

07-20-1999

EET

Docket No.:

4229-G-7

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101093476

See attached original documents or copy thereof.

1. Name of conveying party(ies):

BHF-Bank Aktiengesellschaft (as Collateral Agent for creditors of borrower Targus Group International, Inc.)

- Individual(s)
- General Partnership
- Corporation-State
- Other German Joint Stock Corp.
- Association
- Limited Partnership

Additional names(s) of conveying party(ies) Yes No

3. Nature of conveyance:

- Assignment
- Security Agreement
- Other Amendment to Amended and Restated Credit Agreement
- Merger
- Change of Name

Execution Date: June 18, 1999

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

Name: BHF (USA) Capital Corp.

Internal Address: _____

Street Address: 590 Madison Avenue

City: New York State: NY ZIP: 10022

- Individual(s) citizenship _____
- Association _____
- General Partnership _____
- Limited Partnership _____
- Corporation-State Delaware
- Other _____

If assignee is not domiciled in the United States, a domestic designation is Yes No
(Designations must be a separate document from Additional name(s) & address(es) Yes No

4. Application number(s) or registration numbers(s):

A. Trademark Application No.(s)

76/674,101 75/347,069
74/674,102
75/216,617

B. Trademark Registration No.(s)

1,492,249
1,773,497

Additional numbers Yes No

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

Name: Ronald E. Brown

Internal Address: Kane, Dalsimer, Sullivan, Kurucz, Levy,
Eisele and Richard, LLP

Street Address: 711 Third Avenue

20th Floor

City: New York State: NY ZIP: 10017

6. Total number of applications and registrations involved:.....

6

7. Total fee (37 CFR 3.41):.....\$ \$165.00

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number:

11-0215, Order No. 4229-G-7

07/19/1999 DNGUYEN 00000314 1492249

DO NOT USE THIS SPACE

01 FC:481 40.00 DP
02 FC:482 125.00 DP

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.

Ronald E. Brown

Name of Person Signing

Ronald E. Brown
Signature

July 15, 1999
Date

Total number of pages including cover sheet, attachments, and

28 TRADEMARK

REEL: 001928 FRAME: 0644

AMENDMENT NO. 2 TO
AMENDED AND RESTATED CREDIT AGREEMENT

among

TARGUS GROUP INTERNATIONAL, INC.
a Delaware corporation

**THE SEVERAL LENDERS FROM TIME
TO TIME PARTIES HERETO**

and

BHF-BANK AKTIENGESELLSCHAFT,
acting through its New York branch as Lender and Agent,

and

BHF (USA) CAPITAL CORPORATION,
a Delaware corporation

As of June 18, 1999

AMENDMENT NO. 2 TO AMENDED AND RESTATED CREDIT AGREEMENT

This Amendment No. 2 to Credit Agreement (as defined below) (this "Amendment") dated as of June 18, 1999 is made by and among TARGUS GROUP INTERNATIONAL, INC., a Delaware corporation (the "Borrower"), the several lenders from time to time party hereto (each a "Lender," and together with BHF (acting in the capacity of a Lender), collectively, the "Lenders"), BHF-BANK AKTIENGESELLSCHAFT, as a Lender and as Agent ("BHF"), Targus Group (f/k/a Targus Group PLC), a company incorporated under the laws of England and Wales, Port, Incorporated, a Connecticut corporation, and Targus Inc., a New York corporation as guarantors (each a "Guarantor" and, collectively, the "Guarantors") and BHF (USA) Capital Corporation, a Delaware corporation ("BHFCC").

WHEREAS, the Borrower, the Lenders from time to time party thereto and BHF entered into that certain CREDIT AGREEMENT dated as of January 18, 1996 (as amended and restated through January 13, 1998 and further amended by Amendment No. 1, dated as of April 25, 1998, the "Credit Agreement") and the other Credit Documents (as defined in the Credit Agreement), pursuant to which BHF and the other Lenders made available to the Borrower loans in the aggregate principal amount of \$125,000,000;

WHEREAS, in connection with the assignment by BHF of its rights, powers, duties and obligations under the Agreements and the other Credit Documents to BHFCC and in order to effectuate certain related amendments to the Credit Agreement and other Credit Documents related thereto, the parties hereto have agreed to amend the Credit Agreement and related Credit Documents as provided for herein.

WHEREAS, capitalized terms used but not defined herein shall have the meaning specified in the Credit Agreement.

NOW THEREFORE, in consideration of the foregoing and for other consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

I. AMENDMENTS

1. In **subsection 1.1** of the Credit Agreement the definition of "Base Rate" shall be deleted in its entirety and restated to read as follows:

"Base Rate" at any time shall mean the higher of (i) the rate which is 0.5% in excess of the Federal Funds Effective Rate and (ii) the rate per annum listed in the "Money Rates" section of the Wall Street Journal as the "prime rate" (if the Wall Street Journal ceases publication of such rate, then the Base Rate shall mean such rate selected by the Administrative Agent in its reasonable judgment as most nearly approximates the foregoing), such changes in the Base Rate being effective simultaneously with the change in the "prime rate" as so published or selected.

The Base Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. BHFCC may make commercial loans or other loans at rates of interest at, above or below the Base Rate.

2. **Subsection 1.1** of the Credit Agreement shall be amended by adding the following definition:

“BHFCC” shall mean BHF (USA) Capital Corporation, a Delaware corporation.

3. In **subsection 1.1** of the Credit Agreement the definition of “Eurodollar Rate” shall be deleted in its entirety and restated to read as follows:

“Eurodollar Rate” means, with respect to any Interest Period, the rate per annum (and, in the case of any determination based on an arithmetic mean, rounded upward, if necessary, to the nearest one-sixteenth of one percent), determined by the Agent in accordance with its usual procedures, equal at all times during such Interest Period to: (i) the London Interbank Eurodollar market offered rate for Dollar deposits for a time period equal to such Interest Period appearing on the display designated “Page 3750” on the Telerate Service (or such other page as may replace page 3750 on that service or such other service as may be nominated by the British Bankers’ Association as the information vendor for the purposes of displaying British Bankers’ Association Interest Settlement Rates for Dollar deposits), as of 11:00 a.m. (London time) on the date that is three Business Days prior to the first day of such Interest Period; or (ii) if the foregoing method of determining the Eurodollar Rate is not available, the arithmetic mean of the London Interbank Eurodollar Market offered rates for Dollar deposits for a time period equal to such Interest Period appearing on the display designated as page “LIBO” on the Reuters Monitor Money Rates Service (or such other page as may replace the LIBO page on that service for the purpose of deposits), as of 11:00 a.m. (London time) on the date that is three Business Days prior to the first day of such Interest Period; or (iii) if neither of the foregoing methods for determining the Eurodollar Rate is available, a rate for such Interest Period, reasonably determined by the Agent as the rate then being paid by prime banks in the London Interbank Eurodollar Market, as of approximately 11:00 a.m. (London time) on the date that is three Business Days prior to the first day of such Interest Period for Dollar deposits having a maturity comparable to such Interest Period and in an amount comparable to the amount of the Loan subject to such Interest Period; or (iv) if no such rate is then ascertainable, a rate reasonably determined by the Agent. The Agent’s reasonable determination of the Eurodollar Rate in accordance with the provisions of this definition shall be conclusive and binding upon the Borrower whether or not such deposits are actually acquired by the Agent or the Lenders.

4. In **subsection 1.1** of the Credit Agreement the definition of "Issuing Lender" shall be deleted in its entirety and restated to read as follows:

"Issuing Bank" shall mean a Lender or such other domestic commercial bank of recognized standing having capital and surplus in excess of \$500,000,000 selected by the Borrower and acceptable to the Agent, in any case, which has agreed to act as Issuing Bank hereunder.

5. **Subsection 1.1** of the Credit Agreement shall be further amended by adding the definition of "Letter of Credit Guaranty" as follows:

"Letter of Credit Guaranty" shall mean one or more guarantees by the Lenders, or any of them, in favor of the Issuing Bank guaranteeing the Borrower's obligations to the Issuing Bank under the reimbursement agreement, letter of credit application or other like documentation in respect of any Letter of Credit.

6. **Subsection 4.1** of the Credit Agreement shall be amended by adding a new subsection (d) as follows:

(d) It is understood by the Borrower that during the term of this Agreement, BHF may cease acting as the Issuing Bank. Accordingly, in the absence of the agreement by BHF or another Lender to act as the Issuing Bank hereunder, in order to assist the Borrower in opening Letters of Credit with the Issuing Bank, the Borrower has requested the Lenders to guaranty payment and performance of such Letters of Credit and any drafts thereunder through the issuance of a Letter of Credit Guaranty, thereby lending the Lenders' credit to that of the Borrower, and each of the Lenders hereby agrees to do so. In connection with each issuance of a Letter of Credit Guaranty, each Lender agrees to execute such documents as may be usual and customary for such transactions and as the Borrower or the Agent may reasonably request. These arrangements shall be coordinated by the Agent subject to the terms and conditions set forth below. The Borrower will be account party for each application for a Letter of Credit, which shall be in form and substance reasonably satisfactory to the Issuing Bank and the Agent, and for such other certificates, agreements, documents and other papers and information as the Issuing Bank or the Agent may reasonably request. In the event of any conflict between the terms of the foregoing application and other documents, on the one hand, and this Agreement, on the other hand, for purposes of this Agreement, the terms of this Agreement shall control. The Agent shall have the right, without notice to the Borrower, to incur a Borrowing on behalf of the Borrower as a Revolving Loan in the amount of any and all indebtedness, liabilities and obligations of any kind incurred by the Lenders, or any of them, under the Letter of Credit Guaranty or incurred by the Issuing Bank with respect to the Letter of Credit (and payable by the Lenders, or any of them, to such Issuing Bank under a Letter of Credit Guaranty), all upon the payment by any Lender under the Letter of Credit Guaranty. Any amount so borrowed shall be deemed a Revolving Loan hereunder made by the Lenders to the Borrower subject to the terms and conditions hereof, including, without limitation,

subsection 3.1 hereof and shall be applied to reimburse the Lenders or any of them in respect of all amounts paid by them under the Letter of Credit Guaranty. Each of the Lenders and the Borrower agrees that the Agent shall have the right to make such Revolving Loan(s) regardless of whether any Event of Default shall have occurred or be continuing or whether any of the conditions precedent in subsection 7.2 shall be satisfied. Upon any payments made to the Issuing Bank under the Letter of Credit Guaranty, each of the Lenders shall, without prejudice to its rights under this Agreement (including that such unreimbursed amounts shall constitute Revolving Loans hereunder) acquire by subrogation any rights, remedies, duties or obligations granted or undertaken by the Borrower in favor of the Issuing Bank in any application for Letters of Credit or any standing agreement relating to Letters of Credit or otherwise, all of which shall be deemed to be granted to the Lenders and apply in all respects to the Lenders and shall be in addition to any rights, remedies, duties or obligations contained herein.

II. AGREEMENTS

1. The Borrower, the Lenders and the Guarantors hereby acknowledge and agree as of the Effective Date (as defined below) as follows:

A. The Borrower, the Lenders and the Guarantors hereby consent to the assignment by BHF to BHFCC of all of BHF's rights, powers, duties and obligations heretofore vested in BHF under the Credit Agreement and the related Credit Documents. The Borrower, the Lenders and the Guarantors hereby discharge and release BHF from all such duties and obligations. BHF, the Borrower, the Lenders, the Guarantors and BHFCC acknowledge and agree that BHF shall have no further rights, powers, duties or obligations in respect of the Credit Agreement and the related Credit Documents, but rather that all of such rights, powers, duties and obligations will be vested in BHFCC.

B. All references in the Credit Agreement and the related Credit Documents to "BHF-BANK Aktiengesellschaft" or "BHF" or words of like effect shall be references to "BHFCC" or "BHF (USA) Capital Corporation".

C. All references in the Credit Agreement and the related Credit Documents to "Issuing Lender" or words of like effect shall be references to "Issuing Bank".

D. In connection with subsection 12.2 of the Credit Agreement all notices to BHFCC shall be sent to the address and numbers specified in Appendix IA attached hereto. Payments to BHFCC shall be sent to the account specified in Appendix II attached hereto.

E. In connection with subsection 12.2 of the Credit Agreement all notices to the Borrower shall be sent to the address and numbers specified in Appendix IB attached hereto.

2. Each of the Borrower and the Guarantors hereby agrees that, from and after the Effective Date, upon the reasonable request of BHFCC, it shall execute, acknowledge

and deliver such further instruments of conveyance and assurance and do such other things as may be required for more fully and certainly vesting and confirming in BHFCC all of the rights, powers, duties and obligations of BHF under the Credit Agreement and the related Credit Documents. Without limiting the generality of the foregoing, the Borrower and the Guarantors will execute and deliver to BHF and BHFCC any amendments to or assignments of the Notes, Security Documents, Additional Security Documents, Patent and Trademark Security Agreements, UCC financing statements, insurance certificates and Warrants that BHFCC deems reasonably necessary to effectuate the foregoing.

III. REPRESENTATIONS AND WARRANTIES

The Borrower and the Guarantors hereby represent and warrant as follows:

1. The execution, delivery and performance by the Borrower and the Guarantors of this Amendment (a) are within such party's corporate power; (b) have been duly authorized by all corporate and shareholder or other necessary action; (c) are not in contravention of any provision of such party's certificate of incorporation or bylaws or other documents of organization; (d) do not violate any law or regulation, or any order or decree of any Governmental Agency; and (e) do not conflict with or result in the breach or termination of, constitute a default under or accelerate any performance required by, any indenture, mortgage, deed of trust, lease, agreement or other instrument to which such party is a party or by which such party or any of its respective property is bound; and

2. This Amendment has been duly executed and delivered by the Borrower and the Guarantors and constitutes the legal, valid and binding obligation of such parties, enforceable against each such party in accordance with its terms except as the enforceability hereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights and remedies in general.

IV. GUARANTOR'S CONSENT

The undersigned Guarantors, in their respective capacity as Guarantors under their respective Guaranty (as defined in the Credit Agreement, the "Guaranties"), hereby agree and consent to the amendments as set forth herein and hereby ratify and confirm their respective Guaranties in all respects, after giving effect to the amendments set forth herein.

V. PLEDGOR'S CONSENT

The undersigned Pledgors, in their respective capacity as Pledgors under the Pledge Agreements (as defined in the Credit Agreement, collectively, the "Pledges"), hereby agree and consent to the amendments as set forth herein and hereby ratify and

confirm their respective Pledges in all respects, after giving effect to the amendments set forth herein.

VI. MISCELLANEOUS

1. This Amendment shall become effective as of 5:00 p.m. Eastern Standard Time on June 18, 1999 unless, on or before such date, BHF has given notice to the Borrower substantially in the form attached hereto as Appendix III, in which case this Amendment shall become effective as specified in the notice (the "**Effective Date**").

2. On or before the Effective Date, (a) all Letters of Credit issued by BHF under the Credit Agreement and which are outstanding on the Effective Date, will be transferred internally on the books and records of BHF to the head office of BHF-BANK Aktiengesellschaft or to one of its other branches and (b) BHFCC shall add its confirmation to such Letters of Credit, pursuant to which drawings under such Letters of Credit may be effected at the offices of BHFCC or such head office or such other branch (as the case may be), in the relevant beneficiary's discretion. BHF or BHFCC shall so notify the beneficiaries of such Letters of Credit.

3. BHF and BHFCC hereby agree and affirm that pursuant to an assignment and assumption agreement to be entered into by BHF and BHFCC on or prior to the Effective Date, as of the Effective Date, BHF will assign to BHFCC, and BHFCC will assume from BHF, all of BHF's rights, powers, duties and obligations heretofore vested in BHF under the Agreements and the related Credit Documents.

4. Each of the undersigned other than the Lenders (the "**Parties**"), acknowledges and confirms to BHFCC and the Lenders that the Credit Agreement and each related Credit Document to which it is a party shall remain in full force and effect and shall continue to evidence, secure or otherwise guarantee and support the obligations owing by the Borrower to the Lenders pursuant thereto, as hereby amended, and the Notes delivered in accordance with the Credit Agreement.

5. Each of the Parties acknowledges and reaffirms that (i) the Liens granted to the Collateral Agent for the benefit of the Lenders under the Security Documents and any additional security documents remain in full force and effect and shall continue to secure the obligations of the Borrower and the Guarantors arising under the Credit Agreement, as hereby amended, and related Credit Documents, and (ii) the validity, perfection or priority of the Liens will not be impaired by the execution and delivery of this Amendment.

6. All references in the Credit Documents to the Credit Agreement shall, as of the Effective Date, be deemed to refer to the Credit Agreement, as amended by this Amendment, *mutatis mutandis*.

7. This Amendment may be executed in any number of counterparts, including by telecopy, and by the various parties hereto on separate counterparts, each of

which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument.

8. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ITS CONFLICTS OF LAWS PRINCIPLES AND SHALL BE BINDING UPON AND INURE TO THE BENEFIT OF THE SUCCESSORS AND ASSIGNS OF THE PARTIES HERETO.

IN WITNESS WHEREOF, the parties hereto, in their respective capacities under the agreements to which they are a party, by their officers duly authorized, have executed this Amendment as of the date first above written.

TARGUS GROUP INTERNATIONAL, INC.,
as Borrower and Pledgor

By: T Lloyd
Name: TONY LLOYD
Title: CFO

TARGUS GROUP LIMITED,
as Guarantor and Pledgor

By: T Lloyd
Name: TONY LLOYD
Title: CFO

TARGUS INC.,
as Guarantor

By: T Lloyd
Name: TONY LLOYD
Title: CFO

PORT, INCORPORATED,
as Guarantor

By: Sean O'Connell
Name: Sean O'Connell
Title: CEO


TARGUS GROUP (UK) LTD,
as Pledgor


By: T. Lloyd
Name: TONY LLOYD
Title: CFO

SK INVESTMENT FUND, L.P.,
as Pledgor

By: John F. Meyer
Name:
Title:

BHF-BANK AKTIENGESELLSCHAFT
Individually and as Agent

By: 
Name: Thomas J. Leissl
Title: Vice President


By: 
Name:

Stephen B. Shelton
Vice President

Title:

BHF (USA) CAPITAL CORPORATION

By: 
Name: Burkhard Frankenberger
Title: Managing Director

By: 
Name: Wolfgang Boeker
Title: Treasurer

ADDRESS FOR NOTICES TO THE BORROWER

TO: TARGUS GROUP INTERNATIONAL, INC.

P.O. Box 1000
Placentia, California 92871-0100

Telecopier: (714) 765-5599
Attention: Chief Financial Officer

**ACCOUNT INFORMATION FOR
BHF (USA) CAPITAL CORPORATION**

**ACCOUNT INFORMATION FOR
BHF (USA) CAPITAL CORPORATION**

ABA #: 021-000-018
Bank Name: Bank of New York
City: New York, New York
Account Name: BHF (USA) Capital Corporation
Account Number: 890-0388-935

FORM OF NOTICE TO BORROWER

To: NAME OF BORROWER
ADDRESS OF BORROWER

Reference is made to the Amendment to Credit Agreement dated as of [_____, 1999] (the "Amendment"), by and among BHF-BANK Aktiengesellschaft ("BHF"), BHF (USA) Capital Corporation ("BHFCC"), the lenders from time to time party thereto and [Targus Group International, Inc.] (the "Borrower") in connection with the Credit Agreement, dated as of January 18, 1996 (the "Credit Agreement") as amended and restated through January 13, 1998 and further amended by Amendment No. 1 dated as of April 25, 1998, among BHF, the Lenders from time to time party thereto and the Borrower.

Notice is hereby given in accordance with the Amendment that effective as of ____:____m. Eastern Standard Time on [_____, 1999] (the "Effective Date"), BHF has assigned to BHFCC of all of its rights, powers, duties and obligations under the Credit Agreement and the Subordinated Agreement and BHFCC has accepted and assumed such rights, powers, duties and obligations.

BHF-BANK AKTIENGESELLSCHAFT

By: _____
Name:
Title:

By: _____
Name:
Title:

PATENT AND TRADEMARK SECURITY AGREEMENT

PATENT AND TRADEMARK SECURITY AGREEMENT, dated as of January 13, 1998 by PORT, INCORPORATED, a Connecticut corporation (the "*Company*"), in favor of BHF-BANK AKTIENGESELLSCHAFT, as Agent (in such capacity, the "*Agent*") for the Lenders (the "*Lenders*") parties to the Credit Agreement, dated as of January 18, 1996, as amended and restated through January 13, 1998 (as further amended, supplemented or otherwise modified from time to time, the "*Credit Agreement*") among the Company, Targus Group International, Inc., a Delaware corporation (the "*Parent*"), the Lenders and the Agent.

1. **Defined Terms.** Unless otherwise defined herein, terms which are defined in the Credit Agreement and used herein are so used as so defined; and the term "Proceeds" is used as defined in the Uniform Commercial Code in effect in the State of New York on the date hereof. The following terms shall have the following meanings:

"*Code*" means the Uniform Commercial Code as from time to time in effect in the State of New York.

"*Collateral*" shall have the meaning assigned to it in Section 2 of this Security Agreement.

"*Intellectual Property*" means the Trademarks, the Trademark Licenses, the Patents and the Patent Licenses.

"*Obligations*" means the Payment Obligations (as such term is defined in the Credit Agreement), including, without limitation, interest accruing after the maturity of the Loans and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Company or the Parent, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding.

"*Patents*" means (a) all letters patent of the United States or any other country and all reissues, continuations and extensions thereof, and (b) all applications for letters patent of the United States or any other country and all divisions, continuations and continuations-in-part thereof.

"*Patent License*" means all agreements, whether written or oral, providing for the grant by the Company, or the grant to the Company, of any right to manufacture, use, sell, offer for sale or import any invention covered by a Patent.

"*Security Agreement*" means this Trademark Security Agreement, as amended, supplemented or otherwise modified from time to time.

"*Trademarks*" means (a) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and

other source or business identifiers, used by the Company in the United States of America and/or any of its territories, and the goodwill associated therewith, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State or territory thereof, including, without limitation, any thereof referred to in Schedule I hereto, and (b) all renewals thereof, in each case, together with all of the goodwill of the business of the Company or any other Targus Company associated therewith and symbolized thereby.

"Trademark License" means any agreement, written or oral, providing for the grant by or to the Company of any right to use any Trademark, including, without limitation, that certain Shareholders and Management Agreement dated February 8, 1989, between J. Howard Johnson and the Company, pursuant to which Targus Group Limited (formerly known as Targus Group PLC) has licensed to the Company the unlimited right to use, for the benefit of the Company, the Trademark "Targus" within the territory of the United States of America at all times.

2. **Grant of Security Interest.** As collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Obligations, the Company hereby grants to the Agent for the ratable benefit of the Lenders a security interest in all of the Company's Intellectual Property, whether now owned or at any time hereafter acquired by the Company, or in which the Company now has or at any time in the future may acquire any right, title or interest and all Proceeds and products of any and all of the foregoing (collectively, the "***Collateral***").

3. **Representations and Warranties.** The Company hereby represents and warrants to the Agent and the Lenders that:

(a) **Title; No Other Liens.** Except for the Lien granted to the Agent for the ratable benefit of the Lenders pursuant to this Security Agreement, the Company owns each item of the 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 such as may have been filed in favor of the Agent, for the ratable benefit of the Lenders, pursuant to this Security Agreement or as may be permitted pursuant to the Credit Agreement. All Intellectual Property is subsisting and has not been adjudged invalid or unenforceable, in whole or in part.

(b) **Perfected First-Priority Liens.** The Liens granted pursuant to this Security Agreement constitute perfected Liens on the Collateral in favor of the Agent, for the ratable benefit of the Lenders, which are prior to all other Liens on the Collateral created by the Company.

(c) **Chief Executive Office.** The Company's major executive office in the United States is located at 66 Fort Point Street, Norwalk, Connecticut 06855.

(d) **Trademarks.** Schedule I hereto describes all Trademarks owned by the Company in its own name as of the date hereof and all Trademark Licenses to which the

Company is a party. Each Trademark is valid, subsisting, unexpired, enforceable and has not been abandoned. Except as set forth in such Schedule, none of such Trademarks is the subject of any licensing or franchise agreement. No holding, decision or judgment has been rendered by any Governmental Authority which would limit, cancel or question the validity of any Trademark. No action or proceeding is pending (i) seeking to limit, cancel or question the validity of any Trademark, or (ii) which, if adversely determined, would have a material adverse effect on the value of any Trademark.

(e) Patents. Schedule I hereto describes all Patents owned by the Company in its own name as of the date hereof and all Patent Licenses to which the Company is a party. Each Patent is valid, subsisting, unexpired, enforceable and has not been abandoned. Except as set forth in such Schedule, none of such Patents is the subject of any licensing or franchise agreement. No holding, decision or judgment has been rendered by any Governmental Authority which would limit, cancel or question the validity of any Patent. No action or proceeding is pending (i) seeking to limit, cancel or question the validity of any Patent, or (ii) which, if adversely determined, would have a material adverse effect on the value of any Patent.

4. Covenants. The Company covenants and agrees with the Agent and the Lenders that, from and after the date of this Security Agreement until the Obligations are paid in full and the Revolving Credit Loan Commitments have terminated:

(a) Further Actions and Documentation. At any time and from time to time, upon the written request of the Agent, and at the 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 Agent may reasonably request for the purpose of obtaining or preserving the full benefits of this Security Agreement and of the rights and powers herein granted, including, without limitation, the filing of any financing or continuation statements under the Uniform Commercial Code in effect in any jurisdiction with respect to the Liens created hereby or any document (including this Security Agreement) with the U.S. Patent and Trademark Office or elsewhere. The Company also hereby authorizes the Agent to file any such financing or continuation statement or document without the signature of the Company to the extent permitted by applicable law. A carbon, photographic or other reproduction of this Security Agreement shall be sufficient as a financing statement for filing in any jurisdiction. Notwithstanding any of the foregoing, (i) nothing contained herein shall be interpreted to limit the Company's obligations under subsection 9.12 of the Credit Agreement, and (ii) within 10 calendar days of the date hereof, the Company shall cause the Lien in the Collateral created hereunder to be registered or otherwise recorded (A) in the Company's official records and (B) with each Governmental Authority reasonably determined by the Agent to be necessary or advisable in order to preserve or protect the first priority of such Lien.

(b) Indemnification. The Company agrees to pay, and to save the Agent and the Lenders harmless from, any and all liabilities, costs and expenses (including, without limitation, reasonable legal fees and expenses) incurred by the Agent or the Lenders (i) 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, (ii) with respect to, or resulting from, any delay in complying with any Requirement of Law

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applicable to any of the Collateral or (iii) in connection with any of the transactions contemplated by this Security Agreement (except that the foregoing shall not apply to any such liabilities, costs or expenses resulting from the gross negligence or intentional misconduct of the Agent or any Lender).

(c) 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; *provided, however*, that the Company may contest any Requirement of Law in any reasonable manner which shall not, in the reasonable opinion of the Agent, adversely affect the Agent's or the Lenders' rights or the priority of their Liens on the Collateral.

(d) 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 (i) the validity thereof is being contested in good faith by appropriate proceedings, (ii) such proceedings do not involve any material risk of the sale, forfeiture or loss of any of the Collateral or any interest therein and (iii) such charge is adequately reserved against on the Company's books in accordance with GAAP.

(e) Limitation on Liens on Collateral. 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 Liens created hereby and Liens permitted under the Credit Agreement, and will defend the right, title and interest of the Agent and the Lenders in and to any of the Collateral against the claims and demands of all Persons whomsoever.

(f) Limitations on Dispositions of Collateral. The Company will not sell, assign, transfer, lease or otherwise dispose of any of the Collateral, or attempt, offer or contract to do so except as, and to the extent permitted, in the Credit Agreement.

(g) Notices. The Company will advise the Agent promptly, in reasonable detail, at its address set forth in the Credit Agreement, (i) of any Lien (other than Liens created hereby or permitted under the Credit Agreement) on, or claim asserted against, any of the Collateral and (ii) of the occurrence of any other event which would reasonably be likely to have a material adverse effect on the aggregate value of the Collateral or on the Liens created hereunder.

(h) Changes in Locations, Name, etc. The Company will not without at least 30 days' prior written notice to the Agent (i) change the location of its chief executive office/chief place of business from that specified in Section 3(c) or (ii) change its name, identity or corporate structure to such an extent that any financing statement filed by the Agent in connection with this Security Agreement would become seriously misleading.

(i) Patents and Trademarks.

(i) The Company will, except with respect to any Trademark that the Company shall reasonably determine is of negligible economic value to it, (i) continue to use each Trademark in connection with its business in order to maintain such Trademark in full force and effect, free from any claim of abandonment for non-use, (ii) maintain as in the past the quality of products and services offered in connection with such Trademark, (iii) employ such Trademark with the appropriate notice of registration, (iv) not adopt or use any mark which is confusingly similar to, or a colorable imitation of, such Trademark unless the Agent, for the benefit of the Lenders, shall obtain a perfected security interest in such mark pursuant to this Security Agreement, and (v) not do or permit to be done any act or knowingly omit to do or cause to be done any act whereby any Trademark may become invalidated.

(ii) The Company will notify the Agent and the Lenders immediately if it knows, or has reason to know, that any application or registration relating to any Patent or any Trademark may become abandoned or dedicated, or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office or elsewhere) regarding the Company's ownership of any Patent or any Trademark or its right to register the same or to keep and maintain the same.

(iii) Whenever the Company, either by itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Patent or any Trademark with the United States Patent and Trademark Office or any similar office or agency in any other country or any political subdivision thereof, the Company shall report such filing to the Agent within five Business Days after the last day of the fiscal quarter in which such filing occurs. Upon request of the Agent, the Company shall execute and deliver any and all agreements, instruments, documents, and papers as the Agent may request to evidence the Agent's and the Lenders' security interest in any Patent or any Trademark and the goodwill and general intangibles of the Company relating thereto or represented thereby, and the Company hereby constitutes the Agent its attorney-in-fact to execute and file all such writings for the foregoing purposes, to the extent permitted by applicable law, all acts of such attorney being hereby ratified and confirmed; such power being coupled with an interest is irrevocable until the Obligations are paid in full and the Revolving Credit Loan Commitments have terminated.

(iv) The Company will take all reasonable and necessary steps, including, without limitation, in any proceeding before the United States Patent and Trademark Office, or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue each application (and to obtain the relevant registration) and to maintain each registration of the Patents and the Trademarks, including, without limitation, filing of applications for renewal, affidavits of use and affidavits of incontestability.

(v) In the event that any Patent or Trademark included in the Collateral is infringed, misappropriated or diluted by a third party in any manner that would diminish the value thereof in any material respect, the Company shall promptly notify the Agent after it learns thereof and shall, unless the Company shall reasonably determine that such Patent or Trademark is of negligible economic value to the Company, which determination the Company shall promptly report to the Agent, promptly sue for infringement, misappropriation or dilution, to seek injunctive relief where appropriate and to recover any and all damages for such infringement, misappropriation or dilution, or take such other actions as the Company shall reasonably deem appropriate under the circumstances to protect such Patent or Trademark.

(j) Assignment of Licenses. Upon and during the continuance of an Event of Default and at the reasonable request of the Agent, the Company shall use its reasonable efforts to obtain all requisite consents or approvals by the licensor of each Patent License and each Trademark License to effect the assignment of all of the Company's rights, title and interest thereunder to the Collateral Agent or its designee.

5. Agent's Appointment as Attorney-in-Fact.

(a) Powers. The Company hereby irrevocably constitutes and appoints the Agent 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 Company or in its own name, from time to time in the Agent's discretion, for the purpose of carrying out the terms of this Security Agreement to the extent permitted by applicable law, 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 Security Agreement, and, without limiting the generality of the foregoing, the Company hereby gives the Agent the power and right, on behalf of the Company, without notice to or assent by the Company, to do the following:

(i) at any time when any Event of Default shall have occurred and is continuing, in the name of the Company or its own name, or otherwise, to take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys constituting Proceeds of the 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 Agent for the purpose of collecting any and all such moneys whenever payable;

(ii) if the Company shall have failed to do the same, to pay or discharge taxes and Liens levied or placed on or threatened against the Collateral; and

(iii) upon the occurrence and during the continuance of any Event of Default, (A) 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 Agent or as the Agent shall direct; (B) to ask or demand for, 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; (C) 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; (D) to defend any suit, action or proceeding brought against the Company with respect to any Collateral; (E) to settle, compromise or adjust any suit, action or proceeding described in clause (F) above and, in connection therewith, to give such discharges or releases as the Agent may deem appropriate; and (G) 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 Agent were the absolute owner thereof for all purposes, and to do, at the Agent's option and the Company's expense, at any time, or from time to time, all acts and things that the Agent deems necessary to protect, preserve or realize upon the Collateral and the Agent's and the Lenders' Liens thereon and to effect the intent of this Security Agreement, all as fully and effectively as the Company might do.

The foregoing power of attorney is a power coupled with an interest and shall be irrevocable.

(b) Other Powers. The Company also authorizes the Agent, at any time and from time to time, to execute, in connection with the sale provided for in Section 8 hereof, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

(c) No Duty on Agent or Lenders' Part. The powers conferred on the Agent hereunder are solely to protect the Agent's and the Lenders' interests in the Collateral and shall not impose any duty upon the Agent to exercise any such powers. The Agent and the Lenders shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents shall be responsible to the Company for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

6. Performance by Agent of Company's Obligations. If the Company fails to perform or comply with any of its agreements contained herein and the Agent, as provided for by the terms of this Security Agreement, shall itself perform or comply, or otherwise cause performance or compliance, with such agreement, the expenses of the Agent incurred in connection with such performance or compliance, together with interest thereon at a rate *per annum* equal to the default rate prescribed by clause (y) of subsection 5.6(c) of the Credit Agreement, shall be payable by the Company to the Agent on demand and shall constitute Obligations secured hereby.

7. Proceeds. It is agreed that if an Event of Default shall occur and be continuing (a) all Proceeds received by the Company consisting of cash, checks and other near-cash items shall be held by the Company in trust for the Agent and the Lenders, segregated from other funds of the Company, and shall, at the request of the Agent forthwith upon receipt by the Company, be turned over to the Agent in the exact form received by the Company (duly indorsed by the Company to the Agent, if required), and (b) any and all such Proceeds received by the Agent (whether from the Company or otherwise) may, in the sole discretion of the Agent, be held by the Agent for the ratable benefit of the Lenders as collateral security for, and/or then or at any time thereafter may be applied by the Agent against, the Obligations (whether matured or

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unmatured), such application to be in such order as the Agent shall elect. Any balance of such Proceeds remaining after the Obligations shall have been paid in full and the Revolving Credit Loan Commitments shall have been terminated shall be paid over to the Company or to whomsoever may be lawfully entitled to receive the same.

8. Remedies. If an Event of Default shall occur and be continuing, the Agent, on behalf of the Lenders, may exercise, in addition to all other rights and remedies granted to them in this Security Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the Code. Without limiting the generality of the foregoing, the Agent, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required under the Credit Agreement or by law referred to below) to or upon the Company or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Agent or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Agent or any Lender shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in the Company, which right or equity is hereby waived or released. The Company further agrees, at the Agent's request, to assemble the Collateral and make it available to the Agent at places which the Agent shall reasonably select, whether at the Company's premises or elsewhere. The Agent 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 Agent and the Lenders hereunder, including, without limitation, reasonable attorneys' fees and out-of-pocket expenses and disbursements, to the payment in whole or in part of the Obligations, in such order as the Agent may elect, and only after such application and after the payment by the Agent of any other amount required by any provision of law, including, without limitation, Section 9-504(1)(c) of the Code, need the Agent account for the surplus, if any, to the Company. To the extent permitted by applicable law, the Company waives all claims, damages and demands (other than for gross negligence or willful misconduct) that it may acquire against the Agent or any Lender arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of 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 Company shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the obligations and the fees and disbursements of any attorneys employed by the Agent or any Lender to collect such deficiency.

9. Limitation on Duties Regarding Preservation of Collateral. The Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the Code or otherwise, shall be to deal with it in the same manner as the Agent would deal with similar property for its own account. Neither the Agent, any Lender, nor any of their respective directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon all or any part of the Collateral or for any delay in doing

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so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of the Company or otherwise.

10. Powers Coupled with an Interest. All authorizations and agencies herein contained with respect to the Collateral are irrevocable and powers coupled with an interest.

11. Grant of License to Use Patents and Trademarks. For the purpose of enabling the Agent to exercise rights and remedies hereunder at such time as the Agent shall be lawfully entitled to exercise such rights and remedies, the Company hereby grants to the Agent an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to the Company) to use, license or sublicense any of the Collateral now owned or hereafter acquired by the Company, and wherever the same may be located, and including in such license reasonable access to all media in which any of the licensed items may be recorded or stored. The use of such license by the Agent shall be exercised, at the option of the Agent for any purpose appropriate in connection with the exercise of remedies hereunder, only upon the occurrence and during the continuance of an Event of Default, *provided* that any license, sublicense or other transaction entered into by the Agent in accordance herewith shall be binding upon the Company notwithstanding any subsequent cure of an Event of Default.

12. Severability. Any provision of this Security Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

13. Paragraph Headings. The paragraph headings used in this Security Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

14. No Waiver; Cumulative Remedies. Neither the Agent nor any Lender shall by any act (except by a written instrument pursuant to Section 15 hereof), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of the Agent or any Lender, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Agent or any Lender of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Agent or such Lender would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any rights or remedies provided by law.

15. Waivers and Amendments; Successors and Assigns; Governing Law. None of the terms or provisions of this Security Agreement may be waived, amended, supplemented or otherwise modified except by a written instrument executed by the Company and the Agent; provided that any provision of this Security Agreement may be waived by the Agent in a written letter or agreement executed by the Agent. This Security Agreement shall be binding upon the successors and assigns of the Company and shall inure to the benefit of the Agent and the

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Lenders and their respective successors and assigns. This Security Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York without regard to the conflicts of law principles thereof.

16. Notices. Notices hereunder shall be given, and not be effective unless given, in accordance with subsection 12.2 of the Credit Agreement.

17. Authority of Agent. The Company acknowledges that the rights and responsibilities of the Agent under this Security Agreement with respect to any action taken by the Agent or the exercise or non-exercise by the Agent of any option, right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Security Agreement shall, as between the Agent and the Lenders, be governed by the Credit Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Agent and the Company, the Agent shall be conclusively presumed to be acting as agent for the Lenders with full and valid authority so to act or refrain from acting, and the Company shall not be under any obligation, or entitlement, to make any inquiry respecting such authority.

IN WITNESS WHEREOF, the Company has caused this Security Agreement to be duly executed and delivered to the Agent as of the date first above written.

PORT, INCORPORATED

By: Charles S. Conner
Name: Charles S. Conner
Title: CEO

SCHEDULE I**TRADEMARKS****PENDING U.S. TRADEMARK APPLICATIONS**

Serial No.	Description of the Mark	Filed	Applicant	Status
74-674,101	AIR LINE	5/15/95	Port, Inc.	2nd EOT/SOU Due 2/18/98
74-674,102	AIRBAG	5/15/95	Port, Inc.	Published 3/29/97
75-216,617	SAFE PORT	12/20/96	Port, Inc.	Published 10/14/97
75-347,069	DEFCON	8/26/97	Port, Inc.	Pending
N/A	PORTABLE TECHNOLOGY and Design	12/3/97	Port, Inc.	Pending

U.S. TRADEMARKS

Registration No.	Description of the Mark	Reg. Date	Status
1,492,249	COCOBANA and Design	6/14/88	Renewal Due 6/14/08
1,773,497	PORT*	5/25/93	Section 8 & 15 Affidavits Due 5/25/98

*Port mark is being revised.

U.S. PATENTS

Patent No.	Title	Issue Date
4,339,039	Impact Resistant Foam Cushioned Packages	7/13/82
5,217,119	Carrying Case for Laptop Computer	6/8/93
5,524,754	Carrying Case for Notebook Computer	6/11/96
5,607,054	Folio Carrying Case for a Notebook Computer	3/4/97

ACKNOWLEDGEMENT

STATE OF NEW YORK)
) ss:
NEW YORK COUNTY)

On this 13th day of January, 1998, before me personally came CHARLES S O'CONNOR, to me known, who, being by me duly sworn, did depose and say that he is the Secretary of PORT, INCORPORATED, a company incorporated under the laws of the State of Connecticut, the Company named in the foregoing Security Agreement; and that he signed the same pursuant to the authorization of the Board of Directors of such corporation.

Carol L Gilmore
Notary Public

CAROL L. GILMORE
Notary Public, State of New York
No. 31-4906183
Qualified in New York County
Commission Expires September 21, 1999