

PATENT ASSIGNMENT

Electronic Version v1.1
Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	SECURITY AGREEMENT
CONVEYING PARTY DATA	
Name	Execution Date
Chad Equipment LLC	08/01/2011
RECEIVING PARTY DATA	
Name:	Chad Company of Missouri, Inc.
Street Address:	11628 Brookwood
City:	Leawood
State/Country:	KANSAS
Postal Code:	66211
Name:	Michael G. Gangel
Street Address:	11628 Brookwood
City:	Leawood
State/Country:	KANSAS
Postal Code:	66211
Name:	Brittany Homes 10, L.L.C.
Street Address:	11628 Brookwood
City:	Leawood
State/Country:	KANSAS
Postal Code:	66211
Name:	Meat Inspection Systems, LLC
Street Address:	11628 Brookwood
City:	Leawood
State/Country:	KANSAS
Postal Code:	66211
PROPERTY NUMBERS Total: 3	
Property Type	Number
PATENT	

501665190

REEL: 026945 FRAME: 0618

OP \$120.00 5914247

Patent Number:	5914247
Patent Number:	6198107
Patent Number:	6512236

CORRESPONDENCE DATA

Fax Number: (913)782-0532

Phone: 913-782-0422

Email: kriskuckelman@sbcglobal.net

Correspondence will be sent to the e-mail address first; if that is unsuccessful, it will be sent via US Mail.

Correspondent Name: Kris Kuckelman

Address Line 1: Box 580

Address Line 4: Olathe, KANSAS 66051

NAME OF SUBMITTER:

Kris Kuckelman

Total Attachments: 16

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SECURITY AGREEMENT

THIS SECURITY AGREEMENT is entered into as of this 1 day of August, 2011, by and between **CHAD EQUIPMENT LLC**, a Colorado limited liability company ("Debtor"), and **CHAD COMPANY OF MISSOURI, INC.**, a Missouri corporation, ("Chad Co.") and **MEAT INSPECTION SYSTEMS, LLC**, a Florida limited liability company ("MIS"), **MICHAEL G. GANGEL** ("Gangel"), **BRITTANY HOMES, L.L.C.**, a Kansas limited liability company ("Brittany") (Chad Co., MIS, Gangel and Brittany are hereinafter referred to individually as "Secured Party" and collectively as "Secured Parties"). *mg*

Recitals

A. Debtor has borrowed from the Secured Parties, in the form of a Purchase Money Note pursuant to an Asset Purchase and Sale Agreement dated as of August 1, 2011 (the "APA") the aggregate sum of \$3,532,700 (the "Loan");

B. As of the date hereof, Debtor has executed and delivered to the Secured Parties a secured purchase money note in the aggregate principal amount of \$3,532,700 (the "Note"); and

C. Debtor has agreed to enter into this Security Agreement and to grant to the Secured Parties a security interest in the Collateral (as hereinafter defined).

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter set forth, the parties hereto agree as follows:

Agreement

1. SECURITY

1.1 Grant of Security Interest. As security for all of the Obligations (as defined in Section 1.2), Debtor hereby grants to the Secured Parties a continuing security interest (as that term is defined in the Uniform Commercial Code as in effect in Colorado on the date hereof (the "Uniform Commercial Code")), in, and assigns and pledges to the Secured Parties all of the Debtor's right, title and interest in and to certain tangible and intangible properties and assets (the "Assets") used in connection with the operation of complementary businesses providing chemicals, equipment and data to the meat, poultry and food industries (the "Business"); whether now owned or hereafter acquired (by operation of law or otherwise), and whether now or hereafter existing, owned by Debtor or in which Debtor otherwise has any rights (collectively, the "Collateral"):

(a) All of Debtor's tangible personal property, including without limitation all present and future inventory, supplies, equipment (including items of equipment which are or become fixtures), now owned or hereafter acquired;

(b) All patents and patent applications and the inventions and improvements described and claimed therein, including without limitation, all patents and patent applications, together with (i) all reissues, divisionals, continuations, renewals, substitutions, extensions and continuations-in-part thereof, (ii) all income, royalties, damages and payments now or hereafter due or payable under and with respect thereto, including without limitation, damages and payments for

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past, present and future infringements thereof, (iii) the right to sue for past, present and future infringements thereof, and (iv) all rights corresponding, incident or relating thereto, now owned or hereafter acquired (collectively, the "Patents");

(c) All licenses and similar agreements and covenants not to sue with respect to all Patents or any of them (other than any existing license agreements or covenants not to sue which by their terms prohibit assignment, transfer or the grant of a security interest by Debtor or give the other party thereto the right to terminate the same upon an assignment, transfer or grant of a security interest therein, together with (i) all renewals, extensions, supplements and continuations thereof and supplements thereto, (ii) income, royalties, damages and payments now or hereafter due or payable with respect thereto, including without limitation, damages and payments for past, present and future breaches thereof, (iii) the right to sue for past, present and future breaches thereof, and (iv) all rights corresponding, incident or relating thereto, now owned or hereafter acquired (collectively, the "Licenses");

(d) To the extent that such rights are assignable, all of Debtor's other intangible personal property other than the property covered by subsection (e) below, including, without limitation, all present and future accounts, contract rights, permits, licenses, general intangibles, chattel paper, documents, and instruments, now owned or hereafter acquired;

(e) All of Debtor's present and future Government Accounts and rights under Government Contracts, now owned or hereafter acquired; *provided, however*, that Secured Parties shall not have a security interest in any rights under any Government Contract of Debtor or in the related Government Account where the taking of such Security Interest would be a violation of an express prohibition contained in the Government Contract (for purposes of this limitation, the fact that a Government Contract is subject to, or otherwise refers to, Title 31, § 3727 or Title 41, § 15 of the United States Code shall not be deemed an express prohibition against assignment thereof);

(f) Any and all additions to any of the foregoing, and any and all replacements, products and proceeds (including insurance proceeds) of any of the foregoing.

For purposes of this Agreement, the terms "accounts," "chattel paper," "documents," "general intangibles," "instruments," "inventory," "fixtures," "contract rights" and "equipment" shall have the meanings ascribed to them in Article 9 of the Uniform Commercial Code, "Government Account" shall mean all accounts arising out of any Government Contract and "Government Contract" shall mean all contracts with the United States Government or with any agency thereof, and all amendments thereto.

1.2 Obligations. The security interest created hereby in the Collateral constitutes a continuing security interest for all of the following obligations, indebtedness and liabilities, whether now existing or hereafter incurred or arising (collectively, the "Obligations");

(a) The payment and performance by Debtor, as and when due and payable, of all amounts from time to time owing by it under or with respect to, whether for principal, interest, fees, expenses or otherwise, and the performance of all other obligations of Debtor under, the Note, this Agreement or any other document or instrument now or hereafter delivered in connection with or as security for the Notes (collectively, the "Loan Documents");

(b) All loans and future advances made by any Secured Party to Debtor evidenced by, and all other debts, obligations and liabilities of every kind and character of Debtor arising from, the Note, or hereafter arising in favor of any Secured Party, whether such debts, obligations or liabilities be direct or indirect, primary or secondary, joint or several, fixed or contingent, and whether originally payable to a Secured Party or to a third party and subsequently acquired by a Secured Party and whether such debts, obligations or liabilities are evidenced by notes, open account, overdraft, endorsement, security agreement, guaranty, or otherwise (it being contemplated that Debtor may hereafter become indebted to one or more Secured Parties in further sum or sums, but Secured Parties shall have no obligation to extend further indebtedness by reason of this Agreement);

(c) All expenditures made or incurred by any Secured Party to protect and maintain the Collateral and to enforce the rights of any Secured Party under this Agreement;

(d) The due performance and observance by Debtor of all of its other obligations and undertakings from time to time existing under or with respect to the Loan Documents or any other document or instrument now or hereafter delivered in connection with or as security for any of the Loan Documents;

(e) All renewals, extensions, amendments, modifications, supplements or restatements of or substitutions for any of the foregoing; and

(f) Timely and due performance of all obligations of Debtor owed to any Secured Party under the APA, Employment Agreement, lease of premises at 19950 West 161st Street, Olathe, Kansas, Assignment of Patent License, or any other document or agreement executed or entered into in connection with the sale of assets by Secured Parties to Debtor contemporaneously herewith.

1.3 Certain Rights of Secured Parties. The Secured Parties shall have the right, but not the obligation, to pay any taxes or levies on the Collateral or any costs to repair or to preserve the Collateral, which payment shall be made for the account of Debtor and shall constitute a part of the obligations owed to the Secured Parties and secured pursuant to this Agreement.

1.4 Financing Statements. At the request of the Secured Parties, Debtor will execute such financing statements, continuation statements, and other documents with respect to the Collateral pursuant to the Uniform Commercial Code and otherwise as Secured Parties may request, in form satisfactory to the Secured Parties, and Debtor will pay the cost of filing the same in all public offices where filing is reasonably necessary (including, without limitation, the cost of filing in the office of the Delaware Secretary of State and the United States Patent and Trademark Office).

1.5 No Release. No injury to, or loss or destruction of, any item of the Collateral shall relieve Debtor of any obligation under this Agreement or under any of the other Loan Documents.

2. REPRESENTATIONS AND WARRANTIES OF DEBTOR

In order to induce the Secured Parties to enter into this Agreement and to make the Loans, Debtor hereby makes the following representations and warranties to the Secured Parties:

2.1 Organization; Due Authorization; Enforceability. Debtor is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Colorado. The execution, delivery and performance by Debtor of this Agreement and all transactions contemplated herein are within Debtor's corporate powers and have been duly authorized by all necessary action on the part of Debtor, corporate and otherwise. This Agreement has been duly executed and delivered by Debtor and constitutes the valid and binding obligation of Debtor, enforceable against Debtor in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity.

2.2 No Conflicts or Consents. Neither the ownership nor the intended use of the Collateral by Debtor, nor the grant of the security interest by Debtor to Secured Parties herein, nor the exercise by Secured Parties of their rights and remedies hereunder, does or will (i) conflict with or violate any provision of the certificate of incorporation, bylaws or other governing documents of Debtor, (ii) conflict with or violate any applicable domestic or foreign law, statute, rule or regulation applicable to or binding upon Debtor, (iii) conflict with or violate any agreement, judgment, license, order or permit applicable to or binding upon Debtor, or (iv) result in or require the creation of any lien, charge or Encumbrance (as defined below) upon any assets or properties of Debtor except as expressly contemplated by this Agreement. Except for filings of financing statements to be made in favor of Secured Parties and filing a copy of this Agreement with the United States Patent and Trademark Office, no consent, approval, authorization or order of, and no notice to or filing with, any court, governmental authority or third party is required in connection with the grant by Debtor of the security interest herein or the exercise by Secured Parties of their rights and remedies hereunder.

2.3 Security Interest. Debtor has and will have at all times full right, power and authority to grant a security interest in the Collateral to Secured Parties in the manner provided herein, free and clear of any lien, security interest, adverse claims or other charges or encumbrances. This Agreement creates a valid and binding security interest in favor of Secured Parties in the Collateral securing the Obligations. The filing of the financing statements and other instruments of registration delivered concurrently herewith by Debtor to Secured Parties will perfect, and establish the first priority of, Secured Parties' security interests hereunder in the Collateral securing the Obligations. No further or subsequent filing, recording, registration, other public notice or other action is necessary or desirable to perfect or otherwise continue, preserve or protect such security interest, except for continuation statements or filings.

2.4 Title to Assets. As of the date hereof, Debtor has good, valid, and marketable title to all of its properties and assets (whether real or personal), and there exists no mortgage, lien, security interest, reservation, covenant, restriction or other encumbrance (each of the foregoing hereinafter referred to as an "Encumbrance") of any nature upon, or with respect to, Debtor or any of its properties or assets, including, without limitation, the Collateral, except for the security interests created by this Agreement. 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 except such as may have been filed in favor Secured Parties relating to this Agreement.

2.5 Taxes. Debtor has filed all tax returns and reports required by any governmental authority to be filed by Debtor, and such returns and reports are true and correct. Debtor has paid all taxes, assessments, and other government charges imposed upon it or its income, profits or properties, or upon any part thereof, other than those presently payable without penalty or interest.

2.6 No Default. No Event of Default (as defined in Section 6.1 hereof), and no event which with notice, lapse of time, or both would constitute an Event of Default, has occurred and is continuing as of the date hereof.

2.7 Patents. The Patents are valid and subsisting and have not been adjudged invalid or unenforceable, either in whole or in part. The Patents constitute all of the patents and patent applications now owned by Debtor, and said Patents constitute all patents and patent applications necessary or desirable to conduct Debtor's business as it is currently being conducted.

3. AFFIRMATIVE COVENANTS OF DEBTOR

Until all of the Obligations of Debtor are paid and/or performed in full, Debtor hereby covenants and agrees that it shall, unless the Secured Parties otherwise consent in advance in writing:

3.1 Payment of Notes. Punctually pay the principal of and interest on the Note and all other amounts that may be due thereunder at the times and places and in the manner specified therein.

3.2 Corporate Existence. Preserve, maintain, and keep in full force and effect its existence as a limited liability company.

3.3 Taxes, Charges, and Obligations. Pay and discharge all taxes, assessments, and governmental charges or levies imposed upon it or upon its income, profits, properties or any part thereof, prior to the date on which penalties or interest attach thereto, as well as all claims which, if unpaid, might become an Encumbrance upon any properties of Debtor, and pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all of the indebtedness and other obligations of whatever nature of Debtor; *provided, however*, that Debtor shall not be required to pay any such tax, assessment, charge, levy, claim, indebtedness or obligation so long as (a) the validity thereof is being diligently contested by Debtor in good faith and by proper proceedings, (b) Debtor sets aside on its books adequate reserves therefor in accordance with generally accepted accounting principles, (c) during the period of such contest the enforcement of any contested item is effectively stayed, and (d) in the case where any such tax, assessment, charge, claim or levy might become an Encumbrance upon any item of the Collateral or any part thereof, Debtor makes arrangements acceptable to the Secured Parties to secure the payment thereof.

3.4 Maintenance of Property. Keep all property used or useful in its business, including, without limitation, the Collateral, in good repair, working order, and condition, and from time to time make all necessary or desirable repairs, renewals, and replacements thereof.

3.5 Preservation of Patents. Prosecute diligently any patent application pertaining to the Patents, now or hereafter pending, file and prosecute opposition, cancellation, reissue, reexamination, protest, public use, concurrent use and similar proceedings relating to the Patents, and preserve and maintain all rights in all Patents. Any expenses incurred in connection with the foregoing shall be borne by Debtor.

3.6 Notice and Defense of Actions. Provide Secured Parties with immediate notice of any opposition, cancellation, reissue, reexamination, protest, public use, concurrent use or similar

proceeding relating to the Patents or any part thereof, and shall diligently defend its rights in any such action or proceeding.

3.7 Collateral. Execute, deliver, and file, or cause the execution, delivery, and filing of, any and all documents (including, without limitation, financing statements and continuation statements) that Secured Parties deem necessary or desirable to create, perfect, preserve, validate, or otherwise protect a first priority lien and security interest in the Collateral; immediately upon learning thereof, report to the Secured Parties any reclamation, return or repossession of any goods forming a part of the Collateral, any claim or dispute asserted by any debtor or other obligor owing an obligation to Debtor, and any other matters affecting the value or enforceability or collectibility of any of the Collateral; defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein adverse to the Secured Parties, and pay all costs and expenses (including attorneys' fees and expenses) incurred in connection with such defense; indemnify and protect the Secured Parties against any liability, loss or expense arising from any such claims, demands, or disputes or out of any such reclamation, return or repossession of goods forming a part of the Collateral; *provided, however*, that if the Secured Parties shall so elect, the Secured Parties shall have the right at all times to settle, compromise, adjust or litigate all claims and disputes directly with the debtor or other obligor owing an obligation to Debtor upon such terms and conditions as the Secured Parties deem advisable, and all costs and expenses thereof (including attorneys' fees and expenses) shall be made for the account of Debtor and shall constitute a part of the Obligations owed to the Secured Parties and secured pursuant to this Agreement.

3.8 Notice of Default and Loss. Give immediate notice to the Secured Parties upon the occurrence of any Event of Default or event which with notice or lapse of time or otherwise would constitute an Event of Default and of any loss or damage to any of the Collateral.

3.9 Information. Furnish Secured Parties any information that any Secured Party may from time to time reasonably request concerning any covenant, provision or representation contained in this Agreement or any other matter in connection with the Collateral or Loan Documents.

3.10 General Performance. Timely and duly perform all Obligations described in Section 1.2 of this Agreement.

4. NEGATIVE COVENANTS OF DEBTOR

Until all of the Obligations of Debtor are paid and performed in full, Debtor hereby covenants and agrees that it shall not, unless the Secured Parties otherwise consent in advance in writing:

4.1 Indebtedness and Contingent Obligations. Create, incur, assume, or suffer to exist any Indebtedness, other than that identified in Section 8.1, which would acquire a lien or security interest in the Collateral prior to that afforded to Secured Party by this Security Agreement.

4.2 Fundamental Changes. Amend its Certificate of Incorporation or bylaws by any amendment which would adversely affect Debtor's ability to perform or comply with any of the terms, conditions or agreements to be performed or complied with by Debtor hereunder or under any of the Loan Documents or to perform any of the transactions contemplated hereby or thereby, change its name, consolidate or merge with any other corporation or other entity, or purchase, lease or otherwise acquire all or substantially all of the assets of any other entity, including shares of stock of

other corporations, except that Debtor may own notes and other receivables acquired in the ordinary course of business. Notwithstanding the foregoing, Debtor may take any action described in this Section 4.2 if Debtor has taken appropriate action as required to perfect or protect Secured Parties' security interests in the Collateral.

4.3 Transfer of Assets. Sell, lease, assign (by operation of law or otherwise), pledge or otherwise dispose of any of its properties or assets (including, without limitation, the Collateral), whether now owned or hereafter acquired, except for sales of properties and assets other than the Patents and Licenses in the ordinary course of business and for fair market value, unless the transferee assumes and agrees to pay and perform the obligations under this Security Agreement and the Note and the security interest of the Secured Party provided herein remains intact and Debtor has taken appropriate action as required to perfect or protect Secured Parties' security interests in the Collateral. Debtor shall not enter into any agreement relating to any Patent or License, other than licensing agreements in the ordinary course of business which are not inconsistent with the terms hereof and which do not have a material adverse effect on Debtor.

4.4 Investments. This section intentionally omitted.

4.5 Repurchase of Securities. This section intentionally omitted.

4.6 Other Agreements. Enter into any agreement or undertaking containing any provision which would be violated or breached by Debtor's performance of its obligations under the Loan Documents.

4.7 Impairment of Security Interest. Debtor shall not take or fail to take any action that it has the right to do, or authorize any licensee or third party to take or omit to take any action, that may result in a material change to or the abandonment, invalidation, unenforceability, avoidance, availability or diminution in the value of the Patents if such abandonment, invalidation, unenforceability, avoidance, availability or diminution in value would have a material adverse effect on the operations or financial condition of Debtor, or would in any manner otherwise impair the value or enforceability of Secured Parties' security interest in any Patent.

5. POWERS AND AUTHORIZATIONS

5.1 New or Additional Patents. If, before the Obligations shall have been satisfied in full, Debtor shall obtain rights to any new or additional patents or applications therefor, Debtor shall give to Secured Parties prompt notice thereof in writing. Any such new patents and applications therefor shall, without any further action on behalf of Debtor, automatically become subject to the terms of this Agreement and shall be deemed to be Patents for the purposes of this Agreement, and such new or additional patents and applications therefor shall constitute Collateral hereunder; and Debtor agrees to execute such additional security agreements, financing statements, instruments of registration and related documents as may be reasonably requested by Secured Parties to perfect Secured Parties security interest in such patents and applications therefor.

5.2. Power of Attorney. Debtor hereby irrevocably appoints each Secured Party as Debtor's attorney-in-fact and proxy, with full authority in the place and stead of Debtor and in the name of Debtor or otherwise, in such Secured Party's discretion, at any time upon the occurrence and during the continuance of an Event of Default, to take any action and to execute any instrument which such Secured Party may deem necessary or advisable to accomplish the purposes of this

Agreement, including without limitation (i) to obtain and adjust insurance required to be paid to any Secured Party under the Loan Documents, (ii) to ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral, (iii) to receive, endorse and collect any drafts or other instruments, documents and chattel paper in connection with clause (i) or clause (ii) above, (iv) to file any claims or take any action or institute any proceedings that such Secured Party may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of Secured Parties with respect to any of the Collateral, and (v) to execute and file one or more financing or continuation statements, and amendments thereto, relating to the Collateral. Secured Parties shall be under no duty to exercise or withhold the exercise of any of the rights, powers, privileges, and options expressly or implicitly granted to Secured Parties in this Agreement, and shall not be responsible for any failure to do so or any delay in doing so. Secured Parties shall not be liable for any act or omission or for any error of judgment or any mistake of fact or law in their individual capacity or in their capacity as attorney-in-fact except acts or omissions resulting from such Secured Party's willful misconduct or gross negligence. This power of attorney is conferred on Secured Parties solely to protect, preserve and realize upon their security interests in the Collateral. Secured Parties shall not be responsible for any decline in the value of the Collateral and shall not be required to take any steps to preserve rights against prior parties or to protect, preserve or maintain any security interest or lien given to secure the Collateral. The powers granted herein are coupled with an interest and shall be irrevocable from the date hereof and so long as any part of the Obligations is outstanding.

5.3 Performance by Secured Party. If Debtor fails to perform any agreement or obligation contained herein, any Secured Party may itself, at its option and in its sole discretion, perform, or cause performance of, such agreement or obligation, and the expenses of such Secured Party incurred in connection therewith shall be payable by Debtor on demand; provided, however, that nothing herein shall impose any obligation of any kind whatsoever on any Secured Party to perform any obligation or agreement of Debtor.

6. EVENTS OF DEFAULT AND REMEDIES

6.1 Events of Default. The occurrence of any one or more of the following events shall constitute an "Event of Default" hereunder:

(a) Debtor shall fail to pay when due the payment of principal of or interest on any Indebtedness owed to Secured Parties, and: (i) such default shall continue unremedied for a period of thirty (30) calendar days after written notice to Debtor with a copy to Birko Corporation ("Birko") of the existence of such default shall have been received by Debtor from any Secured Party; and (ii) if Debtor fails to cure such default within the time required Secured Parties shall give written notice to Birko of such failure to cure and the default continues unremedied for seven (7) business days after such notice shall have been received by Birko.

6.2 Rights and Remedies of the Secured Parties. Upon the occurrence of any Event of Default, in addition to all other rights, powers and remedies herein conferred, conferred in the other Loan Documents or conferred by operation of law or in equity, any Secured Party may declare the Obligations due, payable and performable or to become due, payable and performable to such Secured Party immediately, including all principal and interest remaining unpaid on the Note payable to such Secured Party and all other amounts with respect to such Secured Party secured hereby or thereby, all without demand, presentment or notice, all of which are hereby expressly waived; and

from time to time in its discretion, without limitation and without notice except as expressly provided below, any Secured Party may:

(a) Exercise with respect to the Collateral all the rights and remedies of a secured party on default under the Uniform Commercial Code (whether or not the Uniform Commercial Code applies to the affected Collateral);

(b) Require Debtor to, and Debtor hereby agrees that it shall at its expense and upon request of any Secured Party forthwith, assemble all or part of the Collateral and the documentation relating to the Collateral as directed by such Secured Party and make it available to such Secured Party at a place to be designated by such Secured Party which is reasonably convenient to both parties;

(c) Reduce its claim to judgment or foreclose or otherwise enforce, in whole or in part, the security interest created hereby by any available judicial procedure;

(d) Dispose of, at its office, on the premises of Debtor or elsewhere, all or any part of the Collateral, as a unit or in parcels, by public or private proceedings, and by way of one or more contracts (if being agreed that the sale of any part of the Collateral shall not exhaust Secured Parties' power of sale, but sales may be made from time to time, and at any time, until all of the Collateral has been sold or until the Obligations have been paid and performed in full), and at any such sale it shall not be necessary to exhibit any of the Collateral;

(e) Buy the Collateral, or any portion thereof, at any public sale;

(f) Buy the Collateral, or any portion thereof, at any private sale if the Collateral is of a type customarily sold in a recognized market or is of a type that is the subject of widely distributed standard price quotations;

(g) Apply by appropriate judicial proceedings for appointment of a receiver for the Collateral, or any part thereof, and Debtor hereby consents to any such appointment; and

(h) At its discretion, retain the Collateral in satisfaction of the Obligations whenever the circumstances are such that Secured Party is entitled to do so under the Uniform Commercial Code or otherwise.

Debtor agrees that, to the extent notice of sale shall be required by law, five (5) calendar days' notice to 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. Secured Parties shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Secured Parties 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.

6.3 Application of Proceeds. Upon the occurrence of any Event of Default, or at any time thereafter, Secured Parties may in their discretion apply any cash held by any Secured Party as Collateral, and any cash proceeds received by any Secured Party with respect to any sale of, collection from, or other realization upon all or any part of the Collateral, to any or all of the following in such order as Secured Parties may elect:

(a) To the repayment of the reasonable out-of-pocket costs and expenses, including attorneys' fees and legal expenses, incurred by any Secured Party in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any Collateral, (iii) the exercise or enforcement of any of the rights of any Secured Party hereunder; or (iv) the failure of Debtor to perform or observe any of the provisions hereof;

(b) To the payment or other satisfaction of any liens and other encumbrances upon any of the Collateral;

(c) To the reimbursement of Secured Parties for the amount of any obligations of Debtor paid or discharged by any Secured Party pursuant to the provisions of this Agreement or the other Loan Documents, and of any expenses of any Secured Party payable by Debtor hereunder or under the other Loan Documents;

(d) To the satisfaction of any other Obligations;

(e) To the payment of any other amounts required by applicable law; and

(f) By delivery to Debtor or to whomsoever shall be lawfully entitled to receive the same or as a court of competent jurisdiction shall direct.

6.4 Deficiency. In the event that the proceeds of any sale, collection or realization of or upon the Collateral by Secured Parties are insufficient to discharge all Obligations in full, Debtor shall be liable for the deficiency, together with interest thereon as provided in the governing Loan Documents or (if no interest is so provided) at such other rate as shall be fixed by applicable law, together with the costs of collection and the fees and expenses of any attorneys employed by any Secured Party to collect such deficiency. However, Secured Party may proceed against Debtor initially, separately, or concurrently, without having to first liquidate or otherwise exhaust any remedy with respect to all or any part of the Collateral.

6.5 Non-Judicial Remedies. In granting to Secured Parties the power to enforce their rights hereunder without prior judicial process or judicial hearing, Debtor expressly waives, renounces and knowingly relinquishes any legal right which might otherwise require Secured Parties to enforce their rights by judicial process. In so providing for non-judicial remedies, Debtor recognizes and concedes that such remedies are consistent with the usage of trade, are responsive to commercial necessity, and are the result of a bargain at arm's length. Nothing herein is intended to prevent any Secured Party or Debtor from resorting to judicial process at any party's option.

6.6 Remedies Not Exclusive. All rights, powers and remedies herein conferred are cumulative, and not exclusive, of (i) any and all other rights and remedies herein conferred or provided for, (ii) any and all other rights, powers and remedies conferred or provided for in the Loan Documents, and (iii) any and all rights, powers and remedies conferred, provided for or existing at law or in equity, and Secured Parties shall, in addition to the rights, powers and remedies herein conferred or provided for, be entitled to avail themselves of all such other rights, powers and remedies as may now or hereafter exist at law or in equity for the collection of and enforcement of the Obligations and the enforcement of the warranties, representations, covenants, indemnities and other agreements contained the Loan Documents. Each and every such right, power and remedy may be exercised from time to time and as often and in such order as may be deemed expedient by

Secured Parties and the exercise of any such right, power or remedy shall not be deemed a waiver of the right to exercise, at the same time or thereafter, any other right, power or remedy. No delay or omission by any Secured Party or other person or entity in the exercise of any right, power or remedy will impair any such right, power or remedy or operate as a waiver thereof or of any other right, power or remedy then or thereafter existing.

7. MISCELLANEOUS PROVISIONS

7.1 Additional Actions and Documents. Debtor shall take or cause to be taken such further actions, shall execute, deliver, and file or cause to be executed, delivered, and filed such further documents and instruments, and shall obtain such consents as may be necessary or as the Secured Parties may reasonably request in order fully to effectuate the purposes, terms, and conditions of this Agreement and the other Loan Documents, whether before, at or after the closing of transactions contemplated hereby and thereby or the occurrence of an Event of Default hereunder.

7.2 Notification. All notices, requests, instructions or other communications to be given in writing hereunder shall be addressed as follows:

If to Debtor:

Name: CHAD EQUIPMENT LLC
Address: 9152 Yosemite Street
Henderson, Colorado 80640
Attention: Mark Swanson

with a copy, which shall not constitute notice, to:

Name:
Address:

Fax:
Attention:

If to Birko Corporation:

Name: Birko Corporation
Address: 9152 Yosemite St
Henderson, CO 80640
Attention: Kelly Green

with a copy, which shall not constitute notice, to:

Name: Jim Buchanan
Address: Buchanan & Stauffer
1411 Union Blvd Denver, CO 80228
Fax: 303-987,3800
Attention:

If to the Secured Parties:

Name: CHAD COMPANY OF MISSOURI, INC.
Address: c/o Michael G. Gangel

11628 Brookwood
Leawood, Kansas 66211

Name: MEAT INSPECTION SYSTEMS, LLC

Address: c/o Michael G. Gangel

11628 Brookwood
Leawood, Kansas 66211

Name: MICHAEL G. GANGEL

Address: 11628 Brookwood

Leawood, Kansas 66211

Name: BRITTANY HOMES, L.L.C.

Address: c/o Michael G. Gangel

11628 Brookwood
Leawood, Kansas 66211

with a copy, which shall not constitute notice, to:

Name: *Kris Kuckelman*

Address: *Box 580
Olathe, Kansas 66051*

Fax:

Attention:

Name:

Address:

Fax:

Name:

Address:

Fax:

Written communications shall be deemed given, when addressed to the other party as set forth above, three days after sent by registered or certified mail, one day after sent by overnight courier of national repute or on the same day when delivered in person. The notification information of any party may be changed by notifying the other parties of such change in accordance with this Section 7.2. Notice by e-mail shall not be effective for any purpose under this Agreement.

Any Secured Party who receives from a third party any notice or other written communication relating to the Collateral or any other right or obligation of the Secured Parties under this Agreement shall forward promptly a copy of such notice or written communication to the other

Secured Parties and Borrower, unless it is clear from the face of the notice or written communication that the other Secured Parties and Borrower have received or will receive the same notice or written communication from that third party.

7.3 Expenses. Debtor shall (a) reimburse the Secured Parties and save the Secured Parties harmless against liability for the payment of all out-of-pocket expenses arising in connection with enforcement of, or the preservation or exercise of any rights (including the right to collect and dispose of the Collateral) under, this Agreement or any of the other Loan Documents, including, without limitation, the fees and expenses of counsel to the Secured Parties arising in such connection; and (b) pay, and hold the Secured Parties and subsequent holders of the Note harmless from and against, any and all present and future stamp taxes or similar document taxes or recording taxes and any and all charges with respect to or resulting from any delay in paying, or failure to pay, such taxes.

7.4 Severability. If fulfillment of any provision of the Loan Documents or performance of any transaction related thereto, at the time such fulfillment or performance shall be due, shall involve transcending the limit of validity prescribed by law, then the obligation to be fulfilled or performed shall be reduced to the limit of such validity; and if any clause or provision contained in any Loan Document operates or would operate prospectively to invalidate any Loan Document, in whole or in part, then such clause or provision only shall be held ineffective, as though not herein or therein contained, and the remainder of the Loan Documents shall remain operative and in full force and effect.

7.5 Waivers. No waiver by the Secured Parties of, or consent by the Secured Parties to, a variation from the requirements of any provision of the Loan Documents shall be effective unless made in a written instrument duly executed on behalf of each Secured Party, and any such waiver shall be limited solely to those rights or conditions expressly waived.

7.6 Rights Cumulative. The rights and remedies of the Secured Parties described in any of the Loan Documents are cumulative and not exclusive of any other rights or remedies which the Secured Parties or the then holder of the Note otherwise would have at law or in equity or otherwise. Except as otherwise provided herein, notice to or demand on Debtor in any case shall not entitle Debtor to any other notice or demand in similar or other circumstances.

7.7 Entire Agreement; Modification; Benefit. This Agreement, the exhibits hereto, and the other Loan Documents constitute the entire agreement of the parties hereto with respect to the matters contemplated herein, supersede all prior oral and written agreements with respect to the matters contemplated herein, and may not be modified, deleted or amended except by written instrument executed by the parties. All terms of this Agreement and of the other Loan Documents shall be binding upon, and shall inure to the benefit of and be enforceable by, the parties hereto and their respective successors and permitted assigns; *provided, however*, that no Secured Party may assign or transfer any of its rights or obligations hereunder except in connection with the transfer or assignment of a Note, which is permitted by the terms thereof. Debtor shall not have the right to assign or transfer any of its rights or obligations hereunder without the prior written consent of each Secured Party.

7.8 Termination. This Agreement shall terminate upon the earlier of payment and performance in full of all Obligations.

7.9 Construction. This Agreement and the other Loan Documents, the rights and obligations of the parties hereto, and any claims or disputes relating thereto shall be governed by and construed in accordance with the laws of the State of Colorado (excluding the choice of law rules thereof). Each party hereto hereby acknowledges that all parties hereto participated equally in the negotiation and drafting of this Agreement and that, accordingly, no court construing this Agreement shall construe it more stringently against one party than against the other.

7.10 Pronouns. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identity of the person or entity may require.

7.11 Headings. Section and subsection headings contained in this Agreement are inserted for convenience of reference only, shall not be deemed to be a part of this Agreement for any purpose, and shall not in any way define or affect the meaning, construction or scope of any of the provisions hereof.

7.12 Payments. If any payment or performance of the Note or of any of the other Obligations under this Agreement or any of the other Loan Documents becomes due on a day other than a Business Day, the due date shall be extended to the next succeeding Business Day, and interest thereon (if applicable) shall be payable at the then applicable rate during such extension. For the purposes of this Agreement, "Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in Colorado are authorized by law to close.

7.13 Execution. To facilitate execution, this Agreement and any of the other Loan Documents may be executed in as many counterparts as may be required; and it shall not be necessary that the signatures of, or on behalf of, each party, or the signatures of all persons required to bind any party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each party, or the signatures of the persons required to bind any party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall not be necessary in making proof of this Agreement or any other Loan Document to produce or account for any particular number of counterparts; but rather any number of counterparts shall be sufficient so long as those counterparts contain the respective signatures of, or on behalf of, all of the parties hereto.

8. SUBORDINATION TO SENIOR LIEN

8.1 Subordination and Modification. Secured Parties have entered into a Subordination Agreement by which the security granted herein is subordinated to a Senior Lien security interest given, or to be given, by Debtor to a Senior Lender for a Senior Debt, as those terms are defined in the Subordination Agreement. Notwithstanding any other provision herein, the security interest hereby granted to the Secured Parties shall be and remain at all times subordinate to the Senior Lien, regardless of the timing and order in which the respective loans are made and the security interests are given and perfected, including, without limitation, any security interest given or renewed or modified in connection with the Senior Debt and the modification, renewal or refinancing of the Senior Debt. The provisions of this Security Agreement which conflict with the terms and intent of such Senior Lien rights, including but not limited to Sections 2.3, 2.4, and 4.1 are subject to, and hereby are modified to accommodate such Senior Lien rights.

[Signature Page Follows]

A handwritten signature in dark ink, appearing to be 'M. J. M.' or similar, located in the bottom right corner of the page.

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement, or have caused this Agreement to be duly executed on their behalf, as of the day and year first hereinabove set forth.

DEBTOR:

CHAD EQUIPMENT LLC
A Colorado limited liability company

By: 

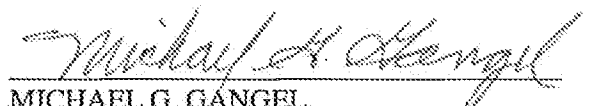
SECURED PARTIES:

CHAD COMPANY OF MISSOURI, INC.,
a Missouri corporation

By: 

MEAT INSPECTION SYSTEMS, LLC, a
Florida limited liability company

By: 


MICHAEL G. GANGEL

^{10 mod mg}
BRITTANY HOMES, L.L.C., a Kansas
limited liability company

By: 