

TRADEMARK ASSIGNMENT

Electronic Version v1.1

Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT		
NATURE OF CONVEYANCE:	SECURITY INTEREST		
EFFECTIVE DATE:	09/12/2005		
CONVEYING PARTY DATA			
Name	Formerly	Execution Date	Entity Type
The Penrod Company		09/12/2005	CORPORATION: VIRGINIA
RECEIVING PARTY DATA			
Name:	SunTrust Bank		
Street Address:	150 W. Main Street		
Internal Address:	12th Floor		
City:	Norfolk		
State/Country:	VIRGINIA		
Postal Code:	23510		
Entity Type:	Banking Corporation: GEORGIA		
PROPERTY NUMBERS Total: 6			
Property Type	Number	Word Mark	
Serial Number:	78606759	PJC PENROD	
Serial Number:	78606769	PJC PENROD	
Registration Number:	1886909	PJC	
Registration Number:	1887174	PJC	
Registration Number:	2414793	BALL BEARING LITE	
Registration Number:	2919040	XO	
CORRESPONDENCE DATA			
Fax Number:	(757)249-5109		
<i>Correspondence will be sent via US Mail when the fax attempt is unsuccessful.</i>			
Phone:	7572495100		
Email:	kchasteen@williamsmullen.com		
Correspondent Name:	Kimberly A. Chasteen		

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REEL: 003160 FRAME: 0497

Address Line 1: 721 Lakefront Commons
Address Line 2: Suite 200
Address Line 4: Newport News, VIRGINIA 23606

NAME OF SUBMITTER: Kimberly A. Chasteen

Signature: /Kimberly A. Chasteen/

Date: 09/16/2005

Total Attachments: 19

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SECURITY AGREEMENT

THIS SECURITY AGREEMENT, is dated as of September 12, 2005, by and between **THE PENROD COMPANY**, a Virginia corporation (the "**Borrower**"), 2809 S. Lynnhaven Road, Suite 350, Virginia Beach, Virginia 23452 and **SUNTRUST BANK**, a Georgia banking corporation ("**SunTrust**"), as Collateral Agent for the Lenders described below (the "**Collateral Agent**"), 150 W. Main Street, 12th Floor, Norfolk, Virginia 23510, Attention: Commercial Division.

Recitals

A. The Borrower has entered into a Revolving Credit Agreement dated September 8, 2005 (as modified, renewed, supplemented, extended or replaced, the "**Credit Agreement**") with SunTrust Bank (as a Lender, Administrative Agent and Collateral Agent) and other Lenders (as defined in the Credit Agreement and currently consisting of SUNTRUST BANK, COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A. "RABOBANK NEDERLAND", NEW YORK BRANCH, AND LASALLE BANK NATIONAL ASSOCIATION) under which the Lenders have agreed to provide a revolving line of credit and other financial accommodations more particularly described in the Credit Agreement in an aggregate principal amount of up to Eighty Million Dollars (\$80,000,000.00).

B. Under Article IV of the Credit Agreement, SunTrust and the Lenders have agreed that SunTrust shall act as Collateral Agent for the ratable benefit of each Lender, and as such shall be granted the security interests by the Borrower under this Agreement.

C. All capitalized terms used in this Agreement shall have the meanings given in the Credit Agreement unless otherwise indicated in this Agreement or the context reasonably requires another meaning. The term "Lenders" as used in this Security Agreement shall include the Lenders in their various capacities under the Credit Agreement, including, without limitation, Administrative Agent, Collateral Agent, Fronting Lender and Issuing Lender.

In order to induce the Lenders from time to time to extend or continue to extend credit to the Borrower as set forth in the Credit Agreement and in consideration of any credit so extended, the Borrower agrees as follows:

1. Grant of Security Interest, Obligations Secured. The Borrower hereby grants, sells, assigns, transfers and conveys to the Collateral Agent, for the ratable benefit of the Lenders, a security interest in the Collateral and all proceeds, products, rents and profits thereof and all substitutions and replacements therefor and all revenues from the right to use the Collateral to secure the prompt payment and performance (whether at stated maturity, by acceleration, notice of prepayment or otherwise) of (a) all principal of, accrued but unpaid interest on and all other obligations owed under, all loans made and other financial accommodations provided by the Creditor to the Borrower under the Credit Agreement, and the other documents and instruments executed and delivered in connection with the Credit Agreement or under any extensions, renewals, supplements, amendments or substitutions of or for the Credit Agreement and such other documents and instruments (collectively, including the Credit Agreement and this Security Agreement, the "**Loan Documents**"); (b) all other indebtedness and obligations now or later owing by the Borrower to the Lenders under any of the Loan Documents; (c) the liabilities, obligations, agreements and undertakings of the Borrower to the Lenders under any interest rate hedge agreement or other derivative transaction executed with respect to the loans or other financial accommodations provided under the Credit

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Agreement or under any application or other agreement requesting any Lender to issue any letter of credit under the Credit Agreement, including the obligation of the Borrower to reimburse the Lenders for all amounts funded under any such letter of credit; (d) all overdrafts on deposits or accounts maintained by the Borrower with the Lenders with respect to which SunTrust is providing cash management services tying such deposits or accounts to the loans advanced under the Credit Agreement; and (e) all attorneys' fees, costs and expenses of collection incurred by the Lenders in enforcing the Obligations (as defined below) and this Security Agreement, whether such collection occurs prior to, during or after any bankruptcy proceedings filed by or against the Borrower (the obligations and items set forth in (a) through (e) being collectively referred to as the "Obligations").

2. **Collateral.** As used in this Security Agreement, the term "Collateral" shall mean all personal property assets of the Borrower, whether now owned or existing or hereafter acquired or arising, and wherever located, and all proceeds and products thereof, including, without limitation:

(a) All of the Borrower's accounts, credit card receivables, rights to the payment of money, insurance refund claims and all other insurance claims and proceeds, tax refund claims, license fees, rents, contract rights, instruments, certificates of deposit, documents, tangible chattel paper, electronic chattel paper, promissory notes, drafts, acceptances and other forms of obligations and receivables, whether or not earned by performance, and which are now owned or hereafter acquired by the Borrower or in which the Borrower now has or hereafter acquires any right, title or interest (collectively, "Accounts"), together with all proceeds of the Accounts; and

(b) All of the Borrower's inventory, raw materials, supplies and other tangible personal property which are now owned or hereafter acquired by the Borrower or in which the Borrower now has or hereafter acquires any right, title or interest, and held for sale or lease or to be furnished under contracts or used or consumed in the Borrower's business (collectively, "Inventory"), together with all contractual rights of the Borrower pertaining to Inventory and all proceeds of the Inventory; and

(c) All of the Borrower's tangible personal property, goods, manuals, books, records, data files, storage media, furniture, apparatus, furnishings, fittings, fixtures, machinery, motor vehicles, appliances, computer hardware and operating systems, and equipment, wherever located or however used, which are now owned or hereafter acquired by the Borrower or in which the Borrower now has or hereafter acquires any right, title or interest (collectively, "Equipment"), together with all proceeds of the Equipment; and

(d) All general intangibles of the Borrower's which are now owned or hereafter acquired by the Borrower or in which the Borrower now has or hereafter acquires any right, title or interest, including, without limitation, all payment intangibles, choses in action, things in action, suits, actions, causes of actions, commercial tort claims and claims of every kind and nature, whether at law or in equity and all condemnation awards, insurance proceeds, customer lists, trade secrets, servicing rights, computer software and technology (including, but not limited to, all embedded software, all source and object codes and all updates of any software technology), patents and patent rights (whether or not registered), patent applications, all trade secrets relating to the inventions

protected by all patents disclosed to the United States Patent and Trademark Office or otherwise known by the inventors during the examination of such patents, all information and other materials necessary to fully exploit any technology, licenses, certificated and uncertificated securities, investment property, rights to proceeds of letters of credit, letter-of-credit rights, supporting obligations of every nature, trademarks and trademark applications (whether or not registered), including, without limitation, the trademarks and trademark applications described in the attached **Addendum A**, trade names, domain name registrations and web site designs, copyrights and copyright applications (whether or not registered), logos, engineering drawings, goodwill, all claims for income tax refunds and other payments from any local, state or federal governmental authority or agency, all licenses, permits and agreements of any kind or nature pursuant to which (i) Borrower operates or has authority to operate, (ii) Borrower possesses, uses or has authority to possess or use property (whether tangible or intangible) of others or (iii) others possess, use or have authority to possess or use property (whether tangible or intangible) of Borrower, and all recorded data of any kind or nature, regardless of the medium of recording, including, without limitation, all software, writings, plans, specifications, schematics and documents (collectively, "**General Intangibles**"), together with all proceeds of the General Intangibles; and

(e) All demand, time, savings, passbook or other deposit accounts of the Borrower with all banks, credit unions, savings and loan associations and other financial institutions which are now owned or hereafter acquired by the Borrower or in which the Borrower now has or hereafter acquires any right, title or interest (collectively, "**Deposit Accounts**") and all of the Borrower's money, together with all proceeds of the Deposit Accounts; and

(f) All awards and other payments in respect of any taking and all insurance proceeds in respect of any of the foregoing, together with all amounts received by the Bank, or expended by the Bank pursuant to this Security Agreement and all monies and claims for money due and to become due to Borrower under all its accounts, contract rights, leases and general intangibles, all investment property and financial assets, all as such terms are defined in the Uniform Commercial Code in effect in Virginia.

3. **Representations and Warranties.** The Borrower represents and warrants to the Collateral Agent as follows:

(a) This Security Agreement has been duly executed and delivered by the Borrower, constitutes the Borrower's valid and legally binding obligation and is enforceable in accordance with its terms against the Borrower. The Borrower represents and warrants to the Collateral Agent that it has rights in all of the Collateral and/or has the power to transfer rights in all of the Collateral. The execution, delivery and performance of this Security Agreement, the grant of the security interest in the Collateral and the consummation of the transactions contemplated will not, with or without the giving of notice or the lapse of time, or both, (a) violate any material law applicable to the Borrower, (b) violate any judgment, writ, injunction or order of any court or governmental body or officer applicable to the Borrower, (c) violate or result in the breach of any material agreement to which the Borrower is a party or by which any of the Borrower's property, including the Collateral, is bound or (d) violate any restriction on the transfer of any of the Collateral. The Borrower is the absolute owner of the Collateral

and there are no liens or security interests affecting the Collateral other than the security interest granted in this Security Agreement and any applicable Permitted Liens described in the Credit Agreement.

(b) The Borrower is a corporation duly organized and existing under the laws of the Commonwealth of Virginia; and the Borrower's Organizational Identification Number is 0296188-6. The Borrower is duly qualified and in good standing as a foreign corporation in every jurisdiction where such qualification is necessary; the execution and performance of this Security Agreement have been duly authorized by action of its Board of Directors, no action of its shareholders being necessary; the execution and performance of this Security Agreement will not violate or contravene any provisions of law or regulation or its Articles of Incorporation, Shareholder Agreement, By-Laws or other agreements to which it is a party or by which it is bound; and no consent or approval of any governmental agency or authority is required in making or performing the obligations under this Security Agreement.

(c) Primary Collateral Locations are as set forth in the attached Addendum B (collectively, the "Primary Collateral Locations").

(d) The Borrower maintains its books and records at 2809 S. Lynnhaven Road, Suite 350, Virginia Beach, Virginia 23452.

(e) All information supplied and statements made to the Collateral Agent in any financial statement are true, correct, complete, valid and genuine in all material respects.

(f) No part of the Collateral has been, and never will be so long as this Security Agreement remains a lien on the Collateral, used in a manner that violates applicable environmental laws, for the generation, collection, manufacture, storage, treatment, disposal, release or threatened release of any hazardous substance, as those terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C., Section 9601, *et seq.* ("CERCLA"), Superfund Amendments and Reauthorization Act ("SARA"), applicable state laws, or regulations adopted pursuant to either of the foregoing. The Borrower agrees to comply with any federal, state or local law, statute, ordinance or regulation, court or administrative order or decree or private agreement regarding materials which require special handling in collection, storage, treatment or disposal because of their impact on the environment ("Environmental Requirements"). The Borrower agrees to indemnify and hold the Lenders harmless against any and all claims, losses and expenses resulting from a breach of this provision of this Security Agreement and the Borrower will pay or reimburse the Collateral Agent for all costs and expense for expert opinions or investigations required or requested by the Collateral Agent which, in the Collateral Agent's sole discretion, but acting reasonably, are necessary to ensure compliance with this provision of this Security Agreement. The obligation to indemnify shall survive the payment of the Obligations and the satisfaction of this Security Agreement.

(g) All Collateral has been produced in compliance with the Fair Labor Standards Act or other applicable wage and employee law, rule, regulation or order, and that no existing or future liability shall occur as a result thereof. The Borrower may contest, in good faith, the applicability of any such law, rule, regulation or order,

including prosecuting any appeals, so long as the Lender's interest in the Collateral, in the opinion of the Collateral Agent, acting reasonably, is not jeopardized as a result.

(h) The Borrower owns no patents or copyrights, has no patent or copyright applications pending, and all trademarks owned and pending trademark applications filed by the Borrower are described in the attached Addendum A.

4. **Covenants.** The Borrower covenants and agrees as follows:

(a) The Borrower shall maintain all of the Collateral in good condition and repair, ordinary wear and tear excepted. The Borrower will notify the Collateral Agent of any changes in or additions and deletions to the Primary Collateral Locations. The Collateral Agent shall have the right to inspect the Collateral at any reasonable time after reasonable notice, and shall have the right to obtain such appraisals, reappraisals, appraisal updates or environmental inspections if the Collateral Agent, has a reasonable belief of the violation of any environmental laws, or covenants contained in the Loan Document pertaining to environmental matters. The Borrower will not use or permit any person or entity to use the Collateral (i) in any manner inconsistent with the provisions of this Security Agreement; or (ii) in violation of any policy of insurance issued with respect to the Collateral; or (iii) in violation of any local, state or federal law or regulation, including but not limited to any such law or regulation pertaining to the protection of the environment or the protection of the health or safety of persons or animals, and any such law or regulation pertaining to the control of drugs, narcotics or other controlled substances. If the Collateral has been used or is hereafter used in violation of the covenants and agreements contained herein, the Borrower shall indemnify the Lenders harmless against all claims, actions, causes of action, costs, expenses, fees and penalties in connection with such use. All such obligations and liabilities of the Borrower shall be included in the Obligations secured by the Collateral and shall survive payment of the Obligations and termination of this Security Agreement. Without the express prior written consent of the Collateral Agent, the Borrower shall not cause or permit all or any part of the Collateral to be affixed to real property so as to become a fixture as that term is defined or interpreted in the state in which the Collateral is at any time located unless the Collateral Agent has a perfected security interest therein subject only to Permitted Liens.

(b) Other than any applicable Permitted Liens described in the Credit Agreement, the Borrower will not pledge or grant any security interest in any of the Collateral to any person or entity except the Collateral Agent, or permit any lien or encumbrance to attach to any of the Collateral, or any levy to be made on the Collateral, or any financing statement (except financing statements filed in favor of the Collateral Agent for the ratable benefit of the Lenders or filed with respect to any applicable Permitted Liens described in the Credit Agreement) to be on file against the Collateral.

(c) The Borrower agrees to pay on demand all legal expenses and reasonable attorneys' fees, as permitted by applicable law, any appraisal fees and all expenses incurred or paid by the Collateral Agent in protecting and enforcing the rights of the Collateral Agent under this Security Agreement, including the Collateral Agent's right to take possession of the Collateral and its proceeds, and to hold, prepare for sale, sell and dispose of the Collateral.

(d) The Borrower will defend the Collateral against the claims and demands of all parties other than those claiming under a Permitted Lien.

(e) The Borrower will notify the Collateral Agent of any patent, trademark and copyright applications filed in the future by or for the Borrower and of any patent, trademark or copyrights issued to the Borrower or in the Borrower's name in the future, and will cooperate fully with the Collateral Agent in the registration of the Lender's security interest in such patent(s), trademark(s) and copyright(s) and any applications for same.

(f) In the event of a change in or additions or deletions to the Primary Collateral Locations, and otherwise on request of the Collateral Agent with respect to any new location used to store Inventory, the Borrower will make commercially reasonable efforts to obtain from the party in possession of the Inventory, or if the Borrower is in possession of such Inventory, from the party with whom the Borrower contracted for use of the location, a Waiver and Subordination in the form of the attached Addendum C, or if such party will not execute the Waiver and Subordination, a document reasonably acceptable to the Collateral Agent.

5. Accounts. The following shall apply to Collateral that is Accounts.

(a) The Borrower warrants that each and every Account, now owned or hereafter acquired tested in the computations included in the Borrowing Base Certificate meets the requirements of Qualified Accounts Receivable except as disclosed in such Borrowing Base Certificate or otherwise in writing to the Collateral Agent. The Borrower agrees that it will not permit any return of merchandise, the sale of which gave rise to any of the Accounts, except in the ordinary course of business.

(b) The Borrower shall maintain complete and accurate books and records, and its principal books and records, including all records concerning Accounts, shall be kept and maintained at the place specified above. The Borrower shall not move such books and records without giving the Collateral Agent at least 30 days prior written notice. All accounting records and financial reports furnished to the Collateral Agent shall be maintained and prepared in accordance with generally accepted accounting principles consistently applied. It is specifically agreed that the Collateral Agent shall have and the Borrower hereby grants to the Collateral Agent a security interest in all books and records of the Borrower and shall have access to them as provided in the Credit Agreement for inspection, verification, examination and audit.

(c) The Borrower will prepare and deliver to the Collateral Agent, as provided in the Credit Agreement, a listing and aging of all Accounts and any further information with respect to Accounts the Collateral Agent may reasonably require.

(d) If any of the Borrower's Qualified Accounts Receivable arise out of contracts with the United States or any department, agency, or instrumentality thereof, the Borrower will immediately notify the Collateral Agent in writing and execute any instruments and take any steps required by the Collateral Agent in order that all moneys due and to become due under such contracts shall be assigned to the Collateral Agent and in order that proper notice be given under the Federal Assignment of Claims Act.

(e) Upon request by the Collateral Agent, the Borrower will note on its records concerning the Accounts, a notation of the security interest under this Security Agreement, which notation must be satisfactory to the Collateral Agent in both form and content.

(f) Following the occurrence of an Event of Default, the Collateral Agent shall have the right at any time to notify account debtors of its security interest in the Accounts and supporting obligations and require payments to be made directly to the Collateral Agent. The Borrower hereby appoints the Collateral Agent and any officer or employee of the Collateral Agent, as the Collateral Agent may from time to time designate, as its attorneys-in-fact for the Borrower, to sign and endorse in the name of the Borrower, to give notice in the name of the Borrower, and to perform all other actions necessary or desirable in the reasonable discretion of the Collateral Agent to effect this paragraph and carry out the intent hereof, all at the cost and expense of the Borrower. The Borrower hereby ratifies and approves all acts of such attorneys-in-fact and neither the Collateral Agent nor any other such attorneys-in-fact will be liable for any acts of commission or omission nor for any error of judgment. This power being coupled with an interest is irrevocable so long as any Account or General Intangible pledged to the Collateral Agent remains unpaid and the Borrower has any unpaid Obligations to the Collateral Agent. The costs of such collection and enforcement, including reasonable attorneys' fees and out-of-pocket expenses, shall be borne solely by the Borrower whether the same are incurred by the Collateral Agent or the Borrower.

(g) Following the occurrence of an Event of Default, all payments on the Accounts received by the Borrower shall be remitted to the Collateral Agent in their original form on the day of receipt; and all notes, checks, drafts and other instruments so received shall be duly endorsed to the order of the Collateral Agent. The Collateral Agent may receive and apply such payments to the Obligations whether or not the same is due or may require the payments to be deposited into a special deposit account ("**Special Account**") maintained with SunTrust. The Collateral Agent may designate with each such deposit the particular Account upon which payment was made. Any such Special Account shall be held by the Collateral Agent as additional security for the Obligations. Prior to delivering payments to the Collateral Agent or depositing payments on the Accounts into the Special Account, the Borrower agrees, after receipt of notice that an Event of Default has occurred, that it will not commingle such payments with any of the Borrower's funds or property, but will hold them separate and apart and in trust for the Collateral Agent. The Collateral Agent will have the sole power to withdraw funds from the Special Account. The Collateral Agent may at any time and from time to time, in its sole discretion, apply any part of the funds in the Special Account to the Obligations whether or not the same is due. Upon full and final satisfaction of the Obligations (including, without limitation, all fees and expenses owing to the Collateral Agent or its attorneys), plus termination of any commitment to extend additional funds, the Collateral Agent will pay to the Borrower any excess funds, whether received by the Collateral Agent as a deposit in the Special Account or as a direct payment on any of the Accounts;

(h) Following the occurrence of an Event of Default, the Collateral Agent may enforce collection of any Account and supporting obligation by suit or otherwise and may

surrender, release or exchange all or any part thereof, or compromise, extend or renew the same for any period. All monies so received by the Collateral Agent may, in the Collateral Agent's sole discretion, be either (i) applied by the Collateral Agent directly toward payment of all or any part of the Obligations, whether or not then due, in such order of application as the Collateral Agent may determine; or (ii) deposited to the credit of Borrower or in an account with the Collateral Agent as security for payment of the Obligations and the Collateral Agent may, from time to time, in its sole discretion, permit Borrower to use all or any part of the funds on deposit in said account in the normal course of business. The Borrower will promptly reimburse the Collateral Agent for all expenses, including reasonable attorneys' fees and legal expenses, incurred by the Collateral Agent in seeking to collect on or enforce collection of such amounts.

(i) To protect the Collateral Agent's rights hereunder, the Borrower hereby constitutes any officer or employee of the Collateral Agent its true and lawful attorney-in-fact with full power of substitution, following the occurrence of an Event of Default, to endorse or sign the name of the Borrower upon any invoice, freight or express bill, or bill of lading relating to any Account covered hereby and to notify the post office authorities to change the address for delivery of the Borrower's mail relating to the Accounts to an address designated by the Collateral Agent and to receive, open, and dispose of all mail relating to the Accounts addressed to the Borrower and to do and perform all other acts and things necessary, proper and requisite to carry out the intent of this Security Agreement. This power shall be deemed to be coupled with an interest and may not be revoked by the Borrower until the Obligations have been paid in full.

(j) The Collateral Agent shall not be liable and shall suffer no loss on account of loss or depreciation of any Account due to acts or omissions of the Collateral Agent unless the Collateral Agent's conduct is willful and malicious, and the Collateral Agent shall have no duty to take any action to preserve the Collateral or collect Accounts.

6. **Inventory.** The following shall apply with respect to Collateral that is Inventory:

(a) The Borrower agrees to maintain books and records pertaining to the Inventory in such detail, form and scope as the Credit Agreement may require. The Borrower shall promptly advise the Collateral Agent of any substantial changes relating to the type, or quantity of the Inventory or any event which would have a material effect on the value of the Inventory or on the security interest granted to the Collateral Agent.

(b) If the Inventory remains in the possession or control of any of the Borrower's agents or processors, on written request of the Collateral Agent, the Borrower shall notify such agents or processors of the Collateral Agent's security interest, and upon request, instruct them to hold such Inventory for the Collateral Agent's account and subject to the Collateral Agent's instruction.

(c) The Borrower will prepare and deliver to the Collateral Agent, at the Collateral Agent's request from time to time, a listing of all Inventory and such information regarding the Inventory as the Collateral Agent may require.

(d) Until the occurrence of an Event of Default, the Borrower may, unless otherwise provided in this Security Agreement, in the ordinary course of business, at its

own expense, sell, lease or furnish under contract of service any of the Inventory normally held by the Borrower for such purpose.

(e) Following the occurrence of an Event of Default, the Collateral Agent may require the Borrower to assemble the Inventory and make it available to the Collateral Agent at a place to be designated by the Collateral Agent which is reasonably convenient. The Collateral Agent may take possession of the Inventory without a court order.

7. **Insurance, Taxes and Assessments.** The Borrower shall at all times keep insurable Collateral insured against any and all risks, including, without limitation, fire, and such other insurance, including, but not limited to, flood insurance, as may be reasonably required by the Collateral Agent from time to time, and in such amounts as may be reasonably satisfactory to the Collateral Agent. Insurance may be purchased from an insurer of the Borrower's choice, except as otherwise required by law. All such insurance policies are to be made payable to the Collateral Agent, in the event of loss, under a standard non-contributory "mortgagees", "lenders", or "secured party" clause and shall contain a breach of warranty provision acceptable to the Collateral Agent which shall establish the Collateral Agent's right to be paid the insurance proceeds irrespective of any action, inaction, breach of warranty or conditions, or negligence of the Borrower or any other person or entity with respect to such policies. All such insurance policies shall provide for a minimum of thirty (30) days written notice to the Collateral Agent prior to cancellation. The Borrower appoints the Collateral Agent attorney-in-fact to file claims under any insurance policies, to receive, receipt and give acquittance for any payments that may be payable to the Borrower hereunder, and to execute any and all endorsements, receipts, releases, assignments, reassignments, or other documents that may be necessary to effect the collection, compromise or settlement of any claims under any such insurance policies, which power of attorney shall be deemed coupled with an interest and irrevocable so long as the Collateral Agent has a security interest in any of the Collateral. The Borrower shall provide proof of such insurance as requested by the Collateral Agent. The Borrower shall pay and discharge all taxes, assessments and charges of every kind prior to the date when such taxes, assessments or charges shall become delinquent and provide proof of such payments to the Collateral Agent, upon request. However, nothing contained in this Security Agreement shall require the Borrower to pay any such taxes, assessments and charges so long as it shall contest its validity in good faith and shall post any bond or security required by the Collateral Agent against the payment. Upon the failure of the Borrower to purchase required insurance or to pay such required amounts, the Collateral Agent, at its option, and at the Borrower's expense, may obtain such insurance or pay such taxes, assessments, and charges. In addition, the Collateral Agent may from time to time, in its sole discretion, perform any undertakings of the Borrower which the Borrower shall fail to perform and take any other action which the Collateral Agent deems necessary for the maintenance or preservation of any of the Collateral. Any amounts so paid shall be included in the Obligations secured by the Collateral. At the Collateral Agent's request, the Borrower agrees to promptly reimburse the Collateral Agent on demand for all such expenses incurred by the Collateral Agent, together with interest thereon from the date paid by the Collateral Agent at the highest rate payable on the Obligations. Any insurance obtained by the Collateral Agent, at its option, may be single or dual interest, protecting its rights, rights of the Borrower or joint rights. Any insurance obtained by the Collateral Agent may provide, at its option, that such insurance will pay the lesser of the unpaid balance of the Obligations or the repair or replacement value of the Collateral. the Collateral Agent may use the proceeds of any insurance obtained by the Borrower or by the Collateral Agent to repair or replace the Collateral

or, if the Collateral Agent elects to do so, to repay part or all of the Obligations, whether or not then due, and in such order as the Collateral Agent may determine, and the Borrower will still be responsible to repay any remaining unpaid balance of the Obligations. The whole or partial loss or destruction of all or any part of the Collateral shall not affect or impair the obligation of any person or entity liable under the Obligations.

8. **Events of Default.** Any Event of Default under the Credit Agreement or other Loan Document shall constitute an Event of Default under this Security Agreement.

9. **Remedies Upon Default; Acceleration of Obligations.** Unless prohibited by applicable law, the Obligations secured hereby shall automatically and simultaneously mature and become due and payable, without notice or demand, upon the filing of any petition or the commencement of any proceeding by or against an Obligor for relief under any bankruptcy or insolvency law, or any law relating to the relief of debtors, readjustment of indebtedness, debtor reorganization, or composition or extension of debt. Unless prohibited by applicable law, upon the occurrence of any one or more of the other Events of Default described above, the Obligations secured hereby shall, at the option of the Collateral Agent, immediately mature and become due and payable, without notice or demand. If all or any part of the Obligations secured hereby are not paid as and when due and payable, whether by acceleration or otherwise, then the Collateral Agent may, at its option, without notice or demand of any kind: (a) transfer all or any part of the Collateral into the name of the Collateral Agent or its nominee, at the Borrower's expense, with or without disclosing that such Collateral is subject to the Collateral Agent's security interest; (b) enter upon premises upon which the Collateral is located and, to the extent permitted by law without legal process, take exclusive possession of the Collateral, and redeem the Collateral, or any part thereof (irrespective of redemption penalty); (c) appropriate and apply toward payment of such of the Obligations, and in such order of application, as the Collateral Agent may from time to time elect, all or any part of any balances, credits, items or monies in any bank deposit or deposit account constituting a part of the Collateral; (d) sell the Collateral at public or private sale, either in whole or in part, and the Collateral Agent may purchase the Collateral at any such public sale and at any private sale as permitted by law. Such sale shall result in the sale, conveyance and disposition of all right, title and interest of the Borrower in all or any part of the Collateral which is the subject of such a disposition and the Collateral Agent is authorized as attorney-in-fact for the Borrower to sign and execute any transfer, conveyance or instrument in writing that may be necessary or desirable to effectuate any such disposition of the Collateral, which power shall be coupled with an interest; and (e) exercise all other rights of a secured party under the Uniform Commercial Code and all other rights under law or pursuant to this Security Agreement, all of which shall be cumulative. If any notification of intended disposition of any Collateral is required by law, reasonable notification shall be deemed given if written notice is deposited in the U.S. Mail, first class or certified postage prepaid, addressed to the Borrower and such other persons or entities as the Collateral Agent deems to be appropriate, stating all items required by applicable statutes, including the time and place of any public sale or the time after which any private sale or disposition is to be made, at least ten (10) days prior thereto. The proceeds of any disposition of the Collateral shall be applied in the following order (w) first, to pay all costs and expenses associated with the retaking, holding, preparation and disposition of the Collateral; (x) then to pay attorneys' fees; (y) next, to pay all accrued but unpaid interest upon the Obligations in such order as the Collateral Agent may determine in its discretion; and (z) finally, to all unpaid principal outstanding upon the Obligations, whether or not due and payable, in such order as the Collateral Agent may determine in its discretion. Any

remaining surplus shall be paid to the Borrower or otherwise in accordance with law. If the proceeds of such disposition are insufficient to pay the Obligations in full, the Borrower and all other persons or entities liable thereon shall remain fully obligated to the Collateral Agent for the unpaid balance thereof.

10. Waivers by the Borrower. The Borrower hereby waives (a) notice of acceptance of this Security Agreement and of any extensions or renewals of credit by the Collateral Agent to the Borrower; (b) presentment and demand for payment of the Obligations; (c) protest and notice of dishonor or default to the Borrower or to any other party with respect to the Obligations; (d) all other notices to which the Borrower might otherwise be entitled; and (e) if for business purposes, the benefit of any homestead exemption. To the extent permitted by applicable law, the Borrower further waives any right to require that any action be brought against the Borrower or any other party, the right to require that resort be had to any security or to any balance of any deposit account or credit on the books of the Collateral Agent in favor of the Borrower or any other party, the right to redeem the Collateral and to object to the Collateral Agent's proposal to retain the Collateral in satisfaction of any of Obligations and any right to obtain injunctive or other relief relative to the Collateral Agent's sale or other disposition of the Collateral and to recover losses caused by the Collateral Agent's failure to approve or correct any list of Collateral provided to the Collateral Agent for any purpose by any person or entity. The Borrower waives all rights, claims and defenses based on principles of suretyship.

11. No Obligation to Extend Credit. This Security Agreement shall not be construed to impose any obligation on the Lenders to extend or continue to extend any credit at any time.

12. Indemnity. The Borrower agrees to indemnify and hold harmless the Lenders, their subsidiaries, affiliates, successors, and assigns and their respective agents, directors, employees, and officers from and against any and all complaints, claims, defenses, demands, actions, bills, causes of action (including, without limitation, costs and reasonable attorneys' fees), and losses of every nature and kind whatsoever, which may be raised or sustained by any directors, officers, employees, shareholders, creditors, regulators, successors in interest, or receivers of the Borrower or any third party as a result of or arising out of, directly or indirectly, the Lenders extension of credit as evidenced by the Obligations to the Borrower, and taking the Collateral as security for the Obligations, and the Borrower agrees to be liable for any and all judgments which may be recovered in any such action, claim, proceeding, suit, or bill, including any compromise or settlement thereof, and defray any and all expenses, including, without limitation, costs and reasonable attorneys' fees, that may be incurred in or by reason of such actions, claims, proceedings, suits, or bills. This obligation to indemnify shall survive the payment of the Obligations and the satisfaction of this Security Agreement.

13. Financing Statements and Additional Documentation. The Collateral Agent is authorized to file such financing statements and amendments as the Collateral Agent deems necessary to perfect, continue or assure its security interest in the Collateral and the Borrower hereby ratifies any financing statement filed previously by the Collateral Agent. The Borrower will deliver such instruments of future assignment or assurance, and such other agreements, as the Collateral Agent may from time to time request to carry out the intent of this Security Agreement, and will join with the Collateral Agent in executing any documents in form satisfactory to the Collateral Agent, and hereby authorizes the Collateral Agent to sign for the Borrower, or to file without signature, any financing statements, amendments and other

documents and instruments from time to time as the Collateral Agent may deem advisable, and pay any cost of filing the same, including all recordation, transfer, indebtedness and other taxes and fees, deemed advisable by the Collateral Agent.

14. Successors in Interest. This Security Agreement shall be binding upon the Borrower, its successors and assigns, and the benefits hereof shall inure to the Collateral Agent, the Lenders and their successors and assigns. Notwithstanding the foregoing, the Borrower shall not assign the Borrower's rights or obligations under this Security Agreement without the Collateral Agent's prior written consent.

15. Miscellaneous.

(a) Each and every power given herein is coupled with an interest and is irrevocable by dissolution or termination of existence of the Borrower or otherwise.

(b) The captions of the paragraphs of this Security Agreement are for convenience only and shall not be deemed to constitute a part hereof or used in construing the intent of the parties.

(c) If any part of any provision of this Security Agreement shall be invalid or unenforceable under applicable law, such part shall be ineffective to the extent of such invalidity only, without in any way affecting the remaining parts of such provision or the remaining provisions of this Security Agreement.

(d) This Security Agreement shall not be modified or amended except in a writing signed by the Borrower and the Collateral Agent.

(e) All representations, warranties, covenants and agreements contained herein or made in writing by the Borrower in connection herewith shall survive the execution and delivery of this Security Agreement and any and all notes, other agreements, documents and writings relating to or arising out of any of the foregoing or any of the Obligations.

(f) All rights and remedies of the Collateral Agent expressed herein are in addition to all other rights and remedies possessed by the Collateral Agent under applicable law or other agreements, including rights and remedies under any other agreement or instrument relating to any of the Obligations or any security therefor.

(g) No waiver by the Collateral Agent of any of its rights or remedies or of any default shall operate as a waiver of any other right or remedy or of any other default or of the same right or remedy or of the same default on a future occasion. No delay or omission on the part of the Collateral Agent in exercising any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Collateral Agent of any right or remedy shall preclude any other or further exercise thereof or the exercise of any other right or remedy. No action of the Collateral Agent permitted hereunder or under any agreement or instrument relating to any of the Obligations or any security therefor shall impair or affect the rights of the Collateral Agent in and to the Collateral.

(h) All terms as defined herein shall include both the plural and singular, where applicable.

(i) All notices or communications given to the Borrower or the Collateral Agent pursuant to the terms of this Security Agreement shall be in writing and given to the Borrower and the Collateral Agent at the address for each and in the manner set forth in the Credit Agreement.

(j) The Collateral Agent shall not be responsible or liable for its failure to give notice to the Borrower of any default in the payment of any amounts that might become due and owing with respect to the Collateral nor shall the Collateral Agent be responsible or liable for the Collateral Agent's failure to collect any amounts payable with respect to the Collateral.

(k) The Collateral Agent shall be under no obligation to monitor the market value of any Collateral, to advise the Borrower of such market value, or to take any action whatsoever to preserve the value of any Collateral by selling, exchanging or otherwise disposing of such Collateral in order to avoid any loss to the Borrower resulting from a decline in the market value of such Collateral.

(l) The Collateral Agent shall be under no obligation to pay any amounts owing with respect to any Collateral.

(m) This Agreement is in addition to and not in replacement of any other agreement between the Borrower and the Collateral Agent.

16. WAIVER OF JURY TRIAL. THE BORROWER AND THE LENDERS, INCLUDING WITHOUT LIMITATION, THE COLLATERAL AGENT, HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE RIGHT ANY OF THEM MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY LITIGATION, WHETHER IN CONTRACT OR TORT, AT LAW OR IN EQUITY, BASED HEREON OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS SECURITY AGREEMENT AND ANY OTHER DOCUMENT OR INSTRUMENT CONTEMPLATED TO BE EXECUTED IN CONJUNCTION WITH THIS SECURITY AGREEMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY HERETO. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE COLLATERAL AGENT TO ENTER INTO OR ACCEPT THIS SECURITY AGREEMENT FOR THE BENEFIT OF THE LENDERS. FURTHER, THE BORROWER HEREBY CERTIFIES THAT NO REPRESENTATIVE OR AGENT OF ANY LENDER OR THE COLLATERAL AGENT, NOR COUNSEL FOR ANY LENDER OR THE COLLATERAL AGENT, HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE LENDERS OR THE COLLATERAL AGENT WOULD NOT, IN THE EVENT OF SUCH LITIGATION, SEEK TO ENFORCE THIS WAIVER OF RIGHT TO JURY TRIAL PROVISION.

[Remainder of page intentionally left blank.]

The undersigned has executed and sealed this Security Agreement as of the date first written above.






THE PENROD COMPANY, a Virginia corporation

By: _____ (SEAL)

Edward A. Heidt, Jr.
President and CEO

ADDENDUM A

Trademarks and Trademark Applications

Application Number	Application Date	Registration Number	Registration Date	Class	Mark
78/606,759	April 12, 2005			006 metal screws and metal hinges	 PENROD
78/606,769	April 12, 2005			019 wood veneers and semi-worked woods, namely plywood sheets, veneer sheets, core stock, roughsawn lumber, hardboard, and particle board	 PENROD
74/457,967	November 15, 1993	1,886,909	April 4, 1995	006 metal screws and metal hinges	
74/457,794	November 12, 1993	1,887,174	April 4, 1995	019 wood veneers and semi-worked woods, namely plywood sheets, veneer sheets, core stock, rough-sawn lumber, hardboard, and particle board	
75/488,572	May 20, 1998	2,414,793	December 19, 2000	006 commercial and residential metal hinges	BALL BEARING LITE
78/346,369	December 30, 2003	2,919,040	January 18, 2005	019 non-metal building materials composed of engineered wood substitutes, namely polyvinylchloride formed into planks and sheets	

Primary Collateral Locations

TRADEMARK
REEL: 003160 FRAME: 0514

ADDENDUM C

SUBORDINATION AND WAIVER

A. SunTrust Bank (the "Bank"), as agent for itself and other lenders (collectively, the "Lenders") has entered into a loan transaction with The Penrod Company, a Virginia corporation (the "Debtor"). Under a Security Agreement, the Bank acquired a security interest as the agent and for the benefit of the Lenders (the "Lenders' Security Interest") in all existing and future personal property of the Debtor (the "Collateral"), all or part of which may be located at, installed upon or affixed to the real estate described below (the "Real Estate") in which the undersigned has an interest, whether as owner, landlord, warehouseman, mortgagee, trustee or otherwise:

B. Description of Real Estate: _____

C. The Security Agreement requires the Debtor to obtain the execution of this Subordination and Waiver by the undersigned.

NOW, THEREFORE, in consideration of the premises, the sum of \$1.00, and other good and valuable consideration, receipt of which is hereby acknowledged, the undersigned, whether owner, landlord, warehouseman, mortgagee, trustee, or otherwise with respect to the Real Estate, hereby covenants and agrees with the Bank that the Collateral or any part thereof, which is or may be located at, installed upon or affixed to the Real Estate shall remain the personal property of the Debtor, and that the Lenders' Security Interest in and to the Collateral shall be senior and paramount to any rights of the undersigned in and to the Collateral, and upon any default by the Debtor under the Security Agreement creating or evidencing the Lenders' Security Interest, the Bank or its assigns may, at any time, enter the Real Estate with the equipment necessary to repossess and remove the Collateral therefrom, all without liability to the undersigned; provided, neither the Bank nor its assigns shall commit waste on the Real Estate.

The undersigned further subordinates to the Lenders' Security Interest any lien it may have against the Collateral, or any part thereof, and hereby waives all right of distraint, levy or execution with respect to or against the Collateral for rent or other sums owing by the Debtor to the undersigned and agrees that such subordination or waiver shall continue so long as the Debtor shall be indebted to the Lenders.

The undersigned shall notify any purchaser or mortgagee of the Real Estate of this Subordination and Waiver, which shall be binding upon the successors and assigns of the undersigned and shall inure to the benefit of the successors and assigns of the Lenders.

IN WITNESS WHEREOF, SunTrust Bank, as Agent for the Lenders, and the undersigned have executed and sealed this Subordination and Waiver this ____ day of _____, 200__.

SunTrust Bank, as Agent

By: _____ (SEAL)
Joel S. Rhew, Senior Vice President

If landlord is a company:

[Please print name of company]

By: _____ (SEAL)

Name: _____

Title: _____

Address: _____

Phone No.: _____

If landlord is an individual(s):

_____ (SEAL)

[Please sign here]

[Please print name]

Address: _____

Phone No.: _____

_____ (SEAL)

[Please sign here]

[Please print name]

Address: _____

Phone No.: _____

COMMONWEALTH OF VIRGINIA

CITY OF _____, to-wit:

The foregoing Subordination and Waiver was acknowledged before me by Joel S. Rhew, Senior Vice President of SunTrust Bank, a Georgia banking corporation, as Agent, this ____ day of _____, 2005, on behalf of the corporation.

[SEAL]

Notary Public

My Commission expires: _____

If Landlord is a company:

STATE OF _____
CITY/COUNTY OF _____, to-wit:

The foregoing Subordination and Waiver was acknowledged before me by
_____, _____ of
[NAME OF PERSON ACKNOWLEDGING] [TITLE]
_____, a _____,
[NAME OF BUSINESS] [STATE OF FORMATION AND TYPE OF COMPANY]

this ____ day of _____, 2005, on behalf of the _____.
[TYPE OF COMPANY]

[SEAL]

Notary Public

My Commission expires: _____

If Landlord is an Individual(s):

STATE OF _____
CITY/COUNTY OF _____, to-wit:

The foregoing Subordination and Waiver was acknowledged before me by
_____, this ____ day of _____, 2005.
[NAME OF INDIVIDUAL ACKNOWLEDGING]

[SEAL]

Notary Public

My Commission expires: _____

STATE OF _____
CITY/COUNTY OF _____, to-wit:

The foregoing Subordination and Waiver was acknowledged before me by
_____, this ____ day of _____, 2005.
[NAME OF INDIVIDUAL ACKNOWLEDGING]

[SEAL]

Notary Public

My Commission expires: _____

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