

12-16-2003



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

Form PT/TS 1594  
(Rev. 1-10-02)  
OMB No. 0651-0027 (exp. 6/30/2005)

102623688

Tab settings [arrows]

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

1. Name of conveying party(ies): 12.10.03  
Monarch Manufacturing Company

- Individual(s)
- General Partnership
- Corporation-State
- Other
- Association
- Limited Partnership

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

3. Nature of conveyance:

- Assignment
- Security Agreement
- Other
- Merger
- Change of Name

Execution Date: 12/03/2002

2. Name and address of receiving party(ies)  
Name: La Salle Bank National Association

Internal Address: Attention: Kim A. Butler, Vice President

Street Address: 135 S. LaSalle

City: Chicago State: IL Zip: 60603

- Individual(s) citizenship
- Association
- General Partnership
- Limited Partnership
- Corporation-State
- Other National Association Bank

If assignee is not domiciled in the United States, a domestic representative designation is attached:  Yes  No N/A  
(Designations must be a separate document from assignment)  
Additional name(s) & address(es) attached?  Yes  No

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

A. Trademark Application No.(s) \_\_\_\_\_

B. Trademark Registration No.(s) 2,333,686;  
2,302,700; 2,273,042

Additional number(s) attached  Yes  No

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

Name: La Salle Bank National Association

Internal Address: Attention: Kim A. Butler, Vice President

Street Address: 135 S. LaSalle

City: Chicago State: IL Zip: 60603

6. Total number of applications and registrations involved: 3

7. Total fee (37 CFR 3.41).....\$ 90.00

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number: \_\_\_\_\_

**DO NOT USE THIS SPACE**

9. Signature.

David S. Mulcahy

Name of Person Signing

Signature

February 7, 2003

Date

12/15/2003 ECDOPER 00000035 333686

Total number of pages including cover sheet, attachments, and document: 18

01 FC:8521  
02 FC:8522

40.00  
50.00

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

**TRADEMARK**  
**REEL: 002879 FRAME: 0630**

## SECURITY AGREEMENT

THIS SECURITY AGREEMENT is made as of this 3rd day of December, 2002, by Monarch Manufacturing Company, an Iowa corporation (the "Debtor"), in favor of La Salle Bank National Association ("Secured Party").

Section 1. Definitions. All terms which are used herein which are defined in the Uniform Commercial Code of the State of Iowa ("UCC") shall have the same meanings herein as such terms are defined in the UCC in effect from time to time, unless this Agreement shall otherwise specifically provide. All other capitalized terms used herein without definition shall have the meanings given such terms in the Secured Credit Agreement dated as of even date herewith by and among the Debtor, the other Borrowers party thereto, and the Secured Party (such agreement, as may be amended, restated or otherwise modified from time to time, hereinafter referred to as the "Secured Credit Agreement").

Section 2. Security Interest. As security for the payment and performance of all Obligations (as defined in Section 3 hereof), the Debtor hereby pledges, assigns, and grants to the Secured Party for the ratable benefit of the Secured Party a continuing lien and security interest in, and a right of set off against, all personal property of the Debtor, wherever located and whether now owned or existing or hereafter created, acquired or arising, including without limitation, the following (collectively, the "Collateral"):

(a) *Accounts*. All Accounts, whether now owned or existing or hereafter created, acquired or arising, and however evidenced or acquired, or in which the Debtor now has or hereafter acquires any rights (the term "*Accounts*" means and includes all accounts, accounts receivable, contract rights, instruments, notes, drafts, acceptances, documents, Chattel Paper, any right of the Debtor to payment for goods sold or leased or for services rendered, whether arising out of the sale of Inventory (as hereinafter defined) or otherwise and whether or not earned by performance, and all other forms of obligations owing to the Debtor, and all of the Debtor's rights to any merchandise or other goods (including without limitation any returned or repossessed goods and the right of stoppage in transit) which is represented by, arises from or is related to any of the foregoing), and all health-care-insurance receivables;

(b) *Chattel Paper*. All Chattel Paper, whether now owned or existing or hereafter created, acquired or arising, and however evidenced or acquired, or in which the Debtor now has or hereafter acquires any rights (the term "Chattel Paper" means and includes all tangible Chattel Paper and electronic Chattel Paper);

(c) *General Intangibles*. All General Intangibles, whether now owned or existing or hereafter created, acquired or arising, or in which the Debtor now has or hereafter acquires any rights, including, without limitation, rights (the term "*General Intangibles*" means and includes all patents, patent applications, patent licenses, trademarks, trademark registrations, trademark licenses, trade styles, trade names, copyrights, copyright registrations, copyright licenses and other licenses and similar intangibles, all customer, client and supplier lists (in whatever form maintained), all rights in and other agreements relating to real or personal property, all causes of

**TRADEMARK**

**REEL: 002879 FRAME: 0631**

action and tax refunds of every kind and nature, all privileges, franchises, immunities, licenses, permits and similar intangibles, all payment intangibles, all rights to receive payments in connection with the termination of any pension plan or employee stock ownership plan or trust established for the benefit of employees of the Debtor and all other personal property (including things in action) not otherwise covered by this Agreement;

(d) *Inventory.* All Inventory, whether now owned or existing or hereafter created, acquired or arising, or in which the Debtor now has or hereafter acquires any rights and all documents of title at any time evidencing or representing any part thereof (the term "*Inventory*" means and includes all inventory and other goods which are held for sale or lease or are to be furnished under contracts of service or consumed in the Debtor's business, all goods which are raw materials, work-in-process, finished goods, materials or supplies of every kind and nature, in each case used or usable in connection with the acquisition, manufacture, processing, supply, servicing, storing, packing, shipping, advertising, selling, leasing or furnishing of such goods, and any constituents or ingredients thereof, and all goods which are returned or repossessed goods);

(e) *Equipment.* All Equipment, whether now owned or existing or hereafter created, acquired or arising, or in which the Debtor now has or hereafter acquires any rights (the term "*Equipment*" means and includes all equipment and other machinery, tools, fixtures, trade fixtures, furniture, furnishings, office equipment, vehicles (including vehicles subject to a certificate of title law) and all other goods now or hereafter used or usable in connection with the Debtor's business, together with all parts, accessories and attachments relating to any of the foregoing);

(f) *Instruments.* All Instruments, whether now owned or existing, or hereafter created, acquired or arising, or in which the Debtor now has or hereafter acquires any rights, including promissory notes;

(g) *Investment Property.* All Investment Property, whether now owned or existing or hereafter created, acquired or arising, or in which the Debtor now has or hereafter acquires any rights (the term "*Investment Property*" means and includes all investment property and all other securities (whether certificated or uncertificated), security entitlements, securities accounts, commodity contracts, and commodity accounts, including all substitutions and additions thereto, all dividends, distributions and sums distributable or payable from, upon, or in respect of such property, and all rights and privileges incident to such property);

(h) *Deposits and Property in Possession.* All Deposit Accounts (whether general, specific, matured or unmatured and in whatever currency denominated) of the Debtor maintained with the Secured Party and all sums now or hereafter on deposit therein or payable thereon, and any and all other Deposit Accounts and property and interests in property which now is or may from time to time hereafter come into the possession, custody or control of the Secured Party, in any way and for any purpose (whether for safekeeping, custody, pledge, transmission, collection or otherwise);

(i) *Letter of Credit Rights.* All letter-of-credit rights, whether now owned or existing, or hereafter created, acquired or arising, or in which the Debtor has or hereafter acquires any rights;

(j) *Supporting Obligations.* All Supporting Obligations, including any letter-of-credit rights or secondary obligation, now owned or existing, or hereafter created, acquired or arising, or in which the Debtor now has or hereafter acquires any rights;

(k) *Records.* All supporting evidence and documents relating to any of the above-described property, including, without limitation, computer programs, disks, tapes and related electronic data processing media, and all rights of the Debtor to retrieve the same from third parties, written applications, credit information, account cards, payment records, correspondence, delivery and installation certificates, invoice copies, delivery receipts, notes and other evidences of indebtedness, insurance certificates and the like, together with all books of account, ledgers and cabinets in which the same are reflected or maintained, all whether now existing or hereafter arising;

(l) *Software.* All Software, whether now owned or existing, or hereafter created, acquired or arising, or in which the Debtor has or hereafter acquires any rights;

(m) *Accessions and Additions.* All accessions and additions to and substitutions and replacements of any and all of the foregoing, whether now existing or hereafter arising; and

(n) *Proceeds and Products.* All proceeds and products of the foregoing and all insurance of the foregoing and proceeds thereof, whether now existing or hereafter arising.

Section 3. Definition of Obligations. The following obligations, whether now existing or hereafter incurred (collectively, "Obligations"), are secured by this Agreement:

(a) All debt, obligations, liabilities and agreements of the Debtor, now or hereafter existing, created, or arising pursuant to or in connection with (i) the Secured Credit Agreement, (ii) this Agreement; (iii) the Letter of Credit and Reimbursement Agreement; (iv) all other Loan Documents; and (v) all amendments, modifications, renewals, extensions, increases, restatements, substitutions or rearrangements of any of the foregoing.

(b) The obligations of any of the Borrowers to reimburse the Secured Party for the amount of all drawings under all letters of credit which may be issued from time to time for the account of any of the Borrowers, including, but not limited to, the Letter of Credit and Reimbursement Agreement, and all other obligations of any of the Borrowers under the Letter of Credit and Reimbursement Agreement and any other letter of credit reimbursement agreement or application;

(c) All of the Debtor's other present and future debts, obligations, and liabilities to the Secured Party;

(d) Any and all liability of the Debtor arising under or in connection with or otherwise evidenced by agreements with the Secured Party or its Affiliates with respect to any Hedging Liability;

(e) All costs incurred by the Secured Party to obtain, preserve, perfect and enforce this Agreement, the Secured Credit Agreement, the other Loan Documents, and the pledge and security interest granted hereby, collect the Obligations, and maintain, preserve, collect and enforce the Collateral, including without limitation taxes, assessments, attorneys' fees and legal expenses, and expenses of sale;

(f) Any of the foregoing that arises after the filing of a petition by or against Debtor under the Bankruptcy Code, even if the obligations do not accrue because of the automatic stay under Bankruptcy Code § 362 or otherwise.

Section 4. Representations and Warranties. The Debtor represents and warrants as follows:

(a) The Debtor is duly organized under the laws of the State of Iowa. The exact legal name of the Debtor is set forth in the initial paragraph of this Agreement.

(b) All Equipment and Inventory now existing are, and all Equipment and Inventory hereafter existing shall be, located at the addresses shown on Exhibit A hereto, as amended from time to time. The Debtor's chief place of business and chief executive office, and the place where the Debtor keeps its records concerning Accounts and all originals of all related contracts are shown on Exhibit A hereto.

(c) The Debtor has absolute title to each item of Collateral in existence on the date hereof, will have, at the time the Debtor acquires any rights and Collateral hereafter arising, absolute title to such item of Collateral, and will defend the Collateral against all claims and demands of all persons other than the Secured Party. The Collateral is free and clear of Liens, except for the security interest created by this Agreement and Liens permitted by the Secured Credit Agreement. No financing statement, Lien filing, or other instrument similar in effect covering any of the Collateral is on file in any recording office, except (i) such as may have been filed in favor of the Secured Party relating to the Loan Documents, and (ii) such as may have been filed to perfect or protect any Lien permitted by the Secured Credit Agreement. No lessee, account debtor or other obligor whose debts or obligations are part of the Collateral has any right to setoffs, counterclaims, or adjustments, and no defenses exist in connection with any such debts and obligations.

(d) The exercise by the Secured Party of its rights hereunder shall not contravene any Law or any contractual restriction binding on or affecting the Debtor or any of its properties, and shall not result in or require the creation of any Lien upon or with respect to any of its properties.

(e) No authorization, approval or other action by, and no notice to or filing with, any Person (except those obtained on or before the date hereof or contemplated hereby) is required

either for the grant by the Debtor of the security interest created hereby in the Collateral or for the exercise by the Secured Party of its rights hereunder.

(f) This Agreement creates a valid security interest in the Collateral in favor of the Secured Party. The taking of possession by the Secured Party of all Instruments and cash constituting Collateral from time to time, the filing of financing statements and other Lien filings, and control of Deposit Accounts and Investment Property shall perfect the Secured Party's security interest hereunder in the Collateral, securing the obligations. Upon filing of the financing statements and Lien filings delivered upon the date hereof or delivery of the Collateral, such filings, delivery and all other action necessary or appropriate to perfect or otherwise protect such security interest in favor of the Secured Party have been duly completed.

(g) The Debtor has full power and authority to enter into this Agreement.

(h) The Debtor authorizes the Secured Party to file from time to time such Lien filings, financing or continuation statements or amendments thereto, as the Secured Party may determine to be necessary or desirable, to perfect and preserve the security interest created or purported to be created hereby. Upon request of the Secured Party, the Debtor will cause to be filed Lien filings, financing or continuation statements or amendments thereto, naming as debtor such lessee or lessees as may be designated by the Secured Party and assigning the Debtor's rights under such filing statements to the Secured Party.

(i) Each right to payment, each instrument, document, Chattel Paper and other agreement constituting or evidencing Collateral is (or will be when arising, issued or assigned to the Secured Party) the valid, genuine and legally enforceable obligation, subject to no defense, setoff or counterclaim (other than those arising in the ordinary course of business), of the account debtor or other obligor named therein or in the Debtor's records pertaining thereto as being obligated to pay such obligation. The Debtor will neither agree to any material modification or amendment nor agree to any forbearance, release or cancellation of any such obligation without the Secured Party's prior written consent and will not subordinate any such right to payment to claims of other creditors of such account debtor or other obligor, unless the Debtor in good faith believes any of the foregoing is appropriate action to take in order to maximize recovery from such account debtor or other obligor or on such obligation or such account debtor or other obligor has a legitimate basis for requesting any of the foregoing.

Section 5. Covenants as to the Collateral. So long as any of the Obligations, Revolving Credit Commitment, Hedging Liability or Loan Documents shall remain outstanding or in effect:

(a) The Debtor shall at its expense, at any time and from time to time, promptly execute and deliver all further instruments, documents, and agreements, and take all further action that may be necessary or appropriate, or that the Secured Party may request, (i) to evidence, perfect, and protect the security interests created or purported to be created hereby; (ii) to enable the Secured Party to exercise and enforce its rights hereunder or under the other Loan Documents in respect of the Collateral; or (iii) to otherwise effect the purposes of this Agreement, including, without limitation, (A) conspicuously stamp each lease and Chattel Paper with a legend or cause such legend to be affixed thereto reflecting the Secured Party's security

interest therein, indicating that such Chattel Paper, is subject to the security interest created hereby; (B) at any time the Secured Party so requests (whether the request is made before or after the occurrence of an Event of Default), to promptly deliver to the Secured Party each promissory note, instrument, Chattel Paper, or security constituting a part of the Collateral, duly endorsed and accompanied by executed instruments of transfer or assignments, all in form and substance satisfactory to the Secured Party; (C) to promptly execute, endorse, deliver and file such instruments, documents, Lien filings, financing or continuation statements, or amendments thereto, as may be necessary or desirable, or that the Secured Party may request, to secure, protect, perfect, preserve or enforce the security interest created or purported to be created hereby; and (D) to furnish to the Secured Party from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Secured Party may at any time request, all in form and detail satisfactory to the Secured Party.

(b) The Debtor shall maintain its properties in good condition, subject only to ordinary wear and tear. The Debtor shall cause the Equipment to be maintained and preserved in the same condition, repair, and working order as when acquired and substantially in accordance with any manufacturer's manual. The Debtor shall forthwith, or in the case of any loss or damage as quickly as practicable after the occurrence thereof, make or cause to be made all repairs, replacements, accessions, and other improvements to its properties that are necessary or appropriate, or that the Secured Party may request, to so maintain its properties. The Debtor shall promptly furnish to the Secured Party a statement respecting any loss or damage to any of its properties.

(c) The Debtor shall pay promptly when due all taxes imposed upon, and all claims (including claims for labor, materials, and supplies) against, the Collateral.

(d) The Debtor shall, at its own expense, maintain insurance with respect to the Collateral in accordance with the Secured Credit Agreement. Each insurance policy shall provide for all losses to be paid to the Secured Party and the Debtor as their respective interests may appear, and each policy for property damage shall provide for all losses to be paid directly to the Secured Party. Each such policy shall in addition (i) name the Debtor and the Secured Party as insured parties thereunder (without any representation or warranty by or obligation upon the Secured Party) as their interests may appear, (ii) contain an agreement by the insurer that any loss thereunder shall be payable to the Secured Party notwithstanding any action, inaction, breach, or representation or warranty by the Debtor, (iii) provide that there shall be no recourse against the Secured Party for payment of premiums or other amounts with respect thereto, and (iv) provide that at least 30 days' prior written notice of amendment, cancellation, or lapse thereof shall be given to the Secured Party by the insurer. The Debtor shall, if so requested by the Secured Party, deliver to the Secured Party original or duplicate policies of such insurance and, as often as the Secured Party may request, a report of a reputable insurance broker with respect to such insurance.

(e) The Debtor shall (i) keep its chief place of business and chief executive office, its records concerning Accounts, and all originals of all Chattel Paper at the locations shown therefor on Exhibit A hereto as amended from time to time, (ii) keep the Equipment and

Inventory at the locations shown therefor on Exhibit A hereto as amended from time to time, (iii) preserve its records concerning the Collateral, and permit representatives of the Secured Party to inspect and make abstracts therefrom, (iv) furnish the Secured Party with such information as they may request relating to the Collateral, and (v) upon request, deliver to the Secured Party shipping receipts and invoices evidencing the shipment, receipt, and payment for the Inventory. The Debtor shall notify the Secured Party immediately of any change in the Debtor's chief place of business or chief executive office, any matter represented or warranted by the Debtor herein, or any Event of Default. The Debtor shall preserve its corporate existence and shall not, in one transaction or a series of related transactions, merge into or consolidate with any other entity, or sell all or substantially all of its assets, or change the state of its incorporation. The Debtor shall not change its corporate name without providing Secured Party with 30 days' prior written notice.

(f) The Debtor shall, except as otherwise provided in this paragraph, continue to collect, at its own expense, all amounts due or to become due under the Accounts. In connection with such collections, the Debtor may (and, at the Secured Party's direction, shall) take such action as the Debtor or the Secured Party may deem necessary or appropriate to enforce collection or performance of the Accounts; provided, however, that the Secured Party shall have the right at any time, upon the occurrence and during the continuance of an Event of Default, to notify the account debtors or obligors under any Accounts of the assignment of such Accounts to the Secured Party, to direct such account debtors or obligors to make payment of all amounts due or to become due to the Debtor thereunder directly to the Secured Party, at the expense of the Debtor and to the extent permitted by law, to enforce collection and performance of any such Accounts, and to adjust, settle, or compromise the amount, payment, or performance thereof, in the same manner and to the same extent as the Debtor might have done. Upon exercise by the Secured Party of its rights referred to in the preceding sentence, (i) all amounts and proceeds (including Instruments) received by the Debtor in respect of the Accounts shall be received in trust for the benefit of the Secured Party hereunder, shall be segregated from other funds of the Debtor, and shall be forthwith paid over to the Secured Party in the same form as so received (with any necessary endorsement) to be held as cash collateral and, at the option of the Secured Party, applied as specified in Section 7(d) hereof, and (ii) the Debtor shall not adjust, settle, or compromise the amount, payment, or performance of any Accounts, release wholly or partly any account debtor or obligor thereof, or allow any credit or discount thereon.

(g) The Debtor shall not sell, assign (by operation of law or otherwise), exchange, or otherwise dispose of any Collateral, or create or suffer to exist any Lien upon any Collateral, except as permitted by the Secured Credit Agreement.

(h) Upon request by the Secured Party, the Debtor shall (i) inform the Secured Party immediately of the rejection of goods, delay in delivery or performance, or claims made, in regard to any Collateral; and (ii) keep returned goods segregated from the Debtor's other property, hold the goods as trustee for the Secured Party, and deliver the goods on demand to the Secured Party.

(i) The Debtor shall upon demand pay to the Secured Party the amount of any and all costs and expenses, including the disbursements and reasonable fees of counsel, experts, and



agents, which the Secured Party may incur in connection with (i) the administration of this Agreement and the other Loan Documents; (ii) the custody, preservation, use, operation, defense, enforcement, sale, or collection of, or other realization upon, any Collateral; (iii) the exercise or enforcement of any rights hereunder or under the other Loan Documents; or (iv) the failure by the Debtor to perform or observe any of the provisions hereof or thereof, whether the Collateral is or is not in the Secured Party's possession, without any obligation to do so and without waiving the Debtor's default for failure to make any such payment, the Secured Party at its option may pay any such costs and expenses, discharge Liens on the Collateral that are not permitted under the Secured Credit Agreement, and pay for insurance of the Collateral, and any such payment shall be part of the Obligations, and shall bear interest at a per annum rate equal to two percent (2%) over the sum of the Base Rate. The Debtor agrees to reimburse the Secured Party on demand for any costs so incurred.

(j) Intentionally omitted.

(k) If the Collateral is Chattel Paper, documents, instruments, or securities, the Secured Party may deliver a copy of this Agreement to the broker or seller thereof, or any Person in possession thereof, and such delivery shall constitute notice to such Person of the security interest created hereby, and shall constitute the Debtor's instruction to such Person to deliver to the Secured Party certificates or other evidence of the same as soon as available. The Debtor shall deliver all securities, other instruments, documents, and Chattel Paper which are part of the Collateral and in the Debtor's possession to the Secured Party immediately, or if hereafter acquired, immediately following acquisition, appropriately endorsed to the Secured Party's order, or with appropriate, executed powers. The Debtor waives presentment, demand, notice of dishonor, protest, and all other notices with respect thereto.

(l) The Debtor has perfected or shall perfect a security interest in goods covered by any Chattel Paper which is part of the Collateral in accordance with applicable law, other than goods having an original cost of \$10,000 or less.

(m) If any Collateral includes obligations of consumers to the Debtor, the transactions giving rise to the Collateral shall conform in all respects to all applicable consumer credit laws. The Debtor shall hold harmless and indemnify the Secured Party against any cost, loss, or expense, including attorneys' fees, arising from the Debtor's breach of this covenant.

(n) The Debtor waives notices of the creation, advance, increase, existence, extension, or renewal of, and of any indulgence with respect to, the Obligations; waives presentment, demand, notice of dishonor, and protest, waives notice of the amount of the obligations outstanding at any time, notice of any change in financial condition of any Person liable for the Obligations or any part thereof (including any guarantor or surety), notice of any Default or Event of Default, and all other notices respecting the Obligations; and agrees that maturity of the obligations and any part thereof may be accelerated, extended, or renewed one or more times by the Secured Party in its sole discretion, without notice to the Debtor. No renewal or extension of or any other indulgence with respect to the obligations or any part thereof, no release of any security, no release of any Person (including any maker, endorser, guarantor, or surety) liable on the obligations, no delay in enforcement of payment, and no delay, omission, or

lack of diligence or care in exercising any right with respect to the Obligations, any security therefor, or guaranty thereof shall in any manner impair or affect the rights of the Secured Party under any Law, in equity, hereunder, or under any other Loan Documents. The Secured Party need not file suit or assert a claim for personal judgment against any Person for any part of the obligations or seek to realize upon any other security for the Obligations, before foreclosing upon the Collateral for the purpose of paying the Obligations. The Debtor waives any right to the benefit of, or to require or control application of, any other security or proceeds thereof, and agrees that the Secured Party shall have no duty or obligation to the Debtor to apply to the Obligations any such other security or proceeds thereof.

(o) The Debtor hereby assigns to the Secured Party as additional security for the payment of the Obligations, any and all moneys (including but not limited to proceeds of insurance and refunds of unearned premiums) due or to become due under, and all other rights of the Debtor under or with respect to, any and all policies of insurance covering the Collateral, and the Debtor hereby directs the issuer of any such policy to pay any such moneys directly to the Secured Party. Both before and after the occurrence of an Event of Default, the Secured Party may (but need not) in its own name or in the Debtor's name, execute and deliver proofs of claim, receive all such moneys, endorse checks and other instruments representing payment of such moneys, and adjust, litigate, compromise or release any claim against the issuer of any such policy.

#### Section 6. Additional Provisions Concerning the Collateral.

(a) The Debtor hereby authorizes the Secured Party to file, one or more financing statements, Lien filings, notices of assignment, and continuations thereof and amendments thereto, describing the Collateral. The Debtor authorizes the Secured Party to file a financing statement describing any agricultural liens or other statutory liens held by Secured Party.

(b) Whenever any part of the Collateral is in the possession of a third party, the Debtor will join with the Secured Party in notifying the third party of the Secured Party's security interest and obtaining an acknowledgment from the third party that it is holding the Collateral for the benefit of Secured Party.

(c) At any time and from time to time, whether before or after an Event of Default, the Secured Party may verify any Accounts in the name of the Debtor or in its own name, and the Debtor, whenever requested, shall furnish the Secured Party with duplicate statements of accounts, which statements may be mailed or delivered by the Secured Party for that purpose.

(d) The Secured Party may, upon 30 days notice to the Debtor prior to the occurrence of an Event of Default and at any time after the occurrence and during the continuance of an Event of Default, establish a collateral account for the deposit of checks, drafts and cash payments made by the Debtor's account debtors. If a collateral account is so established, the Debtor shall promptly deliver to the Secured Party, for deposit into said collateral account, all payments on accounts and Chattel Paper received by it. All such payments shall be delivered to the Secured Party in the form received (except for the Debtor's endorsement where necessary). Until so deposited, all payments on Accounts and Chattel Paper received by the Debtor shall be

held in trust by the Debtor for and as the property of the Secured Party and shall not be commingled with any funds or property of the Debtor. All deposits in said collateral account shall constitute proceeds of Collateral and shall not constitute payment of any Obligation. At all times prior to the occurrence of a Default or Event of Default, the Secured Party shall permit the Debtor to withdraw all or any part of the balance on deposit in said collateral account. Following the occurrence and during the continuance of a Default or Event of Default, the Secured Party may, at its option at any time, apply finally collected funds on deposit in said collateral account to the payment of the Obligations in such order of application as the Secured Party may determine, or permit the Debtor to withdraw all or any part of the balance on deposit in said collateral account.

(e) The Debtor will take any action requested by Secured Party necessary for the Secured Party to obtain control of Collateral consisting of:

- (i) Deposit Accounts, and
- (ii) Investment Property;
- (iii) Letter-of-Credit rights; and
- (iv) Electronic Chattel Paper.

(f) The Debtor will promptly notify the Secured Party of any existing or hereafter arising Commercial Tort Claims and will take such steps as the Secured Party may request in order to create and perfect the Secured Party's security interest in any Commercial Tort Claims.

(g) The Debtor will obtain consents from any Letter of Credit issuers with respect to any collateral consisting of Letter-of-Credit rights.

(h) The Secured Party may, upon 30 days notice to the Debtor prior to the occurrence of an Event of Default and at any time after the occurrence and during the continuance of an Event of Default, require the Debtor to direct each of its account debtors or other obligors to make payments due under the relevant account or Chattel Paper directly to a special lockbox to be under the control of the Secured Party. The Debtor hereby authorizes and directs the Secured Party to deposit all checks, drafts and cash payments received in said lockbox into the collateral account established as set forth above. The funds in said account shall secure the Obligations. The Secured Party is authorized and is hereby appointed attorney-in-fact to make any endorsement in the Debtor's name and behalf. Pending such deposit, the Debtor shall not commingle any such payments with any of the Debtor's other funds or property, but shall hold them separate and upon an express trust for the Secured Party. The Secured Party may from time to time apply the whole or any part of the funds in the special account against the Obligations.

(i) The Secured Party may, at any time after the occurrence and during the continuance of an Event of Default, notify any account debtor or any other person obligated to pay any amount due, that such Chattel Paper, Account, or other right to payment has been assigned or transferred to the Secured Party for security and shall be paid directly to the Secured Party. If the Secured Party so requests at any time, the Debtor will so notify such account debtors

and other obligors in writing and will indicate on all invoices to such account debtors or other obligors that the amount due is payable directly to the Secured Party. At any time after the Secured Party or the Debtor gives such notice to an account debtor or other obligor, the Secured Party may (but need not), in its own name or in the Debtor's name, demand, sue for, collect or receive any money or property at any time payable or receivable on account of, or securing, any such Chattel Paper, Account or other right to payment, or grant any extension to, make any compromise or settlement with or otherwise agree to waive, modify, amend or change the obligations (including collateral obligations) of any such account debtor or other obligor. Any moneys, instruments or other amount received by the Debtor from account debtors or other obligors so notified shall be received and held by the Debtor in trust for the Secured Party and shall be delivered to the Secured Party immediately upon receipt thereof by the Debtor in the same form as received except for the Debtor's endorsement when necessary. No payment shall constitute payment of any Obligation until the Secured Party receives good funds therefor. In the event the Debtor fails to endorse any instrument given in payment of any other amount, the Secured Party is hereby irrevocably authorized to endorse the same on the Debtor's behalf.

(j) The Debtor hereby irrevocably appoints the Secured Party as the Debtor's attorney-in-fact and proxy, with full authority in the place and stead of the Debtor and in the name of the Debtor or otherwise, from time to time in the Secured Party's discretion, to take any action and to execute any instrument that the Secured Party may deem necessary or appropriate to accomplish the purposes of this Agreement, including, without limitation, upon an Event of Default, (i) to ask, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due in respect of any Collateral; (ii) to receive, endorse, and collect any drafts or other instruments, documents, and Chattel Paper in connection with clause (i) above; and (iii) to file any claims, take any action, or institute any proceedings that the Secured Party may deem necessary or appropriate for the collection of any of the Collateral or otherwise to enforce any rights with respect to any Collateral.

(k) The rights conferred hereunder are solely to protect the interest of the Secured Party in the Collateral, and shall not impose any duty upon the Secured Party to exercise any such rights. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Secured Party shall have no duty as to any Collateral, or as to the taking of any necessary steps to preserve rights against others or otherwise pertaining to any Collateral.

(l) The Secured Party may present for conversion any instrument or security in the Collateral which is convertible into any other instrument, security, and/or cash. The Secured Party shall have no duty, however, to present for conversion any instrument or security in the Collateral unless it shall have received from the Debtor detailed written instructions to that effect at a time reasonably far in advance of the final conversion date to enable the Secured Party to effect such conversion in the ordinary course of business.

(m) Anything herein to the contrary notwithstanding, (i) the Debtor shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein to perform all of its obligations thereunder to the same extent as if this Agreement had not been executed; (ii) the exercise of any rights hereunder shall not release the Debtor from any of its

obligations under the contracts and agreements included in the Collateral; and (iii) the Secured Party shall not have any obligation or liability by reason of this Agreement under the contracts and agreements included in the Collateral, nor shall Secured Party be obligated to perform any of the obligations or duties of the Debtor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

Section 7. Remedies Upon Default.

(a) If an Event of Default shall occur and be continuing, the Secured Party may do any one or more of the following:

(i) The Secured Party may pursue any remedy available at law (including those available under the provisions of the UCC), or in equity to collect, enforce or satisfy any Obligations then owing, whether by acceleration or otherwise.

(ii) The Secured Party shall have the right to pursue any of the following remedies separately, successively or simultaneously:

(A) File suit and obtain judgment and, in conjunction with any action, the Secured Party may seek any ancillary remedies provided by law, including levy of attachment and garnishment.

(B) Take possession of any Collateral if not already in its possession without demand and without legal process. Upon the Secured Party's demand, the Debtor will assemble and make the Collateral available to the Secured Party as it directs. The Debtor grants to the Secured Party the right, for this purpose, to enter into or on any premises where Collateral may be located.

(C) Without taking possession, sell, lease or otherwise dispose of the Collateral at public or private sale in accordance with the UCC.

(iii) The Secured Party, without liability to the Debtor, may obtain from any Person information regarding the Debtor or the Debtor's business, which such Person may furnish without liability to the Debtor; require the Debtor to give possession or control of any Collateral to the Secured Party; endorse as the Debtor's Secured Party any instruments, documents, or Chattel Paper in the Collateral or representing proceeds of the Collateral; contact account debtors directly to verify information furnished by the Debtor; take control of proceeds, including stock received as dividends or by reason of stock splits; release the Collateral in its possession to the Debtor, temporarily or otherwise; take control of funds generated by the Collateral, such as accounts receivable, cash dividends, interest proceeds, or refunds from insurance, and use the same to reduce any part of the obligations, and exercise all other rights which an owner of such Collateral may exercise; at any time transfer any Collateral into its own name or that of its nominee; and demand, collect, convert, redeem, receipt for, settle, compromise, adjust, sue for, foreclose, realize upon, or release any Collateral, in its own name or in the name of the Debtor, as the Secured Party may determine in its sole discretion. The Secured Party shall not be liable for failure to collect any Collateral or proceeds thereof, or for

any act or omission on the part of the Secured Party, its officers, agents, or employees, except for its gross negligence or willful misconduct. The foregoing rights of the Secured Party shall be in addition to, and not a limitation upon, any rights of the Secured Party given by law, in equity, elsewhere in the Loan Documents, or otherwise. If the Debtor fails to maintain any required insurance, to the extent permitted by applicable law the Secured Party may (but is not obligated to) purchase insurance coverage for the Collateral which insurance may at the Secured Party's option (i) protect only the Secured Party and not provide any remuneration or protection for the Debtor directly, and (ii) provide coverage only after the Obligations have been declared due as herein provided.

(iv) The Secured Party may exercise in respect of the Collateral, in addition to other rights provided herein or otherwise available to it, all the rights of a Secured Party under the UCC (whether or not the UCC applies to the affected Collateral) and also may (i) require the Debtor to, and the Debtor hereby agrees that it shall at its expense and upon request of the Secured Party forthwith, assemble all or part of the Collateral as directed by the Secured Party and make it available to the Secured Party at a place to be designated by the Secured Party which is reasonably convenient to both parties; and (ii) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of the Secured Party's offices or elsewhere, for cash, on credit, or for future delivery, and at such price and upon such terms as the Secured Party may deem commercially reasonable. The Debtor agrees that, to the extent notice of sale shall be required by law, at least ten days notice to the Debtor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Secured Party 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.

(b) The Secured Party is hereby granted a non-exclusive, world-wide and royalty free license to use or otherwise exploit all trademarks, trade secrets, franchises, copyrights and patents of the Debtor that the Secured Party deems necessary or appropriate to the disposition of any Collateral.

(c) Any cash held by the Secured Party as Collateral and all cash proceeds received by the Secured Party in respect of any sale of, collection from, or other realization upon, any Collateral shall be applied as follows:

(i) First, to the payment of costs, expenses (including attorneys' fees and legal expenses), and liabilities incurred, and advances made, by the Secured Party, and of all taxes, assessments, or Liens superior to the Lien created by this Agreement;

(ii) Second, to the payment of the Obligations, in such order and amounts as set forth in the Secured Credit Agreement;

(iii) Third, to the payment of any other amounts required by applicable law; and

(iv) Fourth, to the payment of any excess to the Debtor, and its permitted successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

(d) In the event that the proceeds of any such sale, collection, or realization are insufficient to pay all amounts to which the Secured Party or the Secured Party are legally entitled, the Debtor shall be liable for the deficiency, together with interest thereon at a per annum rate equal to two per cent (2%) over the Base Rate or such other rate as shall be fixed by applicable law, and together with the costs of collection and the fees of any attorneys employed to collect such deficiency.

(e) If, in the opinion of the Secured Party, there is any question that a public sale or distribution of any Collateral shall violate any state or federal securities law, the Secured Party (i) may offer and sell securities privately to purchasers who shall agree to take them for investment purposes and not with a view to distribution and who shall agree to imposition of restrictive legends on the certificates representing the security, or (ii) may sell such securities in an intrastate offering under Section 3(a)(11) of the Securities Act of 1933, as amended, and no sale so made in good faith by the Secured Party shall be deemed to be not "commercially reasonable" because so made.

(f) The Secured Party has no obligation to clean-up or otherwise prepare the Collateral for sale.

(g) The Secured Party has no obligation to attempt to satisfy the Obligations by collecting them from any other person liable for them and the Secured Party may release, modify or waive any collateral provided by any other person to secure any of the Obligations, all without affecting the Secured Party's rights against the Debtor. The Debtor waives any right it may have to require the Secured Party to pursue any third person for any of the Obligations.

(h) The Secured Party may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral.

(i) The Secured Party may sell the Collateral without giving any warranties as to the Collateral. The Secured Party may specifically disclaim any warranties of title or the like. This procedure will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral.

(j) If the Secured Party sells any of the Collateral upon credit, the Debtor will be credited only with payments actually made by the purchaser, received by the Secured Party and applied to the indebtedness of the purchaser. In the event the purchaser fails to pay for the Collateral, the Secured Party may resell the Collateral and the Debtor shall be credited with the proceeds of the sale.

(k) In the event the Secured Party purchases any of the Collateral being sold, the Secured Party may pay for the Collateral by crediting some or all of the Obligations of the Debtor.

(l) The Secured Party has no obligation to marshal any assets in favor of the Debtor, or against or in payment of any of the Obligations, or any other obligation owed to Secured Party by the Debtor or any other Person.

Section 8. Security Interest Absolute. All rights of the Secured Party, all security interests, and all obligations of the Debtor hereunder shall be absolute and unconditional irrespective of (a) any lack of validity or enforceability of the Secured Credit Agreement or any other Loan Documents; (b) any change in the time, manner, or place of payment of, or in any other term in respect of, any Obligations, or any other amendment, modification, waiver, consent, release, or other action with respect to the Loan Documents; (c) any increase in, addition to, exchange or release of, or non-perfection of any Lien on any other collateral, or any release or amendment, modification, waiver, consent, release, or other action with respect to any guaranty, for any Obligations; (d) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the Debtor in respect of the Obligations; or (e) the absence of any action on the part of the Secured Party to obtain payment or performance of the Obligations from the Debtor.

Section 9. Notices, Etc. All notices and other communications provided for hereunder shall be given in accordance with the Secured Credit Agreement.

Section 10. Continuing Agreement. This Agreement shall be a continuing Agreement in every respect and shall remain in full force and effect until all of the Obligations have been fully paid and satisfied, the commitments of the Secured Party to extend credit to or for the account of the Debtor under the Secured Credit Agreement, the Letter of Credit and Reimbursement Agreement and all other Loan Documents have expired or otherwise terminated. Upon such termination of this Agreement, the Secured Party shall, upon the request and at the expense of the Debtor, forthwith release its security interest hereunder

Section 11. Miscellaneous.

(a) No amendment or waiver of any provision of this Agreement shall be effective unless made in accordance with the Secured Credit Agreement.

(b) All rights of the Secured Party hereunder are cumulative of and in addition to all other rights granted at Law, in equity, under the Loan Documents, or otherwise. No delay or omission by the Secured Party in exercising any right hereunder shall impair such right or be construed as a waiver thereof or an acquiescence therein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof, or the exercise of any other right hereunder or otherwise. The rights of the Secured Party under any Loan Documents against any party thereto are not conditional or contingent upon any attempt by the Secured Party to exercise any rights under any other Loan Documents against such party or against any other Person.

(c) If any provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws during the term hereof, such provision shall be fully severable, this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never constituted a part thereof, and the remaining provisions thereof shall remain in full



(d) force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance therefrom. Furthermore, in lieu of such illegal, invalid, or unenforceable provision there shall be added automatically as part of this Agreement a legal, valid, and enforceable provision as similar in terms to the illegal, invalid, or unenforceable provision as may be possible.

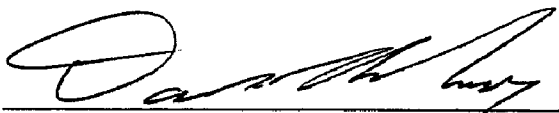
(e) This Agreement shall inure to the benefit of the Secured Party and its respective successors, transferees, and assigns. The Secured Party may assign or otherwise transfer its rights under any Loan Documents to any other Person, and such other Person shall thereupon become vested with all benefits thereof. None of the rights or obligations of the Debtor hereunder may be assigned or otherwise transferred.

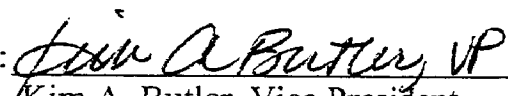
This Agreement shall be governed by and construed in accordance with the laws of the State of Iowa without giving effect to conflict of laws.

IN WITNESS WHEREOF, this Agreement is executed as of the date first set forth above.

MONARCH MANUFACTURING  
COMPANY

LASALLE BANK NATIONAL  
ASSOCIATION

By:   
David S. Mulcahy, Chairman

By:   
Kim A. Butler, Vice President

**EXHIBIT A**

Location of Inventory and Equipment

Monarch Manufacturing Company  
2890 R. Avenue  
Adel, Iowa 50003

**Mailing Address:**

Monarch Manufacturing Company  
P.O. Box 250  
Waukee, Iowa 50263

Monarch Manufacturing Company  
1850 Wet Adriatic Place  
Englewood, CO 80010

Chief Executive Office and Principal Place of Business

Chief Executive Office:

Monarch Manufacturing Company  
2890 R. Avenue  
Adel, Iowa 50003

Mailing Address:

Monarch Manufacturing Company  
P.O. Box 250  
Waukee, Iowa 50263