

11-20-1998

Form PTO-1594

(Rev 6-93)



HEET

U.S. Department of Commerce

Y

Patent and Trademark Office

To the Honorable Commi

100904809

attached original documents or copy thereof.

1. Name of conveying party(ies):

Beacon Industrial Group LLC  
7155 East 46th Street  
Tulsa, OK 74147-0146

*WRD*  
*11-17-98*

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

Name: ING (U.S.) Capital Corporation, as agent

Internal Address: \_\_\_\_\_

Street Address: 135 East 57th Street

City: New York State: NY ZIP: 10022  
Country: \_\_\_\_\_

- Individual(s) citizenship \_\_\_\_\_
- Association \_\_\_\_\_
- General Partnership \_\_\_\_\_
- Limited Partnership \_\_\_\_\_
- Corporation-State \_\_\_\_\_
- Other \_\_\_\_\_

- Individual(s)
- General Partnership
- Corporation (Delaware)
- Other \_\_\_\_\_
- Association
- Limited Partnership

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

3. Nature of conveyance:

- Assignment
- Merger
- Security Agreement
- Change of Name
- Other \_\_\_\_\_

Execution Date: October 2, 1998

If assignee is not domiciled in the United States, a domestic representative designation is attached:  Yes  No  
(Designations must be a separate document from assignment)

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

4. Application number(s) or trademark number(s):

If this document is being filed together with a new application, the execution date of the application is \_\_\_\_\_

A. Trademark Application No.(s)

75/338,459

B. Trademark No.(s)

2,070,672

..... Additional numbers attached  Yes  No

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

Name: Nora A. Whitescarver

Internal Address: Mayer, Brown & Platt

Street Address: 2000 Pennsylvania Avenue, NW

Suite 3900

City: Washington State: DC ZIP: 20006

6. Total number of applications and trademarks involved: 2

7. Total fee (37 CFR 3.41): \$65.00 (Check No. 16219)

- Enclosed (Check No. 16219)
- Authorized to be charged to deposit account

8. Deposit account number: \_\_\_\_\_

(Attach duplicate copy of this page if paying by deposit account)

11/19/1998 JSNDZZ 00000126 75338459

01 FC:481  
02 FC:482

40.00 DP  
25.00 OP

DO NOT USE THIS SPACE

9. Statement and signature.

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

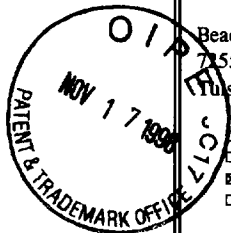
Nora A. Whitescarver  
Name of Person Signing

*Nora A. Whitescarver*  
Signature

November 16, 1998  
Date

Total number of pages comprising cover sheet and document attachments: 26

TRADEMARK  
REEL: 1816 FRAME: 0481



**Attachment  
to**

**RECORDATION FORM COVER SHEET  
TRADEMARKS ONLY**

1. **Name of Conveying Parties:**

**Beacon Medical Products LLC  
13325-A Carowinds Boulevard  
Charlotte, North Carolina 28288**

**Beacon Industrial Distribution LLC  
7255 East 46th Street  
Tulsa, Oklahoma 74147-0146**

**Pneumafil Corporation  
4404-A Chesapeake Drive  
Charlotte, North Carolina 28216-3412**

**The Condit Company, Inc.  
7255 East 46th Street  
Tulsa, Oklahoma 74145**

**Industrial Process Solutions LLC  
1 Ivybrook Boulevard, Suite 130  
Ivyland, Pennsylvania 18974**

**Fluid Energy Industrial LLC  
2201 Crownpoint Executive Drive, Suite A  
Charlotte, North Carolina 28227**

## SECURITY AGREEMENT

SECURITY AGREEMENT dated as of October 2, 1998 among BEACON INDUSTRIAL GROUP LLC, a limited liability company duly organized and validly existing under the laws of the State of Delaware (the "Borrower"); the Domestic Subsidiaries of the Borrower identified on the signature pages hereto and such other Domestic Subsidiaries as may become parties thereto pursuant to the Credit Agreement referred to below (together with the Borrower, the "Obligors"); and ING (U.S.) CAPITAL CORPORATION, as agent for the lenders to the Credit Agreement referred to below (in such capacity, together with its successors in such capacity, the "Agent").

The Obligors and certain lenders are parties to a Credit Agreement dated as of October 2, 1998 (as modified and supplemented and in effect from time to time, the "Credit Agreement"), providing, subject to the terms and conditions thereof, for extensions of revolving credit in an aggregate principal or face amount not exceeding \$25,000,000, term loans in an aggregate principal or face amount not exceeding \$47,000,000 and acquisition loans in an aggregate principal or face amount not exceeding \$35,000,000.

To induce the lenders to enter into the Credit Agreement and to make loans thereunder, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Obligor has agreed to pledge and grant a security interest in the Collateral (as hereinafter defined) as security for the Secured Obligations (as hereinafter defined). Accordingly, the parties hereto agree as follows:

Section 1. Definitions. Terms defined in the Credit Agreement are used herein as defined therein. In addition, as used herein:

"Accounts" shall have the meaning ascribed thereto in Section 3(d) hereof.

"Collateral" shall have the meaning ascribed thereto in Section 3 hereof.

"Collateral Account" shall have the meaning ascribed thereto in Section 4.1 hereof.

"Copyright Collateral" shall mean all Copyrights constituting Collateral, whether now owned or hereafter acquired by any Obligor, including each Copyright identified in Annex 2 hereto. Notwithstanding the foregoing, the Copyright Collateral does not and shall not include any Copyright which would be rendered invalid, abandoned, void or unenforceable by reason of its being included as part of the Copyright Collateral.

"Copyrights" shall mean all copyrights, copyright registrations and applications for copyright registrations, including, without limitation, all renewals and extensions thereof, the right to recover for all past, present and future infringements thereof, and all rights corresponding to the foregoing throughout the world.

"Documents" shall have the meaning ascribed thereto in Section 3(f) hereof.

"Equipment" shall have the meaning ascribed thereto in Section 3(f) hereof.

"Instruments" shall have the meaning ascribed thereto in Section 3(e) hereof.

**“Intellectual Property”** shall mean all Copyright Collateral, all Patent Collateral and all Trademark Collateral, together with (a) all inventions, processes, production methods, proprietary information, know-how and trade secrets; (b) all licenses or user or other agreements granted to any Obligor with respect to any of the foregoing, in each case whether now or hereafter owned or used including, without limitation, the licenses or other agreements with respect to the Copyright Collateral, the Patent Collateral or the Trademark Collateral, listed in Annex 5 hereto; (c) all information, customer lists, identification of suppliers, data, plans, blueprints, specifications, designs, drawings, recorded knowledge, surveys, engineering reports, test reports, manuals, materials standards, processing standards, performance standards, catalogs, computer and automatic machinery software and programs; (d) all field repair data, sales data and other information relating to sales or service of products now or hereafter manufactured; (e) all accounting information and all media in which or on which any information or knowledge or data or records may be recorded or stored and all computer programs used for the compilation or printout of such information, knowledge, records or data; (f) all licenses, consents, permits, variances, certifications and approvals of governmental agencies now or hereafter held by any Obligor; and (g) all causes of action, claims and warranties now or hereafter owned or acquired by any Obligor in respect of any of the items listed above.

**“Inventory”** shall have the meaning ascribed thereto in Section 3(f) hereof.

**“Issuers”** shall mean, collectively, the respective corporations identified beneath the names of the Obligors on Annex 1 hereto under the caption **“Issuer”**.

**“Patent Collateral”** shall mean all Patents constituting Collateral, whether now owned or hereafter acquired by any Obligor, including each Patent identified in Annex 3 hereto. Notwithstanding the foregoing, the Patent Collateral does not and shall not include any Patent which would be rendered invalid, abandoned, void or unenforceable by reason of its being included as part of the Patent Collateral.

**“Patents”** shall mean all patents and patent applications, including, without limitation, the inventions and improvements described and claimed therein together with the reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof, all income, royalties, damages and payments now or hereafter due and/or payable under and with respect thereto, including, without limitation, damages and payments for past or future infringements thereof, the right to sue for past, present and future infringements thereof, and all rights corresponding thereto throughout the world.

**“Pledged Stock”** shall have the meaning ascribed thereto in Section 3(a) hereof.

**“Secured Obligations”** shall mean, collectively, (a) the principal of and interest on the Loans made by the Lenders to, and the Notes of, the Borrower and all other amounts from time to time owing to the Lenders or the Agent by the Obligors under the Basic Documents including, without limitation, all Reimbursement Obligations and interest thereon, [(b) all amounts owned to any Lender under any Interest Rate Protection Agreement between such Lender and any Obligor,] and (c) all obligations of the Obligors to the Lenders and the Agent hereunder.

**“Stock Collateral”** shall have the meaning ascribed thereto in Section 3(c).

**“Trademark Collateral”** shall mean all Trademarks constituting Collateral, whether now owned or hereafter acquired by any Obligor, including each Trademark identified in Annex 4 hereto. Notwithstanding the foregoing, the Trademark Collateral does not and shall not include any Trademark which would be rendered invalid, abandoned, void or unenforceable by reason of its being included as part of the Trademark Collateral.

**“Trademarks”** shall mean all trade names, trademarks and service marks, logos, trademark and service mark registrations, and applications for trademark and service mark registrations, including, without

limitation, all renewals of trademark and service mark registrations (but excluding any application filed on the basis of intent to use unless and until an amendment to allege use or a statement of use is filed with and accepted by the United States Patent and Trademark Office), all rights corresponding thereto throughout the world, the right to recover for all past, present and future infringements thereof, all other rights of any kind whatsoever accruing thereunder or pertaining thereto.

“Uniform Commercial Code” shall mean the Uniform Commercial Code as in effect from time to time in the State of New York.

Section 2. Representations and Warranties. Each Obligor represents and warrants to the Lenders and the Agent that:

(a) Such Obligor is the sole beneficial owner of the Collateral in which it purports to grant a security interest pursuant to Section 3 hereof and no Lien exists or will exist upon such Collateral at any time (and no right or option to acquire the same exists in favor of any other Person), except for the pledge and security interest in favor of the Agent for the benefit of the Lenders created or provided for herein, which pledge and security interest constitute a perfected pledge and security interest in and to all of such Collateral for all Lenders (other than Intellectual Property registered or otherwise located outside of the United States of America) and except for Liens permitted by Section 9.06 of the Credit Agreement.

(b) The Pledged Stock of the Obligors identified in Annex 1 hereto is, and all other Pledged Stock in which such Obligor shall hereafter grant a security interest pursuant to Section 3 hereof will be, duly authorized, validly existing, fully paid and non-assessable and, none of such Pledged Stock is or will be subject to any contractual restriction, or any restriction under the charter or by-laws of the respective Issuer of such Pledged Stock, upon the transfer of such Pledged Stock (except for any such restriction contained herein or in the Credit Agreement).

(c) The Pledged Stock identified as owned by an Obligor in Annex 1 hereto constitutes all of the issued and outstanding shares of capital stock of any class of the Issuers beneficially owned by such Obligor on the date hereof (whether or not registered in the name of such Obligor) and said Annex 1 correctly identifies, as at the date hereof, the Issuers of such Pledged Stock. In the event an Obligor does not beneficially own 100% of the shares of the capital stock of an Issuer, Annex 1 correctly identifies each other beneficial owner of such capital stock and the respective number of shares owned by such owners.

(d) Annex 2, 3 and 4 hereto will set forth under the name of the relevant Obligor a complete and correct list of all Copyrights, Patents and Trademarks constituting Collateral promptly following the acquisition by such Obligor of rights therein; except pursuant to licenses and other user agreements entered into by such Obligor in the ordinary course of business, which are listed in Annex 5 hereto, such Obligor owns and possesses the right to use, and has done nothing to authorize or enable any other Person to use, any Copyright, Patent or Trademark listed in said Annex 2, 3 and 4, and all registrations listed in said Annex 2, 3 and 4 are valid and in full force and effect; except as may be set forth in said Annex 5, such Obligor owns and possesses the right to use such Copyrights, Patents and Trademarks.

(e) Annex 5 hereto will set forth a complete and correct list of all licenses and other user agreements included in the Intellectual Property constituting Collateral promptly following the acquisition by the relevant obligor of rights in such licenses or other agreements.

(f) To such Obligor's knowledge, (i) except as set forth in Annex 5 hereto, there is no violation by others of any right of such Obligor with respect to any Copyright, Patent or Trademark listed in Annex 2, 3 and 4 hereto under the name of such Obligor and (ii) such Obligor is not infringing in any material respect upon any Copyright, Patent or Trademark of any other Person; and no proceedings have been instituted or are pending against such Obligor or, to such Obligor's knowledge, threatened, and no claim against such

Obligor has been received by such Obligor, alleging any such violation of a material nature, except as may be set forth in said Annex 5.

(g) To such Obligor's knowledge, such Obligor does not own any Trademarks constituting Collateral registered in the United States of America to which the last sentence of the definition of Trademark Collateral applies.

Section 3. Collateral. As collateral security for the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the Secured Obligations, each Obligor hereby pledges and grants to the Agent, for the benefit of the Lenders as hereinafter provided, a security interest in all of such Obligor's right, title and interest in the following property whether now owned by such Obligor or hereafter acquired and whether now existing or hereafter coming into existence (all being collectively referred to herein as "Collateral"):

(a) the shares of common stock of the Issuers evidenced by the certificates identified in Annex 1 hereto under the name of such Obligor, the membership interests or other equity interests identified in such Annex 1 under the name of such Obligor and all other shares of capital stock, membership interests or other equity interests of whatever class of the Issuers, now or hereafter owned by such Obligor, in each case together with any certificates evidencing the same (collectively, the "Pledged Stock");

(b) all shares, securities, moneys or property representing a dividend on any of the Pledged Stock, or representing a distribution or return of capital upon or in respect of the Pledged Stock, or resulting from a split-up, revision, reclassification or other like change of the Pledged Stock or otherwise received in exchange therefor, and any subscription warrants, rights or options issued to the holders of, or otherwise in respect of, the Pledged Stock;

(c) without affecting the obligations of such Obligor under any provision prohibiting such action hereunder or under the Credit Agreement, in the event of any consolidation or merger in which an Issuer is not the surviving corporation or company, all shares of each class of the capital stock, membership interests or other equity interests of the successor corporation or company formed by or resulting from such consolidation or merger (the Pledged Stock, together with all other certificates, shares, securities, properties or moneys as may from time to time be pledged hereunder pursuant to clause (a) or (b) above and this clause (c) being herein collectively called the "Stock Collateral");

(d) all accounts and general intangibles (each as defined in the Uniform Commercial Code) of such Obligor constituting any right to the payment of money, including (but not limited to) all moneys due and to become due to such Obligor in respect of any loans or advances or for Inventory or Equipment or other goods sold or leased or for services rendered, all moneys due and to become due to such Obligor under any guarantee (including a letter of credit) of the purchase price of Inventory or Equipment sold by such Obligor and all tax refunds (such accounts, general intangibles and moneys due and to become due being herein called collectively "Accounts");

(e) all instruments, chattel paper or letters of credit (each as defined in the Uniform Commercial Code) of such Obligor evidencing, representing, arising from or existing in respect of, relating to, securing or otherwise supporting the payment of, any of the Accounts, including (but not limited to) promissory notes, drafts, bills of exchange and trade acceptances (herein collectively called "Instruments");

(f) all of the following:

(i) all inventory (as defined in the Uniform Commercial Code) of such Obligor, all goods obtained by such Obligor in exchange for such inventory, and any products made or processed from such inventory including all substances, if any, commingled therewith or added thereto (herein collectively called "Inventory");

(ii) all other accounts or general intangibles of such Obligor not constituting Accounts;

(iii) all equipment (as defined in the Uniform Commercial Code) of such Obligor (herein collectively called "Equipment");

(iv) all documents of title (as defined in the Uniform Commercial Code) or other receipts of such Obligor covering, evidencing or representing Inventory or Equipment (herein collectively called "Documents");

(v) all rights, claims and benefits of such Obligor against any Person arising out of, relating to or in connection with Inventory or Equipment purchased by such Obligor, including, without limitation, any such rights, claims or benefits against any Person storing or transporting such Inventory or Equipment; and

(vi) all other tangible and intangible personal property of such Obligor;

(g) the balance from time to time in the Collateral Account; and

(h) all proceeds, products, accessions, rents, profits, income, benefits, substitutions and replacements of and to any of the property of such Obligors described in the preceding clauses of this Section 3 (including, without limitation, any proceeds of insurance thereon) and, to the extent related to any property described in said clauses or such proceeds, products and accessions, all books, correspondence, credit files, records, invoices and other papers, including without limitation all tapes, cards, computer runs and other papers and documents in the possession or under the control of such Obligor or any computer bureau or service company from time to time acting for such Obligor.

Notwithstanding the foregoing, the Collateral shall not include rights under contracts to which an Obligor is a party which are not assignable, provided that such contracts (x) are immaterial; or (y) are disclosed to the Agent and the Agent shall have given its consent to such non-inclusion.

#### Section 4. Cash Proceeds of Collateral.

4.1 Collateral Account. The Agent may, at any time following the occurrence and during the continuance of an Event of Default, establish a cash collateral account (the "Collateral Account") in the name and under the control of the Agent into which there shall be deposited from time to time the cash proceeds of any of the Collateral (including proceeds of insurance thereon, but excluding proceeds of Accounts (which proceeds are subject to Section 4.2 hereof)) required to be delivered to the Agent pursuant hereto and into which the Obligors may from time to time deposit any additional amounts which any of them wishes to pledge to the Agent for the benefit of the Lenders as additional collateral security hereunder as additional collateral security hereunder. The balance from time to time in the Collateral Account shall constitute part of the Collateral hereunder and shall not constitute payment of the Secured Obligations until applied as hereinafter provided. At any time following the occurrence and during the continuance of an Event of Default, the Agent may (and, if instructed by the Lenders as specified in Section 11.03 of the Credit Agreement, shall) in its (or their) discretion apply or cause to be applied (subject to collection) the balance from time to time outstanding in the Collateral Account to the payment of the Secured Obligations in the manner specified in Section 5.9 hereof. The balance from time to time in the Collateral Account shall be subject to withdrawal only as provided herein.

4.2 Proceeds of Accounts. At all times after the occurrence of, and during the continuance of, an Event of Default, each Obligor shall, upon the written request by the Agent, instruct all account debtors and other Persons obligated in respect of all Accounts to make all payments in respect of such Accounts either to the Agent or to one or more other banks in the United States of America under arrangements, in form and substance reasonably satisfactory to the Agent pursuant to which such Obligor shall have irrevocably instructed such other bank (and such other bank shall have agreed) to remit all proceeds of such payments directly to the Agent for deposit into the Collateral

Account. All payments made to the Agent, as provided in the preceding sentence, shall be immediately deposited in the Collateral Account. In addition to the foregoing, each Obligor agrees that if the proceeds of any Collateral hereunder (including the payments made in respect of Accounts) shall be received by it at any time after such request by the Agent, such Obligor shall as promptly as possible deposit such proceeds into the Collateral Account. Until so deposited, all such proceeds shall be held in trust by such Obligor for and as the property of the Agent and shall not be commingled with any other funds or property of such Obligor.

4.3 Investment of Balance in Collateral Account. After the occurrence and during the continuance of an Event of Default, amounts on deposit in the Collateral Account shall be invested from time to time in such Permitted Investments as the Agent shall reasonably and in good faith determine, which Permitted Investments shall be held in the name and be under the control of the Agent, provided that, after the occurrence and during the continuance of an Event of Default, the Agent may (and, if instructed by the Lenders as specified in Section 11.03 of the Credit Agreement, shall) in its (or their) discretion at any time and from time to time elect to liquidate any such Permitted Investments and to apply or cause to be applied the proceeds thereof to the payment of the Secured Obligations in the manner specified in Section 5.9 hereof.

Section 5. Further Assurances; Remedies. In furtherance of the grant of the pledge and security interest pursuant to Section 3 hereof, the Obligors hereby jointly and severally agree with each Lender and the Agent as follows:

5.1 Delivery and Other Perfection. Each Obligor shall:

(a) if any of the above-described shares, securities, moneys or property required to be pledged by such Obligor under clauses (a), (b) and (c) of Section 3 hereof are received by such Obligor forthwith either (x) transfer and deliver to the Agent such shares or securities so received by such Obligor (together with the certificates for any such shares and securities duly endorsed in blank or accompanied by undated stock powers duly executed in blank), all of which thereafter shall be held by the Agent, pursuant to the terms of this Agreement, as part of the Collateral or (y) take such other action as the Agent shall deem reasonably necessary to duly record the Lien created hereunder in such shares, securities, moneys or property in said clauses (a), (b) and (c);

(b) deliver and pledge to the Agent any and all Instruments, endorsed and/or accompanied by such instruments of assignment and transfer in such form and substance as the Agent may request; provided, that (i) the Obligors shall have 30 days from the date hereof to satisfy the requirements of this clause (b) and (ii) so long as no Event of Default shall have occurred and be continuing, such Obligor may retain for collection in the ordinary course any Instruments received by such Obligor in the ordinary course of business and the Agent shall, promptly upon request of such Obligor, make appropriate arrangements for making any other Instrument pledged by such Obligor available to such Obligor for purposes of presentation, collection or renewal;

(c) give, execute, deliver, file and/or record any financing statement, notice, instrument, document, agreement or other papers that may be reasonably necessary (in the judgment of the Agent) to create, preserve, perfect or validate the security interest granted pursuant hereto or to enable the Agent to exercise and enforce its rights hereunder with respect to such pledge and security interest, including, without limitation, after the occurrence and during the continuance of an Event of Default, causing any or all of the Stock Collateral to be transferred of record into the name of the Agent or its nominee (and the Agent agrees that if any Stock Collateral is transferred into its name or the name of its nominee, the Agent will thereafter promptly give to the respective Obligor copies of any notices and communications received by it with respect to the Stock Collateral pledged by such Obligor hereunder);

(d) keep accurate books and records relating to the Collateral, and stamp or otherwise mark such books and records in such manner as the Agent may reasonably require in order to reflect the security interests granted by this Agreement;



(e) furnish to the Agent from time to time (but, unless an Event of Default shall have occurred and be continuing, no more frequently than annually) statements and schedules further identifying and describing the Copyright Collateral, the Patent Collateral and the Trademark Collateral, respectively, and such other reports in connection with the Copyright Collateral, the Patent Collateral and the Trademark Collateral, as the Agent may reasonably request, all in reasonable detail;

(f) promptly upon request of the Agent, following receipt by the Agent of any statements, schedules or reports pursuant to clause (b) above, modify this Agreement by amending Annex 2, 3 and/or 4 hereto, as the case may be, to include any Copyright, Patent or Trademark which becomes part of the Collateral under this Agreement;

(g) permit representatives of the Agent, upon reasonable notice, at any time during normal business hours to inspect and make abstracts from its books and records pertaining to the Collateral, and forward copies of any notices or communications received by such Obligor with respect to the Collateral, all in such manner as the Agent may reasonably require; and

(h) upon the occurrence and during the continuance of any Event of Default, upon request of the Agent, promptly notify (and such Obligor hereby authorizes the Agent so to notify) each account debtor in respect of any Accounts or Instruments that such Collateral has been assigned to the Agent hereunder, and that any payments due or to become due in respect of such Collateral are to be made directly to the Agent.

5.2 Other Financing Statements and Liens. Without the prior written consent of the Agent (granted with the authorization of the Lenders as specified in Section 11.09 of the Credit Agreement), no Obligor shall file or suffer to be on file, or authorize or permit to be filed or to be on file, in any jurisdiction, any financing statement or like instrument with respect to the Collateral in which the Agent is not named as the sole secured party for the benefit of the Lenders (except to the extent any such Collateral is subject to a Lien permitted under Section 9.06 of the Credit Agreement).

5.3 Preservation of Rights. The Agent shall not be required to take steps necessary to preserve any rights against prior parties to any of the Collateral.

#### 5.4 Special Provisions Relating to Certain Collateral.

##### (a) Stock Collateral.

(1) The Obligors will cause the Stock Collateral to constitute at all times 100% of the total number of shares of each class of capital stock, membership interests or other equity interests of each Issuer then outstanding.

(2) So long as no Event of Default shall have occurred and be continuing, the Obligors shall have the right to exercise all voting, consensual and other powers of ownership pertaining to the Stock Collateral and the Agent shall execute and deliver to the Obligors or cause to be executed and delivered to the Obligors all such proxies, powers of attorney, dividend and other orders, and all such instruments, without recourse, as the Obligors may reasonably request for the purpose of enabling the Obligors to exercise the rights and powers which they are entitled to exercise pursuant to this Section 5.4(a)(2).

(3) Unless and until an Event of Default has occurred and is continuing, the Obligors shall be entitled to receive and retain any dividends on the Stock Collateral to the extent permitted under the Credit Agreement.

(4) If any Event of Default shall have occurred and be continuing, upon written notice from the Agent, then, except to the extent permitted to be paid in the Credit Agreement, all dividends and other distributions on the Stock Collateral shall be paid directly to the Agent and retained by it in the Collateral Account as part of the Stock Collateral, subject to the terms of this Agreement, provided that if such Event of Default is cured, any such dividend

or distribution theretofore paid to the Agent shall, upon request of the Obligors (except to the extent theretofore applied to the Secured Obligations), be returned by the Agent to the Obligors.

(b) Intellectual Property.

(1) For the purpose of enabling the Agent to exercise rights and remedies under Section 5.5 hereof at such time as the Agent shall be lawfully entitled to exercise such rights and remedies, and for no other purpose, each Obligor hereby grants to the Agent, solely to the extent assignable and permitted by applicable law, an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to such Obligor) to use, assign, license or sublicense any of the Intellectual Property constituting Collateral now owned or hereafter acquired by such Obligor, wherever the same may be located, including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout thereof.

(2) Notwithstanding anything contained herein to the contrary, but subject to the provisions of Section 9.05 of the Credit Agreement which limit the right of the Obligors to dispose of their property, so long as no Event of Default shall have occurred and be continuing, the Obligors will be permitted to exploit, use, enjoy, protect, license, sublicense, assign, sell, dispose of or take other actions with respect to the Intellectual Property constituting Collateral to the extent permitted in Section 9.05 of the Credit Agreement. In furtherance of the foregoing, unless an Event of Default shall have occurred and be continuing the Agent shall from time to time, upon the request of the respective Obligor, execute and deliver any instruments, certificates or other documents, in the form so requested, which such Obligor shall have certified are appropriate (in its judgment) to allow it to take any action permitted above (including relinquishment of the license provided pursuant to clause (1) immediately above as to any specific Intellectual Property). Further, upon the payment in full of all of the Secured Obligations (other than contingent obligations not yet outstanding) and cancellation or termination of the Commitments or earlier expiration of this Agreement or release of the Collateral, the license granted pursuant to clause (1) immediately above shall automatically be deemed to have been granted back to the Obligors. The exercise of rights and remedies under Section 5.5 hereof by the Agent shall not terminate the rights of the holders of any licenses or sublicenses theretofore granted by the Obligors in accordance with the first sentence of this clause (2).

5.5 Events of Default, Etc. During the period during which an Event of Default shall have occurred and be continuing:

(a) each Obligor shall, at the request of the Agent, assemble the Collateral owned by it at such place or places, reasonably convenient to both the Agent and such Obligor, designated in its request;

(b) the Agent may make any reasonable compromise or settlement deemed desirable with respect to any of the Collateral and may extend the time of payment, arrange for payment in installments, or otherwise modify the terms of, any of the Collateral;

(c) the Agent shall have all of the rights and remedies with respect to the Collateral of a secured party under the Uniform Commercial Code (whether or not the Uniform Commercial Code is in effect in the jurisdiction where the rights and remedies are asserted) and such additional rights and remedies to which a secured party is entitled under the laws in effect in any jurisdiction where any rights and remedies hereunder may be asserted;

(d) the Agent in its discretion may, in its name or in the name of the Obligors or otherwise, demand, sue for, collect or receive any money or property at any time payable or receivable on account of or in exchange for any of the Collateral, but shall be under no obligation to do so; and

(e) the Agent may, upon ten Business Days' prior written notice to the Obligors of the time and place, with respect to the Collateral or any part thereof which shall then be or shall thereafter come into the possession, custody or control of the Agent, the Lenders or any of their respective agents, sell, lease, assign

or otherwise dispose of all or any part of such Collateral, at such place or places as the Agent deems best, and for cash or for credit or for future delivery (without thereby assuming any credit risk), at public or private sale, without demand of performance or notice of intention to effect any such disposition or of the time or place thereof (except such notice as is required above or by applicable statute and cannot be waived), and the Agent or any Lender or anyone else may be the purchaser, lessee, assignee or recipient of any or all of the Collateral so disposed of at any public sale (or, to the extent permitted by applicable law, at any private sale) and thereafter to the extent permitted by applicable law, hold the same absolutely, free from any claim or right of whatsoever kind, including any right or equity of redemption (statutory or otherwise), of the Obligors, any such demand, notice and right or equity to the extent permitted by applicable law being hereby expressly waived and released. In the event of any sale, assignment, or other disposition of any of the Trademark Collateral, the goodwill connected with and symbolized by the Trademark Collateral subject to such disposition shall be included, and the Obligors shall supply to the Agent or its designee, for inclusion in such sale, assignment or other disposition, all Intellectual Property relating to such Trademark Collateral. The Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time (i) by announcement at the time and place fixed for the sale and (ii) if such sale is to adjourned to a specific time and place, by notice to the Obligors of such time and place, and such sale may be made at any time or place to which the sale may be so adjourned.

The proceeds of each collection, sale or other disposition under this Section 5.5, including by virtue of the exercise of the license granted to the Agent in Section 5.4(b) hereof, shall be applied in accordance with Section 5.9 hereof.

The Obligors recognize that, by reason of certain prohibitions contained in the Securities Act of 1933, as amended, and applicable state securities laws, the Agent may be compelled, with respect to any sale of all or any part of the Stock Collateral, to limit purchasers to those who will agree, among other things, to acquire the Stock Collateral for their own account, for investment and not with a view to the distribution or resale thereof. The Obligors acknowledge that any such private sales may be at prices and on terms less favorable to the Agent than those obtainable through a public sale without such restrictions, and, notwithstanding such circumstances, agree that any such private sale shall be deemed to have been made in a commercially reasonable manner and that the Agent shall have no obligation to engage in public sales and no obligation to delay the sale of any Stock Collateral for the period of time necessary to permit the respective Issuer or issuer thereof to register it for public sale.

5.6 Deficiency. If the proceeds of sale, collection or other realization of or upon the Collateral pursuant to Section 5.5 hereof are insufficient to cover the costs and expenses of such realization and the payment in full of the Secured Obligations, the Obligors shall remain liable for any deficiency.

5.7 Removals, Etc. Without written notice to the Agent, within 30 days thereafter, no Obligor shall (i) maintain any of its books and records with respect to the Collateral at any office or maintain its principal place of business at any place, or permit any Inventory or Equipment to be located anywhere, other than at one of the locations identified in Annex 6 hereto under its name or in transit from one of such locations to another or (ii) change its name, or the name under which it does business, from the name shown on the signature pages hereto.

5.8 Private Sale. The Agent and the Lenders shall incur no liability as a result of the sale of the Collateral, or any part thereof, at any private sale pursuant to Section 5.5 hereof conducted in a commercially reasonable manner. Each Obligor hereby waives any claims against the Agent or any Lender arising by reason of the fact that the price at which the Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale or was less than the aggregate amount of the Secured Obligations, even if the Agent accepts the first offer received and does not offer the Collateral to more than one offeree.

5.9 Application of Proceeds. Except as otherwise herein expressly provided and except as provided below in this Section 5.9, the proceeds of any collection, sale or other realization of all or any part of the Collateral pursuant hereto, and any other cash at the time held by the Agent under Section 4 hereof or this Section 5, shall be applied by the Agent:

First, to the payment of the costs and expenses of such collection, sale or other realization, including reasonable out-of-pocket costs and expenses of the Agent and the reasonable fees and expenses of its agents and counsel, and all expenses incurred and advances made by the Agent in connection therewith;

Next, to the payment in full of the Secured Obligations (other than principal of and interest on the Term C Loans), in each case equally and ratably in accordance with the respective amounts thereof then due and owing or as the Lenders holding the same may otherwise agree;

Next, to the payment in full of the principal of and interest on the Term C Loans, in each case equally and ratably in accordance with the respective amounts thereof then due and owing or as the Lenders holding the same may otherwise agree; and

Finally, after the payment in full of the Secured Obligations, to the payment to the respective Obligor, or their respective successors or assigns, or as a court of competent jurisdiction may direct, of any surplus then remaining.

As used in this Section 5, "proceeds" of Collateral shall mean cash, securities and other property realized in respect of, and distributions in kind of, Collateral, including any thereof received under any reorganization, liquidation or adjustment of debt of the Obligors or any issuer of or obligor on any of the Collateral.

5.10 Attorney-in-Fact. Upon the occurrence and during the continuance of any Event of Default, to the extent permitted by applicable law the Agent is hereby appointed the attorney-in-fact of each Obligor for the purpose of carrying out the provisions of this Section 5 and taking any action and executing any instruments which the Agent may deem reasonably necessary to accomplish the purposes hereof, which appointment as attorney-in-fact is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, so long as the Agent shall be entitled under this Section 5 to make collections in respect of the Collateral, the Agent shall have the right and power to receive, endorse and collect all checks made payable to the order of any Obligor representing any payment or other distribution in respect of the Collateral (other than the Stock Collateral) or any part thereof and to give full discharge for the same.

5.11 Perfection. Prior to or concurrently with the execution and delivery of this Agreement, (a) each Obligor shall deliver to the Agent for filing such financing statements and other documents in such offices as the Agent may reasonably request to perfect the security interests granted by Section 3 of this Agreement; and (b) each Obligor shall deliver to the Agent all certificates of capital stock identified in Annex 1 hereto, accompanied by undated stock powers duly executed in blank.

5.12 Termination. When all Secured Obligations shall have been paid in full (other than contingent indemnity obligations not yet due and payable) and the Commitments of the Lenders under the Credit Agreement shall have expired or been terminated, this Agreement shall terminate, and the Agent shall promptly cause to be assigned, transferred and delivered, against receipt but without any recourse, warranty or representation whatsoever, any remaining Collateral and money received in respect thereof, to or on the order of the respective Obligor and to be released and canceled all licenses and rights referred to in Section 5.4(b) hereof. The Agent shall promptly return to each Obligor the certificates representing the Pledged Stock held by it and shall also promptly execute and deliver to the respective Obligor upon such termination such Uniform Commercial Code termination statements and such other documentation as shall be reasonably requested by the respective Obligor to effect the termination and release of the Liens on the Collateral.

5.13 Expenses. The Obligors jointly and severally agree to pay to the Agent all out-of-pocket expenses (including reasonable attorneys' fees) of, or incident to, the enforcement of any of the provisions of this Section 5, or performance by the Agent of any obligations of the Obligors in respect of the Collateral which the Obligors have failed or refused to perform, or any actual or attempted sale, or any exchange, enforcement, collection, compromise or settlement in respect of any of the Collateral, and for the reasonable care of the Collateral and defending or

asserting rights and claims of the Agent in respect thereof, by litigation or otherwise, including expenses of insurance, and all such expenses shall be Secured Obligations to the Agent secured under Section 3 hereof.

5.14 Further Assurances. Each Obligor agrees that, from time to time upon the written request of the Agent, such Obligor will execute and deliver such further documents and do such other acts and things as the Agent may reasonably request in order fully to effect the purposes of this Agreement.

## Section 6. Miscellaneous.

6.1 No Waiver. To the extent permitted by applicable law, no failure on the part of the Agent or any of its agents to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof nor shall any single or partial exercise by the Agent or any of its agents of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies herein are cumulative and are not exclusive of any remedies provided by law.

6.2 Governing Law. This Agreement shall be governed by, and construed in accordance with, the law of the State of New York.

6.3 Notices. All notices, requests, consents and demands hereunder shall be in writing and telexed, telecopied or delivered to the intended recipient at its "Address for Notices" specified pursuant to Section 12.02 of the Credit Agreement and shall be deemed to have been given at the times specified in said Section 12.02.

6.4 Waivers, Etc. The terms of this Agreement may be waived, altered or amended only by an instrument in writing duly executed by each Obligor and the Agent (with the consent of the Lenders as specified in Section 11.09 of the Credit Agreement). Any such amendment or waiver shall be binding upon the Agent and each Lender, each holder of any of the Secured Obligations and each Obligor.

6.5 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of each Obligor, the Agent, the Lenders and each holder of any of the Secured Obligations (provided, however, that no Obligor shall assign or transfer its rights hereunder without the prior written consent of the Agent).


6.6 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

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

6.8 Additional Obligors. Upon the execution and delivery by another Person of a supplement to this Agreement in accordance with the provisions of Section 9.16 of the Credit Agreement, such Person shall become an "Obligor" hereunder with the same force and effect as if originally named as an Obligor herein. The execution and delivery of any such supplement shall not require the consent of any other Obligor hereunder. The rights and obligations of each Obligor hereunder shall remain in full force and effect notwithstanding the addition of any new Obligor as a party to this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed and delivered as of the day and year first above written.

BEACON INDUSTRIAL GROUP LLC

By   
Title:

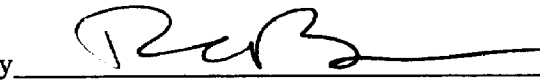
BEACON MEDICAL PRODUCTS LLC

By \_\_\_\_\_  
Title:


BEACON INDUSTRIAL DISTRIBUTION LLC

By   
Title:


PNEUMAFIL CORPORATION

By   
Title:

THE CONDIT COMPANY, INC.

By   
Title:

INDUSTRIAL PROCESS SOLUTIONS LLC

By   
Title:

FLUID ENERGY INDUSTRIAL LLC

By   
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed and delivered as of the day and year first above written.

BEACON INDUSTRIAL GROUP LLC

By \_\_\_\_\_  
Title:

BEACON MEDICAL PRODUCTS LLC

By Michael C. Kelly  
Title: PRESIDENT

BEACON INDUSTRIAL DISTRIBUTION LLC

By \_\_\_\_\_  
Title:

PNEUMAFIL CORPORATION

By \_\_\_\_\_  
Title:

THE CONDIT COMPANY, INC.

By \_\_\_\_\_  
Title:

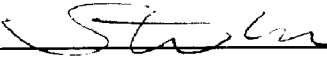
INDUSTRIAL PROCESS SOLUTIONS LLC

By \_\_\_\_\_  
Title:


FLUID ENERGY INDUSTRIAL LLC

By \_\_\_\_\_  
Title:

PARTS SERVICES INTERNATIONAL LLC

By   
Title:

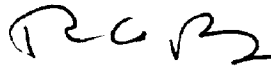
LCI CORPORATION INTERNATIONAL

By   
Title:

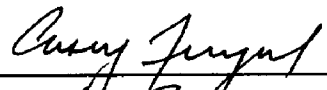
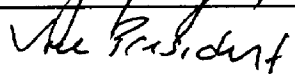
SOUTHEASTERN METAL PRODUCTS, INC.

By   
Title:

SOUTHEASTERN PRECISION PRODUCTS, INC.

By   
Title:

ING (U.S.) CAPITAL CORPORATION, as Agent

By   
Title: 



PLEDGED STOCK

[See Section 2(b) and (c)]

***Beacon Industrial Group LLC***

<u>Issuer</u>	<u>Certificate Nos.</u>	<u>Registered Owner</u>	<u>Number of Shares or Units</u>	<u>Percentage of All Shares or Units Outstanding</u>
Beacon Medical Products LLC	-	Beacon Industrial Group LLC	2,250,000	95.7447%
Beacon Industrial Distribution LLC	-	Beacon Industrial Group LLC	4,350,000	91.5789%
Pneumafil Corporation	500*	Beacon Industrial Manufacturing, Inc.	100*	100.000%
Beacon Industrial Manufacturing, Inc.	-	Beacon Industrial Group LLC	-*	100.000%
The Condit Company, Inc.	16	Beacon Industrial Distribution LLC	117	100.000%
Industrial Process Solutions LLC	-	Beacon Industrial Distribution LLC	-	100.000%
Fluid Energy Industrial LLC	-	Beacon Industrial Distribution LLC	-	100.000%
Parts Services International LLC	-	Beacon Industrial Distribution LLC	-	100.000%
LCI Corporation International	1	Pneumafil Corporation	1,000	100.000%
Southeastern Metal Products, Inc.	9	Pneumafil Corporation	1,000	100.000%
Southeastern Precision Products, Inc.	1	Southeastern Metal Products, Inc.	100	100.000%

\* Upon the effectiveness on October 5, 1998 of (i) the transfer of Pneumafil Corporation common stock held by Masco, Inc. to Pneumafil Corporation in the liquidation of Masco, Inc. and (ii) the merger of Beacon Industrial Manufacturing, Inc. with and into Pneumafil Corporation (in which all outstanding and treasury shares of Pneumafil Corporation are cancelled and all 100 issued and outstanding shares of common stock of Beacon Industrial Manufacturing, Inc. are converted into the same number of shares of common stock of Pneumafil Corporation, as the surviving corporation, constituting all of the issued and outstanding shares of Pneumafil Corporation), Beacon Industrial Group LLC owns all 100 issued and outstanding shares of common stock of Pneumafil Corporation pursuant to Certificate No. 284.

1622413.03  
LIB: CHTRADEMARK  
REEL: 1816 FRAME: 0497

LIST OF COPYRIGHTS, COPYRIGHT REGISTRATIONS AND  
APPLICATIONS FOR COPYRIGHTS REGISTRATIONS

[See Section 2(d)]

None

LIST OF PATENTS AND PATENT APPLICATIONS

[See Section 2(d)]

one

LIST OF TRADENAMES, TRADEMARKS, SERVICE MARKS,  
 TRADEMARK AND SERVICE MARK REGISTRATIONS AND  
APPLICATIONS FOR TRADEMARK AND SERVICE MARK REGISTRATIONS

[See Section 2(d)]

U.S. Trademarks

***Beacon Medical Products LLC***<sup>(1)</sup>

Mark	Application (A) Registration (R) or Serial No. (S)	Registration or Filing Date
"LifeLine"	(R) 2,070,672	Issued 6/10/97
"LifeLine"	(S) 75/338459	Filed 8/11/97

(1) Assigned to Beacon Medical Products LLC from L&H Technologies as part of an Asset Purchase Agreement between L&H Technologies, Inc. and Beacon Industrial Group LLC dated February 19, 1998.

Foreign Trademarks

None

***Other Obligors***

None

LIST OF CONTRACTS, LICENSES AND OTHER AGREEMENTS

[See Section 2(d), (e) and (f)]

***Beacon Medical Products LLC***

Patent License Agreement dated February 3, 1994 between Hitachi America, Ltd. and L&H Technologies, Inc. / Fluid Energy Division, regarding Patents Nos. 4,725,210 and 4,929,161 and Registration No. 33,116, assigned to Beacon Medical Products LLC from L&H Technologies as part of an Asset Purchase Agreement between L&H Technologies, Inc. and Beacon Industrial Group LLC dated February 19, 1998.

***Other Obligors***

None