

08-20-1999



101121936

MRD
8-17-99

RECORDATION FORM COVER SHEET
TRADEMARKS ONLY

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

Submission Type

New **8-17-99**

Resubmission (Non-Recordation)
Document ID #

Correction of PTO Error
Reel # Frame #

Corrective Document
Reel # Frame #

Conveyance Type

Assignment License

Security Agreement Nunc Pro Tunc Assignment

Merger Effective Date
Month Day Year

Change of Name

Other

Conveying Party

Mark if additional names of conveying parties attached

Name Execution Date
Month Day Year

Formerly

Individual General Partnership Limited Partnership Corporation Association

Other

Citizenship/State of Incorporation/Organization

Receiving Party

Mark if additional names of receiving parties attached

Name

DBA/AKA/TA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)
City State/Country Zip Code

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

Corporation Association

Other

Citizenship/State of Incorporation/Organization

08/19/1999 DC0ATES 00000085 194709 1904340

FOR OFFICE USE ONLY

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

90 E

Domestic Representative Name and Address

Enter for the first Receiving Party only.

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Correspondent Name and Address

Area Code and Telephone Number

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

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

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

Mark if additional numbers attached

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

Trademark Application Number(s)

Registration Number(s)

Number of Properties Enter the total number of properties involved. #

Fee Amount Fee Amount for Properties Listed (37 CFR 3.41): \$

Method of Payment: Enclosed Deposit Account

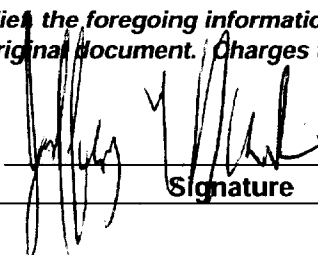
Deposit Account (Enter for payment by deposit account or if additional fees can be charged to the account.)
Deposit Account Number: #

Authorization to charge additional fees: Yes No

Statement and Signature

To the best of my knowledge and belief the foregoing information is true and correct and any attached copy is a true copy of the original document. Charges to deposit account are authorized, as indicated herein.

Jeffrey L. Dunetz
Name of Person Signing



Signature

August 16, 1999
Date Signed

SECURITY AGREEMENT

SECURITY AGREEMENT, dated as of July 30, 1999 (as amended, supplemented, restated or otherwise modified from time to time, this "Agreement"), made by U.S. AUTOMOTIVE MANUFACTURING, INC. ("USAM"), a Delaware corporation, QUALITY AUTOMOTIVE COMPANY ("QAC"), a Delaware corporation, US AUTOMOTIVE FRICTION, INC. ("USAF"), a Delaware corporation (USAM, QAC and USAF are referred to individually as a "Borrower" and collectively as the "Borrowers"), and each of the other Persons (such capitalized term and all other capitalized terms not otherwise defined herein to have the meanings provided for in Article I) listed on the signature pages hereof (such other Persons, together with the Additional Collateral Grantors and the Borrowers, are collectively referred to as the "Grantors" and individually as a "Grantor"), in favor of IBJ WHITEHALL BUSINESS CREDIT CORPORATION, as agent (in such capacity, the "Agent") for each of the Lender Parties.

WITNESSETH:

WHEREAS, pursuant to a Credit Agreement, dated as of the date hereof (together with all amendments, supplements, restatements and other modifications, if any, from time to time thereafter made thereto, the "Credit Agreement"), among the Borrowers, the various lending institutions (individually a "Lender" and collectively the "Lenders") as are, or may from time to time become, parties thereto and the Agent, the Lenders have extended the Revolving Loan Commitment to make Credit Extensions to the Borrowers;

WHEREAS, as a condition precedent to the making of the initial Credit Extension under the Credit Agreement, each Grantor is required to execute and deliver this Agreement; and

WHEREAS, each Grantor has duly authorized the execution, delivery and performance of this Agreement.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to induce the Lenders to make Credit Extensions (including the initial Credit Extension) to the Borrowers pursuant to the Credit Agreement, each Grantor agrees, for the benefit of each Lender Party, as follows:

ARTICLE I DEFINITIONS

SECTION 1.1 Certain Terms. The following terms (whether or not underscored) when used in this Agreement, including its preamble and recitals, shall have the following meanings (such definitions to be equally applicable to the singular and plural forms thereof):

"Additional Collateral Grantors" is defined in clause (b) of Section 7.2.

“**Agent**” is defined in the preamble.

“**Agreement**” is defined in the preamble.

“**Assigned Agreements**” is defined in clause (g) of Section 2.1.

“**Borrower**” and “**Borrowers**” are defined in the preamble.

“**Collateral**” is defined in Section 2.1.

“**Commodity Account**” means an account maintained by a Commodity Intermediary in which a Commodity Contract is carried out for a Commodity Customer.

“**Commodity Contract**” means a commodity futures contract, an option on a commodity futures contract, a commodity option or any other contract that, in each case, is (a) traded on or subject to the rules of a board of trade that has been designated as a contract market for such a contract pursuant to the federal commodities laws or (b) traded on a foreign commodity board of trade, exchange or market, and is carried on the books of a Commodity Intermediary for a Commodity Customer.

“**Commodity Customer**” means a person for whom a Commodity Intermediary carries a Commodity Contract on its books.

“**Commodity Intermediary**” means (a) a Person who is registered as a futures commission merchant under the federal commodities laws or (b) a Person who in the ordinary course of its business provides clearance or settlement services for a board of trade that has been designated as a contract market pursuant to federal commodities laws.

“**Computer Hardware and Software Collateral**” means:

(a) all computer and other electronic data processing hardware, integrated computer systems, central processing units, memory units, display terminals, printers, features, computer elements, card readers, tape drives, hard and soft disk drives, cables, electrical supply hardware, generators, power equalizers, accessories and all peripheral devices and other related computer hardware;

(b) all software programs (including both source code, object code and all related applications and data files), whether now owned, licensed or leased or hereafter acquired by each Grantor, designed for use on the computers and electronic data processing hardware described in clause (a) above;

(c) all licenses and leases of software programs;

(d) all firmware associated therewith;

(e) all documentation (including flow charts, logic diagrams, manuals, guides and specifications) with respect to such hardware, software and firmware described in the preceding clauses (a) through (c); and

(f) all rights with respect to all of the foregoing, including any and all copyrights, licenses, options, warranties, service contracts, program services, test rights, maintenance rights, support rights, improvement rights, renewal rights and indemnifications and any substitutions, replacements, additions or model conversions of any of the foregoing.

“Copyright Collateral” means all copyrights of each Grantor, whether statutory or common law, registered or unregistered, now or hereafter in force throughout the world including all of such Grantor’s right, title and interest in and to all copyrights registered in the United States Copyright Office or anywhere else in the world and also including the copyrights referred to in Item A of Schedule IV attached hereto, and all applications for registration thereof, whether pending or in preparation, all copyright licenses, including each copyright license referred to in Item B of Schedule IV attached hereto, the right to sue for past, present and future infringements of any thereof, all rights corresponding thereto throughout the world, all extensions and renewals of any thereof and all proceeds of the foregoing, including licenses, royalties, income, payments, claims, damages and proceeds of suit.

“Credit Agreement” is defined in the first recital.

“Entitlement Holder” means a Person identified in the records of a Securities Intermediary as the Person having a Security Entitlement against the Securities Intermediary. If a person acquires a Security Entitlement by virtue of Section 8-501(b)(2) or (3) of the U.C.C., such person is the Entitlement Holder.

“Equipment” means all machinery and equipment in all its forms, wherever located, including all computers, furniture and furnishings, all other property similar to the foregoing (including tools, parts, rolling stock and supplies of every kind and description), components, parts and accessories installed thereon or affixed thereto and all parts thereof, and all Fixtures and all accessories, additions, attachments, improvements, substitutions and replacements thereto and therefor.

“Financial Asset” means (a) a Security, (b) an obligation of a Person or a share, participation or other interest in a Person or in property or an enterprise of a Person, which is, or is of a type, dealt with in or traded on financial markets, or which is recognized in any area in which it is issued or dealt in as a medium for investment or (c) any property that is held by a Securities Intermediary for another person in a Securities Account if the Securities Intermediary has expressly agreed with the other Person that the property is to be treated as a Financial Asset under Article 8 of the U.C.C. As the context requires, the term Financial Asset shall mean either the interest itself or the means by which a Person’s claim to it is evidenced, including a certificated or uncertificated Security, a certificate representing a Security or a Security Entitlement.

“Fixtures” means all items of Equipment, whether now owned or hereafter acquired, of any Grantor that become so related to particular real estate that an interest in them arises under any real estate law applicable thereto.

“General Intangibles” shall mean all choses in action and causes of action and all other assignable intangible personal property of any Grantor of every kind and nature (other than Receivables) now owned or hereafter acquired by any Grantor, including all rights and interests in partnerships, limited partnerships, limited liability companies and other unincorporated entities, corporate or other business records, indemnification claims, contract rights (including rights under leases, whether entered into as lessor or lessee, Rate Protection Agreements and other agreements), goodwill, registrations, franchises, tax, refund claims and any letter of credit, guarantee, claim, security interest or other security held by or granted to any Grantor to secure payment by an Account Debtor of any Receivable.

“Grantor” and **“Grantors”** are defined in the preamble.

“Intellectual Property Collateral” means, collectively, the Computer Hardware and Software Collateral, the Copyright Collateral, the Patent Collateral, the Trademark Collateral and the Trade Secrets Collateral.

“Inventory” means all present and future inventory merchandise and goods intended for sale, lease or other disposition, including, without limitation, (a) all raw materials, work in process, finished goods, returned goods and materials and supplies of any kind, nature or description which are or might be used in connection with the manufacture, packing, shipping, advertising, selling or finishing of any of the foregoing; (b) all goods in which any Grantor has an interest in mass or a joint or other interest or right of any kind (including goods in which any Grantor has an interest or right as consignee); and (c) all goods which are returned to or repossessed by any Grantor, and all accessions thereto, products thereof and documents therefor (any and all such inventory, materials, goods, accessions, products and documents being the **“Inventory”**).

“Investment Property” means all Securities (whether certificated or uncertificated), Security Entitlements, Securities Accounts, Commodity Contracts and Commodity Accounts of each Grantor, whether now owned or hereafter acquired by any Grantor.

“Lender” and **“Lenders”** are defined in the first recital.

“Lender Party” means, as the context may require, any Lender, any Issuer or the Agent and each of its respective successors, transferees and assigns.

“Patent Collateral” means:

(a) all letters patent and applications for letters patent throughout the world, including all patent applications in preparation for filing anywhere in the world and including each patent and patent application referred to in Item A of Schedule II attached hereto;

(b) all patent licenses, including each patent license referred to in Item B of Schedule II attached hereto;

(c) all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations of any of the items described in clauses (a) and (b) above; and

(d) all proceeds of, and rights associated with, the foregoing (including license royalties and proceeds of infringement suits), the right to sue third parties for past, present or future infringements of any patent or patent application, including any patent or patent application referred to in Item A of Schedule II attached hereto, and for breach or enforcement of any patent license, including any patent license referred to in Item B of Schedule II attached hereto, and all rights corresponding thereto throughout the world.

“Receivables” means all accounts (including all bank accounts, collection accounts and concentration accounts, together with all funds held therein and all certificates and instruments, if any, from time to time representing or evidencing such accounts), contracts, contract rights, chattel paper, documents, instruments, proceeds of letters of credit and rights to receive payment of any Grantor (including invoices, contracts, rights, accounts receivable, notes, refunds, indemnities, interest, late charges, fees, undertakings and all other obligations and amounts owing to any Grantor from any Person), whether or not arising out of or in connection with the sale or lease of goods or the rendering of services, and all rights of any Grantor now or hereafter existing in and to all security agreements, guaranties, leases and other contracts securing or otherwise relating to any such accounts, contracts, contract rights, chattel paper, documents, instruments, including goods represented by the sale or lease of delivery which gave rise to any of the foregoing, returned or repossessed merchandise and rights of stoppage in transit, replevin, reclamation and other rights and remedies of an unpaid vendor, lienor or secured party (any and all such accounts, contracts, contract rights, chattel paper, documents, instruments, and general intangibles being the **“Receivables”**, and any and all such security agreements, guaranties, leases and other contracts being the **“Related Contracts”**).

“Related Contract” is defined in the definition of **“Receivables”**.

“Secured Obligations” is defined in Section 2.2.

“Securities” means any obligations of an issuer or any shares, participations or other interests in an issuer or in property or an enterprise of an issuer which (a) are represented by a certificate representing a security in bearer or registered form, or the transfer of which may be registered upon books maintained for that purpose by or on behalf of the issuer, (b) are one of a class or series or by its terms is divisible into a class or series of shares, participations, interests or obligations and (c)(i) are, or are of a type, dealt with or trade on securities exchanges or securities markets or (ii) are a medium for investment and by their terms expressly provide that they are a security governed by Article 8 of the U.C.C.

“Securities Account” shall mean an account to which a Financial Asset is or may be credited in accordance with an agreement under which the person maintaining the account undertakes to treat the person for whom the account is maintained as entitled to exercise rights that comprise the Financial Asset.

“Security Agreement Supplement” is defined in clause (b) of Section 7.2.

“Security Entitlements” shall mean the rights and property interests of an Entitlement Holder with respect to a Financial Asset.

“Security Intermediary” shall mean (a) a clearing corporation or (b) a person, including a bank or broker, that in the ordinary course of its business maintains securities accounts for others and is acting in that capacity.

“Trademark Collateral” means:

(a) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, certification marks, collective marks, logos, other source of business identifiers, prints and labels on which any of the foregoing have appeared or appear, designs and general intangibles of a like nature (all of the foregoing items in this clause (a) being collectively called a “Trademark”), now existing anywhere in the world or hereafter adopted or acquired, whether currently in use or not, all registrations and recordings thereof and all applications in connection therewith, whether pending or in preparation for filing, including registrations, recordings and applications in the United States Patent and Trademark Office or in any office or agency of the United States of America or any State thereof or any foreign country, including those referred to in Item A of Schedule III attached hereto;

(b) all Trademark licenses, including each Trademark license referred to in Item B of Schedule III attached hereto;

(c) all reissues, extensions or renewals of any of the items described in clauses (a) and (b) above;

(d) all of the goodwill of the business connected with the use of, and symbolized by the items described in, clauses (a) and (b) above; and

(e) all proceeds of, and rights associated with, the foregoing, including any claim by each Grantor against third parties for past, present or future infringement or dilution of any Trademark, Trademark registration or Trademark license, including any Trademark, Trademark registration or Trademark license referred to in Item B of Schedule III attached hereto, or for any injury to the goodwill associated with the use of any such Trademark or for breach or enforcement of any Trademark license.

“Trade Secrets Collateral” means common law and statutory trade secrets and all other confidential or proprietary or useful information and all know-how obtained by or used in or contemplated at any time for use in the business of each Grantor (all of the foregoing being collectively called a “Trade Secret”), whether or not such Trade Secret has been reduced to a writing or other tangible form, including all documents and things embodying, incorporating or referring in any way to such Trade Secret, all Trade Secret licenses, including each Trade Secret license referred to in Schedule V attached hereto, and including the right to sue for and to enjoin and to collect damages for the actual or threatened misappropriation of any Trade Secret and for the breach or enforcement of any such Trade Secret license.

“U.C.C.” means the Uniform Commercial Code, as from time to time in effect in the State of New York or, with respect to any Collateral located in any state other than the State of New York, the Uniform Commercial Code as from time to time in effect in such state.

“Vehicles” is defined in clause (h) of Section 2.1.

SECTION 1.2 Credit Agreement Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Credit Agreement.

SECTION 1.3 U.C.C. Definitions. Unless otherwise defined herein or the context otherwise requires, terms for which meanings are provided in the U.C.C. are used in this Agreement, including its preamble and recitals, with such meanings.

ARTICLE II SECURITY INTEREST

SECTION 2.1 Grant of Security. Each Grantor hereby assigns and pledges to the Agent for its benefit and the ratable benefit of each of the Lender Parties, and hereby grants to the Agent for its benefit and the ratable benefit of each of the Lender Parties a security interest in, all of its right, title and interest in and to the following, whether now or hereafter existing or acquired (collectively, the “Collateral”):

- (a) all Equipment in all of its forms of such Grantor;
- (b) all Inventory in all of its forms of such Grantor;
- (c) all Receivables in all of its forms of such Grantor;
- (d) all Intellectual Property Collateral in all of its forms of such Grantor;
- (e) all Investment Property in all of its forms of such Grantor;
- (f) all General Intangibles in all of its forms of such Grantor;

(g) all of such Grantor’s right, title and interest in and to the Material Agreements specified in Schedule VI attached hereto, and each Rate Protection Agreement to which such Grantor is now or may hereafter become a party, in each case as such agreements may be amended or otherwise modified from time to time (collectively, the “Assigned Agreements”), including (i) all rights of such Grantor to receive moneys due and to become due under or pursuant to the Assigned Agreements, (ii) all rights of such Grantor to receive proceeds of any insurance, indemnity, warranty or guaranty with respect to the Assigned Agreements, (iii) all claims of such Grantor for damages arising out of or for breach of or default under the Assigned Agreements and (iv) the right of such Grantor to terminate the Assigned Agreements, to perform thereunder and to compel performance and otherwise exercise all remedies thereunder;

(h) all trucks, cars and other motor vehicles owned or leased by such Grantor, wherever located, and including all machinery, components, parts and accessories installed thereon or affixed thereto, together with all accessions, additions, attachments, improvements, substitutions and replacements thereto and therefor, the foregoing to include, without limitation, the trucks, cars and motor vehicles identified in Schedule VII attached hereto (collectively, the “Vehicles”);

(i) all of such Grantor’s books, records, writings, data bases, information and other property relating to, used or useful in connection with, evidencing, embodying, incorporating or referring to any of the foregoing in this Section 2.1;

(j) all of such Grantor’s other property and rights of every kind and description and interests therein, including all moneys, securities and other property, now or hereafter held or received by, or in transit to, the Agent or any Lender Party from or for such Grantor, whether for safekeeping, pledge, custody, transmission, collection or otherwise; and

(k) all products, offspring, rents, issues, profits, returns, income and proceeds of and from any and all of the foregoing Collateral (including proceeds which constitute property of the types described in clauses (a) through (i) above, proceeds deposited from time to time in any Lock-Box Account, the Concentration Account or any other account of such Grantor, and, to the extent not otherwise included, all claims against third Persons and the right to sue for damages and lost profits, and all payments under insurance (whether or not the Agent is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral).

SECTION 2.2 Security for Obligations. This Agreement secures the prompt payment in full of all Obligations, including all amounts payable by each Borrower and each other Obligor under or in connection with the Credit Agreement, the Notes and each other Loan Document, whether for principal, interest, costs, fees, expenses, indemnities or otherwise and whether now or hereafter existing (all of such obligations being the “Secured Obligations”).

SECTION 2.3 Continuing Security Interest; Transfer of Notes. This Agreement shall create a continuing security interest in the Collateral and shall

- (a) remain in full force and effect until payment in full in cash of all Secured Obligations and the irrevocable termination of the Revolving Loan Commitment,
- (b) be binding upon each Grantor, its successors, transferees and assigns, and
- (c) inure, together with the rights and remedies of the Agent hereunder, to the benefit of the Agent and each other Lender Party.

Without limiting the generality of the foregoing clause (c), any Lender may assign or otherwise transfer (in whole or in part) any Credit Extension held by it to any other Person, and such other Person shall thereupon become vested with all the rights and benefits in respect thereof granted to such Lender under any Loan Document (including this Agreement) or otherwise, subject,

however, to any contrary provisions in such assignment or transfer, and to the provisions of Section 10.11 and Article IX of the Credit Agreement. Upon the indefeasible payment in full in cash of all Secured Obligations and the termination of the Revolving Loan Commitment, the security interest granted herein shall terminate and all rights to the Collateral shall revert to the Grantors. Upon any such termination or release, the Agent will, at each Grantor's sole expense, execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such termination.

SECTION 2.4 Grantors Remains Liable. Anything herein to the contrary notwithstanding

(a) each Grantor shall remain liable under the contracts and agreements included in the Collateral (including the Assigned Agreements) to the extent set forth therein, and shall perform all of its duties and obligations under such contracts and agreements to the same extent as if this Agreement had not been executed;

(b) each Grantor will comply in all material respects with all laws, rules and regulations relating to the ownership and operation of the Collateral, including, without limitation, all registration requirements under applicable laws, and shall pay when due all taxes, fees and assessments imposed on or with respect to the Collateral, except to the extent the validity thereof is being contested in good faith by appropriate proceedings for which adequate reserves in accordance with GAAP have been set aside by such Grantor;

(c) the exercise by the Agent of any of its rights hereunder shall not release any Grantor from any of its duties or obligations under any such contracts or agreements included in the Collateral; and

(d) neither the Agent nor any other Lender Party shall have any obligation or liability under any such contracts or agreements included in the Collateral by reason of this Agreement, nor shall the Agent or any other Lender Party be obligated to perform any of the obligations or duties of any Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

SECTION 2.5 Security Interest Absolute. All rights of the Agent and the security interests granted to the Agent hereunder, and all obligations of each Grantor hereunder, shall be absolute and unconditional, irrespective of

(a) any lack of validity or enforceability of the Credit Agreement, any Note or any other Loan Document;

(b) the failure of any Lender Party

(i) to assert any claim or demand or to enforce any right or remedy against any Borrower, any Obligor or any other Person under the provisions of the Credit Agreement, any Note, any other Loan Document or otherwise, or

(ii) to exercise any right or remedy against any other guarantor of, or collateral securing, any Secured Obligation;

(c) any change in the time, manner or place of payment of, or in any other term of, all or any of the Secured Obligations or any other extension, compromise or renewal of any Secured Obligation, including any increase in the Secured Obligations resulting from the extension of additional credit to any Grantor or any other Obligor or otherwise;

(d) any reduction, limitation, impairment or termination of any Secured Obligation for any reason, including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to (and each Grantor hereby waives any right to or claim of) any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality, nongenuineness, irregularity, compromise, unenforceability of, or any other event or occurrence affecting, any Secured Obligation or otherwise;

(e) any amendment to, rescission, waiver, or other modification of, or any consent to departure from, any of the terms of the Credit Agreement, any Note or any other Loan Document;

(f) any addition, exchange, release, surrender or non-perfection of any collateral (including the Collateral), or any amendment to or waiver or release of or addition to or consent to departure from any guaranty, for any of the Secured Obligations;
or

(g) any other circumstances which might otherwise constitute a defense available to, or a legal or equitable discharge of, any Borrower, any other Obligor or otherwise.

SECTION 2.6 Waiver of Subrogation. Each Grantor hereby irrevocably waives to the extent permitted by applicable law any claim or other rights which it may now or hereafter acquire against any other Obligor that arises from the existence, payment, performance or enforcement of such Grantor's obligations under this Agreement, including any right of subrogation, reimbursement, exoneration, or indemnification, any right to participate in any claim or remedy against any other Obligor or any collateral which the Agent now has or hereafter acquires, whether or not such claim, remedy or right arises in equity, or under contract, statute or common law, including the right to take or receive from any other Obligor, directly or indirectly, in cash or other property or by set-off or in any manner, payment or security on account of such claim or other rights, until such time as the Secured Obligations shall have been indefeasibly paid in full in cash and the Revolving Loan Commitment has irrevocably terminated. If any amount shall be paid to any Grantor in violation of the preceding sentence and the Secured Obligations shall not have been terminated, such amount shall be deemed to have been paid to the Lender Parties, and shall forthwith be paid to the Agent to be credited and applied upon the Secured Obligations, whether matured or unmatured. Each Grantor acknowledges that it will receive direct and indirect benefits for the financing arrangements contemplated by the Credit Agreement and that the waiver set forth in this Section is knowingly made in contemplation of such benefits.

**ARTICLE III
REPRESENTATIONS AND WARRANTIES**

SECTION 3.1 Representations and Warranties. Each Grantor represents and warrants unto each Lender Party as set forth in this Article.

SECTION 3.1.1 Location of Collateral, etc.

(a) All of the Equipment and Inventory of such Grantor are located at the places specified in Item A and Item B, respectively, of Schedule I hereto. None of the Equipment and Inventory has, within 12 months preceding the date of this Agreement, been located at any place other than the places specified in Item A and Item B, respectively, of Schedule I hereto. The principal place of business and chief executive office of such Grantor and the office where such Grantor keeps its records concerning the Receivables, and the original copies of each Assigned Agreement and all originals of all chattel paper which evidence Receivables are located at the places specified in Item C of Schedule I hereto. Except as set forth in Item D of Schedule I hereto such Grantor has no trade names and during the 12-month period preceding the date hereof such Grantor has not been known by any legal name different from the one set forth on the signature page hereto, nor has such Grantor been the subject of any merger or other corporate reorganization. All of the Vehicles identified on Schedule VII hereto are duly titled and registered in the places specified therein, and the Grantor does not own or lease, directly or indirectly, on the date hereof any other Vehicle.

(b) If the Collateral of such Grantor includes any Inventory located in the State of California, such Grantor is not a "retail merchant" within the meaning of Section 9-102 of the Uniform Commercial Code - Secured Transactions of the State of California. Except as notified by such Grantor to the Agent in writing, such Grantor is not a party to any one or more Federal, state or local government contracts.

SECTION 3.1.2 Ownership, No Liens, etc. Such Grantor owns its portion of the Collateral free and clear of any Lien, except for the security interest created by this Agreement and except as otherwise permitted by Section 7.2.3 of the Credit Agreement. No effective financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any recording office, except such as may have been filed in favor of the Agent relating to this Agreement. The Grantor is the duly registered owner or lessee, as the case may be, of each Vehicle and, with respect to each Vehicle owned by such Grantor, has furnished to the Agent true, genuine original certificates of ownership issued by the relevant Department of Motor Vehicles with respect to each Vehicle, on which certificates of ownership the security interest of the Agent in each such Vehicle has been duly noted in accordance with all applicable laws.

SECTION 3.1.3 Negotiable Documents, Instruments, Chattel Paper and Assigned Agreements. Such Grantor has, delivered to the Agent possession of all originals of all negotiable documents, instruments and chattel paper currently owned or held by such Grantor (duly endorsed in blank, if requested by the Agent) and original copies of each Assigned Agreement.

SECTION 3.1.4 Intellectual Property Collateral. With respect to any Intellectual Property Collateral of any Grantor:

(a) each patent, patent application, trademark or servicemark registration, use-based trademark or service mark application, copyright registration, copyright application and license of such Grantor included in such Intellectual Property Collateral is subsisting and has not been adjudged invalid or unenforceable, in whole or in part, and is valid and enforceable;

(b) such Grantor has made all necessary filings and recordations to protect its interest in such Intellectual Property Collateral, including recordations of all of its interests in the Patent Collateral and Trademark Collateral in the United States Patent and Trademark Office and in corresponding offices throughout the world and its claims to the Copyright Collateral in the United States Copyright Office and in corresponding offices throughout the world;

(c) in the case of any such Intellectual Property Collateral that is owned by such Grantor, such Grantor is the exclusive owner of the entire and unencumbered right, title and interest in and to such Intellectual Property Collateral and no claim has been made that the use of such Intellectual Property Collateral does or may violate the asserted rights of any third party;

(d) in the case of any such Intellectual Property Collateral that is licensed by such Grantor, such Grantor is in compliance with all the material terms of such license; and

(e) the Grantor has performed and will continue to perform all acts and has paid and will continue to pay all required fees and taxes to maintain each and every item of Intellectual Property Collateral in full force and effect throughout the world, as applicable.

Such Grantor owns directly or is entitled to use by license or otherwise, all patents, Trademarks, Trade Secrets, copyrights, licenses, technology, know-how, processes and rights with respect to any of the foregoing used in or necessary for the conduct of such Grantor's business.

SECTION 3.1.5 Validity, etc. This Agreement creates a valid, first priority security interest in the Collateral, securing the payment of the Secured Obligations, and all filings and other actions necessary or desirable to perfect and protect such security interest have been duly taken (or, in the case of the filings referred to in Section 3.1.7, have been delivered to the Agent pursuant to the Credit Agreement).

SECTION 3.1.6 Authorization, Approval, etc. No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body (other than the filing of financing statements in the U.C.C. filing offices of each jurisdiction referred to in Schedule I hereto and, if there is any Intellectual Property Collateral, the filing of this Agreement with the United States Patent and Trademark Office and the United States Copyright Office, as the case may be) is required either

(a) for the grant by such Grantor of the security interest granted hereby or for the execution, delivery and performance of this Agreement by such Grantor, or

(b) for the perfection of or the exercise by the Agent of its rights and remedies hereunder.

SECTION 3.1.7 Due Execution, Validity, Etc. Such Grantor has full power and authority, and holds all requisite governmental licenses, permits and other approvals, to enter into and perform its obligations under this Agreement. The execution, delivery and performance by such Grantor of this Agreement does not contravene or result in a default under such Grantor's Organic Documents or contravene or result in a default under any material contractual restriction, Lien or governmental regulation or court decree or order binding on such Grantor. This Agreement has been duly executed and delivered on behalf of each Grantor and constitutes the legal, valid and binding obligation of each Grantor enforceable in accordance with its terms, subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditor's right generally, and subject to the effect of general principles of equity (regardless of whether considered in a proceeding in equity or at law). In addition, each representation and warranty of each Grantor contained in each Loan Document to which it is a party is true and correct in all material respects (unless such representation and warranty is stated to relate solely to an earlier date, in which case such representation and warranty is true and correct as of such earlier date).

SECTION 3.1.8 Farm Products. None of the Collateral constitutes, or is the proceeds of, farm products.

SECTION 3.1.9 Assigned Agreements. The Assigned Agreements of such Grantor, true and complete copies of which have been furnished to each Lender, have been duly authorized, executed and delivered by such Grantor and (to the best knowledge of such Grantor) each other party thereto, are in full force and effect and are binding upon and enforceable against such Grantor and (to the best knowledge of such Grantor) each other party thereto, in accordance with their terms. To the knowledge of such Grantor, there exists no default under any Assigned Agreement by any party thereto. With respect to each Assigned Agreement for which the Agent has requested such Grantor to obtain a written consent to assignment, each party to such Assigned Agreement other than such Grantor has executed and delivered to such Grantor a consent, in substantially the form of Exhibit A, to the assignment of such Assigned Agreement to the Agent pursuant to this Agreement.

ARTICLE IV COVENANTS

SECTION 4.1 Certain Covenants. Each Grantor covenants and agrees that, so long as any portion of the Secured Obligations shall remain unpaid or any Lender shall have an outstanding Revolving Loan Commitment, such Grantor will, unless the Required Lenders shall otherwise consent in writing, perform the obligations set forth in this Section.

SECTION 4.1.1 Accounts. (a) Each Account of such Grantor is and shall (i)(A) result from a bona fide sale or lease and delivery of goods by such Grantor, or rendition of services by such Grantor, in the ordinary course of business of such Grantor, and (B) be for a liquidated amount payable by the Account Debtor thereon on the terms set forth in the invoice therefor or in the schedule thereof delivered to the Agent, without offset, deduction, defense, or counterclaim; (ii) be paid in accordance with its terms and no credit, discount, agreement to settle the same (except for payment in full) or extension, or agreement therefor, will be granted on any Account, except as approved by the Agent; and (iii) be evidenced by a true and correct copy of an invoice delivered to the Agent by such Grantor.

(b) Such Grantor shall not re-date any invoice, make sales on extended dating, settle for less than the full amount any Account or extend or modify any Account, in each case unless approved by the Agent. If such Grantor becomes aware of any material matter affecting any Account, including information regarding the Account Debtor's creditworthiness, such Grantor will promptly so advise the Agent.

(c) Such Grantor shall not accept any note or other instrument (except a check or other instrument for the immediate payment of money) with respect to any Account without the Agent's consent. If the Agent consents to the acceptance of any such note or other instrument, it shall be considered as evidence of the Account and not payment thereof, and such Grantor shall promptly deliver such note or instrument to the Agent appropriately endorsed. Regardless of the form of presentment, demand, notice of dishonor, protest, and notice of protest with respect thereto, such Grantor will remain liable thereon until such note or instrument is paid in full.

(d) Such Grantor shall notify the Agent promptly of all disputes and claims with Account Debtors and settle or adjust them at no expense to the Agent, but no discount, credit or allowance shall be granted to any Account Debtor without the Agent's consent, except for discounts, credits and allowances made or given in the ordinary course of the such Grantor's business when no Event of Default exists hereunder. The Agent may settle or adjust disputes and claims directly with customers or Account Debtors for amounts and upon terms which the Agent considers advisable and, in all cases, the Agent will credit the such Grantor's loan account with only the net amounts received by the Agent in payment of any Accounts.

SECTION 4.1.2 Inventory.

(a) All of the Inventory of such Grantor is held for sale or lease in the ordinary course of such Grantor's business, and is and will be fit for such purposes. Such Grantor will keep the Inventory in good and marketable condition, at its own expense. Such Grantor will not, without prior notice to the Agent, acquire to accept any Inventory on consignment or approval. Such Grantor agrees that all Inventory will be produced in accordance with the Federal Fair Labor Standards Act of 1938, as amended, and all rules, regulations, and orders thereunder. Such Grantor will maintain a perpetual inventory reporting system at all times. Such Grantor will not, without the Agent's prior consent, sell any Inventory on a bill-and-hold, guaranteed sale, sale and return, sale on approval, consignment or other repurchase or return basis.

(b) If an Account Debtor returns any Inventory to such Grantor when no Event of Default exists, such Grantor shall promptly determine the reason for such return and shall issue a credit memorandum to the Account Debtor in the appropriate amount. Such Grantor shall immediately report to the Agent any return involving an amount in excess of \$10,000. In the event any Account Debtor returns Inventory to such Grantor when an Event of Default exists, such Grantor shall: (i) hold the returned Inventory in trust for the Agent; (ii) segregate all returned Inventory from all of its other Property; (iii) dispose of the returned Inventory solely according to the Agent's written instructions; and (iv) not issue any credits or allowances with respect thereto without the Agent's prior consent.

SECTION 4.1.3 Equipment. All of the Equipment of such Grantor is and will be used or held for use in such Grantor's business and is and will be fit for such purposes. Such Grantor shall keep and maintain its Equipment in good operating condition and repair (ordinary wear and tear excepted) and shall make all necessary replacements thereof. Such Grantor shall promptly inform the Agent of any material additions to or deletions from its Equipment. Such Grantor shall maintain accurate and complete records itemizing and describing the location, kind, type, age and condition of its Equipment, the cost therefor and accumulated depreciation thereof and all dispositions thereof. Such Grantor shall not permit any of its Equipment to become a fixture to real property or an accession to other personal property, unless the Agent has a valid, perfected, and first priority security interest in such real or personal property. Such Grantor will not, without the Agent's prior consent, alter or remove any identifying symbol or number on its Equipment. Such Grantor shall not, without the Agent's prior consent, sell, lease or otherwise dispose of any of its Equipment, provided, however, that such Agent may dispose of Equipment to the extent permitted in Section 7.2.10 of the Credit Agreement.

SECTION 4.1.4 Intellectual Property Collateral.

(a) No Grantor shall, unless such Grantor shall either (i) reasonably and in good faith determine (and notice of such determination shall have been delivered to the Agent) that any of the Patent Collateral is of negligible economic value to such Grantor, or (ii) have a valid business purpose (exercised in the ordinary course of its business) to do otherwise, do any act, or omit to do any act, whereby any of the Patent Collateral may lapse or become abandoned or dedicated to the public or unenforceable.

(b) No Grantor shall, and no Grantor shall permit any of its licensees to, unless such Grantor shall either (i) reasonably and in good faith determine (and notice of such determination shall have been delivered to the Agent) that any of the Trademark Collateral is of negligible economic value to such Grantor, or (ii) have a valid business purpose (exercised in the ordinary course of its business) to do otherwise,

(A) fail to continue to use any of the Trademark Collateral in order to maintain all of the Trademark Collateral in full force free from any claim of abandonment for non-use,

(B) fail to maintain as in the past the quality of products and services offered under all of the Trademark Collateral,

(C) fail to employ all of the Trademark Collateral registered with any Federal or state or foreign authority with an appropriate notice of such registration,

(D) adopt or use any other Trademark which is confusingly similar or a colorable imitation of any of the Trademark Collateral,

(E) use any of the Trademark Collateral registered with any Federal or state or foreign authority except for the uses for which registration or application for registration of all of such Trademark Collateral has been made, or

(F) do or permit any act or knowingly omit to do any act whereby any of the Trademark Collateral may lapse or become invalid or unenforceable.

(c) No Grantor shall, unless such Grantor shall either reasonably and in good faith determine (and notice of such determination shall have been delivered to the Agent) that any of the Copyright Collateral or any of the Trade Secrets Collateral is of negligible economic value to such Grantor, or have a valid business purpose (exercised in the ordinary course of its business) to do otherwise, do or permit any act or knowingly omit to do any act whereby any of the Copyright Collateral or any of the Trade Secrets Collateral may lapse or become invalid or unenforceable or placed in the public domain except upon expiration of the end of an unrenowable term of a registration thereof.

(d) Each Grantor shall notify the Agent immediately if it knows that any application or registration relating to any material item of the Intellectual Property Collateral may become abandoned or dedicated to the public or placed in the public domain or invalid or unenforceable, or of any adverse determination or development (including the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office or any foreign counterpart thereof or any court) regarding such Grantor's ownership of any of the Intellectual Property Collateral, its right to register the same or to keep and maintain and enforce the same.

(e) In no event shall any Grantor or any of its agents, employees, designees or licensees file an application for the registration of any Intellectual Property Collateral with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, unless it promptly informs the Agent and, upon request of the Agent, executes and delivers any and all agreements, instruments, documents and papers as the Agent may reasonably request to evidence the Agent's security interest in such Intellectual Property Collateral and the goodwill and general intangibles of such Grantor relating thereto or represented thereby.

(f) Each Grantor shall take all necessary steps, including in any proceeding before the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue any application (and to obtain the relevant registration) filed with

respect to, and to maintain any registration of, the Intellectual Property Collateral, including the filing of applications for renewal, affidavits of use, affidavits of incontestability and opposition, interference and cancellation proceedings and the payment of fees and taxes (except to the extent that dedication, abandonment or invalidation is permitted under the foregoing clauses (a), (b) and (c)).

SECTION 4.1.5 Assigned Agreements.

(a) Each Grantor shall at its expense:

(i) perform and observe in all material respects all the terms and provisions of the Assigned Agreements to be performed or observed by it, maintain the Assigned Agreements in full force and effect, enforce the Assigned Agreements in accordance with their terms and take all such action to such end as may be from time to time reasonably requested by the Agent; and

(ii) furnish to the Agent promptly upon receipt or delivery thereof copies of all material notices, requests and other documents received by such Grantor under or pursuant to the Assigned Agreements, and from time to time furnish to the Agent such information and reports regarding the Assigned Agreements as the Agent may reasonably request.

(b) Except to the extent permitted under Section 7.2.11 of the Credit Agreement, no Grantor shall, without the prior written consent of the Agent:

(i) cancel or terminate any Assigned Agreement or consent to or accept any cancellation or termination thereof;

(ii) amend or otherwise modify any Assigned Agreement or give any consent, waiver or approval thereunder;

(iii) waive any default under or breach of any Assigned Agreement; or

(iv) take any other action in connection with any Assigned Agreement that would impair in any material respect the value of the interest or rights of such Grantor thereunder or that would impair in any material respect the interest or rights of any Lender Party.

(c) Each Grantor shall notify the Agent promptly after it becomes aware of any event or fact which could give rise to a claim by it for indemnification under any of the Assigned Agreements and shall diligently pursue such right and promptly report to the Agent all further material developments with respect thereto. Each Grantor shall remit directly to the Agent, for application to the Obligations, all amounts received by such Grantor as indemnification or otherwise pursuant to the Assigned Agreements. If any Grantor shall fail after the Agent's demand to diligently pursue any right under the Assigned Agreements, or if any Event of Default exists, then the Agent may directly enforce such right in its own or such Grantor's name and may enter into such settlements or other agreements with respect thereto as the Agent determines. All amounts thereby

recovered by the Agent, after deducting Agent's costs and expenses in connection therewith, shall be applied to the Obligations. In any suit, proceeding or action brought by the Agent under any Assigned Agreement for any sum owing thereunder or to enforce any provision thereof, each Grantor shall indemnify and hold the Agent harmless from and against all expense, loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment, or reduction of liability whatsoever of the obligor thereunder arising out of a breach by such Grantor of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing from such Grantor to or in favor of such obligor or its successors.

SECTION 4.1.6 Collateral Reporting. The Borrowers will provide, on behalf of each Grantor, to the Agent the following documents in form satisfactory to the Agent: (a) on a daily basis, a schedule of credit memos and reports, a schedule of collections of Accounts, a schedule of Accounts created since the last such schedule and a report of the Inventory balance (by location) based on the perpetual Inventory reports; (b) on a weekly basis, a schedule of remittance advices no later than five Business Days following the end of the week; (c) upon request, copies of invoices, credit memos, shipping and delivery documents; (d) monthly agings of Accounts to be delivered no later than the 10th day of each month respecting the immediately preceding month; (e) monthly Inventory reports by category to be delivered no later than the 10th day of each month respecting the immediately preceding month; (f) upon request, monthly perpetual Inventory reports; (g) upon request, copies of purchase orders, invoices, and delivery documents for Inventory and Equipment acquired by any Grantor; (h) on a weekly basis, a report as to all Inventory indicating the reasons for the returns and the locations and condition of the returned Inventory; (i) such other reports as to the Collateral as the Agent shall request from time to time; and (j) certificates of an Authorized Officer of USAM certifying as to the foregoing. In addition, USAM, for and on behalf of each Grantor, shall conduct a physical verification of all Inventory of each Grantor not less than once every 12 months and at such other times as the Agent may reasonably request. The annual physical verification of Inventory shall (a) be evidenced by a report describing in reasonable detail the Inventory by category and item and the then appraised value (at lower of cost or market) and (b) be observed and tested by USAM's independent public accountants in accordance with generally accepted auditing standards and GAAP. If any Grantor's records or reports of the Collateral are prepared by an accounting service or other agent, such Grantor hereby authorizes such service or agent to deliver such records, reports, and related documents to the Agent.

SECTION 4.1.7 Appraisals. Whenever any Default or Event of Default exists, and at such other times as the Agent may reasonably request, each Grantor shall, at its sole cost and expense and promptly following the Agent's request therefor, provide the Agent with appraisals or updates thereof of any or all of the Collateral from an appraiser that is reasonably acceptable to the Agent.

SECTION 4.1.8 Transfers of Collateral and Other Liens, etc.

(a) No Grantor shall sell, assign (by operation of law or otherwise) or otherwise dispose of any of the Collateral, except as permitted by Section 7.2.10 of the Credit Agreement.

(b) No Grantor shall create or suffer to exist any Lien upon or with respect to any of the Collateral, except for the security interest created by this Agreement and except those permitted by Section 7.2.3 of the Credit Agreement.

(c) Each Grantor shall keep all its Equipment, Inventory (other than Inventory sold in the ordinary course of business) and other Collateral at the places therefor specified in Section 3.1.1 or, upon 30 days' prior written notice to the Agent, at such other places in a jurisdiction where all representations, warranties and covenants contained herein shall be true and correct, including all actions required pursuant to Section 4.1.11 having been taken with respect to such Equipment and Inventory.

(d) Each Grantor shall keep its principal place of business and chief executive office and the office where it keeps its records concerning the Receivables, and all originals of all chattel paper which evidence Receivables, located at the places specified in clause (a) of Section 3.1.1 or, upon 30 days' prior written notice to the Agent, at such other locations in a jurisdiction where all actions required by Section 4.1.11 shall have been taken with respect to the Receivables; and not change its name except upon 30 days' prior written notice to the Agent and having taken all action required pursuant to Section 4.1.11.

SECTION 4.1.9 As to Vehicles. Each Grantor hereby agrees that

(a) it shall keep all the Vehicles identified on Schedule VII hereto in the locations specified therein, and will keep each certificate of ownership (duly evidencing the Agent's security interest in each such Vehicle) on file with the relevant Department of Motor Vehicles in each such jurisdiction, or, upon 30 days' prior notice to the Agent, at such other places in a jurisdiction where all the representations and warranties set forth in Article III shall be true and correct in all material respects.

(b) if it acquires any Vehicles other than the Vehicles specified on Schedule VII hereto, promptly (and, in any event, within five Business Days thereafter) notify the Agent of the same, and in the case of any owned Vehicles, duly cause to be noted on the relevant certificate of ownership the security interest of the Agent, file the relevant certificate of ownership with the relevant Department of Motor Vehicles and provide copies of the foregoing to the Agent. In addition to, and not in limitation of, the foregoing, the Grantor shall take all steps necessary so that the representation and warranties set forth in Article III (including Section 3.1.6) shall be true and correct in all material respects, and all actions required pursuant to the first sentence of Section 4.1.9 shall have been taken with respect to the Vehicles;

(c) it shall cause the Vehicles to be maintained and preserved in good repair and working order, ordinary wear and tear excepted, and make necessary and proper repairs, renewals and replacements so that the business of the Grantor carried on in connection therewith may be properly conducted; and

(d) it shall pay promptly when due all property and other taxes, assessments and governmental charges or levies imposed upon or with respect to, and all claims

(including claims resulting from the use or operation of the Vehicles) against or with respect to the Vehicles, except to the extent the validity thereof is being contested in good faith by appropriate proceedings for which adequate reserves in accordance with GAAP have been set aside by the Grantor.

The Agent may, in its sole discretion, waive the requirement that its security interest be noted on the certificate of occupancy of each Vehicle, provided that, if requested by the Agent (in its sole discretion), each Grantor agrees to take all steps to promptly note the same.

SECTION 4.1.10 Insurance. Each Grantor will maintain or cause to be maintained insurance as provided in Section 7.1.4 of the Credit Agreement. All proceeds of insurance maintained by each Grantor covering the Collateral shall be retained by the Agent for application to the payment in full of the Secured Obligations under the circumstances provided for in Section 7.1.4 of the Credit Agreement. Each Grantor irrevocably makes, constitutes and appoints the Agent (and all officers, employees or agents designated by the Agent) as such Grantor's true and lawful agent (and attorney-in-fact) for the purpose, during the continuance of an Event of Default, of making, settling and adjusting claims in respect of Collateral under policies of insurance, endorsing the name of such Grantor on any check, draft, instrument or other item of payment for the proceeds of such policies of insurance and for making all determinations and decisions with respect thereto. In the event that any Grantor at any time or times shall fail to obtain or maintain any of the policies of insurance required by Section 7.1.4 of the Credit Agreement or to pay any premium in whole or part relating thereto, the Agent may, without waiving or releasing any obligation or liability of the Grantors hereunder or any Event of Default, in its sole discretion, obtain and maintain such policies of insurance and pay such premium and take any other actions with respect thereto as the Agent deems advisable. All sums disbursed by the Collateral Agent in connection with this Section 4.1.5, including reasonable attorneys' fees, court costs, expenses and other charges relating thereto, shall be payable, upon demand, by the Grantors to the Agent and shall be additional Secured Obligations secured hereby.

SECTION 4.1.11 Further Assurances, etc. Each Grantor agrees that, from time to time at its own expense, such Grantor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Agent may reasonably request, in order to perfect, preserve and protect any security interest granted or purported to be granted hereby or to enable the Agent to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, each Grantor will

(a) mark conspicuously each asset forming a part of the Collateral, including each Related Contract, its books and records, with a legend, in form and substance satisfactory to the Agent, indicating that each such asset is subject to the security interest granted hereby;

(b) if any Receivable shall be evidenced by a promissory note or other instrument, negotiable document or chattel paper, deliver and pledge to the Agent hereunder such promissory note, instrument, negotiable document or chattel paper duly

endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Agent;

(c) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices (including any assignment of claim form under or pursuant to the federal assignment of claims statute, 31 U.S.C. § 3726, any successor or amended version thereof or any regulation promulgated under or pursuant to any version thereof), as may be necessary, or as the Agent may request, in order to perfect and preserve the security interests and other rights granted or purported to be granted to the Agent hereby;

(d) furnish to the Agent, from time to time at the Agent's request, statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Agent may request, all in reasonable detail; and

(e) deliver to the Agent the original certificates of title for motor vehicles with the security interest properly granted hereby endorsed thereon;

(f) deliver to the Agent warehouse receipts covering any portion of the Collateral located in warehouses which show the Agent, for the ratable benefit of the Lender Parties, as the beneficiary thereof;

(g) transfer Inventory to warehouses designated by the Agent;

(h) if at any time any Collateral is located on any premises that are not owned by the Grantor, such Grantor shall obtain written waivers, in form and substance satisfactory to the Agent, of all present and future Liens to which the owner or lessor or any mortgagee of such premises may be entitled to assert against the Collateral;

(i) take all actions that the Agent deems necessary or advisable to enforce collection of the Accounts; and

(j) from time to time, promptly following the Agent's request, execute and deliver confirmatory written instruments pledging to the Agent the Collateral, but any such Grantor's failure to do so shall not affect or limit the security interest granted hereby or the Agent's other rights in and to the Collateral.

With respect to the foregoing and the grant of the security interest hereunder, each Grantor hereby authorizes the Agent to file one or more financing or continuation statements, and amendments thereto, and make filings with the United States Patent and Trademark Office or United States Copyright Office (or any successor office or any similar office in any other country) in each case for the purpose of perfecting, confining, continuing, enforcing or protecting the security interest granted by each Grantor, without the signature of any Grantor, and naming any Grantor or the Grantors as debtors and the Collateral Agent as secured party. A carbon, photographic or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law.

SECTION 4.1.12 Inspections and Verification. The Agent shall have the right, at the Grantors' own cost and expense, to inspect the Collateral, all records related thereto (and to make extracts and copies from such records) and the premises upon which any of the Collateral is located, to discuss the Grantors' affairs with the officers of the Grantors and their independent accountants and to verify under reasonable procedures the validity, amount, quality, quantity, value, condition and status of, or any other matter relating to, the Collateral, including, in the case of Accounts or Collateral in the possession of any third Person, by contacting Account Debtors in the event of and during the continuance of an Event of Default or the third person possessing such Collateral for the purpose of making such a verification.

ARTICLE V THE AGENT

SECTION 5.1 Agent Appointed Attorney-in-Fact. Each Grantor 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 such Grantor and in the name of such Grantor or in its own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments that may be necessary or desirable to accomplish the purposes of this Agreement. Without limiting the generality of the foregoing, each Grantor hereby gives the Agent the power and right, on behalf of such Grantor, without notice to or assent by such Grantor, to do any or all of the following:

(a) (i) demand payment of its Receivables; (ii) enforce payments of its Receivables by legal proceedings or otherwise; (iii) exercise all of its rights and remedies with respect to proceedings brought to collect its Receivables; (iv) sell or assign its Receivables upon such terms, for such amount and at such times as the Agent deems advisable; (v) settle, adjust, compromise, extend or renew any of its Receivables; (vi) discharge and release any of its Receivables; (vii) prepare, file and sign such Grantor's name on any proof of claim in bankruptcy or other similar document against any obligor of any of its Receivables; (viii) notify the post office authorities to change the address for delivery of the such Grantor's mail to an address designated by the Agent, and open and dispose of all mail addressed to the Grantor; and (ix) endorse such Grantor's name upon any chattel paper, document, instrument, invoice, or similar document or agreement relating to any Receivable or any goods pertaining thereto;

(b) in the case of any Intellectual Property Collateral, execute and deliver, and have recorded, any and all agreements, instruments, documents and papers as the Agent may request to evidence the Lender Parties' security interest in such Intellectual Property Collateral and the goodwill and general intangibles of such Grantor relating thereto or represented thereby;

(c) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repairs or any insurance called for by the terms of this Agreement and pay all or any part of the premiums therefor and the costs thereof;

(d) execute, in connection with any sale or other disposition provided for in Section 6.1, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(e) (i) 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; (ii) ask or demand for, collect, and receive payment of and give 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; (iii) sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (iv) 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 portion thereof and to enforce any other right in respect of any Collateral; (v) defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; (vi) settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as the Agent may deem appropriate; (vii) notify, or require any Grantor to notify, Account Debtors to make payment directly to the Agent; (viii) assign any Intellectual Property Collateral (along with the goodwill of the business to which any such Intellectual Property Collateral pertains) throughout the world for such terms, on such conditions, and in such manner, as the Agent shall in its sole discretion determine; and (ix) generally, 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 do, at the Agent's option and such Grantor'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 Lender Parties' security interests therein and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

Each Grantor hereby acknowledges, consents and agrees that the power of attorney granted pursuant to this Section is irrevocable and coupled with an interest.

SECTION 5.2 Agent May Perform. If any Grantor fails to perform any agreement contained herein, the Agent may itself perform, or cause performance of, such agreement, and the expenses of the Agent incurred in connection therewith shall be payable by such Grantor pursuant to Section 6.2; provided, however, if any Default of the nature referred to in Section 8.1.9 of the Credit Agreement or Event of Default has occurred and is continuing, no such notice shall be required.

SECTION 5.3 Access and Examination. The Agent may at all reasonable times have access to, examine, audit, make extracts from and inspect each Grantor's records, files and books of account and the Collateral, and may discuss each Grantor's affairs with such Grantor's officers and management. Each Grantor will deliver to the Agent promptly following its request therefor any instrument necessary for the Agent to obtain records from any service bureau maintaining records for the such Grantor. The Agent may, at expense of the Grantors, use each Grantor's personnel, supplies and premises as may be reasonably necessary for maintaining or enforcing the security interest granted hereunder. The Agent shall have the right, at any time, in

each Grantor's name to verify the validity, amount or any other matter relating to the Accounts, by mail, telephone or otherwise.

SECTION 5.4 Agent Has No Duty.

(a) In addition to, and not in limitation of, Section 2.4, the powers conferred on the Agent hereunder are solely to protect its interest (on behalf of the Lender Parties) in the Collateral and shall not impose any duty on it to exercise any such powers. Neither the Agent nor any of its officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof (including the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral). The powers conferred on the Agent hereunder are solely to protect the Lender Parties' interests in the Collateral and shall not impose any duty upon the Agent to exercise any such powers. The Agent shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither the Agent nor any of its officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

(b) Each Grantor assumes all responsibility and liability arising from or relating to the use, sale or other disposition of the Collateral. The Obligations shall not be affected by any failure of the Agent to take any steps to perfect the security interest granted hereunder or to collect or realize upon the Collateral, nor shall loss of or damage to the Collateral release any Grantor from any of its Obligations.

ARTICLE VI REMEDIES

SECTION 6.1 Certain Remedies. If any Event of Default shall have occurred and be continuing:

(a) The Agent may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the U.C.C. (whether or not the U.C.C. applies to the affected Collateral) and also may

(i) require each Grantor to, and each Grantor hereby agrees that it will, at its expense and upon the request of the Agent forthwith, assemble all or part of the Collateral as directed by the Agent and make it available to the Agent at its premises or another place designated by the Agent;

(ii) without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon any Grantor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), 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, at any of the Agent's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Agent may deem commercially reasonable. Each Grantor agrees that, to the extent notice of sale shall be required by law, at least ten days' prior notice to such Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned;

(iii) with respect to the Intellectual Property, on demand, to cause the security interest to become an assignment, transfer and conveyance of any of or all such Collateral by the applicable Grantors to the Agent, or to license or sublicense, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any such Collateral throughout the world on such terms and conditions and in such manner as the Agent shall determine (other than in violation of any then existing licensing arrangements to the extent that waivers cannot be obtained); and

(iv) with or without legal process and with or without prior notice or demand for performance, to take possession of the Collateral and without liability for trespass to enter any premises where the Collateral may be located for the purpose of taking possession of or removing the Collateral.

(b) All cash proceeds received by the Agent in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of the Agent, be held, to the extent permitted under applicable law, by the Agent as additional collateral security for all or any part of the Secured Obligations, and/or then or at any time thereafter shall be applied (after payment of any amounts payable to the Agent pursuant to Section 10.3 of the Credit Agreement and Section 6.2 below) in whole or in part by the Agent for the ratable benefit of the Lender Parties against all or any part of the Secured Obligations in accordance with Section 8.4 of the Credit Agreement. Any surplus of such cash or cash proceeds held by the Agent and remaining after payment in full of all the Secured Obligations, and the termination of the Revolving Loan Commitment, shall be paid over to the Grantors or to whomsoever may be lawfully entitled to receive such surplus.

(c) The Agent may exercise any and all rights and remedies of each Grantor under or in connection with the Equipment, Inventory, Receivables, the Related Contracts, the Assigned Agreements or otherwise in respect of the Collateral, including the right to sue upon or otherwise collect, extend the time for payment of, modify or amend the terms of, compromise or settle for cash, credit, or otherwise upon any terms, grant other indulgences, extensions, renewals, compositions, or releases, and take or omit to take any other action with respect to the Collateral, any security therefor, any

agreement relating thereto, any insurance applicable thereto, or any Person liable directly or indirectly in connection with any of the foregoing, without discharging or otherwise affecting the liability of any Grantor for the Obligations or under this Agreement or any other Loan Document and Assigned Agreements or otherwise in respect of the Collateral, including any and all rights of such Grantor to demand or otherwise require payment of any amount under, or performance of any provision of, any Equipment, Inventory, Receivables, Related Contracts, Assigned Agreements or other Collateral.

The Agent shall give the Grantors 10 days' written notice (which each Grantor agrees is reasonable notice within the meaning of Section 9-504(3) of the U.C.C.) of the Agent's intention to make any sale of Collateral. Such notice, in the case of a public sale, shall state the time and place for such sale and, in the case of a sale at a broker's board or on a securities exchange, shall state the board or exchange at which such sale is to be made and the day on which the Collateral, or portion thereof, will first be offered for sale at such board or exchange. Any such public sale shall be held at such time or time within ordinary business hours and at such place or places as the Agent may fix and state in the notice (if any) of such sale. At any such sale, the Collateral, or portion thereof, to be sold may be sold in one lot as an entirety or in separate parcels, as the Agent may (in its sole and absolute discretion) determine. The Agent shall not be obligated to make any sale of any Collateral if it shall determine not to do so, regardless of the fact that notice of sale of such Collateral shall have been given. The Agent may, without notice or publication adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case any sale of all or any part of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Agent until the sale price is paid by the purchase or purchasers thereof, but the Agent shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may be sold again upon like notice. At any public (or, to the extent permitted by law, private) sale made pursuant to this Section, any Lender Party may bid for or purchase, free (to the extent permitted by law) from any right of redemption, stay, valuation or appraisal on the part of any Grantor (all said rights being also hereby waived and released to the extent permitted by law), the Collateral or any part thereof offered for sale and may make payment on account thereof by using any claim then due and payable to such Lender Party from any Grantor as a credit against the purchase price, and such Lender Party may upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to any Grantor therefor.

SECTION 6.2 Indemnity and Expenses.

(a) Each Grantor agrees to jointly and severally indemnify the Agent from and against any and all claims, losses and liabilities arising out of or resulting from this Agreement (including enforcement of this Agreement), except claims, losses or liabilities resulting from the Agent's gross negligence or willful misconduct as determined by a final judgment of a court of competent jurisdiction.

(b) Each Grantor will upon demand pay to the Agent the amount of any and all reasonable expenses, including the reasonable fees and disbursements of its counsel and of any experts and agents, which the Agent may incur in connection with

(i) the administration of this Agreement,

(ii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any of the Collateral,

(iii) the exercise or enforcement of any of the rights of the Agent or the Lender Parties hereunder, or

(iv) the failure by any Grantor to perform or observe any of the provisions hereof.

ARTICLE VII MISCELLANEOUS PROVISIONS

SECTION 7.1 Loan Document. This Agreement is a Loan Document executed pursuant to the Credit Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions thereof, including Article X thereof.

SECTION 7.2 Amendments, etc.; Additional Grantors; Successors and Assigns.

(a) No amendment to or waiver of any provision of this Agreement nor consent to any departure by any Grantor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Agent and, with respect to any such amendment, by the Grantors, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(b) Upon the execution and delivery by any Person of a security agreement supplement in substantially the form of Exhibit B hereto (each a "Security Agreement Supplement"), (i) such Person shall be referred to as an "Additional Collateral Grantor" and shall be and become a Grantor, and each reference in this Agreement to "Grantor" shall also mean and be a reference to such Additional Collateral Grantor and (ii) the schedule supplements attached to each Security Agreement Supplement shall be incorporated into and become a part of and supplement Schedules I through VI hereto, as appropriate, and the Agent may attach such schedule supplements to such Schedules, and each reference to such Schedules shall mean and be a reference to such Schedules, as supplemented pursuant hereto.

(c) Any Grantor that becomes an Excluded Foreign Subsidiary after the date hereof shall, upon written request of such Grantor to the Agent and at the sole cost of such Grantor, be released from the terms hereof pursuant to documentation reasonably satisfactory to the Agent.

(d) This Agreement shall be binding upon each Grantor and its successors, transferees and assigns and shall inure to the benefit of and be enforceable by the Agent and each other Lender Party and their respective successors, transferees and assigns; provided, however, that no Grantor may assign its obligations hereunder without the prior written consent of the Agent.

SECTION 7.3 Addresses for Notices. All notices and other communications provided for hereunder shall be in writing and mailed, delivered or transmitted by facsimile to either party hereto at the address set forth in the Credit Agreement, or at such other address as shall be designated by such party in a written notice to each other party. Any notice, if mailed and properly addressed with postage prepaid, shall be deemed given three Business Days after posting; any notice sent by prepaid overnight express mail shall be deemed delivered on the next following Business Day; and any notice transmitted by facsimile shall be deemed given upon electronic confirmation of transmission by the sender thereof.

SECTION 7.4 Section Captions. Section captions used in this Agreement are for convenience of reference only, and shall not affect the construction of this Agreement.

SECTION 7.5 Severability. Wherever possible each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

SECTION 7.6 Counterparts. This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

SECTION 7.7 Waivers. Each Grantor hereby waives any right, to the extent permitted by applicable law, to receive prior notice of or a judicial or other hearing with respect to any action or prejudgment remedy or proceeding by the Agent to take possession, exercise control over or dispose of any item of Collateral where such action is permitted under the terms of this Agreement or any other Loan Document or by applicable law or the time, place or terms of sale in connection with the exercise of the Agent's rights hereunder. Each Grantor waives, to the extent permitted by applicable law, any bonds, security or sureties required by the Agent with respect to any of the Collateral. Each Grantor also waives any damages (direct, consequential or otherwise) occasioned by the enforcement of the Agent's rights under this Agreement or any other Loan Document, including, the taking of possession of any Collateral or the giving of notice to any Account Debtor or the collection of any Receivable, all to the extent that such waiver is permitted by law. Each Grantor also consents that the Agent, in connection with the enforcement of the Agent's rights and remedies under this Agreement, may enter upon any premises owned by or leased to it without obligations to pay rent or for use and occupancy, through self-help, without judicial process and without having first obtained an order of any court. These waivers and all other waivers provided for in this Agreement and the other Loan Documents have been negotiated by the parties and each Borrower acknowledges that it has been represented by counsel of its own choice and has consulted such counsel with respect to its rights hereunder.

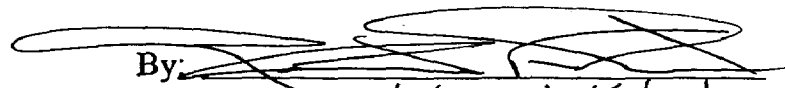
SECTION 7.8 Governing Law, Entire Agreement, etc. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, EXCEPT TO THE EXTENT THAT THE VALIDITY OR PERFECTION OF THE SECURITY INTEREST HEREUNDER, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS CONSTITUTE THE ENTIRE UNDERSTANDING AMONG THE PARTIES HERETO WITH RESPECT TO THE SUBJECT MATTER HEREOF AND SUPERSEDE ANY PRIOR AGREEMENTS, WRITTEN OR ORAL, WITH RESPECT THERETO.

SECTION 7.9 Forum Selection and Consent to Jurisdiction. ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF THE LENDER PARTIES OR ANY GRANTOR SHALL BE BROUGHT AND MAINTAINED IN THE FEDERAL AND STATE COURTS LOCATED IN THE BOROUGH OF MANHATTAN OF THE STATE OF NEW YORK; PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY SHALL BE BROUGHT, AT THE AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. EACH GRANTOR HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS FOR THE PURPOSE OF ANY SUCH LITIGATION AS SET FORTH ABOVE AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH SUCH LITIGATION SUBJECT TO ANY RIGHTS OF APPEAL OF ANY JUDGMENT RENDERED BY THE HIGHEST COURT IN THE STATE OF NEW YORK OR THE UNITED STATES DISTRICT COURT FOR THE STATE OF NEW YORK, AS THE CASE MAY BE. EACH GRANTOR FURTHER IRREVOCABLY CONSENTS TO SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF NEW YORK. EACH GRANTOR HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY HAVE OR HEREAFTER MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. TO THE EXTENT THAT ANY GRANTOR HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, SUCH GRANTOR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY IRREVOCABLY WAIVES SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS AGREEMENT.

SECTION 7.10 Waiver of Jury Trial. THE LENDER PARTIES AND EACH GRANTOR HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF THE LENDER PARTIES OR ANY GRANTOR. EACH GRANTOR ACKNOWLEDGES AND AGREES THAT IT HAS RECEIVED FULL AND SUFFICIENT CONSIDERATION FOR THIS PROVISION (AND EACH OTHER PROVISION OF EACH OTHER LOAN DOCUMENT TO WHICH IT IS A PARTY) AND THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE LENDERS ENTERING INTO THE CREDIT AGREEMENT AND EACH SUCH OTHER LOAN DOCUMENT. IN NO EVENT SHALL ANY LENDER PARTY BE LIABLE FOR ANY CONSEQUENTIAL DAMAGES WHICH MAY BE ALLEGED IN CONNECTION HEREWITH OR THE TRANSACTIONS CONTEMPLATED HEREBY.

IN WITNESS WHEREOF, each Grantor has caused this Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

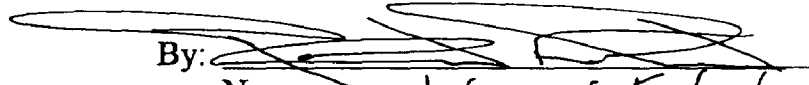
U.S. AUTOMOTIVE MANUFACTURING, INC.

By: 
Name: John W. Kohut
Title: Chairman

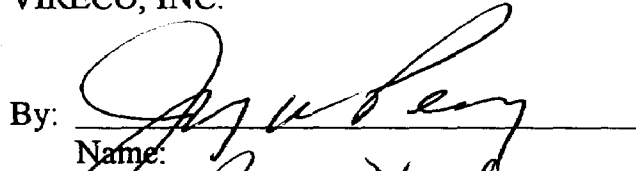
QUALITY AUTOMOTIVE COMPANY

By: 
Name: John W. Kohut
Title: Chairman

US AUTOMOTIVE FRICTION, INC.

By: 
Name: John W. Kohut
Title: Chairman

VIRECO, INC.

By: 
Name: J. W. Long
Title: President

Acknowledged and Accepted:

IBJ WHITEHALL BUSINESS CREDIT CORPORATION,
as Agent

By: _____
Name:
Title:

IN WITNESS WHEREOF, each Grantor has caused this Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

U.S. AUTOMOTIVE MANUFACTURING, INC.

By: _____
Name:
Title:

QUALITY AUTOMOTIVE COMPANY

By: _____
Name:
Title:

US AUTOMOTIVE FRICTION, INC.


By: _____
Name:
Title:

VIRECO, INC.

By: _____
Name:
Title:

Acknowledged and Accepted:

IBJ WHITEHALL BUSINESS CREDIT CORPORATION,
as Agent

By: 
Name:
Title: *EvP*

SCHEDULE I
TO
SECURITY AGREEMENT

Item A. Location of Equipment

<u>Grantor</u>	<u>Mailing Address</u>	<u>County</u>	<u>State</u>
USAM	1875 E. Lake Mary Blvd.	Seminole	FL
USAM	3031 Melonville Ave.	Seminole	FL
QAC	Route 627 Airport Drive	Essex	VA

Item B. Location of Inventory

<u>Grantor</u>	<u>Mailing Address</u>	<u>County</u>	<u>State</u>
USAM	1875 E. Lake Mary Blvd.	Seminole	FL
USAM	3031 Melonville Ave.	Seminole	FL
QAC	Route 627 Airport Drive	Essex	VA

Item C. Principal Place of Business/Chief Executive Office

<u>Grantor</u>	<u>Mailing Address</u>	<u>County</u>	<u>State</u>
USAM, USAF & QAC	Route 627 Airport Drive	Essex	VA

Item D. Trade Names

<u>Grantor</u>	<u>Trade Names</u>
USAM	ROINCO™ and ULTRA BRAKE™

SCHEDULE II
TO
SECURITY AGREEMENT

Item A. Patents

-NONE-

Issued Patents

<u>Grantor</u>	<u>Country</u>	<u>Patent No.</u>	<u>Issue Date</u>	<u>Inventor(s)</u>	<u>Title</u>
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Pending Patent Applications

<u>Grantor</u>	<u>Country</u>	<u>Serial No.</u>	<u>Filing Date</u>	<u>Inventor(s)</u>	<u>Title</u>
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Patent Applications in Preparation

<u>Grantor</u>	<u>Country</u>	<u>Expected Docket No.</u>	<u>Filing Date</u>	<u>Inventor(s)</u>	<u>Title</u>
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Item B. Patent Licenses

-NONE-

<u>Country or Territory</u>	<u>Licensor</u>	<u>Licensee</u>	<u>Date</u>	<u>Effective Date</u>	<u>Expiration Date</u>	<u>Subject Matter</u>
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SCHEDULE III
TO
SECURITY AGREEMENT

Item A. Trademarks

Registered Trademarks

<u>Grantor</u>	<u>Country</u>	<u>Trademark</u>	<u>Registration No.</u>	<u>Registration Date</u>
QAC	USA	THE SILENT SOLUTION	1,904,340	July 11, 1995
QAC	USA	BRAKES WORTH STOPPING FOR	1,844,321	July 12, 1994
QAC	USA	GOLD MAX	2,131,722	January 27, 1998

Pending Trademark Applications

<u>Grantor</u>	<u>Country</u>	<u>Trademark</u>	<u>Serial No.</u>	<u>Filing Date</u>
-NONE-				

Trademark Applications in Preparation

<u>Grantor</u>	<u>Country</u>	<u>Trademark</u>	<u>Docket No.</u>	<u>Expected Filing Date</u>	<u>Products/ Services</u>
-NONE-					

Item B. Trademark Licenses

-NONE-

<u>Country or Territory</u>	<u>Trademark</u>	<u>Licensor</u>	<u>Licensee</u>	<u>Effective Date</u>	<u>Expiration Date</u>
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SCHEDULE IV
TO
SECURITY AGREEMENT

Item A. Copyrights

-NONE-

Registered Copyrights

<u>Grantor</u> <u>Title</u>	<u>Country</u>	<u>Registration No.</u>	<u>Registration Date</u>	<u>Author(s)</u>
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Copyrights Pending Registration Applications

<u>Grantor</u> <u>Title</u>	<u>Country</u>	<u>Serial No.</u>	<u>Filing Date</u>	<u>Author(s)</u>
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Copyright Registration Applications in Preparation

<u>Grantor</u> <u>Title</u>	<u>Country</u>	<u>Docket No.</u>	<u>Expected Filing Date</u>	<u>Author(s)</u>
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Item B. Copyright Licenses

-NONE-

<u>Grantor</u>	<u>Country or Territory</u>	<u>Licensor</u>	<u>Licensee</u>	<u>Effective Date</u>	<u>Expiration Date</u>	<u>Subject Matter</u>
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SCHEDULE V
TO
SECURITY AGREEMENT

Trade Secret or Know-How Licenses

<u>Grantor</u>	<u>Country or Territory</u>	<u>Licensor</u>	<u>Licensee</u>	<u>Effective Date</u>	<u>Expiration Date</u>	<u>Subject Matter</u>
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-NONE-

SCHEDULE VI
TO
SECURITY AGREEMENT

Assigned Agreements

-NONE-

SCHEDULE VII
TO
SECURITY AGREEMENT

Vehicles

<u>Make</u>	<u>Title and Registration with Department of Motor Vehicles</u>	<u>License No.</u>	<u>Registration No.</u>
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Owned

1985 Ford	4242430	SID0801	FDNF70H-9FVA58571
1998 Ford	55193581	ZHT8535	1FMZU35P2-WUB33570
1992 Ford	46886252	MEI463	1FMDU34XX-NUM70974
1989 Ford	45694643	DQP915	1FTDE14YO-KHB90024
1980 Kenworth	55117732	YA34845	622284571K
1979 International	46107497	TS72327	AA182JHB1-4952
1972 International	37367943	YA25570	10682OH215-277
1972 International	55192441	TT44820	10662OH226-511

Leased

1998 Yukon	70674975	ZAU1060	1GKEK13R1-WR508230
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EXHIBIT A
TO
SECURITY AGREEMENT

FORM OF CONSENT AND AGREEMENT

The undersigned hereby acknowledges notice of, and consents to the granting of a security interest in favor of IBJ Whitehall Business Credit Corporation, as agent (together with any successor(s) thereto in such capacity, the "Agent") for certain financial institutions, pursuant to the Security Agreement, dated as of July 30, 1999 (as amended, supplemented or otherwise modified, the "Security Agreement"), by U.S. Automotive Manufacturing, Inc., a Delaware corporation, Quality Automotive Company, a Delaware corporation, US Automotive Friction, Inc., a Delaware corporation (collectively, the "Borrowers"), and certain other persons (the Borrowers and such other persons are collectively referred to as the "Grantors" and individually as a "Grantor"), and hereby agrees with the Agent that, upon the receipt of a written notice from the Agent that it is exercising its rights under the _____ Agreement, dated _____, 19__ (the "Assigned Agreement"):

(a) The undersigned will make all payments to be made by it under or in connection with the Assigned Agreement directly to Agent or as otherwise specified by the Agent. All such payments shall be made by the undersigned irrespective of, and without deduction for, any counterclaim, defense, recoupment or set-off and shall be final, and the undersigned will not seek to recover from the Agent or any person it is acting on behalf of for any reason any such payment once made.

(b) The Agent shall be entitled to exercise any and all rights and remedies of the Grantor under the Assigned Agreement in accordance with the terms of the Security Agreement, and the undersigned shall comply in all respects with such exercise.

(c) The undersigned will not, without the prior written consent of the Agent, cancel or terminate the Assigned Agreement or consent to or accept any cancellation or termination thereof (whether as a result of a bankruptcy or insolvency proceeding in respect of the Grantor, or otherwise)[, provided that the Grantor (or the Agent or its representatives on behalf of the Grantor) continues to perform its obligations under the Assigned Agreement].

This Consent and Agreement shall be binding upon the undersigned and its successors and assigns, and shall inure to the benefit of the Agent and its successors, transferees and assigns. This Consent and Agreement shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the undersigned has duly executed this Consent and Agreement as of the date set opposite its name below.

Dated: _____, 19__

[NAME OF OBLIGEE]

By: _____

Name:

Title:

EXHIBIT B
TO
SECURITY AGREEMENT

FORM OF SECURITY AGREEMENT SUPPLEMENT

_____, 19____

IBJ Whitehall Business Credit Corporation,
as Agent
One State Street
New York, NY 10004
Attention: Adam Moskowitz

Ladies and Gentlemen:

Reference is made to the Security Agreement, dated as of July 30, 1999 (as amended, supplemented or otherwise modified, the "Security Agreement"; the terms defined therein being used herein as therein defined), by U.S. Automotive Manufacturing, Inc., a Delaware corporation, Quality Automotive Company, a Delaware corporation and US Automotive Friction, Inc., a Delaware corporation (collectively, the "Borrowers") and each of the other Persons listed on the signature pages thereto (such other Persons, together with the Additional Collateral Grantors, and the Borrowers, are collectively referred to as the "Grantors" and individually as a "Grantor"), in favor of IBJ Whitehall Business Credit Corporation, as agent (together with any successor(s) thereto in such capacity, the "Agent") for each of the Lender Parties.

The undersigned hereby agrees, as of the date first above written, to become a Grantor under the Security Agreement as if it were an original party thereto and agrees that each reference in the Security Agreement to a "Grantor" shall also mean and be a reference to the undersigned.

The undersigned hereby assigns and pledges to the Agent for its benefit and the ratable benefit of the Lender Parties, and hereby grants to the Agent for its benefit and the ratable benefit of the Lender Parties, as collateral for the Secured Obligations, a pledge and assignment of, and a security interest in, all of the right, title and interest of the undersigned in and to its Collateral, whether now owned or hereafter acquired, subject to all of the terms and provisions of the Security Agreement, as if such Collateral of the undersigned had been subject to the Security Agreement on the date of its original execution.

The undersigned has attached hereto supplements to Schedules I through VI to the Security Agreement, and the undersigned hereby certifies that such supplements have been prepared by the undersigned in substantially the form of the Schedules to the Security Agreement and are accurate and complete as of the date first above written.

The undersigned hereby makes each representation and warranty set forth in Article III of the Security Agreement as to itself and as to its Collateral to the same extent as each other Grantor and hereby agrees to be bound as a Grantor by all of the terms and provisions of the Security Agreement to the same extent as all other Grantors.

This letter shall be governed by and construed in accordance with the laws of the State of New York.

Very truly yours,

[NAME OF ADDITIONAL GRANTOR]

By: _____

Name:

Title:

Address: _____

Acknowledged and Accepted:

IBJ WHITEHALL BUSINESS CREDIT CORPORATION,
as Agent

By: _____

Name:

Title: