11-02-1998

FORM PTO-1594
1-31-92

U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office

10-28-98

100865410

HEET

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):

Comtel Security Systems, Inc.
Three Park Place, Suite 1480
Irvine, California 92614

[ ] Individual(s) [ ] Association
[ ] General Partnership [ ] Limited Partnership
[X] Corporation – California
[ ] Other

Additional name(s) of conveying party(ies) attached?
[ ] Yes [X] No

2. Name and address of receiving party(ies):

Name: The Prudential Insurance Company of America

Street Address: 751 Broad Street

City: Newark State: New Jersey ZIP: 07102

3. Nature of conveyance:

[ ] Assignment [ ] Merger
[X] Security Agreement [ ] Change of Name
[ ] Other

Execution Date: October 22, 1998

[ ] Individual(s) citizenship _____
[ ] Association – _____
[ ] General Partnership _____
[ ] Limited Partnership _____
[X] Corporation - New Jersey
[ ] Other _____

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

(Designations must be a separate document from Assignment)
Additional name(s) and address(es) attached? [ ] Yes [X] No

4. Application number(s) or registration number(s): 1,882,810

A. Trademark Application No.(s)

B. Trademark Registration No.(s)
1,882,810

Additional numbers attached? [ ] Yes [X] No

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

Name: Robert W. Smith, Esq.
Internal Address: McCarter & English, LLP
4 Gateway Center
Street Address: 100 Mulberry Street
City: Newark State: New Jersey ZIP: 07101

6. Total number of applications and registrations involved: [1]

7. Total Fee (37 CFR 3.41): $ 40.00
[X] Enclosed
[ ] Authorized to be charged to deposit account

8. Deposit account number:
(Attach duplicate copy of this page if paying by deposit account.)

DO NOT USE THIS SPACE

10/30/1998 SSMITH 00000110 1882810
01 FC:481 40.00 OP

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

Robert W. Smith
Name of Person Signing

Signature

October 28, 1998
Date

Total number of pages comprising cover sheet: [20]

SECURITY AGREEMENT

SECURITY AGREEMENT, dated October 22, 1998 (the "Agreement"), from Comtel Security Systems, Inc., a California corporation (the "Company"), to The Prudential Insurance Company of America (the "Purchaser"). Capitalized terms used herein without definition shall have the meanings given such terms in the Note Agreement hereinafter defined.

WHEREAS, the Company has entered into that certain Amended and Restated Note and Warrant Purchase Agreement, dated on or about the date hereof (the "Note Agreement") between the Company and the Purchaser;

WHEREAS, paragraph 2E of the Note Agreement requires that the Company enter into this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein, the parties hereto agree as follows:

1. DEFINITIONS AND OTHER PROVISIONS

1A. Certain Defined Terms.

The following terms have the following meanings:

"Accounts" means all rights to the payment of money for goods sold or leased or for services rendered by the Company whether in form of accounts receivable, contract rights, chattel paper, instruments, notes, bills, acceptances, general intangibles and other forms of obligations relating to such rights, together with any property evidencing or relating to such rights, including, without limitation, all books, records, invoices, magnetic tapes, processing software, processing contracts (such as contracts for computer time and services) and any other rights or property of the Company that is an account within the meaning of the UCC.

"Chattel Paper" means all chattel paper, as that term is defined in the UCC, including without limitation any writings which evidence both a monetary obligation and a security interest in or a lease of specific goods.

"Collateral" means all Accounts, Chattel Paper, Deposit Accounts, Documents, Equipment, Instruments, whether presently owned or hereafter acquired, and the License, together with all Proceeds thereof.

"Deposit Accounts" means all demand, time, savings, passbook or like accounts maintained with a bank, savings and loan association, credit union or like organization including

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an account evidenced by a certificate of deposit.

"Documents" means all documents, as that term is defined in the UCC, including but not limited to documents of title (as that term is defined in the UCC) and any and all receipts of the kind described in Article 7 of the UCC.

"Equipment" means, to the extent purchased, in whole or in part, with the proceeds of the Notes issued pursuant to the Note Agreement, all machinery, apparatus, equipment, fittings and other tangible personal property (other than Inventory) of every kind and description used in the Company's operations or owned by the Company in which Company has an interest, whether or not affixed to realty, including without limitation, all motor vehicles, trucks, trailers, handling and delivery equipment, cranes, hoisting equipment, fixtures, office machines and furniture, together with all accessions, replacements, rights under any manufacturer's warranties relating to the foregoing and any other rights or property of the Company that is equipment within the meaning of the UCC.

"Governmental Authority": means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Instruments" means instruments, as that term is defined in the UCC, including without limitation bills of exchange, notes and all negotiable instruments, all certificated securities all certificates of deposit and any other writing which evidences a right to payment of money and is a type which is in the ordinary course of business transferred by delivery with any necessary endorsement or assignment.

"License" means that certain License Agreement dated November 7, 1995 by McDonnell Douglas Corporation in favor of Comtel Electronics, Inc. ("Electronics") as assigned to the Company by Electronics effective March 19, 1996 pursuant to that certain Assignment of License Agreement dated August 17, 1998.

"Note Agreement" is defined in the recitals to this Agreement.

"Notes" has the meaning given such term in the Note Agreement.

"Proceeds" means all proceeds as that term is defined in the UCC including without limitation whatever is received upon the use, lease, sale, exchange, collection, any other utilization of any disposition of any property whether or not in cash, all rental or lease payments, accounts, chattel paper, instruments, documents, general intangibles, equipment, inventory, substitutions, additions, accessions, replacements, products and renewals of, for, or to such property and all insurance therefor.

"Requirements of Laws" means the requirements of all applicable federal, state, local and regional statutes, laws, ordinances and judicial or administrative orders, judgments, rulings and regulations.

"Secured Obligations" means all present and future obligations of the Company to the Purchaser, whether direct or indirect, joint or several, secured or unsecured, primary or secondary, absolute or contingent, which are due or that may become due whether contracted, acquired or arising by operation of law including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding.

"Tranche B Note" has the meaning given such term in the Note Agreement.

"UCC" means the Uniform Commercial Code as enacted in the State of New Jersey.

1B. **Other Definitional Provisions.**

a. As used herein and in any certificate or other document made or delivered pursuant hereto or thereto, accounting terms not defined in Subsection 1A shall have the respective meanings given to them under GAAP.

b. The words "hereof", "herein" and "hereunder" and words of similar import when used in this agreement shall refer to this agreement as a whole and not to any particular provision of this agreement, and section, subsection schedule and exhibit references are to this agreement unless otherwise specified. The meaning of defined terms shall be equally applicable to the singular and plural forms of the defined terms.

2. **SECURITY INTERESTS**

2A. **Grant of Security Interest.**

The Company hereby grants to the Purchaser a lien on and a security interest in the Collateral to secure the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Secured Obligations.

2B. **Failure to Perform Agreements.**

If the Company fails to perform or comply with any of its agreements contained herein and the Purchaser, as provided for by the terms of this Agreement, shall itself perform or comply, or otherwise cause performance or compliance, with such Agreement, the reasonable expenses of the Purchaser incurred in connection with such performance or compliance, together with interest thereon at a rate equal to eight and one half percent (8.5%) per annum, such interest to be calculated from the date of such advance to the date of repayment thereof, shall be payable by the Company to the Purchaser on demand.

2C. **Purchaser's Appointment as Attorney-in-Fact.**

The Company hereby irrevocably constitutes and appoints the Purchaser and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Company and in the name of the

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Company or in its own name, from time to time in the Purchaser's discretion, for the purpose of carrying out the terms of this agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this agreement, and, without limiting the generality of the foregoing, the Company hereby gives the Purchaser the power and right, on behalf of the Company without notice to or assent by the Company, to do the following:

a. to take possession of and endorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Collateral and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Purchaser for the purpose of collecting any and all such moneys due under any Collateral whenever payable;

b. to pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, to effect any repairs or any insurance called for by the terms of this agreement and to pay all or any part of the premiums therefor and the costs thereof;

c. to direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Purchaser;

d. to ask or demand for, or collect, receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral;

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

f. to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any thereof and to enforce any other right in respect of any Collateral;

g. to defend any suit, action or proceeding brought against the Company with respect to any Collateral;

h. to settle, compromise or adjust any suit, action or proceeding described above and, in connection therewith, to give such discharges or releases as the Purchaser may deem appropriate;

i. generally, to sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Purchaser were the absolute owner thereof for all purposes, and to do, at the Purchaser's option and the Company's expense, at any time, or from time to time, all acts and things which the Purchaser deems necessary to protect, preserve or realize upon the Collateral and the Security Interests thereon in order to effect the intent of this agreement, all as fully and

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effectively as the Company might do; and

j. in connection with the sale of Collateral provided for herein, execute any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

The Company hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable until the Secured Obligations are indefeasibly paid in full. The powers conferred on the Purchaser hereunder are solely to protect the Purchaser's interest in the Collateral and shall not impose any duty upon the Purchaser to exercise any such powers. The Purchaser shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its officers, directors, employees or agents shall be responsible to the Company for any act or failure to act hereunder, except for its own gross negligence or willful misconduct. The Purchaser shall only exercise the foregoing power of attorney if an Event of Default shall have occurred and is continuing; provided that any person relying on the authority of the Purchaser under this power of attorney may rely exclusively upon the representation of the Purchaser as to its authority hereunder and with respect to the Purchaser's right to exercise the powers granted above, shall not be under any obligation to determine whether an Event of Default has occurred and is continuing, and may disregard any claim by the Company or any Person that an Event of Default has not occurred or is not continuing.

3. REPRESENTATIONS AND WARRANTIES

3A. Power and Authority.

The Company has the corporate power and authority to execute and deliver, to perform its obligations under, and to grant the security interest in and lien on all the Collateral pursuant to, this agreement. The Company has taken all necessary corporate action to authorize its execution, delivery and performance of this agreement, and the grant of the security interest in the Collateral pursuant to this agreement.

3B. Title; No Other Liens.

Except as listed on Schedule 3.02, the Company owns each item of Collateral free and clear of any and all Liens or claims of others. No security agreement, financing statement or other public notice with respect to all or any part of the Collateral is on file or of record in any public office except as may have been filed in favor of the Purchaser pursuant to this agreement.

3C. Enforceable Obligation; Perfected First Security Interest.

This agreement constitutes a legal, valid and binding obligation of the Company, enforceable in accordance with its terms except as such enforceability is affected by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, and general equitable principles (whether considered in a proceeding in equity or at law). The security interests granted herein will constitute a first

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priority perfected security interest on the Collateral in favor of the Purchaser enforceable against all creditors of the Company. The following UCC-1 financing statements are the only financing statements, which are necessary for the Purchaser to have a perfected security interest in the Collateral:

(i) Secretary of State of Florida;

(ii) Brevard County, Florida;

(iii) Secretary of State of California;

(iv) Orange County, California;

(v) Secretary of State of New Jersey; and

(vi) Essex County, New Jersey.

All Instruments, Chattel Paper, securities and other documents for which a security interest can be perfected by possession have been delivered by the Company to the Purchaser.

3D. **Names.**

a. The Company's correct corporate name, as registered with the Secretary of State of California is "Comtel Security Systems, Inc."

b. During the preceding seven-year period the Company has not used any other names or tradenames.

3E. **Chief Executive Office.**

The Company's chief executive office and chief place of business is located at 3 Park Place, Suite 1480, Irvine, California 92614. Effective upon the closing on the first Tranche B Note, the Company's chief executive office and chief place of business will be 105 Lock Street, Newark, New Jersey.

3F. **Location of Books and Records.**

The books and records of the Company including the books and records regarding the Collateral are located at 3 Park Place, Suite 1480, Irvine, California 92614. Effective upon the closing on the first Tranche B Note, the Company's books and records, including the books and records relating to the Collateral will be located at 105 Lock Street, Newark, New Jersey.

3G. **Location of Tangible Collateral.**

All Equipment and other tangible Collateral owned by the Company are located at 3 Park Place, Suite 1480, Irvine, California 92614 and 100Rialto Place, Suite 756 Melbourne Beach, Florida 32901. Effective November 1, 1998, a portion of the Equipment and other tangible

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Collateral owned by the Company will be located at 105 Lock Street, Newark, New Jersey.

3H. **Accounts.**

Each Account (a) is genuine and in all respects what it purports to be, (b) arises out of a completed bona fide sale and delivery of goods or rendition of services by the Company in the ordinary course of its business, (c) is for a liquidated amount maturing as stated in the invoice covering such sale or rendition of services, (d) is not the subject of an agreement not to assign or grant a security interest in such Account, and (e) is in compliance with all applicable federal, state and local laws and applicable laws of any relevant foreign jurisdiction.

3I. **License**. The Company covenants and warrants that:

(a) Each of the patents listed on Schedule A hereto (the "Patents") and each of the Trademarks listed on Schedule A hereto (the "Trademarks") are valid, subsisting, existing, unexpired, enforceable, and have not been abandoned;

(b) None of the Patents and Trademarks have been adjudged invalid or unenforceable, in whole or in part or are the subject of any holding, decision or judgment by any Governmental Authority that would limit, cancel or question its validity;

(c) None of the Patents or Trademarks or any of the Trade Secret Rights (as such term is defined in the License), or any of the Company's rights under the License, is subject to any existing infringing uses or infringe upon the rights of any Person;

(d) Subject to the terms of the License, the Company is the sole and exclusive owner of the entire and unencumbered right, title and interest in and to each of the Patents and Trademarks and all of the Trade Secret Rights (as such term is defined in the License), free and clear of any liens, charges and encumbrances, including without limitation pledges, assignments, licenses, franchises, shop rights and covenants by the Company not to sue third persons; and

(e) The License is in full force and effect, and neither the Company nor its licensor thereunder is in breach of, or has alleged the breach of, the License terms.

4. **COVENANTS**

4A. **Further Documentation; Pledge of Instruments and Chattel Paper.**

At any time and from time to time, upon the written request of the Purchaser, and at the

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sole expense of the Company, the Company will promptly and duly execute and deliver such further instruments and documents and take such further action as the Purchaser may reasonably request for the purpose of obtaining or preserving the full benefits of this agreement and of the rights and powers herein granted, including, without limitation, the filing of any financing or continuation statements under the law of any jurisdiction with respect to the Liens created hereby. The Company also hereby authorizes the Purchaser to file any such financing or continuation statement without the signature of the Company to the extent permitted by applicable law. The Company authorizes the Purchaser to execute and file, in the name of the Company or otherwise, UCC-1 financing statements which the Purchaser in its sole discretion may deem necessary or appropriate to further perfect its security interest. The Company agrees and authorizes that a carbon, photographic or other reproduction of this agreement may be used as a financing statement for filing in any jurisdiction. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any instrument or chattel paper, such instrument or chattel paper shall be immediately delivered to the Purchaser, duly endorsed in a manner satisfactory to the Purchaser, to be held as Collateral pursuant to this agreement.

4B. **Indemnification.**

The Company agrees to pay, and to hold the Purchaser harmless from, any and all liabilities, costs and expenses (including, without limitation, reasonable legal fees and expenses) (a) with respect to, or resulting from, any delay in paying, any and all excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral, (b) with respect to, or resulting from, any delay in complying with any Requirements of Law applicable to any of the Collateral or (c) in connection with any of the transactions contemplated by this agreement. In any suit, proceeding or action brought by the Purchaser under any Account for any sum owing thereunder, or to enforce any provisions of any Account, the Company will save, indemnify and keep the Purchaser harmless from and against all expense, loss or damage suffered by reason of any defense, set-off, counterclaim, recoupment or reduction or liability whatsoever of the account Company or obligor thereunder, arising out of a breach by the Company of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor or such account Company or obligor or its successors.

4C. **Maintenance.**

The Company will keep and maintain at its own cost and expense satisfactory and complete records of the Collateral, including, without limitation, a record of all payments received and all credits granted with respect to the Accounts. The Company will mark its books and records pertaining to the Collateral to evidence this agreement and the security interests granted hereby. The Company will maintain each item of Equipment in good operating condition, ordinary wear and tear excepted, and will provide all maintenance, service and repairs necessary for such purpose.

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4D. **Right of Inspection and Verification.**

The Purchaser shall at all times have full and free access during normal business hours to all the books, correspondence and records of the Company, and its representatives may examine the same, take extracts therefrom and make photocopies thereof, and the Company agrees to render to the Purchaser such clerical and other assistance as may be reasonably requested with regard thereto, all at the Company's cost and expense. The Purchaser and its representative shall also have the right to enter into and upon any premises where any of the Collateral is located for the purpose of inspecting the same, observing its use or otherwise protecting its interests therein. The Purchaser shall have the right to verify the validity, amount or any other matter relating to any Collateral, including Accounts, by contacting the Account Company or other party by mail, telephone or otherwise. The Company shall cooperate fully with the Purchaser to facilitate any such verification process.

4E. **Compliance with Laws, etc.**

The Company will comply in all material respects with all Requirements of Law applicable to the Collateral or any part thereof or to the operation of the Company's business.

4F. **Payment of Obligations.**

The Company will pay promptly when due all taxes, assessments and governmental charges or levies imposed upon the Collateral or in respect of its income or profits therefrom, as well as all claims of any kind (including, without limitation, claims for labor, materials and supplies) against or with respect to the Collateral, except that no such charge need be paid if (a) the validity thereof is being contested in good faith by appropriate proceedings, (b) such proceedings do not involve any material danger of the sale, forfeiture or loss of any of the Collateral or any interest therein and (c) such charge is adequately reserved against on the Company's books in accordance with GAAP.

4G. **Limitation on Liens.**

The Company will not create, incur or permit to exist, will defend the Collateral against, and will take such other action as is necessary to remove, any Lien or claim on or to the Collateral other than the Lien granted to the Purchaser herein, and will defend the right, title and interest of the Purchaser in and to any of the Collateral against the claims and demands of all Persons whomsoever.

4H. **Limitations on Disposition of Collateral.**

The Company will not sell, transfer, lease or otherwise dispose of any of the Collateral, without the prior written consent of the Purchaser except for (a) collection of Accounts in the ordinary course of business, or (b) sale of Equipment which is obsolete and not of material value.

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4I. **Limitations on Modifications to Accounts.**

The Company will not (a) amend, modify, terminate or waive any provision of any agreement giving rise to an Account in any manner which could reasonably be expected to materially adversely affect the value of the Collateral as a whole, (b) fail to exercise promptly and diligently material rights giving rise to Accounts (other than any right of termination) or (c) fail to deliver to the Purchaser a copy of each material demand, notice or document received by it relating in any way to any agreement giving rise to an Account.

4J. **Limitations on Discounts, Compromises, Extensions of Accounts.**

Other than in the ordinary course of business, the Company will not grant any extension of time of payment of any of the Accounts, compromise, compound or settle the same for less than the full amount thereof, release, wholly or partially, any Person liable for the payment thereof, or allow any credit or discount whatsoever thereon.

4K. **Insurance.**

a. The Company will maintain, with financially sound and reputable companies satisfactory to the Purchaser, insurance policies (i) insuring any tangible Collateral against loss by fire, explosion, theft and such other casualties as may be reasonably satisfactory to the Purchaser, and (ii) insuring the Company and the Purchaser against liability for personal injury and property damage relating to the Collateral. All such policies shall be in such form and in such amounts and having such coverage as may be reasonably satisfactory to the Purchaser.

b. All such policies of insurance shall (i) name the Purchaser as the loss payee, (ii) provide that the right of the Purchaser to recover for any insured loss shall not be invalidated by an act or neglect of the Company or other Person, (iii) provide that no cancellation, material reduction in amount or material change in coverage thereof shall be effective until at least 30 days after receipt by the Purchaser of written notice thereof, (iv) name the Purchaser as an insured party, and (v) be reasonably satisfactory in all other respects to the Purchaser.

c. The Company hereby authorizes and directs payment directly and solely to the Purchaser of any proceeds of any such policy of insurance. The Purchaser is hereby authorized to adjust and compromise any loss under any such policies and to collect and receive all such proceeds. The Purchaser is hereby authorized to execute and endorse in the Company's name all proofs of loss, drafts, checks and other documents necessary to accomplish such collection and any person making payment to Purchaser is hereby relieved from obligation to see to the application of the sums so paid.

d. After deduction from any proceeds of any such insurance of all costs and expenses incurred by the Purchaser in collection and handling of such proceeds the net proceeds may be applied, at the Purchaser's option, either toward replacing or restoring the Collateral or as a credit against the Secured Obligations, whether matured or

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unmatured.

e. The Company shall deliver to the Purchaser a report of a reputable insurance broker with respect to such insurance during the month of January in each calendar year and such supplemental reports with respect thereto as the Purchaser may from time to time reasonably request.

4L. **Further Identification of Collateral.**

The Company will furnish to the Purchaser statements and schedules identifying and describing all Collateral acquired after the date hereof and such other reports in connection with the Collateral as the Purchaser may reasonably request, all in reasonable detail. In particular, the Company will notify the Purchasers and provide the Purchasers with a written description of any equipment that constitutes Collateral within seven days after the Company acquires such equipment.

4M. **Notices.**

The Company will advise the Purchaser promptly, in reasonable detail, at its address set forth in the Note Agreement, (a) of any Lien (other than Liens created hereby and any other Liens permitted to exist on the Collateral under the Note Agreement) on, or claim asserted against, any of the Collateral and (b) of the occurrence of any other event which could reasonably be expected to have a material adverse effect on the aggregate value of the Collateral or on the Liens created hereunder.

4N. **Changes in Locations, Name, etc.**

The Company will not (a) change the location of its chief executive office/chief place of business from that specified in this agreement or remove its books and records from the location specified in this agreement, or (b) change its name, identity or corporate structure to such an extent that any financing statement filed by the Purchaser in connection with this agreement would become seriously misleading, unless it shall have given the Purchaser at least 30 days written notice thereof.

4O. Intellectual Property.

a. Upon request of the Purchaser, the Company shall execute and deliver any and all agreements, instruments, documents, and papers as the Purchaser may request to evidence the Purchaser's Security Interests in the License and any goodwill and general intangibles of the Company relating thereto or represented thereby. The agreements evidencing the Purchaser's Security Interest in such License contain terms satisfactory to the Purchaser.

b. The Company shall, consistent with its past practices and to the fullest extent permissible under the License terms, take whatever action is necessary to protect its rights in the License and the Patents and Trademarks licensed thereunder. The

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Company (either itself or through licensees) will not allow any third party to infringe on the License or the Patents and Trademarks licensed thereunder. In the event that the License is infringed by a third party, the Company shall promptly notify the Purchaser after it learns thereof and shall promptly sue for infringement to seek injunctive relief where appropriate and to recover any and all damages for such infringement or take such other actions as the Company shall reasonably deem appropriate under the circumstances.

5. EVENT OF DEFAULT AND REMEDIES

5A. Events of Default.

The occurrence of an Event of Default under any of the documents evidencing the Secured Obligations shall constitute a default (each, an "Event of Default") hereunder.

5B. General.

If an Event of Default shall occur, the Purchaser may exercise, in addition to all other rights and remedies granted in this agreement and in any other instrument or agreement securing, evidencing or relating to the obligations of the Company, all rights and remedies of a Purchaser under the UCC.

5C. With respect to Accounts and the License.

Upon the occurrence of an Event of Default:

a. if the Purchaser shall so request, the Company shall forthwith do one or more of the following: (i) legend, in form and manner acceptable to the Purchaser, its books, records and documents evidencing or pertaining to its Accounts and the License with an appropriate reference to the fact that such Collateral has been assigned to the Purchaser and that the Purchaser has a security interest therein and notify any person with an obligation with respect to such Collateral of the Purchaser's security interest therein, (ii) account for and transmit to the Purchaser, in the same form as received, all proceeds of collection of such Collateral received by the Company and, until so transmitted, hold the same in trust for the Purchaser and not commingle such proceeds with any other of its funds, (iii) deliver, at its own expense, any or all books, record or other documents relating to such Collateral to the Purchaser at a place designated by the Purchaser and (iv) notify the obligors on such Collateral that the Accounts and the Licenses of the Company have been assigned to the Purchaser and that payments in respect thereof shall be made directly to the Purchaser.

b. the Purchaser, without notice to, or assent by, the Company and in the name of the Company or its own name, or otherwise, may (but need not) (i) notify the obligors of any of the Company's Accounts or the License to make payments thereon directly to the Purchaser; (ii) ask for, demand, collect, receive, compound and give acquittance for such Collateral or any part thereof; (iii) extend the time of payment for such collateral or

compromise or settle any such collateral for cash, credit or otherwise, and upon any terms and conditions; (iv) endorse the name of the Company on any check, draft or other order or instrument for the payment of moneys payable to the Company which has been issued in respect of such Collateral; (v) file any claims and commence, maintain or discontinue any action, suits or other proceedings deemed by the Purchaser necessary or advisable for the purpose of collecting or enforcing payment of any such Collateral; (vi) at the Purchaser's sole discretion make test verifications of such Collateral or any portion thereof; (vii) execute any instrument and do any and all other things necessary and proper to protect and preserve and realize upon such Collateral and other rights contemplated hereby; and (viii) without obligation to resort to other security, at any time and from time to time, sell, re-sell, assign and deliver all or any of such Collateral, in one or more parcels at the same or different times, and all right, title and interest, claim and demand therein and any right of redemption thereof, at public or private sale, for cash, upon credit or for future delivery and at such price or prices and on such terms as the Purchaser may determine, with the proceeds thereof to be applied in the manner provided herein.

The Company hereby agrees that the Purchaser may exercise the rights and remedies provided herein and that the exercise of such rights and remedies by the Purchaser, including, without limitation, the sale of Accounts or the License, may be accomplished without demand, advertisement or notice (except as required by law) all of which (to the extent permitted by law) are hereby expressly waived. If any notice of a proposed sale or other disposition of such Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition. The Purchaser shall not be obligated to make any sale regardless of notice of sale having been given. The Purchaser 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. The Purchaser shall not be obligated to take any action authorized by this section, but in the event that the Purchaser elects to take any such action, it shall not be responsible to the Company except for its willful misconduct.

5D. **As to Equipment.**

Upon the occurrence of an Event of Default:

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a. upon notice to such effect, the Company shall deliver, at Company's own expense, any or all Equipment to the Purchaser at a place designated by the Purchaser;

b. the Purchasers may take possession of any or all Equipment and, for that purpose, enter, with the aid and assistance of any person or persons, any premises where the Collateral, or any part thereof, is, or may be, placed or assembled, and remove any of the same;

c. the Purchasers may execute any instrument and do all other things necessary and proper to protect and preserve and realize upon such Collateral and other rights contemplated hereby; and

d. without obligation to resort to other security, at any time and from time to time, the Purchasers may sell, assign and deliver at the same or different times, all right, title, interest or claim of the Company in such Collateral, and any right of redemption thereof, at public or private sale, in one or more parcels, for cash, upon credit or for future delivery, and at such price or prices and on such terms as the Purchaser may determine.

The Company hereby agrees that the exercise by the Purchaser of the rights and remedies under this section, including, without limitation, sale of Equipment may be accomplished without demand, advertisement or notice (except as required by law), all of which (to the extent permitted by law) are hereby expressly waived. If any notice of a proposed sale or other disposition shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition. The Purchaser shall not be obligated to make any sale regardless of notice of sale having been given. The Purchaser 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. The Purchaser shall not be obligated to take any of the action authorized by this section, but in the event that the Purchaser elects to take any such action, it shall not be responsible to the Company except for its willful misconduct.

5E. **As to Instruments and Chattel Paper.**

Upon the occurrence of an Event of Default:

a. if the Purchaser shall so request, the Company shall forthwith do one or more of the following: (i) legend, in form and manner acceptable to the Purchaser, the Company's books, records and documents evidencing or pertaining to any Instruments or Chattel Paper with an appropriate reference to the fact that such assets have been assigned to the Purchaser and that the Purchaser has a security interest therein and notify any person with an obligation with respect to such Collateral of the Purchaser's security interest therein, (ii) account for and transmit to the Purchaser, in the same form as received, all proceeds of collection of such Collateral received by it and, until so transmitted, to hold the same in trust for the Purchaser and not commingle such proceeds

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with any other of its funds, (iii) deliver, at its own expense, any or all books, records or other documents relating to such Collateral to the Purchaser at a place designated by the Purchaser, and (iv) notify the obligors on such Collateral that such assets have been assigned to the Purchaser and that payments in respect thereof shall be made directly to the Purchaser.

b. the Purchaser, without notice to, or assent by, the Company and in the name of the Company or its own name, or otherwise, may (but need not) (i) notify the obligors of any of the Company's Instruments or Chattel Paper to make payments thereon directly to the Purchaser; (ii) ask for, demand, collect, receive, compound and give acceptance for the such Collateral or any part thereof; (iii) extend the time of payment for such Collateral or compromise or settle any such Collateral for cash, credit or otherwise, and upon any terms and conditions; (iv) endorse the name of the Company on any check, draft or other order or instrument for the payment of moneys payable to the Company which has been issued in respect of such Collateral; (v) file any claims and commence, maintain or discontinue any action, suits or other proceedings deemed by the Purchaser necessary or advisable for the purpose of collecting or enforcing payment of any such Collateral; (vi) at the Purchaser's sole discretion make test verifications of such Collateral or any portion thereof; (vii) execute any instrument and do any and all other things necessary and proper to protect and preserve and realize upon such Collateral and other rights contemplated hereby; and (viii) without obligation to resort to other security, at any time and from time to time, sell, re-sell, assign and deliver all or any such Collateral, in one or more parcels at the same or different times, and all right, title and interest, claim and demand therein and any right of redemption thereof, at public or private sale, for cash, upon credit or for future delivery and at such price or prices and on such terms as the Purchaser may determine, with the proceeds thereof to be applied in the manner provided herein.

The Company hereby agrees that the Purchaser may sell such Collateral or any part thereof at public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery, and at such price or prices as the Purchaser may deem satisfactory. The Purchaser may be the purchaser of any or all of the Collateral so sold at any public sale. The Company covenants and agrees that it will execute and deliver such documents and take such other action as the Purchaser deems necessary or advisable in order that any such sale may be made in compliance with law. Upon any such sale the Purchaser shall have the right to deliver, assign and transfer to the purchaser thereof the Collateral so sold. Each purchaser at any such sale shall hold the Collateral so sold absolutely and free from any claim or right of whatsoever kind, including any equity or right of redemption of the Company which may be waived, and the Company, to the extent permitted by law, hereby specifically waives all rights of redemption, stay or appraisal which it has or may have under any law now existing or hereafter adopted. The notice (if any) of such sale shall (1) in case of a public sale, state the time and place fixed for such sale, and (2) in the case of a private sale, state the day after which such sale may be consummated. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Purchaser may fix in the notice of such sale. At any such sale, the Collateral may be sold in one lot as an entirety or in separate parcels, as the Purchaser

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may determine. The Purchaser shall not be obligated to make any such sale pursuant to any such notice. The Purchaser may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the same may be so adjourned. In case of any sale of all or any part of the Collateral on credit or for future delivery, the Collateral so sold may be retained by the Purchaser until the selling price is paid by the purchaser thereof, but the Purchaser shall not incur any liability in case of the failure of such purchaser to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may again be sold upon like notice.

5F. **Application of Proceeds; Deficiency.**

i. The Purchaser shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Purchaser hereunder, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Secured Obligations, and only after such application and after the payment by the Purchaser of any other amount required by any provision of law, need the Purchaser account for the surplus, if any, to the Company.

ii. The Company shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the Secured Obligations and the reasonable fees and disbursements of any attorneys employed by the Purchaser to collect such deficiency.

6. **MISCELLANEOUS**

6A. **Amendments and Waivers.**

The Company and the Purchaser may, from time to time, enter into written waivers, amendments, supplements or modifications hereto for the purpose of adding any provision to this agreement or enter into written instruments waiving any of the requirements of this agreement or any Event of Default and its consequences. In the case of any waiver, the Company shall be restored to its former positions and rights hereunder and any Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

6B. **Notices.**

Unless this agreement specifically provides otherwise, all notices and communications under this agreement shall be in writing and shall be given by either (a) hand-delivery, (b) first class mail (postage prepaid), or (c) reliable overnight commercial courier (charges prepaid), to the addresses listed in the preamble to this agreement. Notice shall be deemed to have been given and received: (x) if by hand delivery, upon delivery; (y) if by mail, three (3) calendar days after the date first deposited in the United States mail; and (z) if by overnight courier, on the date

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scheduled for delivery. A party may change its address by giving written notice to the other party as specified herein.

6C. **No Waiver; Cumulative Remedies.**

No failure to exercise or delay in exercising, on the part of the Purchaser, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided to the Purchaser are cumulative and not exclusive of any rights, remedies, powers and privileges provided to the Purchaser by law. In accordance with this section, the Purchaser may exercise its rights, remedies, powers or privileges hereunder in any order it deems appropriate.

6D. **Governing Law.**

This agreement shall be governed by, and construed and interpreted in accordance with the law of the State of New Jersey.

6E. **Section Headings.**

The section headings herein are intended for convenience only and shall be ignored in construing this agreement.

6F. **Entire Agreement.**

All understandings and agreements heretofore made or exchanged between the Company and the Purchaser with respect to the subject matter hereof are merged into this agreement, which fully, completely, and integrally expresses the understanding of the Company and the Purchaser concerning the subject matter hereof.

6G. **Severability.**

If any provision hereof is invalid or unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (a) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in order to carry out the intentions of the parties hereto as nearly as may be possible; and (b) the invalidity or enforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

6H. **WAIVER OF TRIAL BY JURY.**

THE COMPANY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATED TO THIS AGREEMENT.

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IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

COMTEL SECURITY SYSTEMS, INC.

By: _____

Name: ~~President~~ MikelGreen

Title: President

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Patents

United States Patent Numbers 5,223,967

5,311,592

Trademarks

U.S. registered Trademark - **MIDOCS** - registration number1,882,810, registration date March 7, 1995

RECORDED: 10/28/1998

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