

RECORDATION FORM COVER SHEET TRADEMARKS ONLY

TO THE HON. COMMISSIONER OF PATENTS & TRADEMARKS: PLEASE RECORD THE ATTACHED ORIGINAL DOCUMENTS OR COPIES THEREOF.


1. NAME OF CONVEYING PARTY THE SPERRY AND HUTCHINSON COMPANY, INC. (New Jersey corporation) Additional names of conveying parties attached? No.		2. NAME AND ADDRESS OF RECEIVING PARTY STATE STREET BANK AND TRUST COMPANY 225 Franklin Street Boston, MA 02110 (Massachusetts Corporation) Additional names of receiving parties attached? No.	
3. NATURE OF CONVEYANCE: SECURITY AGREEMENT Execution Date: February 20, 2001			
4. APPLICATION OR REGISTRATION NUMBER(S) A. Trademark Application Nos. : 75672228 75672229 76078666 Additional numbers attached? No.		B. Trademark Registration Nos. 778856 778858 794932 1425096 1436634 1443517 1517413 1518230 1625169 2395090 2395091 2397169 Additional numbers attached? No.	
5. CORRESPONDENCE ADDRESS: TIMOTHY H. HIEBERT SAMUELS, GAUTHIER & STEVENS LLP 225 FRANKLIN STREET, SUITE 3300 BOSTON, MA 02110		6. TOTAL NUMBER OF APPLICATIONS AND REGISTRATIONS INVOLVED: <u>15</u> 7. TOTAL FEE DUE: \$ <u>390</u> The Commissioner is hereby authorized to charge the Deposit Account identified in item 8. 8. DEPOSIT ACCOUNT NUMBER: <u>501427</u>	

DO NOT USE THIS SPACE

9. STATEMENT AND SIGNATURE

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

Timothy H. Hiebert
Name of Person Signing
1406.01H


Signature

February 28, 2001 10. Total pages: 23
Signature Date

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "**Agreement**") dated February 20, 2001 is by and among S&H Greenpoints, Inc., a Delaware corporation ("**Parent**"), The Sperry & Hutchinson Company, Inc., a New Jersey corporation ("**Sperry**"), xiNETix, Inc., a Delaware corporation ("**xiNETix**" and collectively with Parent and Sperry, the "**Borrowers**" and each individually, a "**Borrower**") and State Street Bank and Trust Company, solely as Collateral Agent under that certain Collateral Agency Agreement defined below ("**Collateral Agent**").

RECITALS

The Borrowers have entered into a Stock and Note Purchase Agreement dated February 20, 2001 (as amended from time to time, the "**Purchase Agreement**") with LHC Corporation, Graham Gund, S&H Nominee Trust, Eaglis Alternative Investments 1, LLC, Stuart Moore, Ann Beinecke Oliver trustee fbo Ann Beinecke Oliver u/a dated 6/9/81, and C. Hardy Oliver, Jr. (the "**Purchasers**") pursuant to which the Borrowers have agreed to issue to the Purchasers, and the Purchasers have agreed to purchase the Borrowers' Joint and Several Secured Notes due December 31, 2003 in the aggregate original principal amount of up to \$25,000,000 (all such notes, together with all notes issued in substitution, replacement, extension or exchange therefor in accordance with the terms of the Purchase Agreement, the "**Notes**").

It is a condition precedent to the obligation of the Purchasers under the Purchase Agreement to purchase the Notes that the Borrowers execute and deliver this Security Agreement.

Pursuant to a Collateral Agency Agreement of even date by and among the Borrowers, the Collateral Agent and the Secured Parties (as such term is defined therein) (the "**Collateral Agency Agreement**"), the Collateral Agent has agreed to serve as such for the benefit of the Purchasers, subject to the terms of such Collateral Agency Agreement.

NOW, THEREFORE, it is agreed:

Section 1. Definitions.

Capitalized terms used but not defined herein have the meanings ascribed to them in the Purchase Agreement. Terms not capitalized, but defined in the UCC, are used with the meanings given in the UCC.

As used in this Agreement:

"**Accounts**" means all of each Borrower's present and future rights to payment for goods or other property sold or leased or for services rendered, whether or not evidenced by instruments or chattel paper, and whether or not earned by performance.

"**Books**" shall mean, with respect to any Borrower, all of such Borrower's books and records including, but not limited to: minute books; ledgers; records indicating, summarizing, or evidencing such Borrower's assets, liabilities, accounts and all information relating thereto; records indicating, summarizing, or evidencing such

Borrower's business operations or financial condition; and all computer programs, discs or tape files, printouts, runs, and other computer prepared information and any software necessary to operate the same.

"Collateral" has the meaning specified in **Section 2(a)**.

"Contracts" means all contracts and agreements relating to the business of the Borrowers, including any amendments, modifications or supplements thereto, together with all the rights, privileges and appurtenances now or hereafter in any way belonging or pertaining thereto, including without limitation, (i) all rights of any Borrower to damages arising out of, or for, breach or default in respect thereof, (ii) all rights of any Borrower to perform and to exercise all remedies thereunder and (iii) all rights of any Borrower to perform and to exercise all remedies thereunder.

"Equipment" means any and all equipment, furnishings, fixtures and machinery of every kind, description and nature and wherever located; provided, the Equipment does not include any motor vehicles, trucks or trailers to the extent subject to a certificate of title statute or any Inventory.

"General Intangibles and Other Rights" means (a) all general intangibles; (b) all service agreements (including utility services and supply agreements), operating agreements, employment agreements, equipment and real property leases and contract rights, choses in action and causes of action or claims; (c) all other contracts, contract rights and licenses; (d) Federal, State and local tax refund claims of any kind; (e) all obligations of any kind owing to any Borrower (including from loans or advances by any Borrower to or for the benefit of any other Person (including any other Borrower)); (f) any monies, credit balances, deposits and deposit accounts held by any depository or other institution from or for the account of any Borrower, whether for safekeeping, pledge, custody, transmission, collection or otherwise; (g) any funds which may become payable in connection with the termination of any employee benefit plan and any other amounts payable from any such plan; (h) all rights to indemnification, business interruption insurance and insurance covering the lives of employees on which any Borrower is a beneficiary; (i) all guaranty or warranty claims; and (j) all chattel paper, documents, instruments, investment property (including securities, whether certificated or uncertificated, securities accounts, security entitlements, commodity contracts or commodity accounts), letters of credit, bankers' acceptances and guaranties.

"Intellectual Property" means all (a) patents, patent applications, patentable inventions, trademarks, service marks, trade names, trademark applications and registrations, rights in intellectual property, copyrights and all goodwill associated therewith and all rights to exploit, license, distribute, duplicate or make works or products based on or using any of the foregoing, (b) inventions, processes, software, production methods, proprietary information, know-how and trade secrets used or useful in the business of such Borrower, (c) licenses or user or other agreements granted to such Borrower with respect to any of the items described in clause (a) or (b) above and (d) all income, royalties, damages and other payments now and hereafter due and/or payable with respect to the foregoing (including, without limitation, damages and payments for past and future infringements or misappropriations thereof.

"Inventory" means, as to each Borrower, all of such Borrower's present and future raw materials, work in process, finished goods (other than Equipment) and all other inventory of whatsoever kind or nature, wherever located.

"Licenses and Permits" means all licenses, permits, accreditations, authorizations, exemptions, privileges and approvals and all renewals, replacements and substitutions therefor, now or hereafter issued by or entered into with any governmental or quasi-governmental authority or agency of any nature, or issued by or entered into with any third party or parties.

"Proceeds" means all proceeds of, and all other profits, rentals or receipts, in whatever form, arising from the collection, sale, lease, exchange, assignment, licensing or other disposition of, or realization upon, any Collateral, including, without limitation, all claims of any Borrower against third parties for loss of, damage to or destruction of, or for proceeds payable under, or unearned premiums with respect to, policies of insurance in respect of, any Collateral, and any condemnation or requisition payments with respect to any Collateral, in each case whether now existing or hereafter arising.

"Secured Obligations" means all obligations, indebtedness or liabilities of any kind or character owed to any Secured Party in respect of the Notes or under or in respect of this Agreement, the Collateral Agency Agreement or the Purchase Agreement, whether now existing or hereafter incurred or created, joint or several, direct or indirect, absolute or contingent, due or to become due, matured or unmatured, liquidated or unliquidated, arising by contract, operation of law or otherwise, including (a) all principal of and interest (including any interest on the Notes which accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of any Borrower or would have accrued but for the application of provisions of any applicable bankruptcy code); (b) all fees, costs, expenses (including attorney's fees and expenses) payable under the Purchase Agreement, the Notes, the Collateral Agency Agreement or this Agreement; and (c) any renewals, refinancings or extensions of any of the foregoing.

"Secured Parties" means the Collateral Agent and the Purchasers.

"UCC" means the Uniform Commercial Code as in effect in the Commonwealth of Massachusetts as of the date hereof; provided that if by reason of law, the perfection or effect of perfection or non-perfection of the security interests granted hereby in any Collateral is governed by the Uniform Commercial Code in effect in a jurisdiction other than the Commonwealth of Massachusetts, "UCC" means the Uniform Commercial Code in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection.

Section 2. Security Interest.

(a) To secure the due payment and performance of all of the Secured Obligations, each Borrower hereby assigns, pledges, hypothecates, transfers and sets over to the Collateral Agent for the benefit of the Secured Parties and their successors and assigns, and grants to the Collateral Agent for the benefit of the Secured Parties and their successors and assigns, a lien on and a security interest in all of such Borrower's right, title and interest, whether now owned or hereafter acquired and wherever located, in, to and under

(i) the Equipment, and all accessions, additions, improvements, upgrades and parts thereto and all substitutions and replacements therefor, and all insurance thereon and all insurance proceeds payable in connection therewith;

(ii) the Contracts, the Accounts, the General Intangibles and Other Rights, the Books, the Licenses and Permits and the Intellectual Property;

(iii) all guaranties, warranties and indemnities in respect of any of the foregoing;

(iv) all security pledged, assigned, hypothecated or granted to or held by any Borrower to secure the obligations of any obligors under any of the foregoing;

(v) any labor, materials and/or performance bonds running in favor of any Borrower in connection with any of the foregoing;

(vi) all books, records, ledger cards, invoices and other papers relating to any of the foregoing in whatever form or media;

(vii) all electronically processed or recorded information relating or pertaining to any of the foregoing, whether in the possession or control of any Borrower or any third party; and

(viii) all Proceeds and products of any and all of the foregoing whether or not such Proceeds or products are otherwise described in clauses (i) through (vii) above (all of the items described above being hereinafter referred to as the "Collateral").

(b) All Secured Obligations at any time outstanding shall be equally and ratably secured by the Collateral, without preference, priority or distinction on account of the date or dates or the actual time or times of the issue or maturity thereof, so that all Secured Obligations at any time issued and outstanding shall have the same right, lien and preference under and by virtue of this Agreement.

(c) This Agreement shall create a continuing assignment of and security interest in the Collateral and shall remain in full force and effect until the indefeasible payment and performance in full of the Secured Obligations. Upon the indefeasible payment and performance in full of the Secured Obligations as certified to the Collateral Agent in writing by the Purchasers (together with, if requested by the Collateral Agent, their instruction to terminate any financing statements filed with respect to this Agreement; and as confirmed by the Collateral Agent with respect to any Secured Obligations owing to it), the Collateral Agent shall, upon a Borrower's written request accompanied by the necessary termination statements properly prepared by the Borrowers, promptly execute and deliver to such Borrower, at such Borrower's expense, termination statements for the financing statements filed (or to be filed) in connection with this Agreement, as are more specifically listed on Schedule C attached hereto and made a part hereof, in order to terminate the security interests created hereunder and any collateral assignments of Collateral to the Collateral Agent.

(d) The assignments of the Collateral granted herein are granted as security only and anything herein to the contrary notwithstanding, each Borrower shall remain liable under any contract, agreement, license, interest and obligation which it has assigned to the Collateral Agent hereunder for the observance and performance of all the

conditions and obligations to be observed and performed by such Borrower thereunder all in accordance with and pursuant to the terms and provisions thereof. No Secured Party shall have any obligation or liability under any such contract, agreement, license, interest or obligation by reason of or arising out of this Agreement or the assignment thereof to the Collateral Agent or the receipt by any Secured Party of any payment relating to any such license, interest or obligation pursuant hereto, nor shall any Secured Party be required or obligated in any manner to perform or fulfill any of the obligations of any Borrower thereunder or pursuant thereto or to make any payment, or to make any inquiry as to the nature or of the sufficiency of any payment received by them or the sufficiency of any performance by any party under any such license, interest or obligation, or to present or file any claim, or to take any action to collect or enforce any performance or the payment of any amounts which may have been assigned to them or to which they may be entitled at any time or times.

Section 3. Notification of Assignment.

Upon the occurrence, and during the continuance of, an Event of Default of which written notice has been given to the Collateral Agent by any Purchaser, the Collateral Agent shall upon and as specified in written direction from the Required Holders received by the Collateral Agent, in the name of the Borrowers or any of them or in its own name, to, and to demand the Borrowers to, and upon such demand by the Collateral Agent, the Borrowers shall in accordance with such demand, immediately notify each account debtor and other obligor with respect to any of the Collateral of the security interests therein and assignment thereof to the Collateral Agent pursuant to the terms of the Security Documents and direct each account debtor or obligor to make payment of all sums due and/or becoming due in respect of any of the Collateral directly to the Collateral Agent or as otherwise directed by the Collateral Agent. If such direction from the Required Holders instructs the Collateral Agent to demand that the Borrowers send such notice, the Collateral Agent shall, after sending such notice, have no obligation to monitor, determine or compel compliance by any Borrower with such demand. If such direction from the Required Holders instructs the Collateral Agent to send notice to account debtors and/or obligors (in its own name or in the name of the Borrower), such direction shall include a proposed form of such notice and a complete list of the names and addresses of all account debtors and other obligors to whom such notice is to be sent. It shall be sufficient for the Collateral Agent to send any such demand or notice by first class mail, postage pre-paid. In no event shall the Collateral Agent have any duty to monitor, determine or compel compliance by any account debtors or other obligors with any such notice, and in no event shall the Collateral Agent be obligated to send any notice or demand which would, in its reasonable judgment, subject it to liability.

Section 4. General Covenants: Further Assurances.

(a) Each Borrower jointly and severally, covenants and agrees that it shall:

(i) not change (i) the location of its principal place of business or its chief executive office or place of formation or organization, (ii) its federal tax identification number, (iii) the locations where it keeps or holds any Collateral or related records, or (iv) its name, identity or corporate structure in any manner, without giving the Collateral Agent 30 days prior written notice;

(ii) from time to time at the Collateral Agent's written request, furnish the Collateral Agent with written statements and schedules further identifying and describing the Collateral in such detail as the Collateral Agent may reasonably require;

(iii) promptly upon a senior officer obtaining knowledge thereof, advise the Collateral Agent, in sufficient detail, of (i) any material adverse change in the Collateral or, (ii) the occurrence of any event which could have a material adverse effect on the value of the Collateral or on the Collateral Agent's liens and security interest thereon;

(iv) perform and observe all covenants, restrictions and conditions contained in the Purchase Agreement, the Collateral Agency Agreement and this Agreement providing for payment of taxes, maintenance of insurance and otherwise relating to the repair and maintenance of the Collateral as though such covenants, restrictions and conditions were fully set forth in this Agreement;

(v) from time to time, at the Borrowers' expense, execute, deliver, file and record any statement, assignment, instrument, document, agreement or other paper and take any other action, necessary or required under applicable law or otherwise reasonably requested by the Collateral Agent, to perfect, confirm or validate, maintain the priority of, or renew the assignments, security interests and liens granted or intended to be granted hereunder or to enable the Collateral Agent to (i) obtain the full benefits of this Agreement, or (ii) to exercise and enforce any of its rights, powers and remedies hereunder with respect to any of the Collateral;

(vi) use reasonable efforts to attempt to obtain the consent of any person that is necessary or desirable to effect the pledge hereunder of any right, title, claims and benefits now owned or hereafter acquired by any Borrower in and to any Collateral;

(vii) so long as any of the Secured Obligations are outstanding and unpaid and unless the Collateral Agent shall have otherwise consented in writing, not pledge, mortgage encumber any Collateral or sell, lease or otherwise transfer any Collateral to any person except inventory in the ordinary course of business. The permission granted herein shall not be deemed a release of the lien of the Collateral Agent in any Proceeds of any permitted sale and the inclusion of "Proceeds" under the definition of Collateral shall not be deemed a consent by the Holders to any other sale or disposition of any part or all of the Collateral;

(viii) promptly notify the Collateral Agent of the acquisition by any Borrower of any Collateral which constitutes an instrument or a certificated security and immediately deliver to the Collateral Agent such certificated security or instrument, together with a stock power or an endorsement, as applicable, duly executed in blank;

(ix) promptly notify the Collateral Agent of the acquisition by any Borrower of any interest in Intellectual Property and promptly notify the Collateral Agent if it learns (i) that any item of the Intellectual Property may be determined to have become abandoned or dedicated or (ii) of any adverse determination or the institution of any proceeding (including, without limitation, the institution of any proceeding in the United States Patent and Trademark Office or any court) regarding any item of the Intellectual Property; and

(x) Use proper statutory notices in connection with its use of its Intellectual Property.

(b) Notwithstanding any term of Section 4(a) (or any other term of this Agreement) to the contrary:

(i) upon receipt of any notice described in Section 4(a)(i), the Collateral Agent shall have no obligation to take any action other than to forward such information to the Purchasers;

(ii) upon receipt of any other information or notice described in or pursuant to Section 4(a) (other than as described in Section 4(b)(i) above), the Collateral Agent shall be under no duty or obligation to examine or take any action with respect thereto other than to retain such information in order to make it available to any Purchaser upon their written request; and

(iii) the Collateral Agent is under no duty (A) to request any written statements pursuant to Section 4(a)(ii), (B) to request any action, including any filings or recordings, pursuant to Section 4(a)(v), or (C) to grant any consent described in Section 4(a)(vii), unless and except to the extent specifically instructed in writing by any Purchaser, subject to the terms of this Agreement and the Collateral Agency Agreement.

Section 5. Assignment of Insurance.

(a) As further security for the due payment and performance of the Secured Obligations, the Borrowers hereby assign to the Collateral Agent all sums due any of them under all insurance policies (including, but not limited to, returned or unearned premiums which may become payable under or in respect of any self-insurance program maintained by a Borrower or in which a Borrower participates) owned by or payable to such Borrower in respect of any of the Collateral. The Borrowers hereby appoint the Collateral Agent as the Borrowers' attorney-in-fact and in the Borrowers' or any of their or in the Collateral Agent's name to do one or more of the following: (i) endorse any check or draft representing any such payment or execute any proof of claim, subrogation receipt or any other document required by such insurance company as a condition to or otherwise in connection with such payment or (ii) assign any such policies.

(b) All casualty insurance policies of the Borrowers relating to the Collateral shall name the Collateral Agent as the loss payee thereunder and all liability insurance policies of the Borrowers shall name the Collateral Agent and each Purchaser, and their respective successors and assigns as additional insureds thereunder and shall provide for 30 days' written notice to the Collateral Agent of cancellation or modification. Such loss payable endorsements shall specify that the proceeds of such insurance, to the extent relating to any loss or damage to any of the Collateral, shall be payable to the Collateral Agent and shall further specify that the Collateral Agent shall be paid regardless of any act or omission by a Borrower or Guarantor or any of their Affiliates. At the written direction of the Required Holders, the Collateral Agent may apply any insurance proceeds received by the Collateral Agent at any time to the cost of repairs or replacement of Collateral and/or to payment of the Secured Obligations, whether or not then due, in any order and in such manner as directed by the Required Holders in such written direction.

Section 6. Representations and Warranties.

The Borrowers represent and warrant to the Purchasers and the Collateral Agent:

- (a) A Borrower has good, marketable title to each item of Collateral, free and clear of all liens.
- (b) A Borrower has all Licenses and Permits which are material to the conduct of the business currently conducted. Each License and Permit is in full force and effect and no Borrower is in default in respect of any of the terms and conditions thereof.
- (c) The location of each of their places of formation or organization, places of business, each of their chief executive offices and federal tax identification numbers are as listed on **Schedule A**.
- (d) **Schedule B** sets forth all of the Intellectual Property of any Borrower including all agreements or other arrangements of Borrowers pursuant to which a Borrower has a license or other right to use any trademarks, logos, designs, representations or other Intellectual Property owned by another person as in effect on the date hereof.

Section 7. Rights and Remedies on Default.

- (a) After the occurrence and during the continuance of any Event of Default:
 - (i) the Collateral Agent or its nominee shall have the right to take possession of the Collateral and without liability to any Borrower for trespass, enter any premises where the Collateral may be located for the purpose of taking possession of or removing the Collateral by any available judicial procedure, or, to the extent permitted by applicable law, without judicial process, and, in connection therewith, the Borrowers shall, upon request of the Collateral Agent and at the Borrowers' expense, assemble the Collateral and make it available to the Collateral Agent or its nominee, without rent, at the Land or such other locations reasonably convenient to both parties, as the Collateral Agent shall designate;
 - (ii) the Collateral Agent shall have the right to sell, lease, or otherwise dispose of all or any part of the Collateral, whether in their then condition or after further preparation or processing, either at public or private sale or at any broker's board, in lots or in bulk, for cash or for credit, with or without warranties or representations, and upon such terms and conditions, all as the Collateral Agent in its sole discretion may deem advisable, and any Secured Party shall have the right to purchase at any such sale; and, if any Collateral shall require refurbishing, repairing, maintenance, preparation, or is in process or other unfinished state, the Collateral Agent shall have the right, at its option, to do such refurbishing, repairing, maintenance, preparation or processing, for the purpose of putting the Collateral in such salable or disposable form as it shall deem appropriate. The Borrowers will execute and deliver such documents and take such other action as the Collateral Agent deems reasonably necessary or advisable in order that any such sale may be made in compliance with law. Upon any such sale the Collateral Agent shall have the right to deliver, assign and transfer to the purchaser the Collateral so sold. Each purchaser at any such sale shall hold the Collateral so sold to it

absolutely, free from any claim or right of whatsoever kind, including any equity or right of redemption of the Borrowers;

(iii) if any Borrower shall receive any payment constituting Collateral (including, without limitation, any proceeds of insurance), the Borrower shall hold the amount of such payment in trust for the benefit of the Collateral Agent and shall not commingle such payment with any other moneys or assets of the Borrower, and immediately upon receipt shall deliver the same to the Collateral Agent in the same form received, endorsed or otherwise assigned by such Borrower to the Collateral Agent where necessary to permit collection of such items and, regardless of the form of such endorsement, each Borrower hereby waives presentment, demand, notice of dishonor, protest, notice of protest and all other notices with respect thereto;

(iv) the Collateral Agent may exercise the voting rights attached to any of the Collateral; and

(v) the Secured Parties shall have all rights and remedies of a secured party under the UCC or otherwise available to them under the Purchase Agreement or at law or in equity.

(b) Unless the Collateral is perishable or threatens to decline steadily in value or is of a type customary sold on a recognized market, the Borrowers shall be given notice at least ten (10) days before the time of any intended public sale or of the time after which any private sale or other disposition of the Collateral is to be made and the Borrowers agree that such notice is reasonable notice of such sale or other disposition. The Collateral Agent shall not be obligated to make any such sale pursuant to any such notice. The Collateral 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 the sale, and such sale may be made at any time or place to which the same may be so adjourned. In case of any sale of all or any part of the Collateral on credit or for future delivery, the Collateral so sold may be retained by the Collateral Agent until the selling price is paid by the purchaser thereof, but the Collateral Agent shall not incur any liability in case of the failure of such purchaser to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may again be sold upon like notice. The Collateral Agent, instead of exercising the power of sale herein conferred upon it, may proceed by a suit or suits at law or in equity to foreclose the security interests therein and sell the Collateral, or any portion thereof, under a judgment or decree of a court or courts of competent jurisdiction.

(c) The proceeds of any collection, sale, lease or other disposition of all or any part of the Collateral, and of all proceeds of the enforcement of any lien and security interests created under this Agreement, together with any sums then held by the Collateral Agent as part of the Collateral, shall be applied in the order of priority set forth in the Collateral Agency Agreement.

(d) If, upon the sale, lease or other disposition of the Collateral, the proceeds thereof are insufficient to pay all amounts to which the Secured Parties are legally entitled, the Borrowers will be liable for the deficiency, together with interest thereon at the Default Rate; provided, however, that the foregoing shall not be deemed to require any Secured Party to resort to or initiate proceedings against the Collateral prior to the

collection of any such deficiency from the Borrowers or any other guarantor of or security for the Secured Obligations.

(e) To the extent permitted by applicable law, the Borrowers waive all claims, damages and demands against the Secured Parties arising out of the repossession, removal, retention, sale or lease of the Collateral.

Section 8. Costs and Expenses.

Any and all fees, costs and expenses, of whatever kind or nature, including the reasonable attorneys' fees and legal expenses incurred by any Secured Party in connection with the preparation of this Agreement and all other documents relating hereto and the consummation of the transactions contemplated by the Purchase Agreement, or arising out of or in connection with the administration of this Agreement, or the exercise, enforcement or performance of any right, remedy, term or provision of this Agreement by any Secured Party, or the filing or recording of UCC financing statements and other documents (including all taxes in connection therewith) in public offices, the payment or discharge of any Taxes, insurance premiums, encumbrances or otherwise protecting, maintaining, preserving or refurbishing the Collateral, or the enforcing, foreclosing, retaking, holding, storing, processing, selling, leasing or otherwise realizing upon the Collateral, or curing of any default, and the Collateral Agent's liens and security interest thereon and collecting any deficiency, whether through judicial proceedings or otherwise, or in defending or prosecuting any actions or proceedings arising out of or relating to the transaction to which this Agreement relates, shall constitute Secured Obligations and shall be borne and paid by the Borrowers on demand by any Secured Party and if not paid within ten days of such demand shall bear interest at the Default Rate.

Section 9. Power of Attorney.

(a) The Borrowers authorize the Collateral Agent and do hereby make, constitute and appoint the Collateral Agent, and any officer, employee or agent of the Collateral Agent, with full power of substitution, as the Borrowers' and each Borrower's true and lawful attorney-in-fact, effective upon the occurrence of and during the continuance of an Event of Default, with power in its own name or in the name of the Borrowers or any Borrower:

(i) to endorse any note, checks, drafts, money orders, documents, instruments or other instruments of payment (including payments payable under or in respect of any policy of insurance) in respect of the Collateral that may come into possession of the Collateral Agent;

(ii) to sign and endorse any invoice, freight or express bill, bill of lading, storage receipts, drafts against debtors, assignments, verifications, notices or other documents in connection with or relating to the Collateral;

(iii) to pay or discharge taxes, liens, security interests or other encumbrances at any time levied or placed on or threatened against the Collateral;

(iv) to demand, collect, receive, compromise, settle and sue for monies due in respect of the Collateral;

(v) to notify lessees and other persons obligated with respect to the Collateral of the interest of the Collateral Agent in such security and to direct them to make payments directly to the Collateral Agent or as the Collateral Agent may direct;

(vi) to exercise on behalf of any Borrower any right or remedy such Borrower may have against any third party under or in respect of the Collateral whether at law, under this Agreement or otherwise; and

(vii) generally, to do at the Collateral Agent's option and at the Borrowers' expense, at any time, or from time to time, all acts and things which the Collateral Agent reasonably deems necessary to protect, preserve and realize upon the Collateral and the Collateral Agent's security interest therein (including signing and filing, at the expense of the Borrower, any UCC financing statements or other agreements, documents, instruments or notices in the name of a Borrower or otherwise) in order to effect the intent of this Agreement and of the Purchase Agreement, all as fully and effectively as any Borrower might or could do.

(b) The Borrowers hereby ratify all that said attorney shall lawfully do or cause to be done by virtue hereof.

(c) This power of attorney, being coupled with an interest, shall be irrevocable for the term of this Agreement and thereafter until all of the Secured Obligations have been indefeasibly paid in full or otherwise satisfied.

Section 10. Right to Cure.

The Collateral Agent may, at its option, (a) upon notice to the applicable Borrower, cure any default by such Borrower under any material agreement with a third party which adversely affects the Collateral, its value or the ability of the Collateral Agent to collect, sell or otherwise dispose of the Collateral or the rights and remedies of the Collateral Agent therein or the ability of such Borrower to perform its obligations hereunder or under the Purchase Agreement, (b) pay or bond on appeal any judgment entered against a Borrower, (c) discharge taxes, liens, security interests or other encumbrances at any time levied on or existing with respect to the Collateral (except liens, security interests or other encumbrances permitted hereunder) and (d) pay any amount, incur any expense or perform any act which, in the Collateral Agent's judgment, is reasonably necessary or appropriate to preserve, protect, insure or maintain the Collateral and the rights of the Collateral Agent with respect thereto. The Collateral Agent may add any amounts so expended to the Secured Obligations, such amounts to be repayable by the Borrowers on demand. The Collateral Agent shall be under no obligation to effect such cure, payment or bonding and shall not, by doing so, be deemed to have assumed any obligation or liability of any Borrower. Any payment made or other action taken by the Collateral Agent under this **Section 10** shall be without prejudice to any right of the Secured Parties to assert an Event of Default and to proceed accordingly.

Section 11. Notices.

All notices and communications provided for hereunder shall be in writing and sent by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to a Borrower or the Borrowers, addressed to it or them c/o S&H Greenpoints, Inc. at 45 Congress Street, Salem, MA 01970;

(ii) If to the Collateral Agent addressed to it at State Street Bank and Trust Company, Global Investors Services Group Corporate Trust, 6th Floor, 2 Avenue DeLafayette, Boston, Massachusetts 02111-1724, Attention: S&H Greenpoints Collateral Agency Agreement;

(iii) if to any Purchaser, addressed to it at the address or fax number as is specified for such Purchaser in the schedule attached hereto as Schedule D and made a part hereof;

or at such other address as any party shall have specified to the other parties in writing given in accordance with this **Section 11**. Notices given in accordance with this **Section 11** will be deemed given upon actual receipt.

Section 12. Other Security.

To the extent that the Secured Obligations are now or hereafter secured by property other than the Collateral or by the guarantee, endorsement or property of any other person, firm, corporation or other entity, then the Secured Parties shall have the right in their sole discretion to pursue, relinquish, subordinate, modify or take any other action with respect thereto, without in any way modifying or affecting any of the Secured Parties' rights and remedies hereunder. To the maximum extent permitted by applicable law, the Borrowers hereby agree that they will not invoke any law relating to the marshaling of collateral which, might cause delay in or impede the enforcement of the Secured Parties' rights under this Agreement or under any other instrument evidencing any of the Secured Obligations or under which any of the Secured Obligations is outstanding or by which any of the Secured Obligations is secured or guaranteed, and, to the maximum extent permitted by applicable law, each Borrower hereby irrevocably waives the benefits of all such laws.

Section 13. Custody of the Collateral.

The Collateral Agent shall not have any duty or obligation with respect to any of the Collateral other than the reasonable care of any tangible Collateral in its possession provided, the Collateral Agent shall not be liable or responsible for any loss or damage to any of the Collateral, or for any diminution in the value thereof, by reason of the act or omission of any warehouseman, carrier, forwarding agency, consignee or other agent or bailee selected by the Collateral Agent in good faith and in the absence of gross negligence and the Collateral Agent shall not have any duty as to the collection of any Collateral in its possession or control or in the possession or control of any agent or nominee of the Collateral Agent, or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto.

Section 14. Waivers: Obligations Absolute.

No course of dealing among the Borrowers or any Secured Party, nor any failure to exercise, nor any delay in exercising, on the part of any Secured Party, any right, power or privilege hereunder or under the Purchase Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder

or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

Section 15. Cumulative Remedies.

All of the Secured Parties' rights and remedies with respect to the Collateral, whether established hereby, by the Purchase Agreement, by any other Transaction Document or by any other agreements, instruments or documents or by law shall be cumulative and may be exercised singly or concurrently.

Section 16. Severability.

The provisions of this Agreement are severable, and if any clause or provision shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

Section 17. Modification.

This Agreement may not be amended or modified, nor may any provisions be waived, except by a writing signed by each of the parties hereto or, in the case of a waiver, by the party so waiving its rights.

Section 18. Counterparts.

This Agreement may be executed in as many counterparts as may be deemed necessary or convenient, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same instrument.

Section 19. Binding Effect, Benefit of Agreement and Assignment.

The benefits and burdens of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties; provided, however, that the rights and obligations of the Borrowers under this Agreement shall not be assigned or delegated without the prior written consent of the Collateral Agent, and any purported assignment or delegation without such consent shall be void.

Section 20. Governing Law.

THIS AGREEMENT IS TO BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS (WITHOUT GIVING EFFECT TO ANY LAWS OR RULES RELATING TO CONFLICTS OF LAWS THAT WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THE COMMONWEALTH OF MASSACHUSETTS.

Section 21. Indemnity.

The Borrowers covenant and agree to indemnify and hold harmless each of the Secured Parties, and their officers, directors, employees, agents, attorneys-in-fact and affiliates (each, an "Indemnified Party"), from and against any and all claims, suits,

losses, penalties, demands, causes of action and judgments of any nature whatsoever and all liabilities and indebtedness of any and every kind and nature now or hereafter owing, arising, due or payable, including all costs and expenses (including reasonable attorneys fees and expenses) (all of the foregoing being herein collectively called "**Liabilities**"), which may be imposed on, incurred by or asserted, against any of them in connection with (i) the ownership or use of any of the Collateral or the security interest of the Collateral Agent in the Collateral, and (ii) the failure on the part of the Borrowers to comply and to cause the obligors under the Assigned Leases to comply in all respects with the laws of the United States of America and other jurisdictions in which the Collateral or any part thereof may be operated and with all lawful acts, rules, regulations and orders of any commissions, boards or other legislative, executive, administrative or judicial bodies or officers having power to regulate or supervise any of the Collateral; provided, however, that the Borrowers shall have no obligation to any Indemnified Party with respect to Liabilities arising from such Indemnified Party's own gross negligence or willful misconduct. The obligations of the Borrowers under this **Section 21** shall survive the termination of this Agreement.

Section 22. Joint and Several Liabilities; Exercise of Rights.

All obligations of the Borrowers hereunder shall be joint and several whether or not specifically stated.

Section 23. Limited Role of Collateral Agent.

(a) Notwithstanding any term of this Agreement to the contrary:

(i) Any permissive power or grant of authority or power to the Collateral Agent shall not be construed to be mandatory or to create an affirmative obligation on the part of the Collateral Agent to exercise such power or authority.

(ii) The Collateral Agent shall not be charged with or deemed to have notice or knowledge of any Default or Event of Default, unless and until (and except to the extent) it has received written notice thereof from a Purchaser. The Collateral Agent may rely conclusively on any such written notice without further inquiry or investigation

(iii) The Collateral Agent shall be under no obligation or duty to take any action in connection with, or to exercise any right of recovery or remedy against, the Collateral or the Borrower, including without limitation, the exercise of any right or remedy pursuant to this **Section 7** or **Section 9**, unless and except to the extent it has received express written instruction from the Required Holders, and in such case, its obligation to take action in accordance with such instruction shall be subject to the terms of this Agreement and the Collateral Agency Agreement.

(iv) Upon request at any time or times, the Secured Parties shall certify in writing to the Collateral Agent, the amount and nature of any Secured Obligations outstanding, and the Collateral Agent may rely conclusively thereon without further inquiry or investigation.

(v) In no instance shall the Collateral Agent have any liability for any action taken pursuant to the instruction of Required Holders.

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(vi) The Collateral Agent is not responsible for the creation, perfection, continuation or priority of any security interest hereunder, and shall not be responsible for determining compliance with applicable requirements of the Uniform Commercial Code or other applicable law in connection with any exercise of rights or remedies or liquidation of or foreclosure upon Collateral. Without limiting the foregoing, the Collateral Agent shall have no responsibility to determine whether any actions are necessary, or to take any actions (including without limitation, any applicable filings) that may be necessary (except to the extent expressly instructed in writing by Required Holder, subject to the terms of this Agreement and the Collateral Agency Agreement) to comply with the requirements of revised UCC Article 9 (as recommended for enactment by the National Conference of Commissioners on Uniform State Laws and the American Law Institute, if and when adopted in any relevant jurisdiction, or other changes in applicable law.

(vii) The Collateral Agent shall not be responsible for the genuineness, authenticity, sufficiency, value, validity or marketability of any stock certificates or other item of property delivered to it from time to time pursuant to this Agreement or the Collateral Agency Agreement.

(viii) The Collateral Agent shall not be under any duty to monitor, determine, investigate or compel compliance by the Borrowers with any term of this Agreement.

(b) The execution and delivery of this Agreement by the Collateral Agent is pursuant to direction set forth in the Collateral Agency Agreement, and the Collateral Agent has no responsibility or liability for the sufficiency, acceptability, validity or enforceability of any of the terms hereof. In executing and delivering, performing and observing any terms of, or in taking or forbearing, from any action under or pursuant to, this Agreement, the Collateral Agent shall enjoy and be entitled to all of the protections, immunities, benefits and indemnities of the Collateral Agency Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

S&H GREENPOINTS, INC.

BORROWERS:

By: [Signature]
Name: Karl Sniady
Title: CFO

THE SPERRY & HUTCHINSON COMPANY, INC.

By: [Signature]
Name: Karl Sniady
Title: CFO

xINETix, INC.

By: [Signature]
Name: Karl Sniady
Title: CFO

COLLATERAL AGENT:

STATE STREET BANK AND TRUST COMPANY,
as Collateral Agent

By: _____
Name:
Title:

Signature Page to Security Agreement

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

BORROWERS: S&H GREENPOINTS, INC.

By: _____
Name:
Title:

THE SPERRY & HUTCHINSON COMPANY, INC.

By: _____
Name:
Title:

xINETix, INC.

By: _____
Name:
Title:

COLLATERAL AGENT: STATE STREET BANK AND TRUST COMPANY,
as Collateral Agent

By: *CHI C. MA*
Name: CHI C. MA
Title: VICE PRESIDENT

Signature Page to Security Agreement

Schedule A

Executive Offices and Tax ID Numbers

<u>Debtor</u>	<u>Place of Formation or Organization</u>	<u>Chief Executive Office</u>	<u>Other Business Locations</u>	<u>Tax ID Number</u>
S&H Greenpoints, Inc.	Delaware	45 Congress Street Building L Salem, MA 01970		13-4046123
The Sperry & Hutchinson Company, Inc.	New Jersey	45 Congress Street Building L Salem, MA 01970	45 Congress St. Building L Salem, MA 01970 40 Beach St. Suite 203 Manchester, MA 01944 9 East 40 th St. New York, NY 10016 1790 Corporate Drive Suite 340 Norcross, GA 30093 Ft. Lauderdale Technology Center 1650 W. McNab Rd. Fort Lauderdale, FL 33309 3993 Daugherty Rd. Salem, VA 24153 647 Chicago Ave. Harrisonburg, VA 22801 409 ½ East Main St. Hazard, KY 41701 2017 Avenue A Kearney, NE	13-3085363

			68847	
xiNETix, Inc.	Delaware	Ft. Lauderdale Technology Center 1650 W. McNab Rd. Fort Lauderdale, FL 33309	N/A	04-3513229

Schedule B

Intellectual Property

- | | | |
|----|--|---|
| 1. | xiNETix Patents Nos. ¹ | 4,825,045
4,833,308
4,949,256 |
| 2. | xiNETix U.S. Trademarks | "Infopilot Leading the way to customer loyalty"

"xiNETix"
"Infopilot" |
| 3. | Sperry U.S. Trademarks | "S&H"
"S&H Green Stamps"
"Green Stamps"
S&H logo shield design
S&H Green Stamps shield design
S&H stamp design |
| 4. | Sperry U.S. Trademark Applications Pending | "greenpoints"
"S&H greenpoints"
"Click & Earn" |
| 5. | Sperry has several foreign trademark applications pending in a number of jurisdictions for "S&H" and "greenpoints". To date, only Hong Kong has issued registration for "greenpoints". | |
| 6. | Sperry has done a preliminary filing for a universal loyalty system and final application will be filed by the end of February. | |

¹ These patents are registered by Advance Promotion Technologies, Inc. ("Advance"). xiNETix obtained proprietary rights to these patents after a bankruptcy proceeding adjudicated Advance bankrupt.

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SCHEDULE C**LIST OF ALL UCC'S FILED, BROKEN DOWN BY FILING OFFICE,
WITH NAME AND ADDRESS OF DEBTOR, SECURED PARTY,
DATE OF FILING AND INSTRUMENT NUMBER**

<u>STATE</u>	<u>FILING LOCATION</u>
1. Massachusetts	(a) Office of Secretary of State (b) Salem, MA (c) Manchester, MA
2. New York	(a) Office of Secretary of State (b) New York County, NY
3. Georgia	(a) Gwinnett County, GA
4. Florida	(a) Office of Secretary of State

SCHEDULE D

NOTICE ADDRESS FOR EACH PURCHASER

Eaglis Alternative Investments I,
LLC
c/o Stuart Moore
Sapient Corporation
1 Memorial Drive
Cambridge, MA 02142

Carl Novotny as Trustee of the
S&H Nominee Trust
c/o Affinity Partners
30 Washington Street
Wellesley Hills, MA 02481

Graham Gund
c/o Joel Carpenter
Sullivan & Worcester
One Post Office Square
Boston, MA 02109

LHC Corporation
c/o Brian Geiger
501 Silverside Rd., Suite 14
Wilmington, DE 19809-1375

Ann Beinecke Oliver
c/o Coldstream Condominiums
1476 Westhaven Drive
Lyon East
Vail, CO 81657

C. Hardy Oliver
c/o Coldstream Condominiums
1476 Westhaven Drive
Lyon East
Vail, CO 81657