

SECURED PROMISSORY NOTE

Borrower: J. MATTMAN SECURITY, INC.
dba The Mattman Company
1004 Rancheros Drive
San Marcos, CA 92069

Lender: Jim Reed
197 Hope St
Ramona, CA 92065

Principal Amount: \$90,000.00

Interest Rate: 14.000%

Date of Note: June 7, 2006

PROMISE TO PAY. J. MATTMAN SECURITY, INC. dba The Mattman Company ("Borrower") promises to pay to Jim Reed ("Lender"), the aggregate principal amount of **Ninety Thousand Dollars (\$90,000.00)**, together with interest at the rate of 14.000% per annum on the unpaid principal balance from the date hereof, until paid in full.

PAYMENT. Borrower will pay this loan in one (1) payment for all principal and all accrued interest on the earlier of December 1, 2006 or the collection by Borrower of all or substantially all of the proceeds represented by Borrower's purchase orders with NC State Highway Patrol purchase order # 122105-01 dated 12/21/05 in the amount of \$ 527,448.10. Unless otherwise agreed or required by applicable law, payments will be applied first to accrued unpaid interest, then to principal, and any remaining amount to any unpaid collection costs and late charges. Interest on this Note is computed on a 30/360 simple interest basis; that is, with the exception of odd days in the first payment period, monthly interest is calculated by applying the ratio of the annual interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by a month of 30 days. Interest for the odd days is calculated on the basis of the actual days to the next full month and a 360-day year. Borrower will pay Lender in equal amounts, at Lender's addresses shown above or at such other place as Lender may designate in writing.

PREPAYMENT FEE; MINIMUM INTEREST CHARGE. Except upon conversion of this Note, Borrower shall not be entitled to prepay, redeem or otherwise acquire this Note prior to maturity. Borrower agrees not to send Lender payments marked "paid in full", "without recourse" or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender.

INTEREST AFTER DEFAULT. Upon Borrower's failure to pay all amounts declared due pursuant to this section, including failure to pay upon final maturity, Lender, at its option, may, if permitted under applicable law, increase the interest rate on this Note to 18.50% per annum. Subject to any right of Lender to increase the interest rate on this Note in the event of a breach or other default, the interest rate will continue at the stated Note Interest Rate.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under the Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any document executed in connection with the Note, including the Security Agreement and Personal Guaranty of even date herewith (the "Related Documents") or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Failure to Amend Articles. Borrower fails to amend its Articles of Incorporation within thirty (30) days of date of this Note.

Default in Favor of Third Parties. Borrower defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform their respective obligations under this Note or any of the Related Documents.

Other Default with Lender. Borrower defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement in favor of Lender that may materially affect any of Borrower's property or Borrower's ability to repay the Note or any of the Related Documents.

Environmental Default. Failure of any party to comply with or perform when due any term, obligations, covenant or condition contained in any environmental agreement executed in connection with any Loan.

False Statements. Any warranty, representation, or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Agreement, the Note, or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Death or Insolvency. The dissolution of Borrower (regardless of whether election to continue is made), any shareholder withdraws from Borrower, or any other termination of Borrower's existence as a going business or the death of any shareholder, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the Loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any Guarantor of any of the indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note. In the event of a death, Lender, at its option, may, but shall not be required to, permit the Guarantor's estate to assume unconditionally the obligations arising under the guaranty in a manner satisfactory to Lender, and, in doing so, cure any Event of Default.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of the Note is impaired.

Insecurity. Lender in good faith deems itself insecure.

CURE PROVISIONS. If any Event of Default, other than a default in payment, is curable and if Borrower has not been given a notice of a breach of the same provision of the Note within the preceding twelve (12) months, it may be cured (and no event of default will have occurred) if Borrower, after receiving written notice from Lender demanding cure of such default: (a) cures the default within fifteen (15) days; or (b) if the cure requires more than fifteen (15) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance on this Note and all accrued unpaid interest immediately due, and the Borrower will pay that amount.

RIGHT OF FIRST REFUSAL. Prior to the sale or issuance of any additional equity securities of Borrower (other than pursuant to currently outstanding convertible securities of Borrower) for cash, Borrower shall give written notice to Lender of the proposed bona fide sale of securities. The notice shall contain the type and number of securities to be sold, the price per security and any other terms of the issuance. For a period of twenty (20) days following receipt of such notice, Lender shall have the opportunity to participate in the proposed sale of securities. Any purchase by Lender pursuant to such notice shall be at the price and on the terms specified in the notice.

SECURITY INTEREST. To secure the payment and performance of this Note, Borrower hereby pledges, assigns, transfers, hypothecates and sets over to Lender, and grants to Lender security interests in Borrower's present and future right, title and interest in, to and under the Purchase Orders and the accounts, inventory, general intangibles and the proceeds, arising therefrom, as set forth in the Security Agreement between Borrower Lender dated of even date herewith.

ATTORNEYS' FEES; EXPENSES. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees, expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. Borrower also will pay any court costs, in addition to all other sums provided by law.

GOVERNING LAW AND VENUE. This Note will be governed by, construed and enforced in accordance with federal law and the laws of the State of California. This Note has been accepted by Lender in the State of California. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of San Diego County, State of California.

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$15.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

FINANCIAL INFORMATION PROVISION. Borrower agrees to provide Lender with current financial information, including but not limited to, annual financial statements, interim financial statements, and copies of Federal Income Tax Returns during the term of this loan and any renewals or extensions thereof, when requested by Lender.

CALIFORNIA UNIFORM COMMERCIAL CODE DEFINITIONS. All terms used herein, if not otherwise specifically defined, shall have the meaning defined by the current or any future version of the California Uniform Commercial Code, as revised, amended, or modified.

AGENCY. Nothing in this Agreement shall be construed to constitute the creation of a partnership or joint venture between Lender and borrower or any contractor. Lender is not an agent or representative of Borrower. This Agreement does not create a contractual relationship with and shall not be construed to benefit or bind Lender in any way with or create any contractual duties by Lender to any contractor, subcontractor, materialman, laborer, or any other person.

NO CHANGE IN JURISDICTION. Borrower will not change its jurisdiction of organization without prior notice to Lender.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

GENERAL PROVISIONS: Lender may delay or forego enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive any applicable statute of limitations, presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this

loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

J. MATTMAN SECURITY, INC. dba The Mattman
Company, a California corporation

BY: 

John Mattman, Chairman of the Board

SECURITY AGREEMENT

This Security Agreement (this "Agreement") is made as of 6/7/06, by J. Mattman Security, Inc., a California corporation doing business as The Mattman Company ("Borrower"), in favor of Jim Reed (collectively, "Lender").

RECITALS

This Agreement is made in connection with a secured convertible promissory note dated 6/7/06 of even date herewith, made by Borrower in favor of Lender in the principal amount of Ninety Thousand Dollars (\$90,000) (the "Note").

The Note, this Agreement and all other documents and instruments executed or to be executed by Borrower in favor of Lender in connection with the loan evidenced by the Note are referred to collectively in this Agreement as the "Loan Documents."

1. Grant of Security Interest; Property Subject to Security Interest. Borrower hereby GRANTS to Lender a security interest in all of the following property, now owned or hereafter acquired (collectively, the "Collateral"), to secure the Obligations (as defined in Section 2): Borrower's purchase orders with (i) the NC State Highway Patrol purchase order # 122105-01 in the amount of \$527,844.10.

2. Obligations Secured. The security interest granted by this Agreement secures the payment, performance, observance and satisfaction by Borrower of all of its obligations, covenants, agreements and conditions under all the following and all modifications, amendments, renewals, replacements and extensions of each of them (collectively, the "Obligations"): (i) the Loan Documents and (ii) all other agreements to which Borrower and Lender may now or hereafter be or become parties that state that Borrower's obligations under such agreements are secured by this Agreement (collectively, the "Other Agreements").

3. Borrower's Representations, Warranties, and Covenants. TO PROTECT AND MAINTAIN THE SECURITY OF THIS AGREEMENT, BORROWER AGREES AS FOLLOWS:

3.1 Payment and Performance of Obligations. Borrower will promptly pay, perform, observe and satisfy all Obligations when due.

3.2 Ownership, Maintenance and Preservation of Collateral; Compliance with Law.

(a) Borrower represents and warrants that it is (and as to any Collateral acquired hereafter agrees and warrants that it will at all times be and remain) the sole owner of the Collateral, free from any lien, security interest or other claim, excepting only the security interest granted by this Agreement and the subordinated security interest of Huntington Capital, L.P. ("Huntington") in the Collateral. Borrower represents and warrants that it has not executed or authorized the filing of any financing statement covering any of the Collateral except in favor of Lender and Huntington, and that, other than with respect to Huntington's security interest, no financing statement covering any of the Collateral is on file in any public office in any jurisdiction. Without Lender's prior written consent, Borrower will not execute, file or authorize

to be filed, in any jurisdiction, any financing statement covering any of the Collateral in which Lender is not named as the sole secured party, without the prior written consent of Lender.

(b) Borrower will maintain and keep the Collateral in good condition and repair and will not commit or permit any waste or unreasonable depreciation. Borrower will not alter, remove or demolish any Collateral without Lender's prior written consent, except as may be required by law or permitted by other provisions of this Agreement.

(c) Borrower will comply with all applicable laws, ordinances, regulations, covenants, conditions, restrictions and requirements of governmental authorities now or hereafter affecting the Collateral (collectively, the "Applicable Law"). Borrower agrees not to commit, suffer or allow any act to be done in violation of Applicable Law and will make all payments required under Applicable Law, subject to Borrower's right of contest set forth in Section 3.4 below.

(d) In the performance of all such acts and all other acts required by this Agreement, Borrower will promptly pay when due, at its own expense, all expenses incurred and will promptly pay, discharge or otherwise satisfy all claims for labor performed and materials furnished in connection with the Collateral.

3.3 Entry and Inspections. Lender and its agents, attorneys, employees and contractors may enter any part of the real property on which any of the Collateral is or may be located, at all reasonable times, to attend to Lender's interests, inspect the Collateral, including all books, records, inventories and other documents relating to the Collateral or perform any other act that Lender is authorized to perform under this Agreement or by law. Borrower will cooperate in such entries and inspections as Lender may reasonably request.

3.4 Taxes, Assessments, Liens and Security Interests. Borrower will pay when due all taxes and assessments against the Collateral and all claims and demands arising from Borrower's ownership or use of it, and will not cause or permit any additional lien or security interest to be imposed on or to exist against the Collateral, except that Borrower may withhold payment of any contested taxes, assessments, claims or demands, or contest any lien, as long as (a) Borrower is diligently prosecuting its contest in good faith and in proper proceedings; (b) Borrower is not in default under any of the Obligations; (c) Lender's interest in the Collateral is not jeopardized; and (d) in any event, if any part of the Collateral is subjected to a lien not discharged within ten (10) calendar days after Borrower's knowledge of such lien, Borrower will deposit with Lender cash in an amount adequate to provide for, or will post a surety bond that causes, the discharge of the lien plus any interest, costs, attorney fees, or other charges that could accrue. Lender will have the right to apply any such deposited amounts to discharge the lien at any time if necessary to prevent enforcement of the lien, or to prevent accrual of interest, attorney fees or other charges in excess of amounts on deposit, despite the pendency of any contest. In any contest, Borrower will defend itself and Lender at Borrower's expense and will satisfy any final adverse judgment before enforcement against the Collateral. Borrower will name Lender as an additional obligee under any surety bond furnished in the contest proceedings.

3.5 Insurance. Borrower will procure and maintain policies of fire, extended coverage and other insurance, providing such coverage of the Collateral as Lender may from time to time

require. All such policies will name Lender as additional insured and loss payee. Borrower will deliver to Lender certificates of coverage from each insurer, stipulating that coverage will not be canceled or diminished without at least thirty (30) calendar days' written notice to Lender.

3.6 Litigation; Attorney Fees.

(a) Borrower will promptly notify Lender of the commencement or threat of commencement of any litigation that seeks to or could materially affect any of the Collateral, the security interest of this Agreement or the rights or powers of Lender under this Agreement. Borrower will, at its own expense, appear in and defend any such litigation. Lender will also have the right, but not the obligation, to appear in any such litigation, and Borrower will pay all costs and expenses (including attorney fees) of Lender in so appearing.

(b) If Lender uses legal counsel to enforce or prevent a breach of this Agreement or the Obligations, whether or not suit is filed, Borrower will immediately reimburse Lender for reasonably incurred attorney fees and other costs and expenses. Borrower will also immediately reimburse Lender for all attorney fees and costs reasonably incurred in connection with the representation of Lender in any bankruptcy, insolvency, reorganization or other debtor-relief or similar proceeding of or relating to (a) Borrower, (b) any person liable (by way of guaranty, assumption, endorsement or otherwise) on any of the Obligations (an "Other Liable Party"), (c) the Collateral or (d) any other property that secures any of the Obligations. All such amounts will be secured by this Agreement and will bear interest from the date of expenditure until reimbursed, at the rate from time to time applicable under the Note.

3.7 Lender's Right to Perform for Borrower. If Borrower fails to make any payment, perform any Obligation, or do any act set forth in or secured by this Agreement, Lender, at Lender's option, without notice to or demand on Borrower and without releasing Borrower from the duty to make such payments, perform such Obligations, or do such acts, then or in the future, may make such payment, perform such Obligation or do such act in such manner and to such extent as Lender may deem necessary to protect the security of this Agreement. Without limiting any foregoing clause, Lender may pay, purchase, contest or compromise any encumbrance, charge or lien that, in Lender's sole judgment, appears to be prior or superior to this Agreement. In exercising any such power, Lender may pay all necessary expenses incurred, including reasonable attorney fees. Borrower will pay, immediately and without demand, all sums so expended by Lender with interest, from the date of expenditure, at the rate from time to time applicable under the Note.

3.8 Contracts. With respect to Collateral consisting of rights in or under agreements or contracts, including purchase orders (collectively, the "Third Party Agreements"):

(a) Borrower represents and warrants that (i) it is not currently in default of any Third Party Agreement, nor has it received notice of any purported default and (ii) it is able, and intends, to satisfy the requirements of the Third Party Agreements within the terms and conditions set forth therein, as the same may be modified by the parties thereto.

(b) Borrower will, at its sole cost and expense (i) perform and satisfy every obligation and condition of the Third Party Agreements to be performed or satisfied by

Borrower; (ii) give prompt notice to Lender of any notice of default given or received by Borrower under any Third Party Agreements, together with a copy of any such notice of default; (iii) enforce, short of termination, the performance and satisfaction of every obligation and condition of the Third Party Agreements to be performed or satisfied by the other parties to the Third Party Agreements; and (iv) appear in and defend any action arising from or relating to the Third Party Agreements or the obligations of any party under any Third Party Agreement.

(c) Borrower will not, without Lender's prior written consent, take any action to (i) terminate or amend any Third Party Agreements (except to provide for normal change orders); (ii) waive or release the parties to any Third Party Agreements from any obligation or condition to be performed or satisfied by such parties; (iii) make any other assignment or transfer of any of its rights in any Third Party Agreements, absolutely or for security; or (iv) revoke or countermand, or attempt or purport to revoke or countermand, the irrevocable authorizations and instructions set forth in paragraph (d) below. Any such purported action by Borrower without Lender's prior written consent will be void and will constitute a default under this Agreement.

(d) Borrower hereby irrevocably authorizes and instructs every present and future party under every Third Party Agreement, upon demand by Lender, to pay and perform all of such party's obligations directly and only to Lender, to recognize and accept Lender as the holder of all of Borrower's rights and benefits under the Third Party Agreement for all purposes, and to accept any payment or performance by Lender of Borrower's obligations under the Third Party Agreement that Lender may elect to tender. No such party shall have any duty to investigate the validity or accuracy of any such demand by Lender. Each such party shall be relieved of any liability to Borrower for payment or performance under a Third Party Agreement to the extent that such party has paid or performed to Lender, pursuant to demand of Lender, even if it is later determined that Lender's demand for payment or performance was invalid.

(e) Lender is not obligated to perform any obligations of Borrower under any Third Party Agreement, unless Lender so elects, and Borrower shall remain liable under every Third Party Agreement to the same extent as if this Agreement had not been executed. The exercise by Lender of any rights and remedies under this Agreement shall not release Borrower from any of its duties or obligations under any Third Party Agreement.

3.9 Borrower's Additional Performance. Borrower will execute any and all further agreements, assignments (including separate assignments of Third Party Agreements), documents, financing statements and authorizations of financing statements, and take such other further acts, as Lender may reasonably request from time to time, in order to evidence, protect, perfect, or continue the security interest of Lender in the Collateral or otherwise carry out the purposes and intent of this Agreement.

3.10 Financing Statements. Borrower authorizes Lender to file financing statements in all states, counties and other jurisdictions as Lender may elect, without Borrower's signature if permitted by law.

3.11 Indemnity. Borrower will indemnify, defend and hold Lender harmless from and against all liabilities, claims, actions, costs and expenses, including attorney fees, arising from or

related to Borrower's ownership or use of any of the Collateral, or Lender's exercise of any of its rights or remedies under this Agreement.

4. Default; Remedies.

4.1 Events of Default. Each of the following will constitute an event of default under this Agreement:

(a) Borrower fails to pay any monetary amount due, as and when required, under this Agreement or the Note;

(b) Borrower defaults under or fails to perform, observe or satisfy when due any nonmonetary condition, covenant or other provision of this Agreement; provided, however, that if the default in such nonmonetary condition, covenant or obligation is reasonably susceptible of being cured, and is a default only under this paragraph and no other provision of Section 4.1, and if Borrower is not otherwise in default under this Agreement, then Borrower will have thirty (30) calendar days after written notice of the default in which to effect a cure, and, if such default is of such character as to reasonably require more than thirty (30) calendar days to cure, Borrower will not be in default if Borrower commences to cure within such thirty (30) calendar-day period, thereafter diligently continues such cure, and completes the cure within sixty (60) calendar days after such notice;

(c) Borrower takes or purports to take any action prohibited by Section 3.8(b);

(d) Any event of default occurs under any other Loan Document or Other Agreement, subject to any provision for notice and cure set forth in such Loan Document or Other Agreement;

(e) Any representation or warranty in this Agreement or in any other instrument or agreement evidencing, securing, guaranteeing, or otherwise relating to any of the Obligations is or becomes untrue or misleading in any material respect;

(f) Subject to Borrower's right to contest certain liens as provided herein, any claim of lien is filed against any of the Collateral;

(g) Borrower or any Other Liable Party ceases operations, is dissolved or terminates its existence; or

(h) Borrower or any Other Liable Party makes a general assignment for the benefit of creditors or generally is not paying, or is unable to pay, or admits in writing the inability to pay, its debts as they become due, or any bankruptcy, insolvency, reorganization, receivership, conservatorship or debtor-relief proceeding is commenced with respect to Borrower or any Other Liable Party; provided, however, that if such a proceeding is commenced with respect to Borrower by a party other than Borrower or any of Borrower's general partners or members, or if such a proceeding is commenced with respect to any Other Liable Party by a party other than such Other Liable Party or any of such Other Liable Party's general partners or members, Borrower or such Other Liable Party will have sixty (60) calendar days to have the proceeding dismissed or discharged.

4.2 Lender's Remedies.

(a) If an event of default under this Agreement occurs, Lender may, at its sole option, without notice to or demand on Borrower, do any one or more of the following:

(i) Declare any or all of the Obligations immediately due and payable, regardless of any otherwise applicable maturity date;

(ii) After giving such notice as may be required by law, if any, foreclose on, sell, lease, license or otherwise dispose of, nonjudicially and/or by judicial action, in any order, separately or together, at the same or different times and places, any or all of the Collateral and/or any other real or personal property security for the Obligations, without waiving any other part of any of the Collateral or any other such real or personal property security;

(iii) Require Borrower to assemble any or all of the Collateral and make it available to Lender at a place designated by Lender that is reasonably convenient to Borrower and Lender;

(iv) Without removal, render the Collateral unusable and dispose of it on the premises of Borrower without judicial process, if Lender can do so without a breach of the peace, or by judicial process;

(v) Enter on the property where any of the Collateral may be located and possess and remove any or all of the Collateral without judicial process, if Lender can do so without a breach of the peace, or by judicial process;

(vi) In any sale, lease, license or other disposition of any Collateral, disclaim any or all warranties of any kind which by law may be disclaimed, and no such disclaimer shall be considered to affect the commercial reasonableness of such sale, lease, license or other disposition;

(vii) Exclude Borrower and its successors or assigns, agents and employees from the Collateral, and hold, store, use, operate, manage and control the Collateral, and collect and receive all rents, revenues, issues, income and profits of the Collateral;

(viii) Exercise any or all other remedies now or in the future available to a secured party under the California Commercial Code;

(ix) Obtain the appointment of a receiver ex parte and without prior notice to Borrower, which notice Borrower hereby waives;

(x) Obtain specific performance of any covenant or agreement contained in this Agreement, or in aid of the execution of any power or remedy granted in this Agreement; and

(xi) Exercise any other legal, equitable or contractual right or remedy against Borrower and/or any security and/or any Other Liable Party.

(b) No remedy provided or permitted under this Agreement is exclusive of any other, or of any remedy provided or permitted by law, equity or any other instrument or agreement evidencing, securing, guaranteeing or relating to any of the Obligations. Each remedy is cumulative and in addition to every other remedy. No exercise of remedies, including foreclosure, against any part of the Collateral will exhaust or extinguish Lender's rights to exercise remedies, including foreclosure, or any other part of the Collateral until the Obligations are paid in full. Lender may exercise any one or more of its remedies at its option without regard to the adequacy of its security.

(c) Lender's delay or omission in the exercise of any right, remedy or power accruing on any event of default under this Agreement will not impair such right, remedy or power or any other, nor will such delay or omission be deemed a waiver of or acquiescence in that or any other event of default.

4.3 Use of Proceeds. The proceeds of any disposition or use of Collateral will be applied in the following priority: (a) to pay reasonable expenses of taking, holding, preparing for disposition, selling, using, leasing, licensing, otherwise disposing of the Collateral, and the like, including reasonable attorney fees and costs incurred by Lender; (b) to satisfy all remaining Obligations in such order as Lender may elect; and (c) to satisfy any indebtedness secured by any subordinate security interest in the Collateral, if an authenticated demand for such payment is received before distribution of the proceeds is completed.

5. Miscellaneous Provisions.

5.1 Governing Law. This Agreement has been executed and delivered in and is to be construed, enforced and governed according to the laws of the State of California, without regard to the principles of conflict of laws.

5.2 Entire Agreement; Modification. The Loan Documents collectively constitute the entire understanding between Lender and Borrower as to the matters contemplated in those documents and may not be modified, amended or terminated except by written agreement signed by both parties.

5.3 Partial Invalidity. If any provision of this Agreement or the instruments or agreements reflecting the Obligations are held to be invalid, illegal, unenforceable, or voidable in any respect, no other provision of this Agreement, or of any such other instrument or agreement, will be affected thereby, and such other provisions will remain binding and enforceable.

5.4 Parties Benefited. This Agreement applies to, inures to the benefit of, and binds all parties to this Agreement and their respective heirs, legatees, devisees, administrators, executors, successors and assigns (but this provision will not be interpreted to permit or validate any lien, encumbrance, assignment or other transfer by Borrower that is prohibited by other provisions of this Agreement or other Loan Documents). "Lender" means the owner and holder, including pledgees, of any of the Obligations.

5.5 Headings. Headings are used for convenience of reference only and do not define or limit the scope of this Agreement.

5.6 Written Notice: Delivery. All notices contemplated under this Agreement will be given in writing, and will be sent (a) for personal delivery by a delivery service that provides a record of the date of delivery, the individual to whom delivery was made, and the address where delivery was made; (b) by certified U.S. mail, postage prepaid, return receipt requested; or (c) by a nationally recognized overnight delivery service, marked for next-business-day delivery, with all charges prepaid or billed to sender's account. All notices will be addressed to the appropriate party at its address set forth on the Note, or at such other addresses as may be designated by notice given in compliance with this provision. Notices will be deemed effective on the earliest of (a) actual receipt; (b) rejection of delivery; (c) if sent by certified mail, the third day on which regular U.S. mail delivery service is provided after the day of mailing; or (d) if sent by overnight delivery service, on the next day on which such service makes next-business-day deliveries after the day of sending.

6. Borrower Identification Information; Nonconsumer Transaction; Changes in Name or State of Organization.

6.1 Representations and Warranties. Borrower represents and warrants to Lender that:

(a) Borrower is a corporation incorporated under the laws of the State of California.


(b) Borrower's full, correct, legal name, as indicated on the public record of the jurisdiction of its organization, which shows Borrower to have been organized, is J. Mattman Security, Inc.

(c) Borrower's mailing address for purposes of any financing statement filed in connection with this Agreement is: 1004 Rancheros Drive, San Marcos CA. This address, if different from the address for Borrower in Section 5.6, is not Borrower's address for notices under this Agreement.

(d) The Collateral is for business, commercial and/or investment use by Borrower, and does not include goods used or bought for use by Borrower primarily for personal, family, or household purposes. The Obligations are incurred by Borrower for business, commercial and/or investment purposes, and not primarily for personal, family, or household purposes. The transaction that is the subject of the Loan Documents is not a consumer-goods transaction or a consumer transaction.

6.2 Changes in Name or State of Organization. Borrower will make no change to its name, organizational status or existence or state of organization without providing Lender thirty (30) days prior written notice.

J. Mattman Security, Inc., a California corporation

By: 
Its: J. Mattman

By: _____
Its: _____