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PATENT & TRADEMARK OFFICE

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TRADEMARKS

To the Honorable Commissioner of Patents and Trademarks:

Please record the attached original documents or copy thereof.

1. Name of conveying party:

VERTEQ, Inc.

2. Name and address of receiving party:

Westar Capital II, LLC
949 South Coast Drive, Suite 650
Costa Mesa, CA 92626

3. Nature of conveyance:

Reimbursement and Security Agreement

Execution Date: August 3, 1998

4. Registration numbers:

Trademark	Registration Date	Registration No.	Application No.,	Filing Date
SUNBURST	1/2/90	1574491	73/760371	10/28/88
VERTEQ	2/25/97	2040148	75/035442	12/21/95
VcS	2/17/98	2137740	75/035604	12/21/95

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

Thomas Baxter
O'Melveny & Myers LLP
400 South Hope Street
Los Angeles, CA 90017

6. Total number of applications and registrations involved: three (3)

7. Total fee: $90.00

8. Deposit Account Number:
N/A

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.

Lisa Jukelevics — Name of Person Signing
[signature] — Signature
August 6, 1998 — Date

TOTAL NUMBER OF PAGES COMPRISING COVER SHEET:

08/11/1998 DNGUYEN 00000126 1574491

01 FC:481 40.00 OP
02 FC:482 50.00 OP

LA1:814454.1

REIMBURSEMENT AND SECURITY AGREEMENT

This **REIMBURSEMENT AND SECURITY AGREEMENT** (this "**Agreement**") is dated as of August 3, 1998 and entered into by and between **VERTEQ, INC.**, a Delaware corporation ("**Company**"), **VERTEQ SYSTEMS AUTOMATION, INC.**, an Oregon corporation ("**VSA**", and together with Company, individually a "**Grantor**" and collectively, the "**Grantors**") and **WESTAR CAPITAL II, LLC** (in such capacity herein called "**Westar**").

PRELIMINARY STATEMENTS

A. Company is party to that certain Loan and Security Agreement dated as of February 28, 1997 (as amended, modified or otherwise supplemented from time to time, and any successor agreement (the "**Loan Agreement**") with Greyrock Business Credit, a Division of NationsCredit Commercial Corporation (together with its successors and assigns, the "**Lender**"), pursuant to which Lender has made and may in the future make loans to Company (the "**Loans**"). VSA is party to that certain Continuing Guaranty dated as of February 28,1997 (as amended, modified or supplemented from time to time, and any successor agreement, the "VSA Guaranty") provided herein and that certain Security Agreement dated as of February 28, 1997 with Lender (as amended, modified or supplemented from time to time, and any successor agreement, the "VSA Security Agreement"). The Loan Agreement, the VSA Guaranty, the VSA Security Agreement and all promissory notes, guaranties, security agreements, mortgages and other documents, instruments and agreements entered into by the Company, VSA or any of their respective affiliates from time to time pursuant to the Loan Agreement are referred to herein as the "**Loan Documents.**"

B. Company is expecting to enter into an Investment Agreement Westar (as amended, modified or supplemented from time to time, and any successor agreement, the "Investment Agreement").

B. Company and VSA have requested that Westar enter into the Limited Continuing Guaranty dated as of August 3, 1998 (said Guaranty, as it may hereafter be amended, supplemented or otherwise modified from time to time, being the "**Guaranty**") in favor of Lender pursuant to which Westar, subject to the terms and conditions set forth in the Guaranty, may guaranty certain Loans that may be made by Lender pursuant to the Loan Documents. Company and VSA have determined that the Guaranty will enable Company and VSA to obtain additional Loans which will be used by Company and VSA for its working capital and general corporate purposes and will benefit Company and VSA. For purposes hereof, this Agreement, the Guaranty and all other documents, instruments and agreements entered into by Company, VSA or any of their respective

affiliates from time to time in connection therewith are referred to herein as the "Basic Documents."

C. In order to induce Westar to enter into the Guaranty, Company has also agreed to issue to Westar certain warrants (as hereinafter defined, the "**Warrants**") to acquire Series Z Preferred Stock (the "**Preferred Stock**") as provided herein.

D. It is a condition precedent to the execution and delivery of the Guaranty by Westar that Company and VSA shall have granted the security interests and undertaken the other obligations contemplated by this Agreement. Furthermore, the parties have agreed that nothing herein shall adversely alter the subrogation, security and other rights of Westar under the Guaranty, including all such rights arises as a result of any payments made by Westar under the Guaranty.

NOW, THEREFORE, in consideration of the premises and in order to induce Westar to enter into the Guaranty and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Company and VSA hereby jointly and severally agree with Westar as follows:

SECTION 1. Reimbursement Obligations and Other Covenants.

(a) Each Grantor consents to the execution, delivery and performance of the Guaranty by Westar and agrees that Westar and Lender may take actions under the Guaranty in their sole respective discretion without any further notice or consent by any Grantor or any of their respective affiliates, it being understood that Westar may in its sole discretion elect to guaranty Loans and to make Guaranty Payments (as defined below). Nothing herein or in the Guaranty or any other agreement constitutes a commitment or other undertaking by Westar to guaranty any Loans or other obligations under the Guaranty or otherwise.

(b) Nothing herein shall adversely affect in any manner Westar's subrogation, security interests and other rights of every nature under the Guaranty, the Loan Agreement and the other Loan Documents (the "**Westar Subrogation Rights**"), it being understood that the Company intends and agrees, on its own behalf and on behalf of each of its Subsidiaries, that Westar shall have the full benefit of all Westar Subrogation, Rights and Loan Documents and that all of Westar's security interests and other rights under this Agreement are in addition to, and in no way limit, the Westar Subrogation Rights.

(c) In the event Westar makes any payment or advance under the Guaranty, including but not limited to, any payment in respect of any Loan (any such payment in respect of a Loan or otherwise, a "**Guaranty Payment**"), Company shall immediately reimburse Westar on the same day in cash in an amount equal to the amount of such Guaranty Payment that has not otherwise been satisfied through the Westar Subrogation Rights. In the event and to the extent the Company does not reimburse

TRADEMARK
REEL: 1766 FRAME: 0791

Westar for a Guaranty Payment on the date of such Guaranty Payment, Company agrees to pay interest to Westar on such unpaid portion on demand at an interest rate applicable to Loans under the Loan Agreement after an Event of Default (as defined in the Loan Agreement).

(d) In addition to any amounts due under the Investment Agreement, including Section 6.4 thereof, if Westar does not make a Debt or Equity Investment in excess of $10 million in Company and Company subsequently completes a recapitalization, merger, or sale or other similar transaction of a material portion of its assets (a "**Transaction**") with any person other than Westar within one year from the date hereof, then Company will pay Westar a cash fee upon the closing of any such Transaction equivalent to the average monthly Guaranty Payment balance times 1.25% per month that the drawn-down Guaranty Payment balance is outstanding. A "Debt or Equity Investment in Company shall include any purchase of debt or equity from the Company or from a holder of existing debt or equity, but will not include Westar making a Guaranty Payment or the Warrants or Preferred Stock. Nothing herein or in the Guaranty or any other agreement constitutes a commitment or other undertaking by Westar to provide any Debt or Equity Investment or other transaction.

(e) Grantors shall reimburse Westar upon demand by Westar its expenses related to issuing the Guaranty and entering into this Agreement on or prior to the date hereof in an amount not to exceed $25,000, it being understood that Grantor shall be obligated to reimburse Westar after the date hereof as described in Section 18.

(f) Grantors shall promptly deliver to Westar all notices of borrowing, borrowing base certificates and all other documents and written information delivered by Company or any of its affiliates to Lender pursuant to the Loan Documents. Grantors shall also promptly deliver monthly, quarterly and annual financial statements and any other information relating to any Grantor or any of their respective affiliates requested by Westar. Company shall give Westar not less than three business days notice of any request by Company to borrow Loans under the Loan Agreement, which notice shall include all notices and certifications required to be submitted to Lender in connection with such Loan request. Grantor acknowledges and agrees that Westar has no obligation to guaranty or otherwise approve any such Loan request.

(g) Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, declare, make or pay any Restricted Junior Payment. For purposes hereof, "**Restricted Junior Payment**" means (i) any dividend or other distribution, direct or indirect, on account of any shares of any class of capital stock of Company now or hereafter outstanding, except a dividend payable solely in shares of that class of capital stock to the holders of that class or in options, warrants, or other rights to purchase such capital stock, (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of capital stock of Company now or hereafter outstanding (other than in exchange for capital stock of Company or options, warrants or other rights to purchase such capital stock), or (iii)

TRADEMARK
REEL: 1766 FRAME: 0792

any payment made to retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of capital stock of Company now or hereafter outstanding. Company will not form, acquire, maintain or permit to exist any subsidiaries except for wholly-owned subsidiaries. Company shall not cause Verteq Foreign Sales Corporation ("Verteq FSC") to engage in any activities or acquire any assets after the date hereof.

(h) The Company acknowledges receipt of the sum of $1,000 from Westar and in consideration thereof and in consideration of the execution and delivery by Westar of the Guaranty and this Agreement, the Company shall as soon as practicable but in any event on or before August 11, 1998 (the "Warrant Issuance Date"), issue Westar a warrant exercisable at $0.01 per share for 6,000 shares of Preferred Stock (the "Warrant"). The other terms of the Warrant shall include the following:

(i) the warrant shall not be exercisable until Westar's makes a Guaranty Payment;

(ii) Each $1,000 of such Guaranty Payments shall entitle Westar to receive 1 share of Preferred Stock up to a maximum of 6,000 shares;

(iii) If not exercised the Warrant expires upon the expiration of both the Guaranty and this Agreement; and

(iv) Antidilution protection and other provisions reasonably requested by Westar shall be included.

The terms of the Preferred Stock shall include the following:

(i) a 10% cumulative dividend;

(ii) a stated value of $1,000 per share; and

(iii) a senior equity liquidation preference except as to the Series C-1 and C-2 Preferred Stock of the Company and other provisions reasonably requested by Westar.

On or prior to August 8, 1998, Company shall cause an opinion of outside counsel to the Grantors to be delivered in form and substance reasonably satisfactory to Westar affirming that this Agreement has been duly authorized, executed and delivered by each Grantor and constitutes the valid, binding obligation of each Grantor, enforceable in accordance with its terms, it being understood that such opinion may include customary assumptions and qualifications. On or prior to the Warrant Issuance Date, Company shall cause an opinion of outside counsel to the Grantors to be delivered in form and substance reasonably satisfactory to Westar affirming the authorization of the Preferred Stock and other customary matters requested by Westar, it being understood that such opinion may include customary assumptions and qualifications.

SECTION 2. Grant of Security. Each Grantor hereby assigns to Westar, and hereby grants to Westar a security interest in, all of such Grantor's right, title and interest in and to the following, in each case whether now or hereafter existing or in

TRADEMARK
REEL: 1766 FRAME: 0793

which such Grantor now has or hereafter acquires an interest and wherever the same may be located (the "**Collateral**"):

(i) all equipment in all of its forms, all parts thereof and all accessions thereto (any and all such equipment, parts and accessions being the "**Equipment**");

(ii) all inventory in all of its forms (including, but not limited to, (i) all goods held by such Grantor for sale or lease or to be furnished under contracts of service or so leased or furnished, (ii) all raw materials, work in process, finished goods, and materials used or consumed in the manufacture, packing, shipping, advertising, selling, leasing, furnishing or production of such inventory or otherwise used or consumed in such Grantor's business, (iii) all goods in which such Grantor has an interest in mass or a joint or other interest or right of any kind, and (iv) all goods which are returned to or repossessed by such Grantor and all accessions thereto and products thereof (all such inventory, accessions and products being the "**Inventory**") and all negotiable documents of title (including without limitation warehouse receipts, dock receipts and bills of lading) issued by any Person covering any Inventory (any such negotiable document of title being a "**Negotiable Document of Title**");

(iii) all accounts, contract rights, chattel paper, documents, instruments, general intangibles and other rights and obligations of any kind and all rights in, to and under all security agreements, leases and other contracts securing or otherwise relating to any such accounts, contract rights, chattel paper, documents, instruments, general intangibles or other obligations (any and all such accounts, contract rights, chattel paper, documents, instruments, general intangibles and other obligations being the "**Accounts**", and any and all such security agreements, leases and other contracts being the "**Related Contracts**");

(iv) all deposit accounts;

(v) all patents and patent applications and rights and interests in patents and patent applications under any domestic law that are presently, or in the future may be, owned by such Grantor and all patents and patent applications and rights and interests in patents and patent applications under any domestic law that are presently, or in the future may be, held or used by such Grantor in whole or in part (including, without limitation, the patents and patent applications listed in Schedule B annexed hereto, as the same may be amended pursuant hereto from time to time), all rights (but not obligations) corresponding thereto (including without limitation the right (but not the obligation) to sue for past, present and future infringements in the name of such Grantor or in the name of Westar, and all re-issues, divisions, continuations, renewals, extensions and continuations-in-part thereof (all of the foregoing being collectively referred to as the "**Patents**"); it being understood that the rights and interest assigned hereby shall include, without limitation, all rights and interests pursuant to licensing or other contracts in favor of such Grantor pertaining to patent applications and patents presently or in the future owned or used by third parties but, in the case of third parties which are not Affiliates of such

TRADEMARK
REEL: 1766 FRAME: 0794

Grantor, only to the extent permitted by such licensing or other contracts and, if not so permitted, only with the consent of such third parties;

(vi) All trademarks, service marks, designs, logos, indicia, tradenames, corporate names, company names, business names, fictitious business names, trade styles and/or other source and/or business identifiers and applications pertaining thereto (collectively, the "**Trademarks**") and rights and interests in Trademarks that are presently, or in the future may be, owned, held (whether pursuant to a license or otherwise) or used by such Grantor, in whole or in part (including, without limitation, the Trademarks specifically identified in Schedule A annexed hereto, as the same may be amended pursuant hereto from time to time), all registrations that have been or may hereafter be issued or applied for thereon in the United States and any state thereof and in foreign countries (the "**Registrations**"), all common law and other rights in and to the Trademarks in the United States and any state thereof and in foreign countries (the "**Trademark Rights**"), all goodwill of Grantor's business symbolized by the Trademarks and associated therewith, including without limitation the documents and things described in this clause (vi) (the "**Associated Goodwill**"), and all proceeds of the Trademarks, the Registrations, the Trademark Rights and the Associated Goodwill, the right (but not the obligation) to register claims under any state or federal trademark law or regulation or any trademark law or regulation of any foreign country and to apply for, renew and extend the Trademarks, Registrations and Trademark Rights, the right (but not the obligation) to sue or bring opposition or cancellation proceedings in the name of such Grantor or in the name of Westar or otherwise for past, present and future infringements of the Trademarks, Registration or Trademark Rights and all rights (but not obligations) corresponding thereto in the United States and any foreign country, and the Associated Goodwill; it being understood that the rights and interests included herein shall include, without limitation, all rights and interests pursuant to licensing or other contracts in favor of such Grantor pertaining to any Trademarks, Registrations or Trademark Rights presently or in the future owned, held or used by third parties but, in the case of third parties which are not Affiliates of such Grantor, only to the extent permitted by such licensing or other contracts or otherwise permitted by applicable law and, if not so permitted under any such contracts and applicable law, only with the consent of such third parties;

(vii) the following documents and things in such Grantor's possession, or subject to such Grantor's right to possession, related to (Y) the production, sale and delivery by such Grantor, or by any Affiliate, licensee or subcontractor of such Grantor, of products or services sold or delivered by or under the authority of such Grantor in connection with the Trademarks, Registrations or Trademark Rights (which products and services shall, for purposes of this Agreement, be deemed to include, without limitation, products and services sold or delivered pursuant to merchandising operations utilizing any Trademarks, Registrations or Trademark Rights); or (Z) any retail or other merchandising operations conducted under the name of or in connection with the Trademarks, Registrations or Trademark Rights by Company or any Affiliate, licensee or subcontractor of such Grantor:

(a) all lists and ancillary documents that identify and describe any of such Grantor's customers, or those of its Affiliates, licensees or subcontractors, for products sold and services delivered under or in connection with the Trademarks or Trademark Rights, including without limitation any lists and ancillary documents that contain a customer's name and address, the name and address of any of its warehouses, branches or other places of business, the identity of the Person or Persons having the principal responsibility on a customer's behalf for ordering products or services of the kind supplied by such Grantor, or the credit, payment, discount, delivery or other sale terms applicable to such customer, together with information setting forth the total purchases, by brand, product, service, style, size or other criteria, and the patterns of such purchases;

(b) all product and service specification documents and production and quality control manuals used in the manufacture or delivery of products and services sold or delivered under or in connection with the Trademarks or Trademark Rights;

(c) all documents which reveal the name and address of any source of supply, and any terms of purchase and delivery, for any and all materials, components and services used in the production of products and services sold or delivered under or in connection with the Trademarks or Trademark Rights; and

(d) all documents constituting or concerning the then current or proposed advertising and promotion by such Grantor or its Affiliates, licensees or subcontractors of products and services sold or delivered under or in connection with the Trademarks or Trademark Rights including, without limitation, all documents which reveal the media used or to be used and the cost for all such advertising conducted within the described period or planned for such products and services;

(viii) business names, licenses, copyrights, registrations and franchise rights, and all goodwill associated with any of the foregoing;

(ix) to the extent not included in any other paragraph of this Section 1, all other general intangibles (including without limitation tax refunds, rights to payment or performance, *choses in action* and judgments taken on any rights or claims included in the Collateral);

(x) all plant fixtures, business fixtures and other fixtures and storage and office facilities, and all accessions thereto and products thereof;

(xi) all books, records, ledger cards, files, correspondence, computer programs, tapes, disks and related data processing software that at any time evidence or

contain information relating to any of the Collateral or are otherwise necessary or helpful in the collection thereof or realization thereupon; and

(xii) all proceeds, products, rents and profits of or from any and all of the foregoing Collateral and, to the extent not otherwise included, all payments under insurance (whether or not Westar is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral. For purposes of this Agreement, the term "**proceeds**" includes whatever is receivable or received when Collateral or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary.

SECTION 3. Security for Obligations. This Agreement secures, and the Collateral is collateral security for, the prompt payment or performance in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including the payment of amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. §362(a)), of all obligations and liabilities of every nature of each Grantor now or hereafter existing under or arising out of or in connection with this Agreement, the other Basic Documents, the Investment Agreement and the other agreement, instrument or document entered into in connection herewith and all extensions or renewals thereof, whether for principal, interest (including without limitation interest, fees, and costs that, but for the filing of a petition in bankruptcy with respect to Company, would accrue on such obligations), reimbursement of amounts paid under the Guaranty, fees, expenses, indemnities or otherwise, whether voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from Westar as a preference, fraudulent transfer or otherwise (all such obligations and liabilities being the "**Secured Obligations**").

SECTION 4. Each Grantor Remains Liable. Anything contained herein to the contrary notwithstanding, (a) each Grantor shall remain liable under any contracts and agreements included in the Collateral, to the extent set forth therein, to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by Westar of any of its rights hereunder shall not release any Grantor from any of its duties or obligations under the contracts and agreements included in the Collateral, and (c) Westar shall not have any obligation or liability under any contracts and agreements included in the Collateral by reason of this Agreement or any other Basic Document, nor shall Westar be obligated to perform any of the obligations or duties of any Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

SECTION 5. Representations and Warranties. Each Grantor represents and warrants as follows:

TRADEMARK
REEL: 1766 FRAME: 0797

(a) Existence. Each Grantor is duly organized, validly existing and in good standing under Delaware laws in the case of Company and Oregon and in the case of VSA, has all requisite power and authority to own and operate its properties and to transact the business in which it is now engaged and is in good standing under the laws of each jurisdiction where necessary to carry on its present business and operations, except in jurisdictions in which the failure to be in good standing has and will have no material adverse effect on any Grantor. VSA is a wholly-owned subsidiary of Company. Company has no other subsidiaries other than VSA and Verteq FSC.

(b) Power; Authorization; Enforceable Obligations. Each Grantor has all requisite power and authority to execute, deliver and perform this Agreement and any other Basic Document and all obligations required hereunder, to issue the Warrants and the Preferred Stock and has taken all necessary action to authorize its execution, delivery and performance of this Agreement, the Guaranty, all obligations required hereunder or thereunder and to issue the Warrants and the Preferred Stock. No consent of any other Person, including, without limitation, stockholders, other holders of equity interests and creditors of any Grantor or any of their respective affiliates, and no license, permit, approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with, any governmental authority is required by any Grantor or any of their respective affiliates in connection with this Agreement, the Guaranty or the execution, delivery, performance, validity or enforceability of this Agreement, the Guaranty, any obligation arising hereunder or thereunder or the issuance of the Warrants or Preferred Stock, except for such consents that have been obtained on or prior to the date hereof. This Agreement has been, and each instrument or document required hereunder will be, executed and delivered by a duly authorized officer or other representative of each Grantor, and this Agreement constitutes, and each instrument or document required hereunder when executed and delivered hereunder will constitute, the legally valid and binding obligation of each Grantor, enforceable against each Grantor in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws or equitable principles relating to or limiting creditors' rights generally.

(c) No Legal Bar to this Agreement; Other Matters. The execution, delivery and performance of this Agreement and the Guaranty, the issuance of the Warrants and Preferred Stock and the documents or instruments required hereunder and thereunder, and the use of the proceeds of the borrowings under the Loan Agreement, will not violate any provision of any existing law or regulation binding on any Grantor or any of their respective affiliates, or any order, judgment, award or decree of any court, arbitrator or governmental authority binding on any Grantor or any of their respective affiliates, or the certificate of incorporation or bylaws or other organizational document of any Grantor or any of their respective affiliates, or any securities issued by any Grantor or any of their respective affiliates, or any mortgage, indenture, lease, contract or other agreement, instrument or undertaking to which any Grantor or any of their respective affiliation is a party or by which any Grantor or any of their respective affiliates or any of their respective assets may be bound, and will not result in, or require, the creation or

TRADEMARK
REEL: 1766 FRAME: 0798

imposition of any Lien on any of its properties, assets or revenues pursuant to the provisions of any such mortgage, indenture, lease, contract or other agreement, instrument or undertaking other than the Liens created by this Agreement and the Loan Documents. No event of default or event or occurrence that, with the passage of time would result in an event of default has occurred and is continuing with respect to any indebtedness of Company or any of its subsidiaries that has a principal amount of $100,000 or more outstanding.

(d) Ownership of Collateral. Except for the interests disclosed in Schedule C annexed hereto, equipment leases and the security interest created by this Agreement, each Grantor owns its Collateral free and clear of any Lien. Except with respect to the interests disclosed in Schedule C annexed hereto, equipment leases and related financings and such as may have been filed in favor of Westar relating to this Agreement, no effective financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any filing or recording office.

(e) Description of Collateral. A true and complete list of all Patents, Trademarks, Registrations and Trademark Rights owned, held (whether pursuant to a license or otherwise) or used by Company and VSA and its other Subsidiaries annexed hereto as Schedules A and B. All such Patents, Trademarks, Registrations and Trademark Rights are owned by Company.

(f) Location of Equipment and Inventory. All of the Equipment and Inventory is, as of the date hereof, located at the places specified in Schedule D annexed hereto.

(g) Office Locations; Other Names. The chief place of business, the chief executive office and the office where each Grantor keeps its records regarding the Accounts is, and has been for the four month period preceding the date hereof, located at 1241 East Dyer Road, Suite 100, Santa Ana, California 92705. No Grantor has in the past done, and does not now do, business under any other name (including any trade-name or fictitious business name) except as set forth in the Loan Documents.

(h) Governmental Authorizations. No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for either (i) the grant by any Grantor of the security interests granted hereby, (ii) the execution, delivery or performance of this Agreement by each Grantor, (iii) the perfection of or the exercise by Westar of its rights and remedies hereunder (except as may have been taken by or at the direction of Westar) or (iv) the issuance of the Warrants and the Preferred Stock.

(i) Perfection. This Agreement, together with filings with the United States Patent and Trademark Office, the Secretary of State of the States of California, Oregon, Texas and Arizona and in Massachusetts creates a valid, perfected and, except for the interests disclosed in Schedule C annexed hereto, first priority security interest in

TRADEMARK
REEL: 1766 FRAME: 0799

the Collateral, securing the payment of the Secured Obligations, and all filings and other actions necessary or desirable to perfect and protect such security interest have been duly made or taken.

(j) Trademarks. Each Grantor has assigned and granted to Westar a lien on and security interest in, among other assets, all of such Grantor's equipment, inventory, accounts and general intangibles relating to the products and services sold or delivered under or in connection with the Trademarks such that, upon the occurrence and during the continuation of an Event of Default, Westar would be able to exercise its remedies consistent with this Agreement and applicable law to foreclose upon Grantors' business and use the Trademarks, the Registrations and the Trademark Rights in conjunction with the continued operation of such business, maintaining substantially the same product and service specifications and quality as maintained by Grantors, and benefit from the Associated Goodwill.

(k) Other Information. All information heretofore, herein or hereafter supplied to Westar by or on behalf of any Grantor with respect to the Collateral is accurate and complete in all respects.

SECTION 6. Further Assurances.

(a) Each Grantor agrees that from time to time, at the joint and several expense of Grantors, each Grantor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that Westar may request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable Westar to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, each Grantor will: (i) at the request of Westar, mark conspicuously each item of chattel paper included in the Accounts, each Related Contract and each of its records pertaining to the Collateral, with a legend, in form and substance satisfactory to Westar, indicating that such Collateral is subject to the security interest granted hereby, (ii) at the request of Westar, deliver and pledge to Westar or Lender all promissory notes and other instruments (including checks) and all original counterparts of chattel paper constituting Collateral, duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to Westar, (iii) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as Westar may request, in order to perfect and preserve the security interests granted or purported to be granted hereby, (iv) at the request of Westar, promptly after the acquisition by such Grantor of any item of Equipment which is covered by a certificate of title under a statute of any jurisdiction under the law of which indication of a security interest on such certificate is required as a condition of perfection thereof, execute and file with the registrar of motor vehicles or other appropriate authority in such jurisdiction an application or other document requesting the notation or other indication of the security interest created hereunder on such certificate of title, (v) within 30 days after the end of

TRADEMARK
REEL: 1766 FRAME: 0800

each calendar quarter, deliver to Westar copies of all such applications or other documents filed during such calendar quarter and copies of all such certificates of title issued during such calendar quarter indicating the security interest created hereunder in the items of Equipment covered thereby, (vi) at any reasonable time, upon request by Westar, exhibit the Collateral to and allow inspection of the Collateral by Westar, or persons designated by Westar, and (vii) at Westar's request, appear in and defend any action or proceeding that may affect any Grantor's title to or Westar's security interest in all or any part of the Collateral.

(b) Each Grantor hereby authorizes Westar to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of any Grantor. Each Grantor agrees that a carbon, photographic or other reproduction of this Agreement or of a financing statement signed by any Grantor shall be sufficient as a financing statement and may be filed as a financing statement in any and all jurisdictions. Each Grantor will furnish to Westar from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as Westar may reasonably request, all in reasonable detail.

(c) If any Grantor shall obtain rights to any new Patents, Trademarks, Registrations or Trademark Rights, the provisions of this Agreement shall automatically apply thereto. Each Grantor shall promptly notify Westar in writing of any rights to any new Patents, Trademarks or Trademark Rights acquired by any Grantor after the date hereof and of any registrations issued or applications for registration made after the date hereof. Concurrently with the filing of an application for registration of any Patent or Trademark, the applicable Grantor shall execute, deliver and record in all places where this Agreement is recorded an appropriate security agreement, substantially in the form hereof, with appropriate insertions, or an amendment to this Agreement, in form and substance satisfactory to Westar, pursuant to which such Grantor shall assign and grant a security interest to the extent of its interest in such registration as provided herein to Westar.

(d) Each Grantor hereby grants to Westar and its employees, representatives and agents the right to visit such Grantor's and any of its affiliate's or subcontractor's plants, facilities and other places of business that are utilized in connection with the manufacture, production, inspection, storage or sale of products and services sold or delivered under any of the Trademarks, Registrations or Trademark Rights (or which were so utilized during the prior six month period), and to inspect the quality control and all other records relating thereto upon reasonable notice to such Grantor as often as may be reasonably requested.

TRADEMARK
REEL: 1766 FRAME: 0801

SECTION 7. Certain Covenants of Grantors. Each Grantor shall:

(a) not use or permit any Collateral to be used unlawfully or in violation of any provision of this Agreement or any applicable statute, regulation or ordinance or any policy of insurance covering the Collateral;

(b) notify Westar of any change in any Grantor's name, identity or corporate structure within 15 days of such change;

(c) give Westar 30 days' prior written notice of any change in any Grantor's chief place of business, chief executive office or residence or the office where any Grantor keeps its records regarding the Accounts;

(d) if Westar gives value to enable any Grantor to acquire rights in or the use of any Collateral, use such value for such purposes;

(e) pay promptly when due all property and other taxes, assessments and governmental charges or levies imposed upon, and all claims (including claims for labor, materials and supplies) against, the Collateral, except to the extent the validity thereof is being contested in good faith; provided that Grantors shall in any event pay such taxes, assessments, charges, levies or claims not later than five days prior to the date of any proposed sale under any judgement, writ or warrant of attachment entered or filed against any Grantor or any of the Collateral as a result of the failure to make such payment; and

(f) use consistent standards of high quality (which may be consistent with the applicable Grantor's past practices) in the manufacture, sale and delivery of products and services sold or delivered under or in connection with the Trademarks, Registrations and Trademark Rights, including, to the extent applicable, in the operation and maintenance of its merchandising operations.

SECTION 8. Special Covenants With Respect to Equipment and Inventory. Each Grantor shall:

(a) keep the Equipment and Inventory at the places therefor specified on Schedule D annexed hereto or, upon 30 days' prior written notice to Westar, at such other places in jurisdictions where all action that may be necessary or desirable, or that Westar may request, in order to perfect and protect any security interest granted or purported to be granted hereby, or to enable Westar to exercise and enforce its rights and remedies hereunder, with respect to such Equipment and Inventory shall have been taken;

(b) cause the Equipment to be maintained and preserved in the same condition, repair and working order as when new, ordinary wear and tear excepted, and shall forthwith, or, in the case of any loss or damage to any of the Equipment when subsection (c) of Section 9 is not applicable, as quickly as practicable after the occurrence thereof, make or cause to be made all repairs, replacements and other improvements in

TRADEMARK
REEL: 1766 FRAME: 0802

connection therewith that are necessary or desirable to such end. Each Grantor shall promptly furnish to Westar a statement respecting any material loss or damage to any of the Equipment; and

(c) keep correct and accurate records of the Inventory, itemizing and describing the kind, type and quantity of Inventory, the applicable Grantor's cost therefor and (where applicable) the current list prices for the Inventory.

SECTION 9. Insurance.

(a) Each Grantor shall, at its own expense, maintain insurance with respect to the Equipment and Inventory in such amounts, against such risks, in such form and with such insurers as shall be satisfactory to Westar from time to time. Such insurance shall include, without limitation, property damage insurance and liability insurance. Each policy for property damage insurance shall provide for all losses (except for losses of less than $1,000,000 per occurrence) to be paid directly to Westar or to the Lender. Each policy shall in addition name the applicable Grantor and Westar as insured parties thereunder (without any representation or warranty by or obligation upon Westar) as their interests may appear and have attached thereto a loss payable clause acceptable to Westar that shall (i) contain an agreement by the insurer that any loss thereunder shall be payable to Westar notwithstanding any action, inaction or breach of representation or warranty by any Grantor, (ii) provide that there shall be no recourse against Westar for payment of premiums or other amounts with respect thereto, and (iii) provide that at least 30 days' prior written notice of cancellation, material amendment, reduction in scope or limits of coverage or of lapse shall be given to Westar by the insurer. Each Grantor shall, if so requested by Westar, deliver to Westar original or duplicate policies of such insurance and, as often as Westar may reasonably request, a report of a reputable insurance broker with respect to such insurance. Further, each Grantor shall, at the request of Westar, duly execute and deliver instruments of assignment of such insurance policies to comply with the requirements of Section 6(a) and cause the respective insurers to acknowledge notice of such assignment.

(b) Reimbursement under any liability insurance maintained by a Grantor pursuant to this Section 9 may be paid directly to the Person who shall have incurred liability covered by such insurance. In case of any loss involving damage to Equipment or Inventory when subsection (c) of this Section 9 is not applicable, each Grantor shall make or cause to be made the necessary repairs to or replacements of such Equipment or Inventory, and any proceeds of insurance maintained by such Grantor pursuant to this Section 9 shall be paid to such Grantor as reimbursement for the costs of such repairs or replacements.

(c) Subject to the Loan Documents, upon (i) the occurrence and during the continuation of any Event of Default or (ii) the actual or constructive loss (in excess of $1,000,000 per occurrence) of any Equipment or Inventory, all insurance payments in

TRADEMARK
REEL: 1766 FRAME: 0803

respect of such Equipment or Inventory shall be paid to and applied by Westar as specified in Section 18.

SECTION 10. Special Covenants with respect to Accounts and Related Contracts.

(a) Each Grantor shall keep its chief place of business and chief executive office and the office where it keeps its records concerning the Accounts and Related Contracts at the location therefor specified in Section 5 or, upon 30 days' prior written notice to Westar, at such other location in a jurisdiction where all action that may be necessary or desirable, or that Westar may request, in order to perfect and protect any security interest granted or purported to be granted hereby, or to enable Westar to exercise and enforce its rights and remedies hereunder, with respect to such Accounts and Related Contracts shall have been taken. Each Grantor will hold and preserve such records and will permit representatives of Westar at any time during normal business hours to inspect and make abstracts from such records, and each Grantor agrees to render to Westar, at such Grantor's cost and expense, such clerical and other assistance as may be reasonably requested with regard thereto. Promptly upon the request of Westar, each Grantor shall deliver to Westar complete and correct copies of each Related Contract. Each Grantor shall, for not less than 5 years from the date on which such Account arose, maintain (i) complete records of each Account, including records of all payments received, credits granted and merchandise returned, and (ii) all documentation relating thereto.

(b) Except as otherwise provided in this subsection (c), each Grantor shall continue to collect, at its own expense, all amounts due or to become due to such Grantor under the Accounts and Related Contracts. In connection with such collections, such Grantor may take (and, at Westar's direction, shall take) such action as each Grantor or Westar may deem necessary or advisable to enforce collection of amounts due or to become due under the Accounts; provided, however, that Westar shall have the right at any time, upon written notice to such Grantor of its intention to do so, to notify the account debtors or obligors under any Accounts of the assignment of such Accounts to Westar and to direct such account debtors or obligors to make payment of all amounts due or to become due to such Grantor thereunder directly to Lender or Westar, to notify each Person maintaining a lockbox or similar arrangement to which account debtors or obligors under any Accounts have been directed to make payment to remit all amounts representing collections on checks and other payment items from time to time sent to or deposited in such lockbox or other arrangement directly to Westar and, upon such notification and at the expense of Grantors, to enforce collection of any such Accounts and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as such Grantor might have done. After receipt by the applicable Grantor of the notice from Westar referred to in the proviso to the preceding sentence, subject only to the prior rights of Lender, (i) all amounts and proceeds (including checks and other instruments) received by any Grantor in respect of the Accounts and the Related Contracts shall be received in trust for the benefit of Westar hereunder, shall be

TRADEMARK
REEL: 1766 FRAME: 0804

segregated from other funds of Grantor and shall be forthwith paid over or delivered to Westar in the same form as so received (with any necessary endorsement) to be held as cash Collateral and applied as provided by Section 17, and (ii) no Grantor shall adjust, settle or compromise the amount or payment of any Account, or release wholly or partly any account debtor or obligor thereof, or allow any credit or discount thereon.

SECTION 11. Deposit Accounts. Upon the occurrence and during the continuation of an Event of Default, Westar may exercise dominion and control over, and refuse to permit further withdrawals (whether of money, securities, instruments or other property) from any deposit accounts maintained with Westar constituting part of the Collateral.

SECTION 12. License of Patents, Trademarks, Copyrights, etc. Each Grantor hereby assigns, transfers and conveys to Westar, effective upon the occurrence of any Event of Default, the nonexclusive right and license to use all trademarks, tradenames, copyrights, patents or technical processes owned or used by any Grantor that relate to the Collateral and any other collateral granted by any Grantor as security for the Secured Obligations, together with any goodwill associated therewith, all to the extent necessary to enable Westar to use, possess and realize on the Collateral and to enable any successor or assign to enjoy the benefits of the Collateral. This right and license shall inure to the benefit of all successors, assigns and transferees of Westar and its successors, assigns and transferees, whether by voluntary conveyance, operation of law, assignment, transfer, foreclosure, deed in lieu of foreclosure or otherwise. Such right and license is granted free of charge, without requirement that any monetary payment whatsoever be made to any Grantor.

SECTION 13. Westar Appointed Attorney-in-Fact. Each Grantor hereby irrevocably appoints Westar as such Grantor's attorney-in-fact, with full authority in the place and stead of Company and in the name of such Grantor, Westar or otherwise, from time to time in Westar's discretion to take any action and to execute any instrument that Westar may deem necessary or advisable to accomplish the purposes of this Agreement and the other Basic Documents, including without limitation:

(a) to obtain and adjust insurance required to be maintained by any Grantor or paid to Westar pursuant to Section 9;

(b) to ask for, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral;

(c) to receive, endorse and collect any drafts or other instruments, documents and chattel paper in connection with clauses (a) and (b) above;

TRADEMARK
REEL: 1766 FRAME: 0805

(d) to file any claims or take any action or institute any proceedings that Westar may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of Westar with respect to any of the Collateral;

(e) to pay or discharge taxes or Liens (other than Liens permitted under this Agreement or the Loan Agreement) levied or placed upon or threatened against the Collateral, the legality or validity thereof and the amounts necessary to discharge the same to be determined by Westar in its sole discretion, any such payments made by Westar to become joint and several obligations of each Grantor to Westar, due and payable immediately without demand;

(f) to sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications and notices in connection with Accounts and other documents relating to the Collateral; and

(g) upon the occurrence and during the continuation of an Event of Default, generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Westar were the absolute owner thereof for all purposes, and to do, at Westar's option and each Grantor's joint and several expense, at any time or from time to time, all acts and things that Westar deems necessary to protect, preserve or realize upon the Collateral and Westar's security interest therein in order to effect the intent of this Agreement, all as fully and effectively as any such Grantor might do.

SECTION 14. Westar May Perform. If any Grantor fails to perform any agreement contained herein, Westar may itself perform, or cause performance of, such agreement, and the expenses of Westar incurred in connection therewith shall be payable by each Grantor under Section 18.

SECTION 15. Standard of Care. The powers conferred on Westar hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the exercise of reasonable care in the custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, Westar shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. Westar shall be deemed to have exercised reasonable care in the custody and preservation of Collateral in its possession if such Collateral is accorded treatment substantially equal to that which Westar accords its own property.

SECTION 16. Remedies. If any Event of Default shall have occurred and be continuing:

(a) Westar may exercise in respect of the Collateral, in addition to all other rights and remedies provided for herein or otherwise available to it, all the rights

TRADEMARK
REEL: 1766 FRAME: 0806

and remedies of a secured party on default under the Uniform Commercial Code as in effect in any relevant jurisdiction (the "**Code**") (whether or not the Code applies to the affected Collateral), and also may (a) require any Grantor to, and each Grantor hereby agrees that it will at its expense and upon request of Westar forthwith, assemble all or part of the Collateral as directed by Westar and make it available to Westar at a place to be designated by Westar that is reasonably convenient to both parties, (b) enter onto the property where any Collateral is located and take possession thereof with or without judicial process, (c) prior to the disposition of the Collateral, store, process, repair or recondition the Collateral or otherwise prepare the Collateral for disposition in any manner to the extent Westar deems appropriate, (d) take possession of any Grantor's premises or place custodians in exclusive control thereof, remain on such premises and use the same and any Grantor's equipment for the purpose of completing any work in process, taking any actions described in the preceding clause (c) and collecting any Secured Obligation, and (e) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of Westar's offices or elsewhere, for cash, on credit or for future delivery, at such time or times and at such price or prices and upon such other terms as may deem commercially reasonable. Westar may be the purchaser of any or all of the Collateral at any such sale and Westar shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold at any such public sale, to use and apply any of the Secured Obligations as a credit on account of the purchase price for any Collateral payable by Westar at such sale. Each purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of any Grantor, and each Grantor hereby waives (to the extent permitted by applicable law) all rights of redemption, stay and/or appraisal which it now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. Each Grantor agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to such Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. Westar shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Westar may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Each Grantor hereby waives any claims against Westar arising by reason of the fact that the price at which any Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale, even if Westar accepts the first offer received and does not offer such Collateral to more than one offeree. If the proceeds of any sale or other disposition of the Collateral are insufficient to pay all the Secured Obligations, each Grantor shall be liable for the deficiency and the fees of any attorneys employed by Westar to collect such deficiency.

(b) Upon written demand from Westar, each Grantor shall execute and deliver to Westar an assignment or assignments of the Patents, Trademarks, Registrations, Trademark Rights and the Associated Goodwill and such other documents as are requested by Westar. Each Grantor agrees that such an assignment and/or recording shall be applied to reduce the Secured Obligations outstanding only to the extent that Westar

TRADEMARK
REEL: 1766 FRAME: 0807

receives cash proceeds in respect of the sale of, or other realization upon, the Collateral. Within five Business Days after written notice from Westar, each Grantor shall make available to Westar, to the extent within such Grantor's power and authority, such personnel in such Grantor's employ on the date of such Event of Default as Westar may reasonably designate, by name, title or job responsibility, to permit such Grantor to continue, directly or indirectly, to product, advertise and sell the products and services sold or delivered by such Grantor under or in connection with the Trademarks, Registrations and Trademark Rights, such persons to be available to perform their prior functions on Westar's behalf and to be compensated by Westar at such Grantor's expense on a per diem, pro-rata basis consistent with the salary and benefit structure applicable to each as of the date of such Event of Default.

For purposes hereof, "Event of Default" means the occurrence of any one or more of the following events:

(i) failure to pay any Secured Obligation or any Loan when due, whether at stated maturity, by acceleration, by notice of voluntary prepayment, by mandatory prepayment or otherwise; or failure to pay any interest on any Secured Obligation or Loan or any other amount due under this Agreement or the Loan Agreement within three days after the date due; or

(ii) failure of any Grantor or any of their respective to pay any indebtedness when due any principal of or interest on (other than indebtedness referred to in clause (i) above) in an aggregate principal amount of $100,000 or more, in each case after any applicable grace period; or (ii) breach or default by Company with respect to any Loan Document or any other term of any items of indebtedness with an aggregate principal amount of $100,000 or more or any loan agreement, mortgage, indenture or other agreement relating to such indebtedness, if the effect of such breach or default is to cause, or permit any holder thereof to cause, that indebtedness to become or be declared due and payable prior to its stated maturity or the stated maturity of any underlying obligation, as the case may be; or

(iii) failure of any Grantor to perform or comply with any term or condition contained in this Agreement or any other Basic Document; or

(iv) any representation, warranty, certification or other statement made by any Grantor in this Agreement or in any statement or certificate at any time given by any Grantor in writing pursuant hereto or thereto or in connection herewith or therewith shall be false in any material respect on the date as of which made; or

(v) (A) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of any Grantor or any of its Subsidiaries in an involuntary case under the United States Bankruptcy Code (the "**Bankruptcy Code**") or under any other applicable bankruptcy, insolvency or similar law now or hereafter in effect, which decree or order is not stayed; or any other similar relief shall be granted under any applicable

TRADEMARK
REEL: 1766 FRAME: 0808

federal or state law; or (B) an involuntary case shall be commenced against any Grantor or any of their respective subsidiaries under the Bankruptcy Code or under any other applicable bankruptcy, insolvency or similar law now or hereafter in effect; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers over any Grantor or any of their respective subsidiaries, or over all or a substantial part of its property, shall have been entered; or there shall have occurred the involuntary appointment of an interim receiver, trustee or other custodian of any Grantor or any of their respective subsidiaries for all or substantial part of its property; or a warrant of attachment, execution or similar process shall have been issued against any such event described in this clause (B) shall continue for 60 days unless dismissed, bonded or discharged; or

(vi) (A) Any Grantor or any of their respective subsidiaries shall have an order for relief entered with respect to it or commence a voluntary case under the Bankruptcy Code or under any other applicable bankruptcy, insolvency or similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case, or to the conversion of involuntary case to a voluntary case, under any such law, or shall consent to the appointment of or taking possession by a receiver, trustee or other custodian for all or a substantial part of its property; or any Grantor or any of their respective subsidiaries shall make any assignment for the benefit of creditors; or (B) any Grantor or any of their respective subsidiaries shall be unable, or shall fail generally, or shall admit in writing its inability, to pay its debts as such debts become due; or the Board of Directors of any Grantor or any of their respective subsidiaries (or any committee thereof) shall adopt any resolution or otherwise authorize any action to approve any of the actions referred to in clause (A) above or this clause (B).

SECTION 17. Application of Proceeds. Except as expressly provided elsewhere in this Agreement, all proceeds received by Westar in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of Westar, be held by Westar as Collateral for, and/or then, or at any other time thereafter, applied in full or in part by Westar against, the Secured Obligations in the following order of priority:

FIRST: To the payment of all costs and expenses of such sale, collection or other realization, including reasonable compensation to Westar and its agents and counsel, and all other expenses, liabilities and advances made or incurred by Westar in connection therewith, and all amounts for which Westar is entitled to indemnification hereunder and all advances made by Westar hereunder for the account of any Grantor, and to the payment of all costs and expenses paid or incurred by Westar in connection with the exercise of any right or remedy hereunder, all in accordance with Section 18;

SECOND: To the payment of all other Secured Obligations in such order as Westar shall elect; and

TRADEMARK
REEL: 1766 FRAME: 0809

THIRD: To the payment to or upon the order of the applicable Grantor, or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct, of any surplus then remaining from such proceeds.

SECTION 18. Indemnity and Expenses.

(a) Each Grantor jointly and severally agrees to indemnify Westar from and against any and all costs, claims, damages, demands, losses, liabilities and expenses (including attorneys' fees) in any way relating to, growing out of or resulting from this Agreement, the Guaranty, any other Basic Documents and the transactions contemplated hereby and thereby (including, without limitation, enforcement of this Agreement and the Westar Subrogation Rights), except to the extent such claims, losses or liabilities result solely from Westar's gross negligence or willful misconduct as finally determined by a court of competent jurisdiction.

(b) Each Grantor jointly and severally shall pay to Westar upon demand the amount of any and all costs and expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, that Westar may incur in connection with (i) the preparation, negotiation and issuance of the Warrants and the Preferred Stock; (ii) the administration of this Agreement, the Guaranty and the other Basic Documents (iii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any of the Collateral, (iv) the exercise or enforcement of any of the rights of Westar under any Basic Documents, including the Westar Subrogation Rights, or (v) the failure by any Grantor to perform or observe any of the provisions hereof or thereof.

SECTION 19. Suretyship Waivers by Company, etc.

(a) Each Grantor agrees that its obligations under the Basic Documents and the Westar Subrogation Rights are irrevocable, absolute, independent and unconditional and shall not be affected by any circumstance which constitutes a legal or equitable discharge of a guarantor or surety other than payment in full of such obligations. In furtherance of the foregoing and without limiting the generality thereof, each Grantor agrees as follows: (i) Westar may from time to time, without notice or demand and without affecting the validity or enforceability of this Agreement, any other Basic Document or the Westar Subrogation Rights or giving rise to any limitation, impairment or discharge of any Grantor's liability hereunder or under any other Basic Document or the Westar Subrogation Rights, (A) renew, extend, accelerate or otherwise change the time, place, manner or terms of payment of any Secured Obligations or, the Guaranty, or any Westar Subrogation Rights, (B) settle, compromise, release or discharge, or accept or refuse any offer of performance with respect to, or substitutions for, any Secured Obligations, the Guaranty or any Westar Subrogation Rights, or any agreement relating thereto and/or subordinate the payment of the same to the payment of any other obligations, (C) request and accept guaranties of any Secured Obligations and

TRADEMARK
REEL: 1766 FRAME: 0810

take and hold other security for the payment of any Secured Obligations, (D) release, exchange, compromise, subordinate or modify, with or without consideration, any other security for payment of any Secured Obligations, the Guaranty, any Westar Subrogation Rights, any guaranties of any Secured Obligations, the Guaranty, any Westar Subrogation Rights or any other obligation of any Person with respect to any Secured Obligations, the Guaranty or any Westar Subrogation Rights, (E) enforce and apply any other security now or hereafter held by or for the benefit of any Secured Obligations, the Guaranty, any Westar Subrogation Rights and direct the order or manner of sale thereof, or exercise any other right or remedy that Westar may have against any such security, as Westar in its discretion may determine, including foreclosure on any such security pursuant to one or more judicial or nonjudicial sales, whether or not every aspect of any such sale is commercially reasonable, and (F) exercise any other rights available to Westar under the any Basic Document, at law or in equity; and (ii) this Agreement, the other Basic Documents, and the obligations of each Grantor hereunder and thereunder shall be valid and enforceable and shall not be subject to any limitation, impairment or discharge for any reason (other than payment in full of the Secured Obligations), including without limitation the occurrence of any of the following, whether or not any Grantor shall have had notice or knowledge of any of them: (A) any failure to assert or enforce or agreement not to assert or enforce, or the stay or enjoining, by order of court, by operation of law or otherwise, of the exercise or enforcement of, any claim or demand or any right, power or remedy with respect to any Secured Obligations, the Guaranty, any Westar Subrogation Rights, or any agreement relating thereto, or with respect to any guaranty of or other security for the payment of any Secured Obligations, the Guaranty, any Westar Subrogation Rights, (B) any waiver, amendment or modification of, or any consent to departure from, any of the terms or provisions (including without limitation provisions relating to events of default) of the Secured Obligations, any Basic Document or any agreement or instrument executed pursuant thereto, or of any guaranty or other security for the Secured Obligations, the Guaranty, the Westar Subrogation Rights, (C) any Secured Obligations, the Guaranty, any Westar Subrogation Rights or any agreement relating thereto, at any time being found to be illegal, invalid or unenforceable in any respect, (D) the application of payments received from any source to the payment of indebtedness other than the Secured Obligations, even though Westar might have elected to apply such payment to any part or all of the Secured Obligations, the Guaranty, any Westar Subrogation Rights, (E) any failure to perfect or continue perfection of a security interest in any other collateral which secures any of any Secured Obligations, the Guaranty, or any Westar Subrogation Rights, (F) any defenses, set-offs or counterclaims which any Grantor may allege or assert against Westar in respect of any Secured Obligations, the Guaranty, or any Westar Subrogation Rights, including but not limited to failure of consideration, breach of warranty, payment, statute of frauds, statute of limitations, accord and satisfaction and usury, and (G) any other act or thing or omission, or delay to do any other act or thing, which may or might in any manner or to any extent vary the risk of any Grantor as an obligor in respect of any Secured Obligations or the Guaranty or any Westar Subrogation Rights.

TRADEMARK
REEL: 1766 FRAME: 0811

(b) Each Grantor hereby waives, for the benefit of Westar: (i) any right to require Westar, as a condition of payment or performance by any Grantor, to (A) proceed against any guarantor of any Secured Obligations or Westar Subrogation Rights or any other Person, (B) proceed against or exhaust any other security held from any guarantor of any Secured Obligations or Westar Subrogation Rights or any other Person, (C) proceed against or have resort to any balance of any deposit account or credit on the books of Westar in favor of any other Person, or (D) pursue any other remedy in the power of Westar whatsoever; (ii) any defense arising by reason of the incapacity, lack of authority or any disability or other defense of any Grantor including, without limitation, any defense based on or arising out of the lack of validity or the unenforceability of any Secured Obligations or Westar Subrogation Rights or any agreement or instrument relating thereto or by reason of the cessation of the liability of any Person from any cause other than payment in full of any Secured Obligations or Westar Subrogation Rights, as the case may be; (iii) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in other respects more burdensome than that of the principal; (iv) any defense based upon Westar's errors or omissions in the administration of any Secured Obligations or Westar Subrogation Rights or any Basic Document, except behavior which amounts to bad faith; (v) (A) any principles or provisions of law, statutory or otherwise, which are or might be in conflict with the terms of any Basic Document or any Westar Subrogation Rights and any legal or equitable discharge of any Grantor's obligations under any Basic Document or any Westar Subrogation Rights, (B) the benefit of any statute of limitations affecting any Grantor's liability under or the enforcement of any Basic Document or any Westar Subrogation Rights, (C) any rights to set-offs, recoupments and counterclaims, and (D) promptness, diligence and any requirement that Westar protect, secure, perfect or insure any other security interest or lien or any property subject thereto; (vi) notices, demands, presentments, protests, notices of protest, notices of dishonor and notices of any action or inaction, notices of default under any Basic Document or any Westar Subrogation Rights or any agreement or instrument related thereto, notices of any renewal, extension or modification of any Secured Obligations, any Basic Document or any Westar Subrogation Rights or any agreement related thereto, notices of any extension of credit or payment under the Guaranty or any other Basic Document or any Westar Subrogation Rights to any Grantor and notices of any of the matters referred to in the preceding paragraph and any right to consent to any thereof; and (vii) to the fullest extent permitted by law, any defenses or benefits that may be derived from or afforded by law which limit the liability of or exonerate guarantors or sureties, or which may conflict with the terms of any Basic Document or any Westar Subrogation Rights.

(c) As used in this Section 19(c), any reference to "the principal" includes each Grantor, and any reference to "the creditor" includes Westar. In accordance with Section 2856 of the California Civil Code (a) each Grantor waives any and all rights and defenses available to any Grantor by reason of Sections 2787 to 2855, inclusive, 2899 and 3433 of the California Civil Code, including without limitation any and all rights or defenses any Grantor may have by reason of protection afforded to the principal with respect to any of the Secured Obligations, or to any guarantor of any of the

TRADEMARK
REEL: 1766 FRAME: 0812

Secured Obligations with respect to any of such guarantor's obligations under its guaranty, in either case pursuant to the antideficiency or other laws of the State of California limiting or discharging the principal's indebtedness or such guarantor's obligations, including without limitation Section 580a, 580b, 580d, or 726 of the California Code of Civil Procedure; and (b) each Grantor waives all rights and defenses arising out of an election of remedies by the creditor, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for any of the Secured Obligations, has destroyed any Grantor's rights of subrogation and reimbursement against the principal by the operation of Section 580d of the Code of Civil Procedure or otherwise; and even though that election of remedies by the creditor, such as nonjudicial foreclosure with respect to security for an obligation of any guarantor of any of the Secured Obligations, has destroyed any Grantor's rights of contribution against such guarantor. No other provision of this Agreement shall be construed as limiting the generality of any of the covenants and waivers set forth in this Section 19(c).

(d) Until the Secured Obligations shall have been paid in full and Guaranty shall have expired or been cancelled, each Grantor shall withhold exercise of (i) any claim, right or remedy, direct or indirect, that any Grantor now has or may hereafter have against any other Grantor or person or any of its assets in connection with any Basic Document or the performance by such Grantor of its obligations hereunder, in each case whether such claim, right or remedy arises in equity, under contract, by statute (including without limitation under California Civil Code Section 2847, 2848 or 2849), under common law or otherwise and including without limitation (A) any right of subrogation, reimbursement or indemnification that any Grantor now has or may hereafter have against any other Grantor or other person, (B) any right to enforce, or to participate in, any claim, right or remedy that Westar now has or may hereafter have against any Grantor or other person, and (C) any benefit of, and any right to participate in, any other collateral or security now or hereafter held by Westar and (ii) any right of contribution any Grantor may have against any guarantor of any Secured Obligations. Each Grantor further agrees that, to the extent the waiver of its rights of subrogation, reimbursement, indemnification and contribution as set forth herein is found by a court of competent jurisdiction to be void or voidable for any reason, any rights of subrogation, reimbursement or indemnification any Grantor may have against any other Grantor or other person or against any other collateral or security, and any rights of contribution any Grantor may have against any such guarantor, shall be junior and subordinate to any rights Westar or Lender may have against any Grantor, to all right, title and interest Westar or Lender may have in any such other collateral or security, and to any right Westar or Lender may have against any such guarantor.

SECTION 20. Continuing Security Interest; Transfer of Loans. This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until the payment in full of the Secured Obligations and the cancellation or termination of the Guaranty, (b) be binding upon each Grantor, their respective successors and assigns, and (c) inure, together with the rights and remedies of Westar hereunder, to the benefit of Westar and its successors, transferees and assigns.

TRADEMARK
REEL: 1766 FRAME: 0813

Without limiting the generality of the foregoing clause (c), Westar may assign or otherwise transfer any Secured Obligations held by it to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to Westar herein or otherwise. Upon the payment in full of all Secured Obligations and the cancellation or termination of the Guaranty, the security interest granted hereby shall terminate and all rights to the Collateral shall revert to the applicable Grantor. Upon any such termination Westar will, at Grantor's expense, execute and deliver to the applicable Grantor such documents as such Grantor shall reasonably request to evidence such termination.

SECTION 21. Amendments; Etc. No amendment, modification, termination or waiver of any provision of this Agreement, and no consent to any departure by any Grantor therefrom, shall in any event be effective unless the same shall be in writing and signed by Westar and, in the case of any such amendment or modification, by the Grantors. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

SECTION 22. Notices. Any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, telexed or sent by telefacsimile or United States mail or courier service and shall be deemed to have been given when delivered in person or by courier service, upon receipt of telefacsimile or telex, or three Business Days after depositing it in the United States mail with postage prepaid and properly addressed. For the purposes hereof, the address of each party hereto shall be as set forth under such party's name on the signature pages hereof or, as to either party, such other address as shall be designated by such party in a written notice delivered to the other party hereto.

SECTION 23. Failure or Indulgence Not Waiver; Remedies Cumulative. No failure or delay on the part of Westar in the exercise of any power, right or privilege hereunder shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude any other or further exercise thereof or of any other power, right or privilege. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

SECTION 24. Severability. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

SECTION 25. Headings. Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

SECTION 26. Governing Law; Terms. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES, EXCEPT TO THE EXTENT THAT THE CODE PROVIDES THAT THE VALIDITY OR PERFECTION OF THE SECURITY INTEREST HEREUNDER, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF CALIFORNIA. Unless otherwise defined herein or in the Credit Agreement, terms used in Articles 8 and 9 of the Uniform Commercial Code in the State of California are used herein as therein defined.

SECTION 27. Consent to Jurisdiction and Service of Process. ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST COMPANY ARISING OUT OF OR RELATING TO THIS AGREEMENT MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE OF CALIFORNIA, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT EACH GRANTOR ACCEPTS FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE NONEXCLUSIVE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH THIS AGREEMENT. Each Grantor hereby agrees that service of all process in any such proceeding in any such court may be made by registered or certified mail, return receipt requested, to such Grantor at its address provided in Section 22, such service being hereby acknowledged by such Grantor to be sufficient for personal jurisdiction in any action against such Grantor in any such court and to be otherwise effective and binding service in every respect. Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of Westar to bring proceedings against any Grantor in the courts of any other jurisdiction.

SECTION 28. Waiver of Jury Trial. EACH GRANTOR AND WESTAR HEREBY AGREE TO WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including without limitation contract claims, tort claims, breach of duty claims, and all other common law and statutory claims. Each Grantor and Westar each acknowledge that this waiver is a material inducement for Grantors and Westar to enter into a business relationship, that Grantors and Westar have already relied on this waiver in entering into this Agreement and that each will continue to rely on this waiver in their related future dealings. Each Grantor and Westar further warrant and represent that each has reviewed this waiver with its legal counsel, and that each knowingly and voluntarily waives its jury trial rights following consultation with

legal counsel. **THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT.** In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

SECTION 29. Interest and Charges. It is not the intention of any parties to this Agreement to make an agreement in violation of the laws of any applicable jurisdiction relating to usury. Regardless of any provision in this Agreement, no holder of the Secured Obligations relating to the making of Guaranty Payments (the "Reimbursement Obligations") shall ever be entitled to receive, collect or apply, as interest on Reimbursement Obligations, any amount in excess of the Highest Lawful Rate. If any holder or participant ever receives, collects or applies, as interest, any such excess, such amount which would be excessive interest shall be deemed a partial repayment of principal and treated hereunder as such; and if principal is paid in full, any remaining excess shall be paid to the Grantors. In determining whether or not the interest paid or payable, under any specific contingency, exceeds the Highest Lawful Rate, the Grantors and the holders of the Reimbursement Obligations shall, to the maximum extent permitted under applicable law, (a) characterize any nonprincipal payment as an expense, fee or premium rather than as interest, (b) exclude voluntary prepayments and the effect thereof, and (c) amortize, prorate, allocate and spread in equal parts, the total amount of interest throughout the entire term of the Reimbursement Obligations so that the interest rate is uniform throughout the entire term of the Reimbursement Obligations; provided, however, that if the Reimbursement Obligations are paid and performed in full, and if the interest received for the actual period of existence thereof exceeds the Highest Lawful Rate, the holders of the Reimbursement Obligations shall refund to the Reimbursement Obligations the amount of such excess or credit the amount of such excess against the total principal amount of the Reimbursement Obligations owing, and, in such event, the holders of the Reimbursement Obligations shall not be subject to any penalties provided by any laws for contracting for, charging or receiving interest in excess of the Highest Lawful Rate. For purposes hereof, "Highest Lawful Rate" means at the particular time in question the maximum rate of interest which, under applicable law, the holders of the Reimbursement Obligations are then permitted to charge. If the maximum rate of interest which, under applicable law, the holders of the Reimbursement Obligations are permitted to charge on the Reimbursement Obligations shall change after the date hereof, the Highest Lawful Rate shall be automatically increased or decreased, as the case may be, from time to time as the effective time of such change in the Highest Lawful Rate without notice to the Grantor.

SECTION 30. Counterparts. This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

TRADEMARK
REEL: 1766 FRAME: 0816

IN WITNESS WHEREOF, each Grantor and Westar have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

VERTEQ, INC.

By: Keith R. Worley
Title: CEO

By: _____
Title: CFO

Notice Address: 1241 East Dyer Road
Santa Ana, CA 92705

VERTEQ AUTOMATION SYSTEMS, INC.

By: Keith R. Worley
Title: CEO

By: _____
Title: CFO

Notice Address: 1241 East Dyer Road
Santa Ana, CA 92705

WESTAR CAPITAL II, LLC

By: _____
Title: _____

Notice Address: 949 South Coast Drive
Suite 650
Costa Mesa, CA 92626

STATE OF CALIFORNIA)
) SS.:
COUNTY OF ORANGE)

On 8-5, 1998, before me, Helga E. Schroeder, a Notary Public in and for said State, personally appeared Keith R Norby, Preston Romm, Frank B. Do personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) ~~is~~/are subscribed to the within instrument and acknowledged to me that ~~he/she~~/they executed the same in ~~his/her~~/their authorized capacity(ies), and that by ~~his/her~~/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature Helga E Schroeder (Seal)

HELGA E. SCHROEDER
Commission # 1109249
Notary Public — California
Orange County
My Comm. Expires Aug 18, 2000

LA1-0814111

SCHEDULE A
TO
REIMBURSEMENT AND SECURITY AGREEMENT

REGISTERED TRADEMARKS

Trademark	Filing Date	Registration No.	Application No.
SUNBURST	10/28/88	1,574,491	73/760371
VERTEQ	12/21/95	2,040,148	75/035442
VcS	12/21/95	2,137,740	75/035604

SCHEDULE B

TO REIMBURSEMENT AND SECURITY AGREEMENT

PATENTS ISSUED

Patent Description/Title	Issue Date	Patent No.	Name of Inventor	Application No.
CLEANING APPARATUS	2/14/89	4,804,007	Bran, Mario E.	07/043852
MEGASONIC CLEANING APPARATUS	9/26/89	4,869,278	Bran, Mario E.	07/144515
MEGASONIC CLEANING APPARATUS	5/11/93	B1 4,869,278		90/002852
HIGH FREQUENCY ULTRASONIC SYSTEM (APPARATUS FOR TREATING WAFERS UTILIZING MEGASONIC ENERGY)	8/8/89	4,854,337	Bunkenburg, Joachim, Victor Hamond, Peter M.	07/197867
MEGASONIC CLEANING APPARATUS	5/11/93	B1 4,998,549	Bran, Mario E.	90/002851
MEGASONIC CLEANING APPARATUS	3/12/91	4,998,549		07/272501
MEGASONIC CLEANING APPARATUS	5/11/93	B1 5,037,481	Bran, Mario E.	90/002853
MEGASONIC CLEANING APPARATUS	8/6/91	5,037,481	Bran, Mario E.	07/482086
SINGLE WAFER MEGASONIC SEMI-CONDUCTOR WAFER PROCESSING SYSTEM	2/25/92	5,090,432	Bran, Mario E.	07/598426
SINGLE CHAMBER MEGASONIC ENERGY CLEANER	9/22/92	5,148,823		07/598909
SINGLE WAFER MEGASONIC SEMI-CONDUCTOR WAFER PROCESSING SYSTEM	2/15/94	5,286,657	Bran, Mario E.	07/809799
MEGASONIC TRANSDUCER ASSEMBLY (TUBE STYLE MEGASONIC TRANSDUCER)	11/22/94	5,365,960	Bran, Mario E.	08/042889
CONTINOUS FLOW VAPOR DRYER SYSTEM	7/30/96	5,539,995	Bran, Mario E.	08/213599
METHOD AND APPARATUS FOR DRYING SEMICONDUCTOR WAFERS	9/17/96	5,556,479	Bran, Mario E.	08/275807
MEGASONIC CLEANING SYSTEM	7/9/96	5,534,076	Bran, Mario E.	08/316940

Patent Description/Title	Issue Date	Patent No.	Name of Inventor	Application No.
SEMICONDUCTOR WAFER CLEANING SYSTEM	8/12/97	5,656,097		08/361139
CENTRIFUGAL WAFER PROCESSOR	1/21/92	B1 4571850		90/002139
SINGLE WAFER MEGASONIC SEMICONDUCTOR WAFER PROCESSING SYSTEM				08/195400
SEMICONDUCTOR WAFER VESSEL AND APPARATUS				07/702587
SEMICONDUCTOR WAFER CLEANING SYSTEM				08/140290

PATENT APPLICATIONS

Description	Filing Date	Application No.
(GOLDFINGER) WAFER CLEANING SYSTEM	9/30/96	08/724,518
(MARIOLE) WAFER DRYING METHOD	6/25/97	60/050767
VcS SEMICONDUCTOR CLEANING SYSTEM	8/11/97	08/910033
VcS SEMICONDUCTOR CLEANING SYSTEM	7/24/97	08/899732
VcS SEMICONDUCTOR CLEANING SYSTEM	8/7/97	08/908330
VcS SEMICONDUCTOR CLEANING SYSTEM	8/7/97	08/908345
CENTRIFUGAL WAFER PROCESSOR AND METHOD	6/24/98	09/103930
GAS SEAL AND SUPPORT FOR ROTATING SEMICONDUCTOR PROCESSOR	3/17/98	09/040176

SCHEDULE C
TO REIMBURSEMENT AND SECURITY AGREEMENT

Existing Liens and Encumbrances

1. The Loan Documents

2. Liens granted to London Pacific Life & Annuity Company

3. Liens granted to Warburg, Pincus Capital Company, L.P. and related parties

TRADEMARK
REEL: 1766 FRAME: 0822

SCHEDULE D
TO REIMBURSEMENT AND SECURITY AGREEMENT

Locations of Equipment and Inventory:

Property Location	Payee
California	
* VERTEQ Process Systems, Inc. 1241 E. Dyer Road #100 Santa Ana, CA 92705 (714)445-2000	O.C. Tech Center Assoc. 1221 E. Dyer Road #210 Santa Ana, CA 92705 (714) 850-1411
VERTEQ WRSO/Field Service 2025 Gateway Place #273 San Jose, CA 95110 (408) 436-6387	Copperfield Investment & Development Company 2025 Gateway Plaza #100 San Jose, CA 95110 (405) 453-5100
VERTEQ, Inc. Storage Facility 121 S. Altoe Santa Ana, CA	Hunsake Family Trust P.O. Box 2423 Santa Ana, CA 92707 (714) 863-1390
Oregon	
* VERTEQ Systems Automation, Inc. 4575 S.W. Research Way Corvallis, OR 97333-1078 (541) 752-3741	Karex Property Management 1508 Olive Street Paso Roeles, Ca 93446 (805) 239-3090
VERTEQ Training Facility 5088 S.W. Technology Loop #179 Corvallis, OR 97333	Spring Creek Apts 5032 S.W. Technology Loop Corvallis, OR 97333 (541) 753-7844
Massachusetts	
VERTEQ ERSO/Field Service 12 Bay Street #212 Wilmington, MA 01357	Middlesex Realty Trust 20 Middlesex Avenue Wilmington, MA 01357-2798

TRADEMARK
REEL: 1766 FRAME: 0823

Arizona

VERTEQ SWSO/Field Service
4515 S. McClintok Drive #201
Tempe, AZ 85282
(602) 345-7722

Tempe Corp Center
Koll-CBS R/E Services
P.O. Box 15628
Phoenix, AZ 85060
(602) 952-1900

* Santa Ana and Corvallis are the only offices at which more than $50,000 of Collateral other than Inventory is located as of February 28, 1997.