

DEBTOR FURTHER WARRANTIES, REPRESENTS AND AGREES THAT:

1. Debtor will use the inventory in a lawful manner consistent with this agreement and with the terms and conditions of any policy of insurance thereon.
2. Debtor will keep the Collateral insured at all times against loss by fire and/or other hazards concerning which, in the judgment of the Secured Party, insurance protection is reasonably necessary, in a company or companies satisfactory to the Secured Party and in amounts sufficient to protect Secured Party against loss or damage to said Collateral and will pay the premiums therefor; that such policy or policies of insurance will be delivered to and held by the Secured Party, together with loss payable clauses in favor of the Secured Party as its interest may appear in form satisfactory to the Secured Party; and Secured Party may act as attorney for Debtor in obtaining, adjusting, settling and cancelling such insurance and endorsing any drafts.
3. Debtor will keep accurate and complete records of the Collateral and permit Secured Party to inspect same and the Collateral at all reasonable times. Debtor will, upon request of Secured Party, furnish to Secured Party such reports and statements as Secured Party may request with respect to the Collateral.
4. Debtor will at any time or times hereafter execute such financing statements and other instruments and perform such acts as the Secured Party may request to establish and maintain a valid security interest in the Collateral, and will pay all costs of filing and recording.
5. Until Secured Party shall notify Debtor of the revocation of such power and authority, Debtor will, at its own expense, endeavor to call as and when due, all of said accounts, including the taking of such action with respect to such collection or the repossession of the goods Debtor may deem advisable or as Secured Party may reasonably request. Debtor will forthwith deliver all proceeds of such collections and repossessed or returned goods to Secured Party at its request; provided Debtor will, on demand, pay to Secured Party the full unpaid contract price of repossessed goods or the invoice value of returned goods.
6. Debtor will at all times keep accurate and complete records of the Collateral and permit Secured Party to inspect same and the Collateral at all reasonable times. Debtor will, upon request of Secured Party, furnish to Secured Party such reports and statements as Secured Party may request with respect to the Collateral.
7. Secured Party may notify account debtors of Secured Party's security interest, and that payment of all sums due or to become due shall be paid directly to Secured Party, and upon request of Secured Party, Debtor will notify account debtors of such security interest. Secured Party shall have the power to demand, receive and sue for all moneys or other proceeds due from said accounts, to endorse the name of Debtor on all commercial paper given in payment or part payment thereof, and to settle, adjust or compromise any claims or disputes as to said accounts.
8. Debtor will keep and maintain the Collateral in good condition and will not sell, lease or otherwise dispose of the Collateral other than in the ordinary course of its business at prices constituting the then fair market value thereof.
9. Debtor shall be in default under this agreement upon the happening of any of the following events: (a) nonpayment, when due, of amount payable on any of the Obligations or failure to observe or perform any term hereof; (b) if any covenant, warranty or representation shall prove to be untrue in any material respect; (c) any Debtor becomes insolvent or unable to pay debts as they mature or makes an assignment for the benefit of creditors, or any proceeding is instituted by or against any Debtor alleging that such Debtor is insolvent or unable to pay debts as they mature; (d) entry of any judgment against any Debtor; (e) death of any Debtor who is a natural person, or of any partner of Debtor which is a partnership; (f) dissolution, merger or consolidation, or transfer of a substantial part of the property of any Debtor which is a corporation or a partnership; or (g) if Secured Party deems itself insecure for any reason.
10. In the event of a default: (a) Secured Party shall have the right, at its option and without demand or notice, to declare all or any part of the Obligations immediately due and payable; (b) Secured Party may exercise, in addition to the rights and remedies granted hereby, all of the rights and remedies of a Secured Party under the Uniform Commercial Code or any other applicable law; (c) Secured Party may effect all necessary insurance, pay the premiums thereon, and may pay any taxes, liens and encumbrances on the Collateral, and any such payments made by Secured Party with interest at the highest legal rate allowed by law shall be a part of the Obligations; (d) Debtor agrees to make the Collateral available to the Secured Party at a place or places acceptable to the Secured Party; and (e) Debtor agrees to pay all costs and expenses of Secured Party, including reasonable attorneys' fees, in the collection of any of the Obligations or the enforcement of any of Secured Party's rights.
11. If any notification of intended disposition of any of the Collateral is required by law, such notification shall be deemed reasonably and properly given if mailed at least ten (10) days before such disposition, postage prepaid, addressed to the Debtor at the address shown herein.
12. Waiver of any default hereunder by Secured Party shall not be a waiver of any other default or of a same default on a later occasion. Delay or failure by Secured Party to exercise any right or remedy shall be a waiver of such right or remedy and no single or partial exercise of Secured Party of any right or remedy shall preclude either or further exercise thereof or the exercise of any other right or remedy at any other time.
13. This agreement and all rights and obligations hereunder, including matters of construction, validity and performance, shall be governed by the laws of Minnesota. If any part of this contract shall be adjudged invalid, the remainder shall not thereby be invalidated.
14. If more than one party shall sign this Security Agreement, the term "Debtor" shall mean all such parties and each of them and all such parties shall be jointly and severally obligated hereunder. All rights of Secured Party shall inure to the benefit of the Secured Party's successors and assigns, and all obligations of Debtor shall bind Debtor's heirs, executors, administrators, successors and assigns.
15. Additional provisions of this agreement (if none, insert "none"):

The Collateral is subject to security interests of Norwest Bank Middle Copy Duplicating Products, Inc., National Machine Tool Leasing, F. W. Hetman, Commerce Leasing Corporation for which financing statements have been filed. F. W. Hetman has subordinated his security interest to a security interest of Temroc Metals, Inc. as contained herein.

~~Temroc Metals, Inc. agrees when requested by DeVac, Inc. and if the security interest of Norwest Bank Midland has terminated to release such part of the Collateral as is necessary for DeVac, Inc. to obtain a bank loan of \$750,000.00 by granting the bank lender a first security interest in the released Collateral. Paragraphs 5 and 9 above are effective only if Debtor is in default.~~

Exhibit A

This Financing Statement covers the following types of items of property:

INVENTORY: All inventory of Debtor, whether now owned or hereafter acquired and wherever located.

RECEIVABLES: Each and every right of Debtor to the payment of money, whether such right to payment now exists or hereafter arises, whether such right to payment arises out of a sale, lease or other disposition of goods or other property by Debtor, out of a rendering of services by Debtor, out of a loan by Debtor, out of the overpayment of taxes or other liabilities of Debtor, or otherwise arises under any contract or agreement, whether such right to payment is or is not already earned by performance, and howsoever such right to payment may be evidenced, together with all other rights and interest (including all liens and security interests) which Debtor may at any time have by law or agreement against any account debtor or other obligor obligated to make any such payment or against any of the property of such account debtor or other obligor; all including but not limited to present and future debt instruments, chattel papers, accounts, loans and obligations receivable and tax refunds.

EQUIPMENT: All equipment of Debtor, whether now owned or hereafter acquired, including not not limited to all present and future machinery, vehicles, furniture, fixtures, manufacturing equipment, farm machinery and equipment, shop equipment, office and recordkeeping equipment, parts and tools, and the goods described in any equipment schedule or list herewith or hereafter furnished to Secured Party by Debtor (but no such schedule or list need be furnished in order for the security interest granted herein to be valid as to all of Debtor's equipment).

GENERAL INTANGIBLES: All general intangibles of Debtor, whether now owned or hereafter acquired, including, but not limited to, applications for patents, patents, copyrights, trademarks, trade secrets, good will, tradenames, customers lists, permits and franchises, and the right to use Debtor's name.

Proceeds and Products of the Collateral are also covered.

DEBTOR
DeVac, Inc.
By
Its President

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