to such attorney.

(c) If the Debtor fails to perform any agreement contained herein, Agent may perform, or cause performance of, such agreement or obligation, and the costs and expenses of Agent incurred in connection therewith shall be payable by the Debtor immediately upon demand by Agent, shall bear interest at the highest legal rate from the date incurred until paid and shall be fully secured hereby.

(d) The powers conferred on Agent hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon Agent to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received

by it hereunder, Agent shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral.

(e) Anything herein to the contrary notwithstanding, (i) the Debtor shall remain liable under any contracts and agreements relating to the Collateral, to the extent set forth therein, to perform all of its obligations thereunder, to the same extent as if this Security Agreement had not been executed; (ii) the exercise by Agent of any of its rights hereunder shall not release the Debtor from any of its obligations under the contracts and agreements relating to the Collateral; and (iii) Agent shall not have any obligation or liability by reason of this Security Agreement under any contracts and agreements relating to the Collateral, nor shall Agent be obligated to perform any of the obligations or duties of the Debtor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

7. Default. Any one or more of the following events shall constitute an event of default (an "Event of Default"):

(a) any representation or warranty made or deemed made by the Debtor in this Security Agreement or any other Financing Documents shall prove to have been incorrect, false, incomplete or misleading;

(b) the Debtor shall breach or fail to perform or observe any term, covenant or agreement contained in this Security Agreement or any other Financing Document to which he is a party and such failure shall continue beyond any grace period contained in this Security Agreement or any other Financing Document, as may be applicable; or

(c) Borrower shall breach or fail to perform or observe any term, covenant or agreement contained in the Financing Documents to which it is a party and such failure shall continue beyond any grace period contained in such Financing Documents.

8. Remedies. Upon the occurrence of an Event of Default and at any time or times during the continuance thereof, unless such Event of Default shall have been cured within the applicable time period, if any, or waived in writing by Agent, and subject to the provisions of applicable law, Agent may exercise any one or more of the following remedies:

(a) Agent shall have full power and authority to sell or otherwise dispose of the Collateral or any part thereof. Any such sale or other disposition, subject to the provisions of applicable law, may be by public or private proceedings and may be made by one or more contracts, as a unit or in parcels, at such time and place, by such method, in such manner and on such terms as Agent may determine. Except as required by law, such sale or other disposition and such notice will be deemed to have been sufficiently given if such notice is hand-delivered or mailed postage prepaid, at least ten (10) days before the time of such sale or other disposition, to the Debtor at his address as specified in the Security Agreement. To the extent permitted by law, Agent may buy any or all of the Collateral upon any sale thereof. To the extent permitted by law, upon any such sale or sales, the Collateral so purchased shall be held by the purchaser absolutely free from any claims or rights of whatsoever kind or nature, including any claim of redemption and any similar rights being hereby expressly waived and released by the Debtor. In connection with any such sale, Agent shall be permitted to limit its warranties to the maximum extent provided in the UCC. After deducting all reasonable costs and expenses of collection, custody, sale or other disposition or delivery (including legal costs and reasonable attorneys' fees) and all other charges due against the Collateral, the residue of the proceeds of any such sale or other disposition shall be applied to the payment of the Secured Liabilities, except as otherwise provided by law or directed by any court of competent jurisdiction, and any surplus

after the payment in full of the Secured Liabilities shall be returned to the Debtor, except as otherwise provided by law or any such court. The Debtor shall be liable for any deficiency in payment of the Secured Liabilities, including all reasonable costs and expenses of collection, custody, sale or other disposition or delivery and all other charges due against the Collateral, as herein enumerated.

(b) At any time whether or not an Event of Default has occurred, with or without notice, Agent is authorized to offset and charge against any other credits and obligations ever owed by Agent to the Debtor, any amount for which the Debtor may become obligated to Agent at any time, whether under the Financing Documents or otherwise. The obligations secured by the Security Interest granted and by Agent's right of offset includes all obligations of any kind or type now or hereafter arising, owed by the Debtor to Agent, whether liquidated or unliquidated, direct or indirect, contingent or not.

(c) Agent shall have all other rights and remedies of a secured party provided under the UCC.

(d) Agent shall have all other rights and remedies allowed at law and/or in equity.

9. Limitation on Duty of Agent in Respect of Collateral. The powers conferred on Agent under this Security Agreement are solely to protect Agent's interests in the Collateral and shall not impose any duty upon Agent to exercise any such powers. Except for reasonable care in the custody of any Collateral in Agent's possession and the accounting for moneys actually received by Agent under this Security Agreement, Agent shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in Agent's possession if the Collateral is accorded treatment substantially equal to that which Agent accords its own property, it being understood that Agent shall not be liable or responsible for any loss or damage to any of the Collateral, or for any diminution in the value thereof, by reason of the act or omission of any warehouseman, carrier, forwarding agency, consignee or other bailee selected by Agent in good faith. Except as otherwise expressly provided in this Section 9, the Debtor has the risk of loss of the Collateral. Further, Agent has no duty to collect any income accruing on the Collateral or to preserve any rights relating to the Collateral. Agent shall have no obligation to clean up or otherwise prepare the Collateral for sale.

10. Concerning Agent. In furtherance and not in derogation of the rights, privileges and immunities of Agent set forth in the other Financing Documents:

(a) Agent is authorized to take all such action as is provided to be taken by Agent under this Security Agreement and all other action reasonably incidental thereto. As to any matters not expressly provided for in this Security Agreement (including the timing and methods of realization upon the Collateral), Agent shall act or refrain from acting in Agent's sole discretion.

(b) Agent shall not be responsible for the existence, genuineness or value of any of the Collateral or for the validity, perfection, priority or enforceability of the Security Interests in any of the Collateral, whether impaired by operation of law or by reason of any action or omission to act on Agent's part under this Security Agreement. Agent shall have no duty to ascertain or inquire as to the performance or observance of any of the terms of this Security Agreement by the Debtor.



11. Payment of Taxes, Charges, Etc. Agent, at its option, after notice to the Debtor, may discharge any taxes, charges, assessments, security interest, liens or other encumbrances upon the Collateral or otherwise protect the value thereof. All such expenditures incurred by Agent shall become payable by the Debtor to Agent upon demand, shall bear interest at the highest legal rate from the date incurred to the date of payment, and shall be secured by the Collateral.

12. Waivers. To the extent permitted by law, the Debtor hereby waives demand for payment, notice of dishonor or protest and all other notices of any kind in connection with the Secured Liabilities except notices required hereby, by law or by any other agreement between the Debtor and Agent. Agent may release, supersede, exchange or modify any Collateral or security which it may from time to time hold and may release, surrender or modify the liability of any third party without giving notice hereunder to the Debtor. Such modifications, changes, renewals, releases or other actions shall in no way affect the Debtor's obligations hereunder.

13. Transfer Expenses, Etc. The Debtor will pay, indemnify and hold Agent harmless from and against all costs and expenses (including taxes, if any) arising out of or incurred in connection with any transfer of Collateral into or out of the name of Agent and all reasonable costs and expenses, including reasonable legal fees, of Agent arising out of or incurred in connection with this Security Agreement.

14. Termination. This Security Interest shall terminate following the full payment, satisfaction, or discharge of all Secured Liabilities. Upon such termination, Agent will deliver to the Debtor appropriate UCC termination statements with respect to Collateral so released from the Security Interest for filing with each filing officer with which UCC financing statements have been filed by Agent to perfect the Security Interest in such Collateral.

15. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Debtor and Agent and their respective successors, assigns, heirs and personal representatives.

16. Severability of Provisions. Any provision of any Financing Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of such Financing Document or affecting the validity or enforceability of such Financing Document or affecting the validity or enforceability of such provision in any other jurisdiction.

17. Submission to Jurisdiction. (a) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS SECURITY AGREEMENT AND THE OTHER FINANCING DOCUMENTS TO WHICH THE DEBTOR IS A PARTY MAY BE BROUGHT IN THE COURTS OF THE STATE OF TEXAS OR OF THE UNITED STATES LOCATED IN HARRIS COUNTY, TEXAS AND, BY EXECUTION AND DELIVERY OF THIS SECURITY AGREEMENT, THE DEBTOR HEREBY IRREVOCABLY ACCEPTS FOR HIMSELF, UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS WITH RESPECT TO ANY SUCH ACTION OR PROCEEDING. THE DEBTOR FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO THE DEBTOR PURSUANT TO SECTION 19, SUCH SERVICE TO BECOME EFFECTIVE THIRTY (30) DAYS AFTER SUCH MAILING. NOTHING IN THIS SECURITY AGREEMENT SHALL AFFECT THE RIGHT OF AGENT TO SERVE PROCESS IN ANY OTHER MANNER

PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST THE DEBTOR IN ANY OTHER JURISDICTION.

(b) THE DEBTOR HEREBY IRREVOCABLY WAIVES ANY OBJECTION WHICH THE DEBTOR MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY OF THE AFORESAID ACTIONS OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS SECURITY AGREEMENT BROUGHT IN THE COURTS REFERRED TO IN CLAUSE (a) OF THIS SECTION 20 AND HEREBY FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

18. Waiver of Jury Trial. THE DEBTOR HEREBY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS SECURITY AGREEMENT OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION WITH THIS SECURITY AGREEMENT OR ARISING FROM OR RELATING TO ANY RELATIONSHIP EXISTING IN CONNECTION WITH THIS SECURITY AGREEMENT, AND AGREES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.


19. Notice. Any notice or communication required or permitted hereunder shall be deemed to be delivered, whether actually received or not, when deposited in the United States mail, postage fully prepaid, registered or certified mail, and addressed to the intended recipient at the address set forth in the introductory paragraph of this Security Agreement. Any address for notice may be changed by written notice delivered as provided herein.

20. Governing Law. THIS SECURITY AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF TEXAS, EXCEPT AS REQUIRED BY MANDATORY PROVISIONS OF LAW AND EXCEPT TO THE EXTENT THAT THE VALIDITY OR PERFECTION OF THE SECURITY INTERESTS, OR REMEDIES UNDER THIS SECURITY AGREEMENT, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF TEXAS.

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IN WITNESS WHEREOF, the parties hereto have executed this Security Agreement as of the date indicated below each signature.

**DEBTOR:**

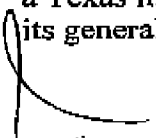
  
Daniel R. Schnaars, Sr.

Date: November 24, 2003

**AGENT:**

**BRIAR CAPITAL, L.P.,**  
a Texas limited partnership, as Agent

By: Briar Capital General, LLC,  
a Texas limited liability company,  
its general partner

By:   
Name: Steve Rogers  
Title: Partner

Date: November 24, 2003