

10-28-1998

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10-26-98



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RECORDATION FORM COVER SHEET
TRADEMARKS ONLY

TO: The Commissioner of Patents and Trademarks: Please record the attached original document(s) or copy(ies).

Submission Type

New

Resubmission (Non-Recordation)
Document ID #

Correction of PTO Error
Reel # Frame #

Corrective Document
Reel # Frame #

Conveyance Type

Assignment License

Security Agreement Nunc Pro Tunc Assignment

Merger

Change of Name

Other

Effective Date
Month Day Year
08 31 98

Conveying Party

Mark if additional names of conveying parties attached

Execution Date
Month Day Year

Name FLOW INTERNATIONAL CORPORATION

08 31 98

Formerly

Individual General Partnership Limited Partnership Corporation Association

Other

Citizenship/State of Incorporation/Organization DELAWARE

Receiving Party

Mark if additional names of receiving parties attached

Name BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION

DBA/AKA/TA SEAFIRST BANK

Composed of

Address (line 1) 701 FIFTH AVENUE, FLOOR 16

Address (line 2)

Address (line 3) SEATTLE

WA

98104

Individual General Partnership Limited Partnership Corporation Association

Other

Citizenship/State of Incorporation/Organization

If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached. (Designation must be a separate document from Assignment.)

10/27/1998 TTM11 00000123 2114166

FOR OFFICE USE ONLY

01 FC:481
02 FC:482
03 FC:630

40.00 DP
675.00 DP
10.00 DP

Public burden reporting for this collection of information is estimated to average approximately 30 minutes per Cover Sheet to be recorded, including time for reviewing the document and gathering the data needed to complete the Cover Sheet. Send comments regarding this burden estimate to the U.S. Patent and Trademark Office, Chief Information Officer, Washington, D.C. 20231 and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Paperwork Reduction Project (0651-0027), Washington, D.C. 20503. See OMB Information Collection Budget Package 0651-0027, Patent and Trademark Assignment Practice. DO NOT SEND REQUESTS TO RECORD ASSIGNMENT DOCUMENTS TO THIS ADDRESS.

Mail documents to be recorded with required cover sheet(s) information to:
Commissioner of Patents and Trademarks, Box Assignments, Washington, D.C. 20231

REEL: 1804 FRAME: 0597

Domestic Representative Name and Address

Enter for the first Receiving Party only.

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Correspondent Name and Address

Area Code and Telephone Number

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Pages

Enter the total number of pages of the attached conveyance document including any attachments.

#

Trademark Application Number(s) or Registration Number(s)

Mark if additional numbers attached

Enter either the Trademark Application Number or the Registration Number (DO NOT ENTER BOTH numbers for the same property).

Trademark Application Number(s)			Registration Number(s)		
<input type="text" value="75/501611"/>	<input type="text" value="75/494922"/>	<input type="text" value="75/493505"/>	<input type="text" value="2114166"/>	<input type="text" value="2066957"/>	<input type="text" value="1891944"/>
<input type="text" value="75/494924"/>	<input type="text" value="75/494921"/>	<input type="text" value="75/493504"/>	<input type="text" value="2114165"/>	<input type="text" value="2066949"/>	<input type="text" value="1823198"/>
<input type="text" value="75/494923"/>	<input type="text" value="75/493755"/>	<input type="text" value="75/380376"/>	<input type="text" value="2064940"/>	<input type="text" value="2066948"/>	<input type="text" value="1812448"/>

Number of Properties

Enter the total number of properties involved.

#

Fee Amount

Fee Amount for Properties Listed (37 CFR 3.41):

\$

Method of Payment:

Enclosed

Deposit Account

Deposit Account

(Enter for payment by deposit account or if additional fees can be charged to the account.)

Deposit Account Number:

#

Authorization to charge additional fees:

Yes

No

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. Charges to deposit account are authorized, as indicated herein.

Bradley J. Watson

Name of Person Signing

Signature

October 23, 1998

Date Signed

ADDITIONAL TRADEMARK APPLICATION/REGISTRATION NUMBERS

Pending Applications

75/380375
75/377869
75/377827
75/377826
75/377825
75/202124
75/202106
75/099184

Registration Numbers

1822337
1962160
1964361
1583962

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Agreement") is made as of this 31st day of August, 1998, by FLOW INTERNATIONAL CORPORATION, a Delaware corporation and any Successor (the "Debtor"), in favor of BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, doing business as SEAFIRST BANK, as collateral agent for Lenders and Noteholders (the "Secured Party").

RECITALS

A. Bank of America National Trust and Savings Association, doing business as Seafirst Bank, U.S. Bank National Association (each individually a "Lender" and collectively the "Lenders"), Secured Party and Debtor have entered into a Credit Agreement dated as of the date hereof (as the same may be amended from time to time, the "Credit Agreement").

B. Pursuant to the terms of the Credit Agreement, the execution and delivery of this Agreement is a material condition precedent to Lenders' obligations to make and disburse loans to Debtor and to issue letters of credit for the account of Debtor thereunder.

C. Connecticut General Life Insurance Company and Life Insurance Company of North America (the "Noteholders") and Debtor entered into a note purchase agreement (together with all supplementals, exhibits, and amendments thereto, referred to as the "Note Agreement"), pursuant to which Debtor has issued and Noteholders have purchased Fifteen Million Dollars (\$15,000,000) of the Debtor's 7.20% Senior Notes due 2005 (the "Notes").

D. Debtor, Noteholders and U.S. Bank National Association are parties to that certain Security Agreement dated as of September 26, 1995 (the "Prior Noteholder Security Agreement"). Pursuant to the terms of the Note Agreement, it was a material condition precedent to the purchase of the Notes by Noteholders that Debtor grant the security interests and undertake the obligations contemplated by the Prior Noteholder Security Agreement. Pursuant to the terms of the Note Agreement, the execution and delivery of this Agreement is a material condition precedent to the continued performance by Noteholders of their obligations under the Note Agreement. This Agreement replaces the Prior Noteholder Security Agreement and sets forth the obligations of Debtor to Agent and both the Lenders and Noteholders with respect to the security required under the Credit Agreement and the Note Agreement, as applicable.

E. Agent is acting as "Agent" (as such term is defined in the Credit Agreement) for Lenders under the Credit Agreement and

related Financing Documents and as collateral agent for the Lenders and Noteholders pursuant to that certain Intercreditor Agreement by and between Debtor, Lenders, Noteholders and Agent dated of even date herewith (as amended from time to time, the "Intercreditor Agreement").

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing the undersigned agrees as follows:

1. Defined Terms. For purposes of this Agreement, the following terms shall have the following meanings:

"Bank Notes" means those certain promissory notes made by Debtor in favor of Lenders pursuant to the Credit Agreement.

"Collateral" shall have the meaning given in Section 2.

"Default Rate" shall mean that per annum rate of interest applicable under the Credit Agreement for amounts in default.

"Event of Default" shall mean either an Event of Default under the Credit Agreement, the Note Agreement or other Financing Documents.

"Financing Documents" shall mean the Note Agreement, those certain Note Purchase Agreements by and between Debtor and certain purchasers identified on Schedule A to the Note Agreement, the Notes, the Intercreditor Agreement, this Agreement, any Subsidiary Guaranty Agreement, the Credit Agreement, the Swap Documents, the Bank Notes, the Letters of Credit, the Reimbursement Agreements, the UCC Financing Statements, amendments or assignments and all other certificates, instruments and other documents executed by or on behalf of Debtor in connection with the Credit Agreement or the Note Agreement or the transactions contemplated thereby.

"Foreign Subsidiaries" means Subsidiaries of Debtor organized under the laws of a jurisdiction other than a state of the United States or the District of Columbia.

"Government Approval" means an approval, permit, license, authorization, certificate, or consent of any Governmental Authority.

"Governmental Authority" means the government of the United States or any state or any foreign country or any political subdivision of any thereof or any branch, department, agency, instrumentality, court, tribunal or regulatory authority which

constitutes a part or exercises any sovereign power of any of the foregoing.

"Letters of Credit" mean those certain standby or commercial letters of credit issued pursuant to Article 3 of the Credit Agreement.

"Lien" means, for any person, any security interest, pledge, mortgage, charge, assignment, hypothecation, encumbrance, attachment, garnishment, execution or other voluntary or involuntary lien upon or affecting the revenues of such person or any real or personal property in which such person has or hereafter acquires any interest, except (a) liens for Taxes which are not delinquent or which remain payable without penalty or the validity or amount of which is being contested in good faith by appropriate proceedings upon stay of execution of the enforcement thereof; (b) liens imposed by law (such as mechanics' liens) incurred in good faith in the ordinary course of business which are not delinquent or which remain payable without penalty or the validity or amount of which is being contested in good faith by appropriate proceedings upon stay of execution of the enforcement thereof with, in the case of liens on property of Debtor, provision having been made to the satisfaction of Agent for the payment thereof in the event the contest is determined adversely to Debtor; and (c) deposits or pledges under worker's compensation, unemployment insurance, social security or other similar laws or made to secure the performance of bids, tenders, contracts (except for repayment of borrowed money), or leases, or to secure statutory obligations or surety or appeal bonds or to secure indemnity, performance, customs or other similar bonds given in the ordinary course of business.

"Loan" has the meaning given in Section 1.1 of the Credit Agreement.

"Reimbursement Agreement" means the letter of credit reimbursement agreements executed by Debtor from time to time pursuant to Section 3.2 of the Credit Agreement.

"Subsidiary" means any person, corporation, association, or other business entity directly or indirectly controlled by Debtor. For the purposes of this definition, "controlled by" shall mean the possession, directly or indirectly of the power to direct or cause the direction of the management and policies of such Subsidiary, whether through the ownership of voting securities, by contract or otherwise.

"Subsidiary Guaranty Agreement" shall means any guaranty agreement by and between Agent, Lenders and a U.S. Subsidiary of Debtor or Noteholders and a U.S. Subsidiary of Debtor, as amended

from time to time, as required under the Credit Agreement or the Note Agreement, as applicable.

"Successor" has the meaning given in Section 1.1 of the Credit Agreement.

"Swap Documents" means any agreement between Debtor and any Lender, whether or not in writing, relating to any transaction that is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap or option, bond, note or bill option, interest rate option, forward foreign exchange transaction, cap, collar or floor transaction, currency swap, cross-currency rate swap, swap option, currency option or any other, similar transaction (including any option to enter into any of the foregoing) or any combination of the foregoing, and, unless the context otherwise clearly requires, any master agreement relating to or governing any or all of the foregoing.

"Tax" means, for any person, any tax, assessment, duty, levy, impost or other charge imposed by any Governmental Authority on such person or on any property, revenue, income, or franchise of such person and any interest or penalty with respect to any of the foregoing.

"UCC Financing Statements" means the UCC financing statements filed in connection with this Agreement to perfect the security interest granted herein.

"U.S. Subsidiary" shall mean any Subsidiary of Debtor organized under the laws of any state of the United States or the District of Columbia.

2. Grant of Security Interest. Debtor hereby grants to Secured Party a security interest in all its now owned or hereafter acquired goods and other personal property, including all tangible and intangible items (not including the capital stock of Debtor's Foreign Subsidiaries) and including without limitation the following (collectively, the "Collateral"):

(a) Equipment, Etc. All of Debtor's right, title and interest in equipment, supplies, fittings, furnishings and other items of any kind ordered, obtained, or possessed by Debtor or for its account, whether held by Debtor, by sellers under any contracts for the purchase of equipment or by others, together with any product into which such equipment may be processed, manufactured or assembled and together with all substitutions for said equipment and all parts, instruments, accessories, alterations, modifications, replacements, additions and accessions to said equipment.

(b) Inventory, Etc. All of Debtor's right, title and interest in inventory and stock in trade of Debtor, raw materials, work in progress, materials used or consumed in Debtor's business, finished goods, returned goods and goods traded in.

(c) Accounts, Contract Rights, Etc. All of Debtor's right, title and interest in (i) all accounts, (ii) all contract rights, (iii) all chattel paper, (iv) all documents, documents of title, drafts, checks, acceptances, bonds, letters of credit, notes or other negotiable and non-negotiable instruments, bills of exchange, deposits, certificates of deposit, insurance policies and any other writings evidencing a monetary obligation or security interest in or a lease of personal property, (v) all licenses, leases, contracts or agreements, (vi) all general intangibles, including without limitation all judgments, choses in action, patents, trademarks (and all goodwill associated therewith), trade names, service marks, licenses, copyrights and the like whether registered or not, and whether or not used or to be used by Debtor (including, but not limited to, those set forth on Schedule 1 attached hereto), including, with respect to all of said property, without limitation, all rights corresponding thereunder throughout the world, all renewals thereof, all license royalties with respect thereto, all claims for damages, profits and proceeds by reason of past, present and future infringements, and all rights to sue therefor, and (vii) all guarantees and other personal property securing the payment or performance of any of the foregoing.

(d) Deposits and Documents. All of Debtor's right, title, and interest in and to books, correspondence, credit files, records, invoices, and other documents, including without limitation all tapes, disks, cards, computer runs and other papers or documents in the possession or control of Debtor; and all balances, credits, deposits, accounts or monies of or in the name of Debtor in the possession or control of, or in transit to, Secured Party, any Lender, or any Noteholder, as the case may be.

(e) Investment Property. All of Debtor's right, title and interest in investment property (other than the capital stock of Debtor's Foreign Subsidiaries), including, without limitation, all stocks, bonds, debentures, notes, bills, certificates, options, rights, shares, or other securities now or hereafter owned or acquired, all dividends or distributions in respect thereof and all brokerage or commodities accounts.

(f) Proceeds and Products. All proceeds (including rents, royalties, and insurance proceeds) and products of any of Debtor's now owned or hereafter acquired goods and other personal property including without limitation the items of property described in paragraphs (a) through (e) above.

3. Transfer of Instruments, Etc. Upon the occurrence of an Event of Default and demand by Secured Party, Debtor agrees to transfer to Secured Party all instruments (including without limitation all securities) and chattel paper now or hereafter owned by Debtor. Without limiting the foregoing, if Debtor shall become entitled to receive or shall receive, in connection with any of its securities, any: (i) stock certificate, including without limitation any certificate representing a stock dividend or in connection with any increase or reduction of capital, reclassification, merger, consolidation, sale of assets, combination of shares, stock split, spin-off, split-off or split-up; (ii) option, warrant, or right, whether as an addition to or in substitution or in exchange for any of its securities, or otherwise; (iii) dividend or distribution payable in property, including securities issued by other than the issuer of any of its securities; or (iv) dividends or distributions of any sort; then Debtor shall upon the occurrence of an Event of Default and demand by Secured Party, deliver them forthwith to Secured Party in the exact form received, with, as applicable, Debtor's endorsement when necessary, or appropriate stock powers duly executed in blank, to be held by Secured Party, subject to the terms hereof, as part of the Collateral. This Agreement does not grant Secured Party power to control the voting or disposition of the securities prior to default.

4. Obligations Secured. The security interest in the Collateral is given to secure the full and timely performance by Debtor of all indebtedness, liabilities and obligations of Debtor (a) owing to Secured Party or any Lender or arising under or in any way in connection with the Credit Agreement, any Financing Documents, or any of the transactions contemplated thereby now existing or hereafter incurred and (b) owing to Secured Party or any Noteholder or arising under or in any way in connection with the Note Agreement, any Financing Documents, or any of the transactions contemplated thereby now existing or hereafter incurred; and, in the case of amounts referred to in either clause (a) or clause (b), all extensions and renewals thereof, whether for principal, interest (including without limitation interest that, but for the filing of a petition in bankruptcy with respect to Debtor, would accrue on such obligations), reimbursement of amounts drawn under Letters of Credit, fees, expenses, indemnities or otherwise, whether voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owned with others, and whether or not from time to time decreased or extinguished and later increased, created, 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 Secured Party, any Lender, or any Noteholder as a preference, fraudulent transfer, or otherwise, and all obligations of every nature of Debtor now or

hereafter existing under this Agreement (all of the foregoing are referred to collectively as the "Obligations").

5. Ownership and Liens. Debtor represents and warrants to Secured Party that (a) Debtor owns the Collateral and is not prohibited by contract or otherwise from subjecting the same to the security interest created hereby; (b) to the best of Debtor's knowledge, there are no material offsets or counterclaims or defenses to payment which may be asserted against Debtor by Debtor's account debtors or payment obligors in respect of the Collateral; and (c) Debtor possesses all trademarks, trade names, service marks, copyrights, patents, patent rights and licenses set forth on Schedule 1 attached hereto without conflict with the rights or claimed rights of others. Except as expressly permitted by the Credit Agreement or the Note Agreement, Debtor will not (i) create or suffer to exist any Lien on the Collateral other than Liens created hereunder; or (ii) Debtor will not sell, transfer, lease or otherwise dispose of any item of Collateral except in the ordinary course of business. Debtor will fully and punctually perform any duty required of it in connection with the Collateral and will not take any action which will impair, damage or destroy Secured Party's rights with respect to the Collateral or hereunder or the value thereof.

6. Appointment of Agent. So long as any Obligation remains unpaid, Lenders have any commitments under the Credit Agreement or Noteholders have any obligations under the Note Agreement, Debtor does hereby designate and appoint Secured Party its true and lawful attorney with power irrevocable, for it and in its name, place and stead, after an Event of Default has occurred and is continuing, to ask, demand, receive, receipt and give acquittance for any and all amounts which may be or become due or payable to Debtor with respect to the Collateral, and in Secured Party's sole discretion to file any claim or take any action or proceeding, or either, in its own name or in the name of Debtor, or otherwise, which Secured Party deems necessary or desirable in order to collect or enforce payment of any and all amounts which may become due or owing with respect to the Collateral. The acceptance of this appointment by Secured Party shall not obligate it to perform any duty, covenant or obligation required to be performed by Debtor under or by virtue of the Collateral or to take any action in connection therewith. Secured Party may also execute, on behalf of Debtor, any financing statements or other instruments which in its opinion may be necessary or desirable to perfect or protect its position with respect to the Collateral. Without limiting the generality of the foregoing, Secured Party is authorized at any time to exercise any right of Debtor, or enforce any obligation owed to Debtor pursuant to the terms of any agreements to which Debtor is a party or in which it has any beneficial interest. Secured Party may, in its sole discretion, perform any obligation of

Debtor under any of Debtor's contracts or in respect of any of Debtor's accounts, and any expenses incurred in such performance shall bear interest from the date incurred until repaid by Debtor at a per annum rate equal to the Default Rate. Any such amounts shall be secured hereby and shall be repaid by Debtor on demand.

7. **Taxes.** Debtor will pay before delinquency any Taxes which are or may become through assessment or distraint or otherwise a lien or charge on the Collateral and will pay any Tax which may be levied on any Obligation secured hereby, except any Tax whose validity or amount is being contested in good faith by appropriate proceedings upon stay of execution of the enforcement thereof and with provision having been made to the satisfaction of Secured Party for the payment thereof in the event the contest is determined adversely to Debtor.

8. **Debtor's Place of Business; Location of Records and Collateral.** Debtor represents that the address set forth below its signature to this Agreement is and will remain its principal place of business and the location of its chief executive offices and the address at which it will keep its records concerning the Collateral. Debtor represents that it has not done business under any name other than those assumed names disclosed on Schedule 2 attached hereto. From time to time, promptly upon request, Debtor will advise Secured Party of each location where any tangible Collateral is located. Debtor will not move the location of its chief executive offices nor move any tangible Collateral to a state not specified in Schedule 3 attached hereto; provided, however, that Debtor may move certain of its collateral constituting mobile demonstration equipment having an market value equal to or less than Two Million Dollars (\$2,000,000) in the aggregate (the "Mobile Demonstration Equipment") to any state within the United States not listed on Schedule 3 attached hereto without Secured Party's prior written consent. Agent and Lenders acknowledge that the security interest granted herein by Debtor in respect of such Mobile Demonstration Equipment may be unperfected if such Mobile Demonstration Equipment is located in states other than Indiana, Louisiana, Michigan or Washington. Debtor will not do business under any assumed name not disclosed on Schedule 2 attached hereto unless Debtor shall have given prior written notice of such a move to Secured Party and unless Secured Party's security interest therein continues at all times to be perfected as a lien of first priority (subject only to purchase money Liens and statutory liens imposed by law (such as mechanics' liens) incurred in good faith in the ordinary course of business which are not delinquent or which remain payable without penalty or the validity or amount of which is being contested in good faith by appropriate proceedings upon stay of execution of the enforcement thereof with, in the case of liens on property of Debtor, provision having been made to the satisfaction of Secured Party

for the payment thereof in the event the contest is determined adversely to Debtor) enforceable against all third parties in all jurisdictions as security for full and timely performance of the Obligations.

9. Books and Records; Inspection. Debtor agrees to maintain full and accurate books of account prepared and maintained in accordance with GAAP, to the extent applicable, covering the Collateral and to make available, upon request, to Secured Party, and to deliver promptly, upon request, to Secured Party after the occurrence and during the continuation of an Event of Default, such of the books and records as relate to the Collateral including, without limitation, all of the invoices, shipping documents, contracts, orders, order acknowledgments, correspondence and other instruments, electronically stored materials and papers in Debtor's possession relating to the Collateral. Secured Party (and any Lender or Noteholder) shall at all reasonable times have free access to Debtor's ledgers, books of account and other written or electronic records evidencing or relating to the Collateral and the right to make and retain copies or memorandum of same, and shall after the occurrence and during the continuation of an Event of Default have the right to be present at Debtor's place of business to receive all communications and remittances relating to the Collateral.

10. Collections of Accounts. Until contrary notice is given by Secured Party, Debtor is specifically authorized to enforce and collect the Collateral described in Section 2(c) above in such manner as shall be commercially reasonable, to accept the return of goods and to reclaim, withhold or repossess goods as an unpaid seller. Until receipt of such notice, Debtor agrees to collect the payments upon or from said Collateral, at Debtor's expense, with due diligence. Upon notification by Secured Party to Debtor after the occurrence and during the continuation of an Event of Default to cease collecting upon said Collateral, Secured Party will proceed to collect said Collateral in a commercially reasonable manner and may deduct from the proceeds its reasonable expenses of collection. Secured Party is authorized to receive in full satisfaction of any obligor's obligation to Debtor a commercially reasonable sum less than the face amount thereof. Debtor agrees that if any sums are received by it in respect to the Collateral after such notification by Secured Party, such sums shall be received in trust by Debtor and immediately shall be paid over by Debtor to Secured Party. Debtor agrees to hold Secured Party harmless from any claim, loss or damage caused by any failure to collect any obligation or to enforce any contract or by any act or omission on the part of Secured Party, its agents and employees, relating to the Collateral except for Secured Party's willful misconduct or gross

negligence. The covenant set forth in the preceding sentence shall survive the termination of this Agreement.

11. Maintenance of Collateral; Insurance. Debtor will keep the tangible Collateral in good repair and Secured Party may inspect the Collateral at reasonable times and intervals and may for this purpose enter any premises upon which the Collateral is located, including, but not limited to, Debtor's facilities. Debtor will continuously maintain, or cause to be continuously maintained, insurance on all tangible Collateral by an insurer reasonably satisfactory to Secured Party against such risks, in such amounts, and with such terms as are required of the insurance to be maintained by Debtor under the Credit Agreement and the Note Agreement. The Secured Party shall be named as a loss payee on all such policies, and all such policies shall provide that they are not cancelable without thirty (30) days' prior written notice to the Secured Party.

12. Compliance With Laws. Debtor will ensure that its use of the Collateral will comply in all material respects with all applicable laws, ordinances, and regulations of Governmental Authorities.

13. Waivers. This Agreement shall not be qualified or supplemented by course of dealing. No waiver or modification by Secured Party of any of the terms and conditions hereof shall be effective unless in writing signed by Secured Party. No waiver or indulgence by Secured Party as to any required performance by Debtor shall constitute a waiver as to any required performance or other obligations of Debtor hereunder.

14. Release of Collateral, Etc. The obligations of Debtor shall not be affected by the release or substitution of any collateral or by the release of or any renewal or extensions of time to any party to any instrument, obligation or liability secured hereby or to which Debtor is a party. Secured Party shall not be bound to resort to or exhaust its recourse or to take any action against other parties or other collateral. Debtor hereby waives presentment, demand, protest, notice of protest and notice of non-acceptance or non-payment with respect to any indebtedness, obligation or liability secured hereby.

15. Further Assurances. Debtor, at its sole cost and expense, will at any time and from time to time hereafter (a) execute such financing statements and other instruments and perform such other acts as may be necessary or as Secured Party may reasonably request to establish and maintain the security interests herein granted by Debtor to Secured Party and the priority and continued perfection thereof; (b) obtain and promptly furnish to Secured Party evidence of all such Government Approvals as may be required to enable Debtor to comply with its

obligations under this Agreement; and (c) execute and deliver all such other instruments and perform all such other acts as Secured Party may reasonably request to carry out the transactions contemplated by this Agreement.

16. Expenses Incurred by Secured Party. Secured Party is not required to, but may, at its option, pay any Tax, insurance premium, filing or recording fees, or other charges payable by Debtor hereunder and any such amount shall bear interest from the date of payment until repaid at the Default Rate. Such amounts shall be repayable by Debtor on demand and Debtor's obligation to make such repayment shall constitute an additional Obligation secured hereby.

17. Assignment. Secured Party may transfer as collateral security the whole or any part of the Collateral to any successor Agent under the Credit Agreement and all obligations, rights, powers and privileges herein provided shall inure to the benefit of the assignee to the extent of such assignment.

18. General Remedies. If an Event of Default shall occur, Secured Party shall have all remedies provided by law and, without limiting the generality of the foregoing or the remedies provided in any other paragraph hereof, shall have the following remedies:

(a) The remedies of a secured party under the Uniform Commercial Code; and

(b) The right to make notification and pursue collection or, at Secured Party's option, to sell all or part of the Collateral and make application of all proceeds or sums due on the Collateral in accordance with the Intercreditor Agreement; and

(c) The right to enter any premises where any of the Collateral is situated and take possession of such Collateral without notice or demand and without legal proceedings; and

(d) The right to exercise and enforce all of Debtor's rights under any contracts or any other agreement to which Debtor is a party or of which Debtor is a beneficiary; and

(e) All other remedies which may be available in law or equity.

At the request of Secured Party, Debtor will assemble the tangible Collateral and make it available to Secured Party at a place designated by Secured Party. To the extent that notice of sale shall be required by law to be given, Debtor agrees that a period of ten (10) days from the time the notice is sent shall be

a reasonable period of notification of a sale or other disposition of Collateral by Secured Party, and that any notice or other communication from Secured Party to Debtor pursuant to this Agreement or required by any statute may be given to Debtor as provided in the Credit Agreement or the Note Agreement. Debtor agrees to pay on demand the amount of all expenses incurred by Secured Party in protecting and realizing on the Collateral and Debtor further agrees that if this Agreement or any Obligation is referred to an attorney for protecting or defending the priority of Secured Party's interest in the Collateral or for collecting or realizing thereon, Debtor shall pay all of Secured Party's expenses, including without limitation, reasonable attorneys' fee and costs and expenses of title search and all court costs and costs of public officials and Debtor further agrees that its obligation to pay such amounts shall bear interest from the date such expenditures are made by Secured Party until repaid at the Default Rate and shall be secured hereby. Debtor agrees to pay any deficiency remaining after collection or realization by Secured Party on the Collateral.

19. Securities Remedies. If an Event of Default shall occur and if Secured Party shall elect to exercise its right to sell or otherwise dispose of all or any part of the Collateral constituting securities, Debtor recognizes that Secured Party may be unable or may deem it unadvisable to effect a public sale of all or a part of the securities and may be compelled to resort to one or more private sales to a restricted group of purchasers who will be obligated to agree, among other things, to acquire the securities for their own account, for investment and not with a view to the distribution or resale thereof. Debtor acknowledges that any such private sales may be at prices and on terms less favorable to Secured Party than those of public sales, and agrees that such private sales shall be deemed to have been made in a commercially reasonable manner and that Secured Party shall have no obligation to delay sale of any securities to permit the issuer thereof to register such securities for public sale under the Securities Act of 1933, as amended. Debtor will promptly deliver to Secured Party all written notices, and will promptly give Secured Party written notice of any other notices, received by it with respect to the securities. Following the occurrence of an Event of Default hereunder and upon request of Secured Party, Debtor will deliver to Secured Party irrevocable proxies with respect to the securities in form satisfactory to Secured Party. Until receipt thereof, this Agreement shall constitute Debtor's proxy to Secured Party or its nominee to vote all shares of the securities then registered in Debtor's name following the occurrence of such an Event of Default.

20. Hold Harmless. Debtor will indemnify and hold Secured Party, Lenders, and Noteholders and each of their agents,

successors, heirs and assigns (each an "Indemnified Party") harmless from all liability, loss, damage or expense, including reasonable attorneys' fees and costs, that the Indemnified Party may incur resulting from, arising out of or relating to the Indemnified Party's good faith efforts to comply with or enforce the terms of this Agreement or the Obligations. The covenants set forth in this Section 20 shall survive the termination of this Agreement.

21. Severability. In case any one or more of the provisions contained in this Agreement is invalid, illegal or unenforceable in any respect in any jurisdiction, the validity, legality and enforceability of such provision or provisions will not in any way be affected or impaired thereby in any other jurisdiction; and the validity, legality and enforceability of the remaining provisions contained herein will not in any way be affected or impaired thereby.

22. Governing Law and Venue. This Agreement shall be construed and enforced in accordance with the internal laws of the State of Washington except where the location of Collateral requires that the creation, validity, perfection, or enforcement of the security interests provided for herein may be governed by the laws of the jurisdiction where such Collateral is located. Debtor hereby irrevocably submits to the jurisdiction of any state or federal court sitting in Seattle, Washington, in any action or proceeding brought to enforce or otherwise arising out of or relating to this Agreement.

23. Successors. This Agreement inures to the benefit of Secured Party and its successors and assigns, and shall bind the successors and assigns of Debtor. Debtor may not assign its rights and obligations hereunder without the prior written consent of Secured Party.

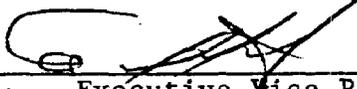
24. Release of Security Interests. Upon the termination of each Lender's obligation under the Credit Agreement, each Noteholder's obligation under the Note Agreement, payment in full of each Loan, each Bank Note, each Note, advances in respect of Letters of Credit, payment in full of any other Obligation and performance of all other obligations of Debtor under this Agreement and the other Financing Documents, Secured Party shall, upon the written request of Debtor and at the sole cost and expense of Debtor, execute and deliver to Debtor change statements terminating all UCC Financing Statements filed hereunder and shall deliver to Debtor possession of all Collateral held by Secured Party. As used herein "all other obligations of Debtor" shall not include the obligation to indemnify Secured Party, Lenders, Noteholders, or any other indemnified party, unless (a) facts and circumstances are then known which in the reasonable opinion of the Indemnified Party,

as the case may be, could reasonably be expected to give rise to an obligation owing by Debtor to make an indemnity payment; and (b) Debtor has not bonded its indemnity obligations or otherwise provided for the payment thereof in a manner satisfactory to the Indemnified Party.

IN WITNESS WHEREOF, Debtor has executed this Agreement as of the date and year first above written.

DEBTOR:

FLOW INTERNATIONAL CORPORATION

By 
Its Executive Vice President, Chief
Financial Officer and Treasurer

Address: 23500 64th Avenue South
Kent, WA 98032
Attn: Stephen D. Reichenbach

Telefax: (206) 813-3311

SCHEDULES

- Schedule 1 - Trademarks, Tradenames and Other Intellectual Property
- Schedule 2 - Assumed Business Names
- Schedule 3 - Locations of Inventory

SCHEDULE 1

TRADEMARK APPLICATIONS PENDING
IN U.S. PATENT & TRADEMARK OFFICE

<u>Mark</u>	<u>Class(es)</u>	<u>Serial No.</u>
Design only	07	75/501611
FLOW and design	41	75/494924
FLOW and design	37	75/494923
FLOW and design	09	75/494922
FLOW and design	07	75/494921
ESL	07	75/493755
FLOWCODE	09	75/493505
FLOWSENSE	09	75/493504
EAGLE	07	75/380376
DECK HOG	07	75/380375
FRESHER UNDER PRESSURE	29	75/377869
FRESHER UNDER PRESSURE	32	75/377827
FRESHER UNDER PRESSURE	40	75/377826
FRESHER UNDER PRESSURE	07	75/377825
HORNET	07	75/202124
HORNET and design	07	75/202106
FLOWNEST	09	75/099184

REGISTERED TRADEMARKS

<u>Mark</u>	<u>Class(es)</u>	<u>Registration No.</u>
BENGAL and design	07	2,114,166
BENGAL	07	2,114,165
FLOWSHIFT	09	2,064,940
FLOWPATH	09	2,066,957
FLOWMASTER	09	2,066,949
FLOWCUT	09	2,066,948
PASER	07	1,891,944
FLOW INTERNATIONAL CORPORATION and design	37	1,823,198
FLOW INTERNATIONAL CORPORATION and design	41	1,812,448
FLOW INTERNATIONAL CORPORATION and design	07	1,822,337
HUSKY	07	1,962,160
COUGAR	07	1,964,361
HYDROMILLING	37	1,583,962

UNREGISTERED, COMMON LAW, OTHER

<u>Mark</u>	<u>Class(es)</u>	<u>Comment</u>
FLOW SYSTEMS	07	Registration cancelled 1995
INSTAJET	07	Registration cancelled 1994; owned by Flow Systems, Inc.
JETBOLTER	07	Registration cancelled 1991; owned by Admac, Inc.
JETDRIL	07	Registration cancelled 1991; owned by Admac, Inc.
JETFLEX	07	Registration cancelled 1991; owned by Admac, Inc.
WATERNIFE	07	Registration cancelled 1992; owned by Flow Systems, Inc.
WATEROUTER	07	Registration cancelled 1992; owned by Flow Systems, Inc.

Patent Status Report
Flow International Corporation
August 28, 1998

Seed and Berry LLP

PATENT NO.	COUNTRY	TITLE
MI93A002587	Italy	Ultra high-pressure fan jet nozzle
MI93A002586	Italy	Hard coating removal with ultrahigh pressure fan jets
NI-081209	Taiwan	Abrasive fluid jet system
0,583,779	EPO	Pressure compensation device for high-pressure liquid pump
4,313,570	U.S.	High pressure cutting nozzle with on-off capability
4,371,001	U.S.	Check valve assembly
4,392,655	U.S.	High-pressure seal with controlled deflection under pressure
4,536,135	U.S.	High pressure liquid piston pump
4,540,056	U.S.	Cutter assembly
4,648,215	U.S.	Method and apparatus for forming a high velocity liquid abrasive jet
4,649,963	U.S.	Ultra-high pressure hose assembly
4,651,476	U.S.	Compact receptacle with automatic feed for dissipating a high-velocity fluid jet
4,660,773	U.S.	Leakproof high pressure nozzle assembly
4,864,780	U.S.	Energy-dissipating receptacle for high velocity fluid jets
4,936,059	U.S.	Abrasive swivel assembly and method
4,949,610	U.S.	Board-supporting assembly for fluid jet cutting system
4,955,164	U.S.	Method and apparatus for drilling small diameter holes in fragile material with high velocity liquid
5,512,318	U.S.	Method for preparing surfaces with an ultrahigh-pressure fan jet
5,643,058	U.S.	Abrasive fluid jet system
5,785,582	U.S.	Split abrasive fluid jet mixing tube and system

IDNO	PATNO	COUNTRY	TITLE
FSI.0102	4,817,874	US	NOZZLE ATTACHMENT FOR ABRASIVE FLUID-JET CUTTING SYSTEMS (P
FSI.0111		FRANCE	ABRASIVE JET CATCHER WITH AUTOMATIC FEED *COMPACT CATCHER
FSI.0160	5,050,895	US	HIGH PRESSURE DYNAMIC SEAL (OMEGA AND X-PUMPS)
FSI.0152	4,936,512	US	NOZZLE ASSEMBLY & METHOD OF PROVIDING SAME
FSI.0136	5,037,276	US	HIGH PRESSURE PUMP VALVE ASSEMBLY (OMEGA & X-PUMP TECHNOL
FIH8.223	5,037,277	US	POPPET VALVE FOR A HIGH PRESSURE FLUID PUMP (OMEGA)
FIC.0167	5,078,161	US	AIRPORT RUNWAY CLEANING METHOD AND APPARATUS
FSI.0111		GERMANY	ABRASIVE JET CATCHER WITH AUTOMATIC FEED *COMPACT CATCHER
FSI.0111		ITALY	ABRASIVE JET CATCHER WITH AUTOMATIC FEED *COMPACT CATCHER
FIC.0165	5,092,085	US	LIQUID ABRASIVE CUTTING JET CARTRIDGE AND METHOD
FIC.0167	0,400,758	EUROPE	AIRPORT RUNWAY CLEANING METHOD AND APPARATUS
FSI.0160	47413	TAIWAN	HIGH PRESSURE DYNAMIC SEAL (OMEGA AND X-PUMPS)
FIC.0202	5,111,736	US	VENTED STATIC SEAL ASSEMBLY
FIC.0171	5,144,766	US	LIQUID ABRASIVE CUTTING JET CARTRIDGE AND METHOD (QUICK CON
FIC.0221		US	HARD COATING REMOVAL WITH ULTRAHIGH-PRESSURE FAN JETS
FIC.0219	5,380,068	US	DEEP KERFING IN ROCKS WITH ULTRAHIGH-PRESSURE FAN JETS
FIC.0212		US	ULTRAHIGH-PRESSURE FAN JET NOZZLE
FIC.0216	5,337,561	US	METHOD FOR REDUCING UHP WATER PRESSURE DIPS IN MULTIPLE INT
FIC.0211	5,226,799	US	ULTRAHIGH PRESSURE POPPET VALVE WITH LOW WEAR
FIC.0211	43 21 800	GERMANY	ULTRAHIGH PRESSURE POPPET VALVE WITH LOW WEAR
FIC.0211	9305567BR	FRANCE	ULTRAHIGH PRESSURE POPPET VALVE WITH LOW WEAR
FIC.0211	1266511	ITALY	ULTRAHIGH PRESSURE POPPET VALVE WITH LOW WEAR
FIC.0167	0400758	FRANCE	AIRPORT RUNWAY CLEANING METHOD AND APPARATUS
FIC.0167	690022808	GERMANY	AIRPORT RUNWAY CLEANING METHOD AND APPARATUS
FIC.0167	0400758	ITALY	AIRPORT RUNWAY CLEANING METHOD AND APPARATUS
FSI.0155	5,381,631	US	M & A FOR CUTTING METAL CASINGS WITH UHP ABRASIVE FLUID JET
FIC.0218	5,316,745	US	HIGH PRESSURE STERILIZATION APPARATUS AND METHOD
FIC.0211		EUROPE	ULTRAHIGH PRESSURE POPPET VALVE WITH LOW WEAR
FIC.0217C2	5,380,159	US	CIP OF *PRESSURE COMPENSATION DEVICE FOR HIGH-PRESSURE LIQUI
FIC.0167A	5,228,623	US	AIRPORT RUNWAY CLEANING METHOD AND APPARATUS - C.I.P.
FIC.0217		FRANCE	PRESSURE COMPENSATION DEVICE FOR HIGH-PRESSURE LIQUID PUMP
FIC.0217		ITALY	PRESSURE COMPENSATION DEVICE FOR HIGH-PRESSURE LIQUID PUMP
FIC.0217		GERMANY	PRESSURE COMPENSATION DEVICE FOR HIGH-PRESSURE LIQUID PUMP
FIC.0226	5,360,292	US	METHOD AND APPARATUS FOR REMOVING MUD PLUGS FROM CASING
FIC.0217A	0,583,779	FRANCE	C.I.P. OF PRESSURE COMPENSATION DEVICE FOR HIGH-PRESSURE LIQUI
FIC.0217A	0,583,779	GERMANY	C.I.P. OF PRESSURE COMPENSATION DEVICE FOR HIGH-PRESSURE LIQUI
FIC.0217A	0,583,779	ITALY	C.I.P. OF PRESSURE COMPENSATION DEVICE FOR HIGH-PRESSURE LIQUI
FIC.0217		EUROPE	PRESSURE COMPENSATION DEVICE FOR HIGH-PRESSURE LIQUID PUMP
FIC.0212		GERMANY	ULTRAHIGH-PRESSURE FAN JET NOZZLE
FIC.0212	01265392	ITALY	ULTRAHIGH-PRESSURE FAN JET NOZZLE
FIC.0212		JAPAN	ULTRAHIGH-PRESSURE FAN JET NOZZLE
FIH5.180	0232125	NETHERLAN	ULTRAHIGH-PRESSURE HOSE ASSEMBLY
FIC.0221		GERMANY	HARD COATING REMOVAL WITH ULTRAHIGH-PRESSURE FAN JETS

IDNO	PATNO	COUNTRY	TITLE
FIC.0221	01265264	ITALY	HARD COATING REMOVAL WITH ULTRAHIGH-PRESSURE FAN JETS
FIC.0221		JAPAN	HARD COATING REMOVAL WITH ULTRAHIGH-PRESSURE FAN JETS
FIC.0227	5,564,469	US	AN EROSION RESISTANT HIGH PRESSURE RELIEF VALVE
FIC.0212A	5,417,607	US	ULTRAHIGH-PRESSURE FAN JET NOZZLE
FIC.0212D1		US	ULTRAHIGH-PRESSURE FAN JET NOZZLE
FIC.0231	5,512,318	US	METHOD FOR PREPARING SURFACES WITH AN ULTRAHIGH-PRESSURE F
FIC.0236		US	ABRASIVE FLUID JET SYSTEM
FIC.0236TW		TAIWAN	ABRASIVE FLUID JET SYSTEM
FIC.0211	2,692,626	FRANCE	ULTRA HIGH PRESSURE POPPET VALVE
FIC.0232	5,493,954	US	SELF-VENTING SEAL ASSEMBLY
FIC.0232		EUROPE	SELF-VENTING SEAL ASSEMBLY
FIC.0167		JAPAN	AIRPORT RUNWAY CLEANING METHOD AND APPARATUS
FIC.0238	5,730,358	U.S.	TUNABLE ULTRAHIGH-PRESSURE NOZZLE

SCHEDULE 2

Security Agreement

ASSUMED BUSINESS NAMES

STATE	COMPANY
Minnesota	Flow International dba Flow Systems, Inc.
Texas	Flow International (dba Flow Waterjet Cutting System)
Virginia	Flow International Corporation dba Flow International Corporation of Washington

**Schedule 3
Security Agreement**

Locations of Equipment and Inventory

Kent Location:

**Flow International Corporation
23500 64th Avenue South
Kent, WA 98032**

Detroit Locations

**47711 Clipper Street, Suite 100
Plymouth Township, MI 48170**

**CIS Robotics
33424 DeQuindre Rd.
Sterling Heights, MI 48310-5877**

Jeffersonville Indiana Location

**Flow Robotics
1635 Production Road
Jeffersonville, IN 47130**

Lafayette, Louisiana Location

**Hydrodynamic Cutting Services
207 Nolan Rd.
Broussard, LA 70518**