

11-12-2002
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Form PTO-1594
(Rev. 03/01)
OMB No. 0651-0027 (exp. 5/31/2002)
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U.S. 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): 11-7-02
Western Printing Machinery Company
9228 Ivanhoe Street
Schiller Park, Illinois 60176-2348
 Individual(s) Association
 General Partnership Limited Partnership
 Corporation-State
 Other _____
Additional name(s) of conveying party(ies) attached? Yes No

2. Name and address of receiving party(ies)
Name: American Chartered Bank
Internal _____
Address: _____
Street Address: 4685 Winfield Road
Warrenville
City: _____ State: IL Zip: 60555
 Individual(s) citizenship _____
 Association _____
 General Partnership _____
 Limited Partnership _____
 Corporation-State _____
 Other _____
If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from assignment)
Additional name(s) & address(es) attached? Yes No

3. Nature of conveyance:
 Assignment Merger
 Security Agreement Change of Name
 Other _____
Execution Date: September 19, 2002

4. Application number(s) or registration number(s): See Attached Schedule
A. Trademark Application No.(s) _____
B. Trademark Registration No.(s) _____
Additional number(s) attached Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:
Name: Michael T. O'Connor
Internal Address: _____

Street Address: Fuchs & Roselli, Ltd.
440 West Randolph Street

City: Chicago State: IL Zip: 60606

6. Total number of applications and registrations involved: _____
7. Total fee (37 CFR 3.41).....\$ _____
 Enclosed
 Authorized to be charged to deposit account
8. Deposit account number: _____
(Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

9. Statement and signature.
To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.
Western Printing Machinery Company
Name of Person Signing _____ Signature Michael Musgrave - President Date 9/19/02

11/08/2002 11:00 AM 00000260 1337583
01 FC:8521 40.00 DP
02 FC:8522 250.00 DP

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

TRADEMARK
REEL: 002614 FRAME: 0433

Patents

Client: WESTERN PRINTING MACHINERY COMPANY

SEP. NO. SubCase
 06 - 202
 312 321 429
 P. 03

SEP. NO. SubCase Inventors Invention Titles SER. NO. FILING DATE PATENT NO. ISS. DATE MAINT. DUE STATUS ACTION DUE
 06 - 3 KLEBER, F. BRUCE MULTIFUNCTIONAL WEB ROTARY MODULE 946,381 24-Dec-1986 4,793,229 27-Dec-1988 ISSUED
 06 - 17 KAPOLNEK, PAUL G. APPARATUS FOR REMOVING SCRAP FROM A DIE CYLINDER 212,338 27-Jun-1988 4,896,573 30-Jan-1990 ISSUED SIGN FOR REMINDER
 06 - 20 KAPOLNEK, PAUL G. METHOD OF FORMING A ROTARY CUTTING DIE 08741,618 12-May-1994 5,595,093 21-Jan-1997 07/21/2004 ISSUED NO ERRORS
 06 - 21 KAPOLNEK, PAUL G. METHOD AND APPARATUS FOR FORMING A ROTARY EMBOSSED DIE WITH A SUPPORT PLATE 08731,331 04-Oct-1993 5,505,125 09-Apr-1996 10/09/2003 ISSUED
 06 - 110 KAPOLNEK, PAUL G. PERFORATION RULE FOR ROTARY CUTTING SYSTEM 08685,287 23-Jul-1996 5,868,057 09-Feb-1999 08/09/2006 Issued
 06 - 113 KAPOLNEK, PAUL G. TRANSLUCENT ROTARY CUTTING DIE 08781,324 12-Jul-1999 6,067,887 30-May-2000 11/30/2003 Issued
 06 - 140 KAPOLNEK, PAUL G. KNIFE ASSEMBLY FOR ROTARY CUTTING SYSTEM 08596,383 03-Nov-1997 5,893,314 13-Apr-1999 10/13/2006 Issued PROOFED
 06 - 184 KAPOLNEK, PAUL G. ROTARY BRIDGE ASSEMBLY 09739,578 18-Dec-2000 Pending

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SEP-19-2002 15:41

Trademarks

Thursday, September 19, 2002

Status Report

Page: 1

Client: WESTERN PRINTING MACHINERY CO.

Case No.	Mark	Ser. No.	Filing Date	Reg. No.	Reg. Date	8&15	Renewal	Action Due	Case Type Status
5806 / 10	ROTA-CUTTER	73491,053	23-Jul-1984	1,337,563	28-May-1985	ACCEPTED	28-May-2005		TM REGISTERED

5806 / 11	WPM AND DESIGN	349,092	08-Feb-1982	1,218,913	07-Dec-1982	ACCEPTED	07-Dec-2002		TM REGISTERED
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5806 / 12	MICRO-TOUCH	73746,189	14-Jan-1980	1,163,449	04-Aug-1981	ACCEPTED	04-Aug-2011		TM REGISTERED
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5806 / 13	WPM AND DESIGN	73708,203	28-Jan-1988	1,501,002	23-Aug-1988	ACCEPTED	23-Aug-2008		TM REGISTERED
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5806 / 23	TRU-CUT	75297,200	23-May-1997	2,171,236	07-Jul-1998	7/7/2004	07-Jul-2008		TM Registered
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5806 / 41	KNIFELOCATOR (TM&SM)	74557,764	05-Aug-1994	1,921,683	26-Sep-1995	ACCEPTED	26-Sep-2005		TM REGISTERED
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5806 / 43	GILDA	74558,504	08-Aug-1994	1,984,633	02-Jul-1996	ACCEPTED	02-Jul-2006		TM REGISTERED
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5806 / 111	TRU-LOCK	75727,273	23-May-1997	2,252,455	15-Jun-1999	6/15/2005	15-Jun-2009		TM Registered
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5806 / 164	EXCELLENCE IN FINISHING	75772,128	02-Jun-1999			PENDING			TM Pending
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5806 / 172	SLIMGLIDER	75768,462	03-Aug-1999	2,462,622	19-Jun-2001	6/19/2007	19-Jun-2011		TM Registered
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TRADEMARK

REEL: 002614 FRAME: 0435

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Thursday, September 19, 2002

Status Report

Page: 3

Client: WESTERN PRINTING MACHINERY CO.

Case No.	Mark	Ser. No.	Filing Date	Reg. No.	Reg. Date	8&15	Renewal	Action Due	Case Type	Status
5806/178	TRU-CUT ADVANTEDGE	75840,878	04-Nov-1999	2,503,530	06-Nov-2001	11/02/2007	06-Nov-2011		TM	Registered

P.06 312 321 4299

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SECURITY AGREEMENT

THIS SECURITY AGREEMENT is made as of the 19th day of September, 2002, by and between WESTERN PRINTING MACHINERY COMPANY, an Illinois corporation ("Debtor") and AMERICAN CHARTERED BANK ("Secured Party").

WHEREAS, Secured Party has extended credit and may continue to extend credit to Debtor at the request of Debtor, pursuant to a certain Loan Agreement and Revolving Credit Note from Debtor to Secured Party bearing even date herewith in the maximum principal amount of ONE MILLION EIGHT HUNDRED THOUSAND AND 00/100 DOLLARS (\$1,800,000.00) ("Revolving Credit Note") (the Revolving Credit Note is referred to herein as "Note"); and

WHEREAS, the Debtor, as security for said extension of credit and the loans evidenced by the Note, has agreed to grant a security interest to the Secured Party to the property hereinafter described;

NOW, THEREFORE, the Debtor, to secure the payment to Secured Party of all sums now or hereafter due Secured Party from Debtor pursuant to the Note, and all obligations and liabilities of Debtor pursuant to the Note and all documents evidencing or securing said Note (as amended, extended or modified, said documents together with the Note and this Security Agreement collectively referred to as the "Loan Documents"), all of even date herewith, including but not limited to the following Loan Documents: (a) Loan Agreement; and (b) UCC-1 Financing Statements does hereby grant a security interest unto the Secured Party, its successors and assigns, in and to the collateral as described on Exhibit A attached hereto and the patents and trademarks as set forth in Exhibit B (collectively "Collateral").

1. **GRANT.** Debtor hereby grants to Secured Party a security interest in, and sells, assigns, transfers, sets over, pledges and delivers unto Secured Party, the above Collateral for so long as any sums remain outstanding from Debtor to Secured Party regardless of whether Debtor became the owner of such Collateral prior to or contemporaneously with or subsequent to the incurring of any such debts or liabilities, it being the intention of the parties that such security interest shall extend to and include all present Collateral belonging to Debtor as well as any and all subsequently acquired Collateral by way of replacement, substitution, addition or otherwise.

2. **WARRANTY.** Debtor hereby warrants, represents and covenants to and with Secured Party as follows:

(a) The terms and provisions of the aforestated recitals are hereby incorporated into this Agreement as representations and warranties of Debtor with the same effect as though such recitals had been set out in full in this Section 2.

(b) Subject to Permitted Liens (as that term is defined in the Loan Documents), Debtor has not pledged, assigned, transferred, sold or otherwise conveyed, directly or indirectly, the Collateral or any part thereof, to any person or entity whatsoever other than to Secured Party.

(c) Subject to Permitted Liens (as that terms is defined in the Loan Documents), Debtor presently has full legal, vested and unencumbered title to the Collateral and shall hereafter, so long as any portion of the Liabilities (as defined in the Note) is outstanding, maintain the Collateral free of all liens and claims whatsoever, other than the interest granted hereunder or under any other instrument given to secure the Liabilities or any part thereof and shall not convey, assign or transfer the Collateral other than as permitted in the Loan Agreement, in whole or in part, to any third person or entity.

(d) No financing statement(s) (other than financing statements in favor of Secured Party), covering any of the Collateral is or will be on file in any public office; and Debtor agrees to execute, from time to time hereafter on request of Secured Party, such financing statements and other documents (and pay the cost of filing or recording the same in all public offices deemed necessary by Secured Party) and do such other acts and things, all as Secured Party may request to establish and maintain a valid interest in the Collateral free of all other liens and claims whatsoever except as aforesaid to secure the payment and performance of the Liabilities.

(e) So long as any portion of the Liabilities is outstanding, Debtor shall:

(i) not dissolve without the prior written consent of the Secured Party, which consent shall not be unreasonably withheld;

(ii) refrain from the sale, further encumbrance or other disposition of all or any portion of in the Collateral other than as permitted in the Loan Agreement without the prior written consent of Secured Party, which consent may be withheld in Secured Party's sole discretion;

(iii) do, execute, acknowledge and deliver all and every further acts, conveyances, assignments, transfers and assurances necessary or proper, in the sole judgment of Secured Party, for the better assuring, conveying, assigning and confirming unto Secured Party all property encumbered hereby or property intended so to be, whether now owned by Debtor or hereafter acquired.

(f) Debtor has full power and authority to grant the security interest herein provided for, and this Agreement is fully enforceable under applicable law. All consents, if any, required for the execution of this Agreement and the enforcement of the remedies hereunder have been obtained prior to the granting of this security interest.

(g) Debtor's financial statement heretofore delivered to Secured Party fairly presents the financial condition of Debtor as of its date, and since such date, there has been no material adverse change in the financial condition of Debtor. All information heretofore delivered to Secured Party with respect to any of the Collateral is true, complete and accurate in all material respects and Debtor has no knowledge of any fact or omission which would render such information materially untrue or misleading.

(h) No litigation or other proceedings are pending or, to the best of Debtor's knowledge, threatened which could materially adversely affect either the Collateral, the validity or priority of the lien or other interest of Secured Party in the Collateral, or the financial condition of Debtor.

(i) The execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, and the fulfillment of and compliance with the terms and conditions hereof do not and will not conflict with or result in a breach of any of the terms, conditions or provisions of any agreement or instrument to which Debtor is a party or by which it is bound, constitute a default under any of the foregoing, or result in the creation of a lien, claim, charge or encumbrance other than the interests granted to Secured Party by this Agreement.

(j) Debtor will, at its own expense, defend Secured Party's right, title and security interest in and to the Collateral against the claims of any person, firm, corporation or other entity.

(k) Debtor will promptly deliver to Secured Party all written notices received with respect to the Collateral and will promptly give Secured Party written notice of any other notices received with respect to the Collateral.

(l) Debtor shall, at any time, and from time to time, upon the written request of Secured Party, execute and deliver such further documents and do such further acts and things as Secured Party may request to effect the purposes of this Agreement.

(m) Debtor shall at once fully pay, indemnify, defend and hold Secured Party harmless from and against any and all claims, damages or losses, including all expenses and reasonable legal fees, asserted against or incurred by Secured Party as a result of any breach or default in respect of any of the foregoing warranties, representations or covenants of Debtor, including any warranties, representations and/or covenants set forth elsewhere in this Agreement or the Loan Documents.

(n) Debtor will promptly pay when due all taxes and assessments upon the Collateral or for its use or operation or upon this Agreement or upon any note evidencing the obligations.

3. **ADDITIONAL RIGHTS OF PARTIES.** At its option, Secured Party may discharge taxes, liens or security interests or other encumbrances at any time levied or placed on the Collateral, may place and pay for insurance on such Collateral upon failure by the Debtor, after having been requested so to do, to provide insurance satisfactory to the Secured Party, and may pay for the maintenance, repair and preservation of the Collateral. To the extent permitted by applicable law, Debtor agrees to reimburse Secured Party on demand for any payment made or any expense incurred by Secured Party pursuant to the foregoing authorization. Until default, Debtor may have possession of the Collateral and use it in any lawful manner not inconsistent with this Agreement and the Loan Documents and not inconsistent with any policy of insurance thereon.

Debtor agrees to and shall indemnify and hold Secured Party harmless from any and all costs, expenses, legal fees and other charges incurred by or on behalf of Secured Party in connection with Debtor's failure to comply with the terms of this Agreement.

4. **CARE OF COLLATERAL.** In the event the Collateral becomes within the custody or control of Secured Party, Secured Party shall be deemed to have exercised reasonable care with respect to the interest of Debtor in the custody and preservation of the Collateral if it takes such action for that purpose as Secured Party might take in the care and preservation of its own like property and no failure of Secured Party to preserve or protect any rights with respect to the Collateral against prior parties shall be deemed a failure to exercise reasonable care in the custody or preservation of the Collateral.

5. **CERTAIN RIGHTS REGARDING COLLATERAL AND LIABILITIES.**

(a) Secured Party may from time to time, after occurrence of a "Default" (as hereinafter defined) and without notice to Debtor, take all or any of the following actions: (i) notify all or any parties obligated or permitted to pay money to the owner or holder of any of the Collateral to make payment to Secured Party of any amounts due or to become due thereunder; (ii) enforce collection of any of the Collateral by suit or otherwise, and surrender, release or exchange all or any part thereof, or compromise or extend or renew for any period any obligations of any nature of any party with respect thereof; and (iii) take control of any proceeds of the Collateral.

(b) Secured Party may from time to time, whether before or after occurrence of a Default and without notice to Debtor, take all or any of the following actions: (i) retain or obtain the primary or secondary liability of any party, in addition to Debtor, with respect to any of the Liabilities; (ii) amend, extend or renew for any period any of the Liabilities or release or compromise any obligation of any nature of any party with respect thereto; (iii) surrender, release or exchange all or any part of the Collateral and any guarantees, securing any of the Liabilities, or compromise or extend or renew for any period any obligations

of any party with respect to any such property; and (iv) resort to the Collateral for payment of any of the Liabilities whether or not it shall have resorted to any other property securing the Liabilities or shall have proceeded against any party primarily or secondarily liable on any of the Liabilities.

(c) At any time, Secured Party may, at its option, surrender or assign without recourse the Collateral to Debtor, and Debtor hereby agrees to accept surrender or assignment. Debtor hereby agrees that in the event of such surrender or assignment to Debtor, Secured Party shall be Debtor's attorney-in-fact to execute such papers and do such things as may be necessary in implementing the foregoing. Such surrender or assignment shall be effective upon Secured Party's transmission to Debtor of the following: (i) any such Collateral then in Secured Party's possession; (ii) written notice of Secured Party's exercise of the option granted by this subsection (c); and (iii) such other instruments and assignments, if any, as Secured Party may deem to be sufficient as against Secured Party to terminate any interest of Secured Party in the Collateral. Any such surrender or reassignment shall be without recourse upon or warranty by Secured Party and shall be made at the expense of Debtor.

(d) Until occurrence of a Default, Debtor may exercise any of its rights with respect to the Collateral except as may be prohibited by this Agreement and except as Secured Party may elect to exercise such rights if Secured Party is entitled to do so pursuant to the terms hereof.

6. **DISTRIBUTIONS.** Any and all cash and distributions in property or other distributions, payments or entitlements of any kind whatsoever made on or in respect of the Collateral, and any and all cash and other property, payments or entitlements of any kind whatsoever received in exchange for any Collateral shall be and become part of the Collateral pledged hereunder. Other than as permitted in the Loan Agreement the rights of Debtor to receive any such cash, distributions, payments or entitlements of any kind whatsoever shall be subject and subordinate in all respects to the rights of Secured Party under this Agreement and the other Loan Documents.

7. **DEFAULT AND REMEDIES.** The following provisions shall govern in the event of a Default:

(a) For purposes hereof, Default shall mean (i) the failure to perform or comply with any obligation or covenant contained in this Agreement (y) for the payment of money; or (z) other than for the payment of money, which failure continues more than twenty-one (21) days after notice thereof from Secured Party to Debtor, or (ii) the breach or untruth of any statement, representation or warranty contained in this Agreement; or (iii) the occurrence of a Default or Event of Default under the Note or any of the other Loan Documents which is not cured within any applicable cure or grace period provided therein; or (iv) the failure to comply with the covenant contained in Section 2(e)(ii) hereof.

(b) Upon such Default, Secured Party may: (i) exercise from time to time any rights and remedies available to it under the Uniform Commercial Code as in effect from time to time in Illinois, or any other applicable state or as otherwise available to it; (ii) without demand or notice of any kind, except and unless as required by law, appropriate and apply toward the payment of such of the Liabilities, and in such order of application, as Secured Party may from time to time elect, any balances, credits, deposits, accounts or moneys of Debtor held, in any capacity, by, or in transit to, Secured Party; (iii) transfer all or any part of the Collateral into the name of Secured Party or its nominee, with or without disclosing that such Collateral is subject to the lien and security interest thereunder; and (iv) exercise, in its own name, or in the name of Debtor, any and all rights of collection and any and all other rights, privileges, options or powers of the Debtor pertaining or relating to the Collateral; provided however, the Secured Party shall not have any duty to exercise any such rights, privileges, options or powers or to sell or otherwise realize upon any of the Collateral or to preserve the same, and the Secured Party shall not be responsible for any failure to do so, or in its delay in so doing.

(c) Upon the occurrence of any Default, Secured Party may sell the Collateral at public or private sale, for cash, upon credit or for future delivery, and at such price or prices as Secured Party may deem satisfactory, and Secured Party may be the purchaser of the Collateral and it or any purchaser of the Collateral upon any such sale shall thereafter hold the same, absolutely, free from any claim or right of any kind, including any equity or right of redemption of Debtor who hereby specifically waives all rights of redemption, stay or appraisal which it has or may have under any rule of law or statute now existing or hereafter adopted. Secured Party shall give five (5) days notice of intention to make any such public or private sale, which notice shall state the time and place fixed for such sale. Any sale shall be held at such time or times and at such place or places as Secured Party may reasonably fix in the notice of such sale, provided that Secured Party shall not be obligated to make any sale pursuant to any such notice. Secured Party may, without notice of publication, adjourn any sale or cause the same to be adjourned from time to time by announcement at the time or place fixed for the sale, and such sale may be made at any time or place to which the same may be so adjourned. In case of any sale of the Collateral on credit or for future delivery, the Collateral may be retained by Secured Party until the selling price is paid by the purchaser thereof, but Secured Party shall not incur any liability in case of the failure of such purchaser to take up and pay for the Collateral and, in case of any such failure, the Collateral may again be sold upon like notice. In lieu of exercising the power of sale herein conferred upon it, Secured Party may proceed by a suit or suits at law or in equity to foreclose the security interest assigned hereby and sell the Collateral. Debtor agrees that Secured Party shall have the right to continue to retain the Collateral until such time as Secured Party, in its sole judgment, believes that an advantageous price can be secured for the Collateral, and Secured Party shall not be liable to Debtor for any loss in the value of the Collateral by reason of any delay in the sale thereof. Debtor agrees to immediately pay, and acknowledges its liability for, any deficiency between the outstanding amount of the liabilities, and the net amount realized by Secured Party by sale of the Collateral.

(d) Debtor agrees that, in any sale of any of the Collateral, Secured Party is hereby authorized to comply with any limitation or restriction in connection with such sale as it may be advised by counsel is necessary in order to avoid any violation of applicable law (including, without limitation, compliance with such procedures as may restrict the number of prospective bidders and purchasers, require that such prospective bidders and purchasers have certain qualifications, and restrict such prospective bidders and purchasers to persons who will represent and agree that they are purchasing for their own account for investment and not with a view to the distribution or resale of such Collateral), or in order to obtain any required approval of the sale or of the purchaser by any governmental regulatory authority or official. Debtor further agrees that such compliance shall not result in such sale being considered or deemed not to have been made in commercially reasonable manner, nor shall Secured Party be liable nor accountable to Debtor for any discount allowed by the reason of the fact that such Collateral is sold in compliance with any such limitation or restriction.

(e) Upon the occurrence of any Default or Event of Default Debtor hereby constitutes and appoints Secured Party with full power of substitution, his true and lawful attorney-in-fact, in his name, place and stead to make, execute, sign, acknowledge, swear to, record or file, on behalf of Debtor, documents required to reflect the foreclosure sale of the Collateral. The foregoing grant of authority is a power of attorney coupled with an interest, is irrevocable and shall survive the death or incapacity of Debtor.

(f) Whether before or after Default, Debtor shall pay Secured Party's attorneys' fees and costs in connection with the administration and enforcement of the Collateral and any and all of the Loan Documents. Without limiting the generality of the foregoing, if at any time or times hereafter the Secured Party employs counsel for advice or other representation with respect to any matter concerning Debtor, the Collateral, the Loan Documents or to protect, collect, lease, sell, take possession of, foreclose upon or liquidate any of the Collateral, or to attempt to enforce or protect any security interest or lien or other right in any of the Collateral or under any of the Loan Documents, or to enforce any rights of the Secured Party or obligations of Debtor or

any other person, firm, entity or corporation which may be obligated to Secured Party under any of the Loan Documents, then in any such event all of the attorneys' fees arising from such services, and any expenses, costs and charges relating thereto, shall constitute an additional indebtedness under the Note, at the Default Rate thereunder, owing by Debtor to Secured Party payable on demand and evidenced and secured by the Loan Documents.

(g) All rights and remedies of Secured Party expressed hereunder are cumulative and are in addition to all other rights and remedies possessed by it, including those under any other agreement or instrument relating to any of the Liabilities or security therefor and including those rights and remedies available at law or equity. No delay on the part of Secured Party in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by Secured Party of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy. No action of Secured Party permitted hereunder shall impair or affect the rights of Secured Party in and to the Collateral.

8. **APPLICATION OF PROCEEDS OF SALE OR CASH HELD AS COLLATERAL.** Upon occurrence of any Default, proceeds from sale of the Collateral sold pursuant to the terms hereof, and the cash held as Collateral hereunder, shall be applied by Secured Party as set forth in the Note.

9. **RELEASE OF SECURED PARTY IN EVENT OF DEFAULT.** If an event of Default shall occur, the Debtor waives and releases:

(a) any and all causes of action and claims which it may now or ever have against the Secured Party as a result of any possession, collection or sale by Secured Party of any of the Collateral except in the case of the gross negligence or willful misconduct of Secured Party;

(b) any and all liabilities or penalties against Secured Party for failure of Secured Party to comply with any statutory or other requirement imposed on Secured Party relating to notices of sale, holding of sale or reporting of sale of the Collateral; and

(c) All rights or redemption from any such sale.

10. **WAIVER OF RIGHT OF APPRAISEMENT OR REDEMPTION.** Debtor covenants that it will not at any time claim, take or insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation of appraisement of the Collateral, prior to any sale or sales to be made pursuant to any provision herein contained, or to the decree or judgment or order of court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted to redeem the property sold or any part thereof, and hereby expressly waives for itself, and on behalf of each and every person claiming under it all benefit and advantage of such law or laws, and covenants that it will not hinder, delay or impede the execution of any power herein granted and delegated to Secured Party, but will suffer and permit the execution of every such power as though no such law or laws had been made or enacted.

11. **DIVESTITURE OF RIGHTS IN COLLATERAL.** Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of Debtor in and to the Collateral sold and shall be a perpetual bar, both at law and in equity, against Debtor, its legal representatives, successors and assigns, and against any and all persons claiming the property sold or any part thereof, by or through Debtor, its legal representatives, successors and assigns.

12. **AUTHORITY OF SECURED PARTY.** Secured Party shall have and be entitled to exercise all such powers hereunder as are specifically delegated to Secured Party by the terms hereof, together with such powers

as are incidental thereto. Secured Party may execute any of its duties hereunder by or through agents or employees and shall be entitled to retain counsel and to act in reliance upon the advice of such counsel concerning all matters pertaining to its duties hereunder. Neither Secured Party, nor any director, officer, employee or attorney of Secured Party, shall be liable for any action taken or omitted to be taken by it or them hereunder or in connection therewith, except for its own gross negligence or willful misconduct. Debtor hereby indemnifies and agrees to hold harmless Secured Party and/or any such agent or sub-agent of Secured Party from and against any and all liability incurred by Secured Party (or such agent or sub-agent) hereunder or in connection herewith, unless such liability shall be due to willful misconduct or gross negligence on the part of Secured Party or such agent or sub-agent.

13. **RELEASE AND TERMINATION.** This Agreement shall terminate when all of the Liabilities and all obligations of Debtor hereunder and under the Loan Documents have been fully paid and performed, at which time Secured Party shall release, reassign or redeliver (or cause to be released, reassigned or redelivered) to Debtor, or to such person or persons as Debtor shall designate, against receipt, such of the Collateral (if any) as shall not have been sold or otherwise applied by Secured Party pursuant to the terms hereof and shall still be held by it hereunder, together with appropriate instruments of reassignment and release. Any such reassignment shall be without recourse upon or by warranty by Secured Party and shall be made at the expense of Debtor.

14. **NOTICE.** All notices, waivers, demands, requests or other communications required or permitted hereunder shall, unless otherwise expressly provided, be in writing and be deemed to have been properly given, served and received (i) if delivered by messenger, when delivered; (ii) if mailed, on the third (3rd) business day after deposit in the United States mail, certified or registered, postage prepaid, return receipt requested; (iii) if telexed, faxed, telegraphed or telecopied, six (6) hours after being dispatched by telex, fax, telegram or telecopy, if such sixth (6th) hour falls on a business day within the hours of 8:00 a.m. through 6:00 p.m. of the time in effect at the place of receipt, or at 8:00 a.m. on the next business day thereafter if such sixth (6th) hour is later than 6:00 p.m.; or (iv) if delivered by reputable overnight express courier, freight prepaid, the next business day after delivery to such courier; in every case addressed to the party to be notified as follows:

If to Debtor: Western Printing Machinery Company
9229 Ivanhoe Street
Schiller Park, Illinois 60176-2348

with copies to: Ross & Hardies
150 North Michigan Avenue
Suite 2500
Chicago, Illinois 60601-7567
Attention: William M. Long

If to Secured Party: American Chartered Bank
4685 Winfield Road
Warrenville, Illinois 60555
Attention: Michael Conway

with copies to: Michael T. O'Connor
Fuchs & Roselli, Ltd.
440 West Randolph Street
5th Floor
Chicago, Illinois 60606

Either party hereto may change the names and addresses of the designee to whom notice shall be sent by giving written notice of such change to the other party hereto in the same manner as all other notices are required to be delivered hereunder.

15. **BINDING AGREEMENTS.** This Agreement and all provisions hereof shall be binding upon Debtor, its successors, assigns, executors, administrators and legal representatives, and all other persons or entities claiming under or through Debtor; provided however, Debtor shall not be permitted to assign this Agreement or any interest herein or in the Collateral, or any part thereof, or otherwise pledge, encumber or grant any option with respect to the Collateral or any part thereof, or any interest therein, or any cash or property held by Secured Party as Collateral under this Agreement other than as permitted or allowed in the Loan Agreement. The word "Secured Party", when used herein, shall include Secured Party's successors, assigns and legal representatives, including all other holders, from time to time, of the Note.

16. **NO LIABILITY ON SECURED PARTY.** Anything herein contained to the contrary notwithstanding, (a) Debtor shall remain liable under any instrument which is a part of the Collateral to perform all of its obligations thereunder, and (b) Secured Party shall have no obligation or liability under the Collateral by reason of or arising out of this Agreement, nor shall Secured Party be required or obligated in any manner to perform or fulfill any of the obligations of Debtor under or pursuant to the Collateral, or to make any payment, to make any inquiry as to the nature or sufficiency of any payment received by it, to present or file any claim, or to take any action to collect or enforce the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times. The Collateral is assigned and transferred to Secured Party by way of collateral security only and, accordingly, Secured Party, by its acceptance hereof, shall not be deemed to have assumed or become liable for any of the obligations or liabilities of Debtor to the creditors or beneficiaries of Debtor, whether provided for by the terms of any agreements, arising by operation of law or otherwise, Debtor hereby acknowledging and agreeing that, with respect to all such liability, Debtor is and remains liable to the same extent as though this Agreement had not been made.

17. **RIGHTS AND REMEDIES.** All rights and remedies set forth in this Agreement are cumulative and not exclusive, and the holder of the Note and of every other obligation secured hereby may recover judgment thereon, issue execution therefor, and resort to every other right or remedy available at law or in equity, without first exhausting and without affecting or impairing the security of any right or remedy afforded hereby. Unless as expressly provided in this Agreement to the contrary, no consent or waiver, express or implied, by any interested party referred to herein, to or for any breach or default by any other interested party referred to herein, in the performance by such other party of any obligations contained herein shall be deemed a consent to or waiver of the performance by such party of any other obligations hereunder or the performance by any other interested party referred to herein of the same, or of any other obligations hereunder.

18. **GOVERNING LAW; INTERPRETATION.** This Agreement shall be governed by the laws of the State of Illinois, in which state the Agreement and the other Loan Documents were executed and delivered, the proceeds of the Loan were disbursed by Secured Party and the principal and interest due under the Note are to be paid. Wherever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without

invalidating the remainder of such provision or the remaining provisions of this Agreement. Time is of the essence of this Agreement.

19. **MISCELLANEOUS.** Neither this Agreement or any provisions hereof may be amended, modified, waived, discharged or terminated orally, nor may any of the Collateral be released, except by an instrument in writing duly signed by or on behalf of Secured Party hereunder. The section headings used herein are for convenience of reference only and shall not define or limit the provisions of this Agreement. As used in this Agreement, the singular shall include the plural and the plural shall include the singular, and masculine, feminine and neuter pronouns shall be fully interchangeable, where the context so requires. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which taken together shall be deemed one and the same document.

20. **JURISDICTION; WAIVER; JUDGMENT.** THIS AGREEMENT IS SUBMITTED TO SECURED PARTY AT SECURED PARTY'S PRINCIPAL PLACE OF BUSINESS IN CHICAGO, ILLINOIS, AND SHALL BE DEEMED TO HAVE BEEN MADE THEREAT. THIS AGREEMENT SHALL BE GOVERNED AND CONTROLLED AS TO INTERPRETATION, ENFORCEMENT, VALIDITY, CONSTRUCTION, EFFECT AND IN ALL OTHER RESPECTS BY THE LAWS, STATUTES AND DECISIONS OF THE STATE OF ILLINOIS. DEBTOR, IN ORDER TO INDUCE SECURED PARTY TO ACCEPT THIS AGREEMENT, AGREES THAT ALL ACTIONS OR PROCEEDINGS ARISING DIRECTLY, INDIRECTLY OR OTHERWISE IN CONNECTION WITH, OUT OF, RELATED TO, OR FROM THIS AGREEMENT SHALL BE LITIGATED, AT SECURED PARTY'S OPTION, IN COURTS HAVING SITUS WITHIN THE CITY OF CHICAGO, STATE OF ILLINOIS, DEBTOR HEREBY WAIVES ANY RIGHT DEBTOR MAY HAVE TO TRANSFER OR CHANGE THE VENUE OF ANY LITIGATION BROUGHT IN ACCORDANCE WITH THIS SECTION. DEBTOR HEREBY WAIVES THE RIGHT TO TRIAL BY JURY OF ANY LITIGATION BROUGHT IN ACCORDANCE WITH THIS SECTION. IF ANY PORTION OR ALL OF DEBTOR'S LIABILITY IS NOT PAID WHEN DUE, DEBTOR HEREBY IRREVOCABLY AUTHORIZES ANY ATTORNEY AT LAW TO APPEAR IN ANY COURT OF RECORD IN THE STATE OF ILLINOIS OR ELSEWHERE, TO WAIVE THE ISSUING AND SERVICE OF PROCESS, TO ADMIT THE MATURITY OF DEBTOR'S LIABILITIES, TO CONFESS JUDGMENT AGAINST DEBTOR IN FAVOR OF SECURED PARTY FOR ALL OR ANY PORTION OF THE AMOUNT THEN APPEARING DUE, TOGETHER WITH COSTS OF SUIT AND ATTORNEYS' FEES, AND THEREUPON TO RELEASE ALL ERRORS AND TO WAIVE ALL RIGHTS OF APPEAL AND STAY OF EXECUTION. IN THE EVENT SUCH JUDGMENT IS OBTAINED, THE POWERS OF A COURT MAY, WITHOUT NOTICE AND AN OPPORTUNITY TO BE HEARD, BE USED TO SATISFY THE SAME. IN ANY PROCEEDING TO REOPEN, STRIKE OR CONFIRM SUCH A JUDGMENT, THE BURDEN OF PROOF AND RELATED EXPENSE WILL BE UPON DEBTOR.

IN WITNESS WHEREOF, this SECURITY AGREEMENT has been executed and delivered as of the day and year first above written.

DEBTOR:

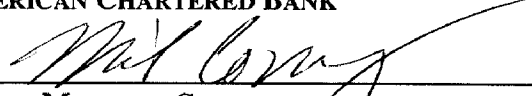
WESTERN PRINTING MACHINERY COMPANY, an
Illinois Corporation

BY: 
MICHAEL K. MUSGRAVE

ITS: PRESIDENT

SECURED PARTY:

AMERICAN CHARTERED BANK

BY: 
MICHAEL CONWAY

ITS: 1st VP
(TITLE)

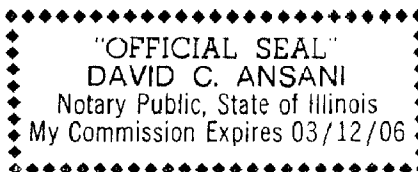
STATE OF ILLINOIS)
) SS.
COUNTY OF COOK)

I, David C. Ansani, a notary public in and for the County and State aforesaid, DO HEREBY CERTIFY that Michael K. Musgrave, who is personally known to me to be the President of WESTERN PRINTING MACHINERY COMPANY, appeared before me this day in person and severally acknowledged to me that they, being thereunto duly authorized, signed, sealed with the corporate seal the said SECURITY AGREEMENT, as his free and voluntary act and the free and voluntary act of the Corporation, pursuant to authority granted to him by the Board of Directors of the Corporation, for the uses and purposes therein set forth.

Given under my hand and notarial seal this 19 day of September, 2002.

David C. Ansani
Notary Public

My Commission expires: 3/12/06



STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

I, MICHAEL T. O'CONNOR, a notary public in and for the County and State aforesaid, DO HEREBY CERTIFY that Michael Conway, who is personally known to me to be the 1st VP of AMERICAN CHARTERED BANK, appeared before me this day in person and acknowledged to me that he, being thereunto duly authorized, signed, sealed with the corporate seal the said LOAN AGREEMENT, as his free and voluntary act and the free and voluntary act of the Company, pursuant to authority granted to him by the Company, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 19th day of September, 2002.

Michael T. O'Connor
Notary Public

My Commission expires: 5/4/04



EXHIBIT A
COLLATERAL

All assets of Debtor including, but not limited to, all of Debtors' respective right, title and interest in and to the following (the "Collateral"):

Accounts Receivable Collateral. All accounts, accounts receivable, contract rights, instruments, chattel paper and general intangibles in the nature of payment obligations owing to Debtor, including, without limitation, all rights of Debtor to payment for goods sold or leased, or to be sold or to be leased, or for services rendered or to be rendered, howsoever evidenced or incurred, together with all returned or repossessed goods and all books, records, computer tapes, programs and ledger books arising therefrom or relating thereto, all whether now owned or hereafter acquired and howsoever arising.

Balances Collateral. All property of Debtor left with Secured Party or in its possession, custody or control now or hereafter, all deposit accounts of Debtor now or hereafter opened with Lender, all certificates of deposit now or hereafter issued by Secured Party to Debtor, and all drafts, checks and other items deposited in or with Secured Party by Debtor for Collection now or hereafter.

Equipment Collateral. All equipment and fixtures of Debtor, whether now owned or hereafter acquired, wherever located, including, without limitation, all machinery, furniture, furnishings, leasehold improvements, computer hardware, motor vehicles, forklifts, rolling stock, dies and tools used or useful in Debtor's business operations.

Intangibles Collateral. All general intangibles of Debtor, whether now existing or hereafter acquired or arising, including, without limitation, all intellectual property, copyrights, licenses, royalties, tax refunds, rights to tax refunds, trademarks, trade names, service marks, patent and proprietary rights, blueprints, drawings, designs, trade secrets, plans, diagrams, schematics and assembly and display materials relating thereto, all customers lists, all books and records, all computer software and programs, and all rights of Debtor as purchaser, lessee, licensee or indemnitee under any contract.

Inventory Collateral. All inventory of Debtor, whether now owned or hereafter acquired, wherever located, including, without limitation, all goods of Debtor held for sale or lease or furnished to be furnished under contracts of service, all goods held for display or demonstration, goods on lease or consignment, spare parts, repair parts, returned and repossessed goods, all raw materials, work-in-process, finished goods, catalysts and supplies used or consumed in Debtor's business, together with all documents, documents of title, dock warrants, dock receipts, warehouse receipts, bills of lading or orders for the delivery of all, or any portion, of the foregoing.

Proceeds and Products. All proceeds and products of the foregoing.

EXHIBIT B
PATENTS AND TRADEMARKS