

05/02/00

05-24-2000

Y

Docket No.:

08408-23855

Tab settings



attached original documents or copy thereof.

To the Honorable Commissioner of Pat

101366677

dress of receiving party(ies):

1. Name of conveying party(ies):

**Berrenberg Enterprises, Inc. (now, by change of name,
known as American Polysteel, Inc.)**

Name: API Acquisition Co., LLC

Internal Address: _____

Street Address: 5150-F Edith Blvd. NE

City: Albuquerque State: NM ZIP: 87107

Individual(s) citizenship _____

Association _____

General Partnership _____

Limited Partnership _____

Corporation-State _____

Other Limited Liability Company

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No

(Designations must be a separate document from Assignment)

Additional name(s) & address(es) attached? Yes No

- Individual(s)
- General Partnership
- Corporation-State New Mexico
- Other _____

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

3. Nature of conveyance:

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

Execution Date: April 14, 2000

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

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

1,980,199

Additional numbers attached? Yes No

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

Name: DeWitt M. Morgan

Internal Address: _____

Street Address: P.O. Box 1888

City: Albuquerque State: NM ZIP: 87103

6. Total number of applications and registrations involved:.....

1

7. Total fee (37 CFR 3.41):.....\$ \$40.00

Enclosed

Authorized to be charged to deposit account

8. Deposit account number:

18-1754

DO NOT USE THIS SPACE

05/23/2000 JSHADRAZZ 00000126 1980199

01 FC:481

(40.00 DP)

9. Statement and signature.

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

DeWitt M. Morgan

Name of Person Signing

DeWitt M. Morgan

Signature

5/1/00

Date

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

14

SECURITY AGREEMENT

THIS SECURITY AGREEMENT is made as of April 1, 2000, by API ACQUISITION COMPANY, LLC, a New Mexico limited liability company ("Borrower"), in favor of AMERICAN POLYSTEEL, INC., a New Mexico corporation ("Lender").

IN CONSIDERATION of the mutual covenants and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is hereby agreed that:

ARTICLE I

DEFINITIONS

When used in this Security Agreement, the following terms shall have meanings specified:

1.1 Borrower. "Borrower" shall mean API ACQUISITION COMPANY, LLC, a New Mexico limited liability company.

1.2 Collateral. "Collateral" shall mean the following property:

- (a) All of the goods, equipment, furnishings, furniture, fixtures, chattels and articles of personal property, including without limitation, all molding machines, molds, EPS bead expanders, building materials and supplies, furnaces, boilers, oil burners, refrigeration, air-conditioning and sprinkler systems, awnings, screens, window shades, motors, dynamos, incinerators, plants and shrubbery, and all other equipment, machinery, inventory or fixtures, whether now owned or hereafter from time to time acquired by the Borrower, together with all substitutions, replacements, additions, attachments, accessories, accretions, their component parts thereto or thereof, all other items of like property and all accounts and contract rights covering or relating to any or all thereof, whether now in existence or hereafter arising, and relating to, situated or located on, or used or usable in connection with, the operation of Borrower's concrete insulating forms manufacturing and sales business (the "Business") located at the Albuquerque, New Mexico, Gainesville, Florida, and Newfield, New York facilities more particularly described in Exhibit A attached hereto;
- (b) All intangible assets and intellectual property associated with the Business, including all rights of Borrower to the patents, U.S. Patent No. 4,879,855 and Canadian Patent No. 1,310,201 (the "Patents"), U.S. Trademark Registration No. 1,980,199, all elements of package or trade dress of goods owned by Borrower, all design and research and development in progress, the right to use the tradename "American Polysteel, Inc." (or any derivative

of such tradename), and all other trade names identifying the Business, all logos, designs, and trademarks used in the Business, product recipes, proprietary computer software, other technical information or know-how, trade secrets, and the goodwill of Borrower's Business connected with and symbolized by the above-referenced trademarks, trade names and package or trade dress, (the "Intellectual Property");

- (c) All accounts receivable of Borrower with respect to the Business; and
- (d) All other personal property assets owned by Borrower, whether now existing or hereafter acquired or created, including without limitation instruments, documents, chattel paper, contract rights, accounts, general intangibles, licenses, leases, voting rights, contracts, permits and agreements required, related to or used in connection with the ownership and operation of the Business, warranties on or leases with respect to tangible assets, insurance, transferable licenses, including with respect to accounting and other computer software programs, Business books, records, supplies, and forms, customer or prospective customer lists and databases and correspondence with customers or prospective customers, and Business goodwill.

1.3 Collateral Documents. "Collateral Documents" shall mean the Note, the Financing Statements, and this Security Agreement.

1.4 Event of Default. "Event of Default" shall have the meaning specified in Section 5.1 below.

1.5 Financing Statements. "Financing Statements" shall mean the financing statements executed by Borrower and filed from time to time hereunder to perfect the security interest in the Collateral created hereunder.

1.6 First Capital Lease. "First Capital Lease" shall mean the First Capital Lease as such term is defined in Section 3.1.

1.7 First Lien. "First Lien" shall mean the First Lien as such term is defined in Section 3.1.

1.8 Law. "Law" shall mean any federal, state, local or other law, rule, regulation or governmental requirement of any kind, and the rules, regulations, interpretations and orders promulgated thereunder.

1.9 Lender. "Lender" shall mean the holder, from time to time, of the Note.

1.10 Note. "Note" shall mean the promissory note from the Borrower to Lender dated April 1, 2000 in the original "Outstanding Principal" amount of One Million Five Hundred Thousand Dollars (\$1,500,000), with total interest accruing thereunder of approximately \$250,000, and any renewal, refinancing, increase, extension, amendment or modification thereof.

1.11 Obligations. "Obligations" shall mean: (a) the outstanding principal of, and all interest on, and other amounts due under, the Note; and (b) all debts, liabilities, obligations, covenants and agreements of the Borrower contained in this Security Agreement; and (c) any and all other debts, liabilities and obligations of the Borrower to Lender.

1.12 Person. "Person" shall mean and include an individual, limited liability company, partnership, corporation, trust, unincorporated association and any unit, department or agency of government.

1.13 Proceeds. "Proceeds" shall mean whatever is received upon the sale, exchange, lease, collection or other disposition of the Collateral or proceeds of the Collateral, any value received as a consequence of the possession of any Collateral and any payment received from any insurer or other person or entity as a result of the destruction, loss, theft or other involuntary conversion of whatever nature of any asset or property which constitutes Collateral.

1.14 Security Agreement. "Security Agreement" shall mean this Security Agreement, as amended from time to time in accordance with its terms.

1.15 UCC. "UCC" shall mean the Uniform Commercial Code as adopted in New Mexico and in effect from time to time.

ARTICLE II

THE SECURITY INTEREST

2.1 The Security Interest. To secure the full and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of each of the Obligations, the Borrower hereby grants to Lender a security interest in the Collateral, together with all Proceeds and products of the Collateral, wherever located and whether now owned or hereafter acquired. The Borrower agrees at all times to keep accurate and complete accounting records with respect to the Collateral, including but not limited to, a record of all payments and proceeds received.

2.2 Financing Statements. The Borrower will join Lender in executing one or more financing statements and renewals and amendments thereof pursuant to the Uniform Commercial Code in form satisfactory to Lender, and will pay the cost of filing the same in all public offices wherever filing is deemed by Lender to be necessary or desirable. The Borrower agrees to comply with the requirements of all applicable Laws in order to grant to Lender a valid lien upon, and security interest in, the Collateral described herein or which may be described in any amendment supplementary hereto.

2.3 Security Interest Absolute. All rights of Lender hereunder, the grant of the security interest in the Collateral, and all obligations of the Borrower hereunder, shall be absolute and unconditional irrespective of (a) any change in the time, manner or place of payment of, or

in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the terms of the Collateral Documents; (b) any exchange, release or non-perfection of any security interest in the Collateral, or any release or amendment or waiver of or consent to or departure from any guaranty for all or any of the Obligations; or (c) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the Borrower in respect of the Obligations or in respect of this Security Agreement.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE BORROWER

The Borrower hereby represents and warrants to Lender as follows:

3.1 Ownership of Collateral. The Borrower is the owner of the Collateral, free and clear of all liens, encumbrances, security interests and restrictions, except (i) the security interest of New Mexico Bank & Trust ("Bank"), created pursuant to the "Loan Documents" referred to in that certain Subordination Agreement dated April 14, 2000 among Borrower, Lender and Bank, and securing an aggregate original principal amount not to exceed One Million One Hundred Fifty Thousand Dollars (\$1,150,000) (the "First Lien"); (ii) the interest of the lessor/owner in certain equipment located at the Florida facility of the Business pursuant to that certain Master Equipment Lease Agreement dated October 1, 1997 between Seller, as lessee, and First Capital Group, Inc., as lessor, as amended by a letter agreement dated August 21, 1998 (the "First Capital Lease"); and (iii) the security interest granted by this Security Agreement. The parties acknowledge that certain equipment located at the Florida facility of the Business is owned by the lessor under the First Capital Lease, and not by the Borrower. The Borrower has the full power and authority to grant such security interest in favor of Lender and to execute, deliver and perform this Security Agreement.

3.2 Enforceability. This Security Agreement is a valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as the enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws generally affecting the rights of creditors and subject to general equity principles. Upon recording of the Financing Statements, the security interest granted pursuant to this Security Agreement will constitute a valid, perfected lien against the Collateral, subordinate only to the First Lien and the First Capital Lease, enforceable against all Persons.

3.3 Absence of Conflicting Obligations. The making, execution, delivery and performance of this Security Agreement by the Borrower, and compliance with its terms by the Borrower, do not violate any presently existing provision of Law or the articles of organization or operating agreement of the Borrower or any agreement to which the Borrower is a party or by which the Borrower or any of its assets is bound, including without limitation any license agreement relating to the Intellectual Property or any part thereof.

ARTICLE IV

COVENANTS OF THE BORROWER

4.1 Maintenance of Security Interest. The Borrower shall pay all expenses and, upon request, take any action reasonably deemed advisable by Lender to defend and preserve the Borrower's title to the Collateral or to establish, determine priority of, perfect, continue perfected, terminate and enforce Lender's security interest in the Collateral or the rights of Lender under this Security Agreement, including without limitation any additional actions or filings determined by Lender to be necessary to preserve and perfect Lender's security interest in any portion of the Collateral which is removed from the Business locations described in Exhibit A for repair or maintenance.

4.2 Taxes. The Borrower will pay, when due, all taxes and other governmental charges levied or assessed upon or against the Collateral.

4.3 First Lien and First Capital Lease. The lien created hereby is subject and subordinate to the First Lien and the interest of the owner/lessor under the First Capital Lease. The Borrower will pay and perform, when due, all obligations of the Borrower arising in connection with or secured by the First Lien and the First Capital Lease. The Borrower will promptly advise Lender in writing of the occurrence of any event which, with the giving of notice or the lapse of time or both, (a) would constitute an "event of default" under (i) the First Lien or any agreement or document executed by Borrower in connection therewith (collectively, the "First Lien Documents"), or (ii) the First Capital Lease, or (b) would otherwise entitle the holder of the First Lien or the First Capital Lease to accelerate the obligations secured thereby or to exercise any remedy under the First Lien Documents or the First Capital Lease. Lender shall have the right, but not the obligation, to cure any default under the First Lien Documents or the First Capital Lease. The Borrower agrees to reimburse Lender on demand for any payment made, or any expense incurred, by Lender pursuant to the foregoing authorization. Any cost, expense or other liability, including attorneys' fees, incurred by Lender in connection with the First Lien Documents, the First Capital Lease or the subordination of Lender's rights hereunder to the rights of Bank pursuant to the First Lien Documents or to the rights of the lessor under the First Capital Lease shall be added to the Obligations and shall be secured by the Collateral.

4.4 No Other Liens. The Borrower shall keep the Collateral free from all liens, encumbrances and security interests other than (a) the First Lien; (b) the First Capital Lease; (c) the security interest granted by this Security Agreement, (d) purchase money liens on newly purchased equipment, not in excess of an individual amount of \$50,000 or an aggregate amount of \$100,000, provided the lien created by this Security Agreement is a perfected lien on such newly purchased equipment, subordinate only to such purchase money liens and/or the First Lien; and (e) unrecorded liens arising by operation of law in the ordinary course of business which are promptly discharged by Borrower when the obligations secured thereby are due. The Borrower shall defend the Collateral against all claims and legal proceedings by Persons other than Lender.

4.5 Use and Disposition of Collateral. So long as no Event of Default or event that with notice or the passage of time or both would constitute an Event of Default has occurred and is continuing hereunder, the Borrower may have possession of the Collateral and use it in any lawful manner not inconsistent with this Security Agreement and not inconsistent with any policy of insurance thereon. The Collateral will only be used by the Borrower in the operation of the Business. The Borrower shall not sell, transfer (including without limitation transfer of a security interest or other collateral interest) or otherwise dispose of all or any part of the Collateral, or remove the Collateral from the sites described on Exhibit A, without the prior written consent of Lender, which consent will not be unreasonably withheld, except for transactions in the ordinary course of business. Without the prior written consent of Lender, which consent shall not be unreasonably withheld, the Borrower will not grant any license for the use of any of the Intellectual Property, except for nonexclusive licenses granted in the ordinary course of business to (i) Borrower's distributors pursuant to distribution agreements providing for the termination of such licenses upon the termination of the distribution agreements, and (ii) manufacturers to produce Polysteel forms pursuant to agreements providing for the termination of such licenses upon the termination of the manufacturing licensing agreements.

4.6 Continuing Obligations of the Borrower. The Borrower shall remain liable to observe and perform all the conditions and obligations to be observed and performed by it under each contract, agreement, interest or obligation constituting part of or relating to the Collateral, all in accordance with the terms and conditions thereof, and shall indemnify and hold harmless Lender from any and all such liabilities. Without limiting the generality of the foregoing, nothing herein contained shall relieve the Borrower from the performance of any covenant, agreement or obligation on the Borrower's part to be performed under any license or franchise agreement presently in effect and assumed by the Borrower concurrently herewith or hereafter entered into by the Borrower licensing the use of the Intellectual Property of any part thereof, or from any liability to any licensee under any such license or franchise agreement or to any other party, or impose any liability on Lender for the acts or omissions of the Borrower in connection with any such license or license agreement.

4.7 Maintenance and Repair. The Borrower will, at its own cost and expense, keep the Collateral in as good and substantial repair as the same is in at this date, or as the same is when acquired, reasonable wear and tear excepted, making replacements when and where necessary.

4.8 Inspection by and Notice to Lender. The Borrower agrees that Lender or its agents may enter upon the Borrower's premises at any reasonable time, and from time to time, upon 24 hours prior notice, for the purpose of inspecting the Collateral, and any and all records pertaining thereto. Lender may, at any reasonable time, upon 24 hours prior notice, discuss the Borrower's affairs with the Borrower's officers and its independent accountants. The Borrower agrees to notify Lender promptly of any change in its mailing address or principal place of business, in order that a prompt refile of any outstanding Financing Statements may be made, if necessary. The Borrower also agrees to advise Lender, within thirty (30) days, of any new facts which, under the applicable provisions of Law, would affect the priority of the security interest granted to Lender by this Security Agreement.

4.9 Insurance. The Borrower will have and maintain insurance at all times with respect to all Collateral against risks of fire (including so-called extended coverage), theft and such other risks as Lender may require, in such form, for such periods and written by such companies as may be satisfactory to Lender, such insurance to be payable to Lender and the Borrower, as their interests may appear. All policies shall provide for thirty (30) days' written minimum cancellation notice to Lender. The Borrower shall furnish Lender with certificates of insurance or other evidence satisfactory to Lender evidencing Borrower's compliance with the foregoing insurance requirements.

4.10 Financial Statements and Tax Returns. So long as any of the Obligations remain outstanding, the Borrower shall deliver to Lender (a) monthly financial statements of Borrower's financial condition and operations, including without limitation profit and loss statements and balance sheets, prepared in accordance with generally accepted accounting principles applied on a basis consistent with past practice, no later than the 28th day of the calendar month following the month to which such financial statements relate; and (b) copies of the Borrower's year-end federal and state tax returns, no later than ten (10) days after such returns were filed by the Borrower with the applicable federal or state tax authority.

4.11 Lender's Rights to Cure. At its option, Lender may discharge taxes, liens, or security interests or other encumbrances at any time levied or placed on the Collateral, including without limitation the First Lien, may pay for insurance on the Collateral, may cure any default by the Borrower under the First Lien, and may pay for the maintenance and preservation of the Collateral, provided however that nothing herein shall be interpreted to prohibit the Borrower from contesting in good faith any such tax, lien or security interest or other encumbrance. The Borrower agrees to reimburse Lender on demand for any payment made, or any expense incurred, by Lender pursuant to the foregoing authorization.

4.12 Maintenance of Intellectual Property. The Borrower shall not permit the expiration of any of the Intellectual Property. Specifically, the Borrower shall:

- (a) For Trademark Registration No. 1,980,199 file *between June 11 and September 11, 2001*, a Combined Declaration of Use and Incontestability Under Sections 8 and 15 of the Lanham Act, as amended;
- (b) For U.S. Patent No. 4,879,855 pay, between November 14, 2000 and February 14, 2001, the 11th year annuity; and
- (c) For Canadian Patent No. 1,310,201 pay the annual annuities on or before August 30 for each calendar year until this patent expires.

The Borrower shall promptly provide written proof of the foregoing to Lender. Any changes or alterations to the foregoing must be approved in advance and in writing by Lender.

ARTICLE V

DEFAULT AND REMEDIES

5.1 Events of Default. For the purposes of this Security Agreement, an Event of Default will be deemed to have occurred if:

- (a) an "Event of Default" shall have occurred under the Note;
- (b) the Borrower fails to make any payment required under this Security Agreement when due as provided herein, including without limitation payments arising in connection with the First Lien, and such default shall continue for five (5) days after notice thereof in writing to the Borrower; or
- (c) the Borrower fails to perform or observe any other provision contained in this Security Agreement and such failure continues unremedied for a period of thirty (30) days after Lender notifies the Borrower of such breach.

5.2 Remedies. Upon the occurrence of any Event of Default, Lender may accelerate the maturity of the Obligations as provided in the Note. In the event of any such acceleration, Lender shall have all of the rights and remedies provided in the Collateral Documents or by Article 9 of the UCC or any other applicable Law. Without limiting the generality of the foregoing, the Borrower agrees to deliver each item of Collateral to Lender on demand, and it is agreed that Lender shall have the right to take any or all of the following actions at the same or different times; subject to applicable Law, with or without legal process and with or without previous notice or demand for performance, to take possession of all or any portion of the Collateral and, generally, to exercise any and all rights afforded to a secured party under the UCC or other applicable Law. The Borrower will, in the event of a sale, duly execute and acknowledge all documents necessary or advisable to record title to the Collateral in the name of the purchaser, including valid, recordable assignments. In the event that the Borrower should then fail or refuse to execute and deliver any or all documents necessary or advisable to record title to the Collateral in the name of the purchaser, the Borrower does hereby irrevocably appoint Lender its attorney-in fact to execute any or all of such documents on the Borrower's behalf.

5.3 Notice of Sale. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, a sale of the Collateral by Lender shall be upon at least ten (10) calendar days' prior notice to the Borrower of the time and place of sale (which notice the parties agree is reasonable), for cash or upon credit or for future delivery, at the option and in the complete discretion of Lender: (a) at public sale; or (b) at private sale, in which event such notice shall also contain the terms and conditions of the proposed sale; or (c) in any other commercially reasonable manner. From time to time Lender may, but shall not be obligated to, postpone the time and change the place of any proposed sale of any of the Collateral which has been noticed as provided above, upon at least ten (10) calendar days' prior notice to the Borrower (which notice the parties agree is reasonable) of the new time and place of such sale whenever, in the judgment of Lender, such postponement or change is necessary or appropriate in order that the provisions of this Security Agreement applicable to

such sale may be fulfilled or in order to obtain more favorable conditions under which such sale may take place.

The Borrower further agrees that, in any exercise of the rights of Lender under this Security Agreement or any other instrument, any combination or all of the Collateral may be offered for sale for one total price, and the proceeds of any such sale accounted for in one account without distinction between the items of Collateral or without assigning to them any proportion of such proceeds. The Borrower hereby waives the application of any doctrine of marshalling.

5.4 Application of Proceeds. Lender shall apply the Proceeds resulting from any sale or disposition of the Collateral pursuant to this Security Agreement in the following order of priority:

(a) to the costs of the sale;

(b) to the expenses incurred by Lender in connection with the retaking, holding, preparing for sale and sale, including reasonable attorneys' fees and legal expenses;

(c) to the payment of the Obligations then due and owing in any order selected by Lender; and

(d) to the Borrower.

5.5 Other Remedies. No remedy herein conferred upon Lender is intended to be exclusive of any other remedy and each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Security Agreement, the Collateral Documents, or now or hereafter existing at law or in equity or by statute or otherwise. No failure or delay on the part of Lender in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude other or further exercise thereof or the exercise of any other right or remedy.

5.6 Limitation on Duties Regarding Collateral. Lender's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the UCC or otherwise, shall be to deal with it in the same manner as Lender deals with similar property for its own account. Neither Lender nor any of its directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of the Borrower or otherwise.

ARTICLE VI

MISCELLANEOUS

6.1 Expenses and Attorneys' Fees. The Borrower shall pay all fees and expenses incurred by Lender, including the reasonable fees of counsel, in connection with the

administration, protection and enforcement of Lender rights under this Security Agreement, or with respect to the Collateral, including without limitation the protection and enforcement of such rights in any bankruptcy, reorganization or insolvency proceeding involving the Borrower.

6.2 Assignability; Successors. The Borrower's rights and liabilities under this Security Agreement are not assignable or delegable, in whole or in part, without the prior written consent of Lender. The provisions of this Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties.

6.3 Survival. All agreements, representations and warranties made herein or in any document delivered pursuant to this Security Agreement shall survive the execution and delivery of this Security Agreement and the delivery of any such document.

6.4 Governing Law. This Security Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of New Mexico applicable to contracts made and wholly performed within such state.

6.5 Counterparts; Headings. This Security Agreement may be executed in several counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same agreement. Each of the parties to this Security Agreement agrees that a signature affixed to a counterpart of this Security Agreement and delivered by facsimile by any person is intended to be its signature and shall be valid, binding and enforceable against such person. The article and section headings in this Security Agreement are inserted for convenience or reference only and shall not constitute a part of this Security Agreement.

6.6 Notices. All communications or notices required or permitted by this Security Agreement shall be in writing and shall be deemed to have been given (a) upon delivery if hand delivered, or (b) one (1) day after deposit in the United States mail, postage prepaid, or upon deposit with a nationally recognized overnight commercial carrier, airbill prepaid, or (c) upon transmission if by facsimile, provided that such transmission is promptly confirmed by hand delivery, mail or courier as provided above, and each such communication or notice shall be addressed as follows, unless and until any of such parties notifies the other in accordance with this Section of a change of address:

If to the Borrower: API ACQUISITION COMPANY, LLC
 5150 F Edith NE
 Albuquerque, NM 87107
 Attention: Patrick Murphy
 Fax: (505) 345-8154

If to Lender: Lance and Terri Berrenberg
 13620 Deer Trail Pl. NE
 Albuquerque, New Mexico 87111
 Fax: (505) 821-1149

6.7 Amendment. No amendment of this Security Agreement shall be effective unless in writing and signed by the Borrower and Lender.

6.8 Severability. Any provision of this Security Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Security Agreement in such jurisdiction or affecting the validity or enforceability of any provision in any other jurisdiction.

6.9 Waivers. No waiver by Lender of any default or Event of Default shall operate as a waiver of any other default or Event of Default or of the same default or Event of Default on a future occasion. No waiver shall be effective except by written instrument signed by the party against which such waiver is sought to be enforced.

6.10 Jurisdiction. All disputes and matters arising under, in connection with or incident to this Agreement shall be litigated, if at all, in and before a state court located in Bernalillo County, New Mexico, or a federal court located in the District of New Mexico, to the exclusion of the courts of any other state or country. Each of the parties consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to jurisdiction or venue laid therein and further hereby irrevocably waives any claim that any such proceeding has been brought in an inconvenient forum. Process in any such action or proceeding referred to in this Section may be served on any party hereto anywhere in the world.

6.11 Termination of Security Interest. This Security Agreement and the security interest created hereby shall terminate when all the Obligations have been fully paid, at which time Lender shall execute and deliver to the Borrower all UCC termination statements and similar documents which the Borrower shall reasonably request to evidence such termination.

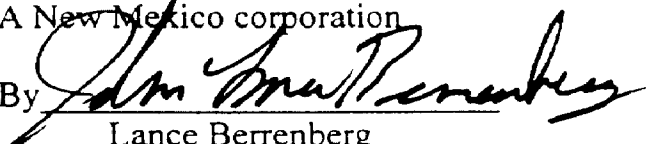
6.12 No Merger. No merger shall occur as a result of Lender's acquiring any other interest in, or any other lien on, whether through foreclosure or otherwise, the Collateral unless Lender consents in writing to such merger.

IN WITNESS WHEREOF, this Security Agreement has been executed as of the day and year first above written.

LENDER

BORROWER

AMERICAN POLYSTEEL, INC.,
A New Mexico corporation

By 
Lance Berrenberg
President

API ACQUISITION COMPANY, LLC,
A New Mexico limited liability company

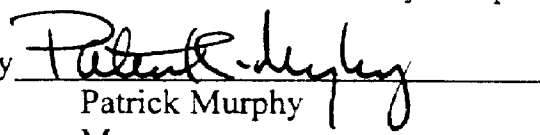
By 
Patrick Murphy
Manager

EXHIBIT A

LEGAL DESCRIPTION OF BUSINESS SITES

NEW MEXICO SITE: 5150 F Edith NE, Albuquerque, New Mexico

The Northerly 29,560 square feet of an office/warehouse facility, together with all parking and yard facilities at 5150 "F" Edith Blvd., also known as Nikanda St. NE, County of Bernalillo, State of New Mexico, more particularly described as:

Tract number Four B (4B) of the replat of the lands of Ribble and Bryant within the Town of Albuquerque grant, Bernalillo County, New Mexico as the same is shown and designated on The Redivision Plat filed February 14, 1980 in the records of Bernalillo County, New Mexico.

FLORIDA SITE: 5210 NE 49th Terrace, Gainesville, Florida

A parcel of land located in Lot 7 of the Airport Industrial Park: Unit 1, a subdivision as recorded in Plat Book "Q" pages 31 and 32 of the public records of Alachua County, Florida, said parcel being more particularly described as follows:

Parcel A

Begin at the northwest corner of said Lot 7 and run S 00°41'40" E along the west line of said Lot 7 a distance of 250.42 feet; thence run N 89°18'20" E, parallel to the north line of said Lot 7 a distance of 530.84 feet to a non-tangent curve on the east line of said Lot 7; thence run north along said east line of Lot 7 through a curve concave to the east, said curve have a radius of 480.00 feet, a central angle of 30°14'46", an arc length of 253.39 feet and a chord bearing and distance of N 00°17'16"E, 250.46 feet to the northeast corner of said Lot 7; thence run S 89°18'20" W along said north line of Lot 7 a distance of 535.11 feet to the northwest corner of said Lot 7 and the Point of Beginning, said parcel containing 3.00 acres, more or less.

NEW YORK SITE: 106 Horton Road, Newfield, New York

ALL THAT TRACT OR PARCEL OF LAND, situate in the Town of Newfield, County of Tompkins and State of New York, more particularly bounded and described as follows:

BEGINNING at a point in the center line of Horton Road at the southeast corner of premises in a conveyance to E. Leroy Miller and wife by deed dated October 17, 1973 and recorded in the Tompkins County Clerk's Office in Liber 511 of Deeds at page 525; thence north 45°00' west 400.0 feet to a pipe, passing through pipes at 25.5 feet and 175.0 feet; thence north 44°55' east 250.0 feet to a pipe; thence south 45°00' east 225.0 feet to a pipe; thence north 44°55' east 484.8 feet to a pipe; thence south 82°21' east 219.9 feet to a point in the center line of said Horton Road, passing through a pipe set on the east side of a double maple at 160.0 feet; then south

44°55' west 868.2 feet along the center line of said Horton Road to the point or place of beginning.

The above premises are set forth on a survey map entitled "Survey Map of Lands at 106 Horton Road, Town of Newfield, Tompkins Co., New York" prepared by Howard R. Schlieder, L.S. #04378, and dated July 30, 1991 and recorded _____, 1991.