

FORM PTO-1594 (Rev. 6-93)

RECOF

04-27-2001

ET

U.S. DEPARTMENT OF COMMERCE Patent and Trademark Office

OMB No. 0651-0011 (exp. 4/94)

Tab settings



To the Honorable Commissioner of Patents

101690010

original documents or copy thereof.

1. Name of conveying party(ies):

QR Merlin Acquisition LLC

RE: 1.16.01

- Individual(s), Association, General Partnership, Limited Partnership, Corporation-State, Other Limited Liability Company

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

2. Name and address of receiving party(ies)

Name: Citicorp U.S.A., Inc.

Internal Address: 25th Floor

Street Address: 153 East 53rd Street

City: New York State: NY ZIP: 10022

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

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

(Designations must be a separate document from assignment)

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

3. Nature of conveyance:

- Assignment, Merger, Security Agreement, Change of Name, Other

Execution Date:

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

A. Trademark Application No.(s)

See attached Schedule

B. Trademark Registration No.(s)

See attached schedule.

Additional numbers attached? Yes No

73873556

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

Name: Rothschild & Quaid LLP

Internal Address: Suite 305

04/25/2001 GTON11 00000191 73823556

01 FC:482 25.00 OP

Street Address: 229 7th Street

City: Garden City State: NY ZIP: 11530

6. Total number of applications and registrations involved:

10

7. Total fee (37 CFR 3.41).....\$ 240.00

- Enclosed, Authorized to be charged to deposit account

8: Deposit account number:

N/A

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

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.

ROBERT CRANE Name of Person Signing

Signature

10/6/00 Date

Total number of pages including cover sheet, attachments, and document:

18

Mail documents to be recorded with required cover sheet information to: Commissioner of Patents & Trademarks, Box Assignments TRADEMARK

REEL: 002282 FRAME: 0316

# SCHEDULE

## QR MERLIN, LLC

Mark	Appl. No.	Filing Date	Reg. No.	Reg. Date	Status
QR	73/823,556	09/05/89	1,598,470	05/29/90	Registered
QR	73/823,555	09/05/89	1,589,058	03/27/90	Registered
QR	75/108,140	05/22/96	2,296,319	11/30/99	Registered
Quintana Roo	73/823,552	09/05/89	1,596,274	05/15/90	Registered
Quintana Roo	73/823,554	09/05/89	1,627,240	12/11/90	Registered
Quintana Roo	75/108,131	05/22/96	2,333,460	03/21/00	Registered
Real Design	75/749,298	07/13/99	2,357,470	06/13/00	Registered
Real and Design	75/749,172	07/13/99			Pending

Docket Number	Mark	Serial No. File Date	Reg. No. Reg. Date	Status
MERL T001XX United States REF:	Merlin Class: 012	73/802,956 05/26/1989	1,576,748 01/02/1990	Issued
MERL T002XX United States REF:	Newsboy Class: 012 019	74/581,301 10/03/1994	1,977,348 05/28/98	Issued

# INTELLECTUAL PROPERTY COLLATERAL PLEDGE AND SECURITY AGREEMENT

This Collateral Pledge and Security Agreement ("**Security Agreement**") made as of this 6th day of October, 2000 by and between LITESPEED TITANIUM COMPONENTS, INC., a Tennessee corporation with a principal place of business at 9308 Ooltewah Industrial Drive, Ooltewah, Tennessee 37363 and QR MERLIN ACQUISTION, LLC, a Delaware limited liability company with a principal place of business at 9308 Ooltewah Industrial Drive, Ooltewah, Tennessee 37363 (individually and collectively, the "**Debtor**"), and CITICORP U.S.A., INC., a national banking association having an office at 153 East 53rd Street, New York, New York 10022, its successors and assigns ("**Lender**");

## **RECITALS:**

**WHEREAS**, Lender has simultaneously herewith made a commitment to Debtor to extend loans in the maximum aggregate principal amount of \$21,023,240.00 ("**Loans**"), as evidenced by the following notes: (i) a Revolving Credit Note in the principal amount of \$8,000,000.00; (ii) a Term Loan No. 1 Note in the maximum aggregate principal amount of \$1,023,240.00; (iii) a CAPEX Loan Note in the principal amount of \$1,500,000.00; (iv) a Trademark Loan Note in the principal amount of \$5,000,000.00; (v) a Term Loan No. 2 Note in the principal amount of \$4,000,000.00; and (vi) a Term Loan No. 3 Note in the principal amount of \$1,500,000.00, all executed and delivered simultaneously herewith by Debtor (collectively, "**Note**"), pursuant to a certain Loan Agreement executed and delivered simultaneously herewith by Debtor ("**Loan Agreement**"), the terms of which Note and Loan Agreement are incorporated herein by reference; and

**WHEREAS**, as an inducement to and as a condition of Lender to make the Loans, Debtor has agreed, as security for the due performance of all of Debtor's obligations to Lender arising out of or in any way connected with the Loan Agreement, the Note or this Security Agreement, to grant to Lender a security interest in all of its right, title and interest in, inter alia, certain intellectual property and to the Collateral, hereinafter described.

All capitalized terms used herein shall have the same meaning ascribed to them in the Loan Agreement, unless otherwise specifically set forth herein.

**NOW, THEREFORE**, in order to induce Lender to grant the Loans, and in consideration of any financial accommodation given, to be given or continued to Debtor under the Loan Agreement, and as collateral security for the payment of all debts, obligations, liabilities now or hereafter existing, absolute or contingent, of the Debtor to Lender, pursuant to the Loan Agreement, Lender and Debtor agree as follows:

### **1. Pledge and Grant of Security Interest.**

(a) Debtor hereby deposits with and/or assigns and pledges to Lender, and grants to Lender a continuing first security interest in, the following collateral together with the proceeds thereof (collectively, "**Collateral**"), which security interest described herein shall continue in the Collateral, notwithstanding sale, exchange or other disposition thereof by the Debtor and shall remain in effect until a termination thereof is filed:

(i) The U.S. and foreign trademark and service mark rights, whether registered or not, applications to register and registrations of the same and like protections, and the entire goodwill of the business of Debtor connected with and symbolized by the trademarks set forth on Schedule A hereto (collectively, the "**Trademarks**");

(ii) All right to the proceeds arising from any and all claims for damages by way of past, present and future infringement of any of the rights included above;

(iii) All amendments, renewals and extensions of any of the Trademarks; and

(iv) All proceeds and products of the foregoing, including without limitation all payments under insurance or any indemnity or warranty payable in respect of any of the foregoing.

(b) The Collateral shall secure (i) the full and punctual payment and performance of Debtor's obligations under, arising out of, or in any way connected with the Note, the Loan Agreement or this Security Agreement, and all instruments, agreements and documents executed, issued and delivered pursuant thereto and in connection with the Loans (all such instruments, agreements and documents to be hereinafter collectively referred to as "**Loan Documents**"), (ii) all future advances made by Lender to Debtor pursuant to the Loan Agreement, or at Lender's option or otherwise, whether in the form of refinancing or otherwise, any renewals or extensions of, or substitutions for, the Note, or any and all other liabilities of Debtor to Lender of whatsoever kind or nature, due or to become due, now existing or hereafter created under the Note, or any other Loan Document; (iii) all expenses, costs and fees, including reasonable attorney's fees, paid or incurred by Lender in connection with the collection of the Note, or the creation, perfection, maintenance, or enforcement of the Note or the preservation, taking possession, realization upon, disposition of the Collateral or the enforcement of Lender's rights therein; and (iv) each and every liability, direct or contingent, joint, several, or guaranteed by Debtor, now or hereafter existing, due or to become due to, or held or to be held by, Lender, whether created directly or acquired by assignment or otherwise. (All of the items set forth in this paragraph (b) being hereinafter collectively referred to as the "**Obligations**").

(c) Lender shall exercise reasonable care in the custody of any of the Collateral at any time in its possession or control hereunder, or otherwise subject to the terms and provisions of this Security Agreement or any other Loan Document, but shall be deemed to have exercised reasonable care if such Collateral is accorded treatment substantially equal to that which Lender accords its own property.

## **2. Lender's Rights in the Collateral.**

(a) Debtor authorizes and requests that the Commissioner of Patents and Trademarks record this Security Agreement.

(b) Lender shall have with respect to the Collateral, in addition to the rights and remedies herein set forth, all of the rights and remedies available to a secured party under the Uniform Commercial Code as in effect in the State of New York ("**UCC**") as if such rights and remedies were fully set forth herein.

(c) This Agreement creates in favor of Lender a valid security interest in the collateral securing the Obligations. Except for, and upon, the filing with the United States Patent and Trademark Office with respect to the Trademarks and Licenses necessary to perfect the security interests created hereunder, and the filing of the UCC financing statements, no authorization, approval or action by, and no notice or filing with any U.S. governmental authority or U.S. regulatory body is required either (1) for the grant by Debtor of the security interest granted hereby for the execution, delivery or performance of this Agreement by Debtor in the United States, or (2) for the perfection in the United State of the security interest created hereby or the exercise by Lender of its rights and remedies hereunder.

(d) Unless and until there shall have occurred and be continuing an Event of Default (as defined in the Loan Agreement), Lender hereby grants to Debtor the exclusive, nontransferable right and license to use the Collateral on and in connection with products sold or services provided by Debtor, for Debtor's own benefit and account. Debtor agrees not to sell or assign its

interest in, or grant any sublicense under, the licenses granted to Debtor in this section to any person not an Affiliate, without the prior written consent of Lender.

(e) Lender shall not be bound to take any steps necessary to preserve any rights in any of the Collateral against prior parties who may be liable in connection therewith, and Debtor hereby agrees to take such necessary steps. Lender may nevertheless upon an Event of Default (i) take any action it may deem appropriate for the care or preservation of the Collateral or of any rights of Debtor or Lender therein, (ii) demand, sue for, collect or receive any money or property at any time due, payable or receivable on account of or in exchange for any Collateral, (iii) compromise and settle with any person liable on such property, and/or (iv) extend the time of payment or otherwise change the terms of any such liability, as to any party liable thereon, all without notice to, without incurring responsibility to, and without affecting any of the liabilities or any obligations of, Debtor hereunder.

(f) If the Collateral or any portion thereof fails to conform to legal requirements, in Lender's sole and absolute opinion, then and in any such event, Debtor shall (at the sole discretion of Lender) deliver or transfer to Lender additional property or a security interest therein to be subject to the terms and provisions hereof or make such appropriate payments to Lender on account of the Obligations.

(g) In addition to any of its rights or remedies set forth in this Security Agreement, Lender may in its sole and absolute discretion at any time and with or without notice to Debtor, relinquish its rights as to particular Collateral without thereby affecting or invalidating its rights in the balance of the Collateral, it being further understood and agreed that Lender shall not be obligated to assert or enforce any rights, liens or security interests under this Security Agreement or any Loan Document or to take any action in reference thereto.

**3. Debtor's Representations and Warranties.** In addition to any other representations and warranties set forth in the Loan Agreement or any other Loan Document, including this Security Agreement, Debtor further represents and warrants to Lender that:

(a) Debtor is the owner of, and has good title to, the Collateral in its own name and not as agent or trustee or otherwise for any other person or party, free and clear of any lien, security interest or encumbrance other than the security interest created pursuant to this Security Agreement except as to existing equipment with purchase money security interests and equipment hereinafter acquired with other purchase money financing as permitted by the Loan Agreement. Debtor has no knowledge of any challenge to Debtor's ownership of the Collateral, except as disclosed in Schedule B annexed hereto. No one has claimed to have any lien, encumbrance or security interest in the Collateral other than as permitted under the Loan Agreement. Debtor shall continue to keep the Collateral free from any other liens throughout the term of the Loan Agreement. Debtor shall defend at its sole cost and expense, its ownership of, and Lender's rights to, the Collateral against any claim and demands.

(b) Debtor has full authority and unconditional right to grant to Lender the security interests respecting the Collateral as contemplated by this Security Agreement and the other Loan Documents.

(c) Debtor has not agreed to sell any of the Collateral nor has Debtor signed any agreement, contract or option to sell the Collateral, and no one has claimed any right to purchase or otherwise acquire the Collateral.

(d) Debtor has not granted any liens, encumbrances or security interests with respect to the Collateral, nor are there any liens, encumbrances or security interests attached to the Collateral.

(e) The pledge and assignment of the Collateral and the grant of a security interest therein under this Security Agreement vests in Lender all rights of a secured party in the Collateral as contemplated by this Security Agreement. No one other than Debtor and, by virtue of this Security Agreement, Lender, has any interest in or claim against the Collateral except as permitted by the Loan Agreement. All rights of Lender and liens of Lender shall continue unimpaired, and Debtor shall be and remain bound by the Obligations in accordance with the terms hereof as may be reasonably requested by Lender.

(f) To the best of Debtor's knowledge, the Trademarks are subsisting and have not been adjudged invalid or unenforceable.

(g) To the best of Debtor's knowledge, no claim has been made that the use of any of the Trademarks does or may violate the rights of any third person, other than as set forth Exhibit "B" hereto.

**4. Affirmative Covenants of the Debtor.** So long as any of the Obligations of Debtor is outstanding, and unless Lender shall otherwise consent in writing, and in addition to any other covenants set forth in this Security Agreement or any other Loan Document, Debtor shall:

(a) Permit Lender and/or its agents and representatives to have such access (during Debtor's normal business hours currently in effect) to any of the Collateral in order to inspect, value or appraise the Collateral on an annual basis, or otherwise exercise Lender's rights under the Loan Documents. Debtor shall reimburse Lender for its reasonable costs and expenses relating to such inspection, valuation and/or appraisal.

(b) Promptly pay when due all taxes and assessments upon the Collateral or for its use or operation or upon or in connection with this Security Agreement or upon the Loan Agreement evidencing the Obligations secured hereby. At its option, Lender may discharge any taxes, liens, other security interest, or any other encumbrances at any time levied or placed on the Collateral and may pay for insurance or for the maintenance and preservation of the Collateral.

(c) Give, or cause to be given, prompt written notice to Lender of: (i) any change in location or material change in the status of the Collateral; (ii) the institution or the threat or contemplation of any action, suit or proceeding (whether or not purportedly on behalf of Debtor) at law, in equity, in arbitration or before any other authority, which may or could reasonably be expected to have a material and adverse effect on (A) Debtor, (B) Debtor's obligations under the this Security Agreement, (C) any part of the Collateral, or (D) any of the transactions contemplated in this Note or the other Loan Documents; or (iii) any act or event that violates, is in conflict with, results in a breach of or constitutes a default (with or without the giving of notice or the passage of time or both) under any other material instrument, indenture, agreement or other obligation to which Debtor is a party or by which Debtor, any part of the Collateral or any of Debtor's assets and properties is or may be bound or subject.

(d) Debtor shall (i) protect, defend and maintain the validity and enforceability of the Collateral to the extent it has the right to do so, (ii) use commercially reasonable efforts to detect infringements of the Trademarks and promptly advise Lender in writing of infringements detected and (iii) not allow any of the Trademarks to be abandoned or forfeited without the written consent of Lender.

(e) Debtor will use for the duration of this Agreement, proper statutory notice in connection with its use of the Trademarks;

(f) Debtor agrees that, until all of the Obligations shall have been satisfied in full, it will not enter into any agreement (for example, a license agreement) which is inconsistent with Debtor's obligations under this Agreement, without Lender's prior written consent.

(g) Debtor shall file and prosecute diligently any trademark applications of the Trademarks pending as of the date of this Agreement or thereafter until the Obligations shall have been paid in full, file and prosecute opposition and cancellation proceedings and do any and all acts which are necessary or desirable to preserve and maintain all rights in the Trademarks, and the cost thereof shall be borne by Debtor. Any expenses incurred in connection with the Trademarks shall be borne by Debtor.

(h) Upon demand, Debtor shall (i) furnish further assurance of title, (ii) furnish further security for the Obligations, and (iii) execute any written instruments or documents, or to endorse such instruments and documents or do any other acts necessary to make effective the purposes and provisions of this Security Agreement.

**5. Negative Covenants of the Debtor.** So long as any of the Obligations of Debtor is outstanding and unpaid under the Note or any of the Loan Documents, and unless Lender shall otherwise consent in writing, and in addition to any other covenants set forth in this Security Agreement or any other Loan Document, Debtor shall not:

(a) Sell, transfer, exchange or otherwise dispose of or agree to dispose of, all or any portion of the Collateral except in the ordinary course of business, unless Lender consents and/or at its option, accepts replacement collateral acceptable to Lender in its sole and absolute discretion.

(b) Enter into any agreement with regard to the Collateral without the prior written consent of Lender.

(c) Assign any right to receive income, dividends, rights, or in each or any case to secure any debt or obligation of any other person or entity, nor make any loans, advances and guarantees to or for any other person or entity.

(d) Impair or dilute the value of any of the Collateral or the security intended to be afforded by this Security Agreement, or destroy the Collateral or any part thereof, nor use the Collateral in violation of any statute or ordinance.

(e) Directly or indirectly make, create, incur, assume or permit to exist any assignment, pledge, mortgage, security interest, preferential arrangement, or other lien or encumbrance of any nature in, to or against any part of the Collateral, subject to this Security Agreement, or offer or agree to do so, or own or acquire or agree to acquire any property of any character to be included in the Collateral subject to any of the foregoing encumbrances (including any conditional sale contract or other title retention agreement), or assign, pledge or in any way transfer or encumber Debtor's right to receive any income or other distribution or proceeds from any part of the Collateral, or enter into any purchase-leaseback financing respecting the Collateral as lessee, or cause or assist the inception or continuation of any of the foregoing.

**6. End of Security Interest.** The interest of Lender in the Collateral shall end and Lender shall return and/or release the Collateral and all documents related to the Collateral in Lender's possession to Debtor when all sums owed under the Note shall have been paid in full to Lender and all Obligations under the Loan Documents shall have been fully complied with. The receipt by Debtor of the Collateral shall be a complete and full acquittance for the Collateral so delivered whereupon Lender shall thereafter be discharged from any liability or responsibility therefor. If at any time all or any part of any payment theretofore applied by Lender to any of the obligations is or must be rescinded or returned by Lender for any reason whatsoever (including the insolvency, bankruptcy or reorganization of the Debtor, such obligations shall, for the purposes of this Security Agreement, to the extent that such payment is or must be rescinded or returned, be deemed to have continued in existence, notwithstanding such application by the Lender, and this

Security Agreement shall continue to be effective or be reinstated, as the case may be, as to such obligations, all as though such application by Lender had not been made.

**7. Additional Documents.** Upon Lender's request and at Debtor's sole cost and expense, Debtor shall execute and deliver to Lender any financing statements and renewals, and any other instruments or documents that Lender may reasonably require to establish, protect, enforce and/or transfer its rights in the Collateral or any part thereof, or to enable Lender to exercise and enforce its rights and remedies hereunder or under the Loan Documents, including, without limitation Financing Statements, Amendments and Continuation Statements thereto, or to otherwise carrying out the intention of facilitating the performance of the Obligations and the terms and provisions of this Security Agreement and the Loan Documents. Lender may execute these documents in its own name and capacity, or in the name and capacity of Debtor and then file and/or record them as Lender may deem appropriate at Lender's option and at Debtor's sole cost and expense. Debtor hereby irrevocably appoints Lender to be its true and lawful attorney-in-fact with full power and substitution for the purpose of executing and filing and/or recording such documents and to do all acts and things which Lender may deem appropriate to perfect and continue perfected the security interest created by this Security Agreement and to protect the Collateral, which appointment shall be deemed coupled with an interest and irrevocable.

**8. Default.** The occurrence and/or continuance of any of the following events (singularly an "Event of Default" and collectively, "Events of Default") shall be a default hereunder:

(a) An Event of Default has occurred and/or is continuing under the Loan Agreement or any of the other Loan Documents.

(b) Debtor fails to comply with or perform any of the Obligations or its undertakings under this Security Agreement, and such failure shall continue beyond any applicable grace period as may be therein provided.

(c) Debtor takes any action which is inconsistent with or in violation of this Security Agreement, or which endangers the safety or integrity of the Collateral or any part of it.

(d) This Security Agreement shall for any reason, except to the extent permitted by the terms hereof or of the Loan Agreement, (i) cease to create a valid and perfected first priority security interest in any of the Collateral, (ii) cease to be in full force and effect, (iii) be declared null and void; (iv) the validity or enforceability thereof shall be contested; or (v) if Debtor denies any further liability or obligation hereunder or under any of the Loan Documents.

(e) There is any change in the financial condition of Debtor, which materially and adversely affects (i) the financial condition of Debtor, (ii) the Collateral, or (iii) Debtor's ability to pay all amounts due, and perform all of the Obligations under the Loan Documents.

(f) There is a loss, theft, damage, destruction, sale or encumbrance of the Collateral or any material part of it (unless such act or occurrence is covered by insurance and such proceeds thereof are paid to Lender), or a levy, seizure, or attachment of the Collateral or any material part of it or Lender's rights or remedies with respect to any material portion of the collateral are materially impaired or otherwise materially or adversely affected.

**9. The Lender's Rights In An Event of Default.** (a) Upon the occurrence of any Event of Default, Debtor's license in the Collateral as set forth in Section 2(d) shall terminate forthwith.



**(b)** Upon an Event of Default, Lender is authorized and has the option to perform Debtor's Obligations and to perform any acts permitted hereunder, or under law, in any manner deemed proper by Lender, without waiving any right to enforce this Security Agreement.

**(c)** In the event of an Event of Default, Debtor shall deliver the Collateral (or such portion thereof not in Lender's exclusive possession) to Lender or make same immediately available to Lender upon demand therefor. If the Debtor refuses or fails to comply with Lender's demand, then in addition to its other remedies, Lender shall be expressly and irrevocably authorized to take possession of the Collateral as may be permitted by applicable law, or by written notice served personally upon or sent by registered or certified mail, return receipt requested, to Debtor or any other third party, as Lender may elect, in its sole and absolute discretion, and no further authorization or notice shall be required during the continuance of any Event of Default. Lender may, without limitation, and with or without entry or the taking of possession, generally do, execute and perform any act, deed, matter or thing whatsoever that owners of similar collateral are authorized by law to do. Debtor hereby irrevocably authorizes any third party, to rely upon and comply with any notice or demand which may be given by Lender without any requirement to give notice of any kind or character and without liability on the part of such third party for determining the validity or propriety of Lender's notice or demand, and notwithstanding any claim by the Debtor that such notice or demand is invalid or improper. Debtor shall have no claim against any third party, for its reliance upon any demand of the Lender made with regard to the Collateral upon an Event of Default.

**(d)** In addition to all its other legal rights, Lender may without notice to the Debtor, except as otherwise provided for herein, sell the Collateral (in whole or in part, at the Lender's sole and absolute discretion and option), at one or more public or private sales, with or without advertisement of the time, place or terms of sale, except that if it is a private sale, it shall occur not less than thirty (30) days after written notice to Debtor. Lender shall determine the terms of any such sales in its sole but reasonable discretion. A sale conducted according to the usual practice of financial institutions selling similar collateral shall be considered reasonably conducted.

**(e)** Lender may sell the Collateral for immediate cash payment or on credit. If the sale is on credit, Lender shall retain the Collateral until the sale price is paid in full. Lender shall not be liable if any buyer fails to pay the sales price, and Lender may then resell the Collateral. Unless prohibited by provision of any applicable statute, which may not be waived, Lender may purchase the Collateral at any public sale or, upon making payment or allowing credit for the current market price, may purchase the Collateral at private sale. SUCH PURCHASE BY LENDER OR ANYONE DESIGNATED BY LENDER, SHALL BE FREE OF DEBTOR'S RIGHT TO REDEEM THE COLLATERAL, WHICH RIGHT OF REDEMPTION, DEBTOR HEREBY WAIVES. Lender may elect to continue to hold the Collateral if it determines that a better price can be obtained at a later date and, absent gross negligence, Lender shall not be liable to Debtor or for any loss in value in the Collateral.

**(f)** If Lender sells the Collateral or any part thereof, the proceeds shall be applied as follows: **(i)** first, to the expenses of collecting, selling and delivering the Collateral, including, but not limited to, reasonable attorneys' fees, expenses, and auctioneers fees, and **(ii)** second, to Lender to the payment and performance of all the Obligations due under the Note. The surplus, if any, may be paid by Lender to Debtor, but in the event there remains an unsatisfied portion of the Obligations of Debtor to Lender, Debtor shall remain liable for the deficiency.

**(g)** The rights and remedies of Lender under this Section 9 are cumulative and not alternative. Lender may exercise any and all of its rights hereunder or under law, upon an Event of Default by Debtor hereunder, without being required to commence any other action or proceeding, without regard to the adequacy of any other security held by Lender, and without regard to any requirement in law or requirement in law or equity to marshal the assets of Debtor. Upon an Event of Default, Lender may bring an action or proceeding to enforce this Security Agreement, without regard to whether Lender takes proceedings with respect to the Collateral or the Note. Institution of

suit on the Note or procurement of judgment, levy and execution pursuant thereto, shall not operate as a transfer of title to the Collateral to Debtor nor release Debtor from any obligations under this Security Agreement or any other Loan Document.

**(h)** The failure on the part of Lender to demand the entire payment upon an Event of Default in one or more payments by Debtor shall not be deemed a waiver by Lender of its right to make immediate demand for the entire amount remaining unpaid, or to take immediate repossession of the Collateral, or of its right to immediately foreclose this Security Agreement, and payments shall not be deemed a waiver of such rights. The lien of this Security Agreement shall continue until all of the Obligations secured by this Security Agreement have been fulfilled.

**(i)** In the event of the occurrence and continuation of an Event of Default under the Loan Agreement, Debtor hereby authorizes and empowers Lender to make, constitute and appoint any officer or agent of Lender as Lender may select, in its exclusive discretion, as Debtor's true and lawful attorney-in-fact, with the power to endorse name on all applications, documents, papers and instruments necessary for Lender to use the Collateral, or to grant or issue any exclusive or nonexclusive license under the Collateral to anyone else, or necessary for Lender to assign, pledge, convey or otherwise transfer title in or dispose of the Collateral to anyone else. Debtor hereby ratifies all that such attorneys shall lawfully do or cause to be done by virtue thereof. This power of attorney shall be irrevocable for the life of this Agreement.

**10. Expenses.** **(a)** Debtor shall pay to Lender on demand all costs and expenses of Lender in connection with the custody, care, preservation or collection of the Collateral, the preparation, execution, delivery, administration, modification, collection through bankruptcy or other judicial proceedings, protecting and enforcing this Security Agreement or the Obligations, and the holding, preparing for sale and selling of the Collateral, including, but not limited to, appraisal fees, consulting fees and the reasonable fees and out-of-pocket expenses of counsel for Lender, whether in-house or retained counsel.

**(b)** If any legal proceeding is commenced in which Lender is made a party and which relates to this Security Agreement, the other Loan Documents or the Collateral, or if Lender seeks to assert or defend the security interest created hereunder, or if Lender makes any payments or performs any acts on Debtor's behalf, any and all advances, charges, costs and expenses, including reasonable attorneys' fees, incurred or paid by Lender in connection therewith or in exercising any right, power or remedy conferred by this Security Agreement, or in the enforcement thereof, shall be repaid and reimbursed by Debtor to Lender immediately on demand.

**(c)** Debtor hereby indemnifies and holds harmless Lender and each of its officers, directors, employees, agents, affiliates and advisors from and against any and all liabilities, costs or expenses (including the reasonable fees and out-of-pocket expenses of counsel for Lender) with respect to or resulting from any delay in paying or omission to pay any such expenses described in this Section 10.

**(d)** Such amounts due Lender under this Section 10 shall become a part of the Obligations and secured hereunder by the Collateral. If Debtor does not pay such reimbursement within three (3) days of demand, such reimbursement due shall bear interest from the date of Lender's demand at a rate equal to the Post Default Rate. Debtor agrees that Lender shall have no obligation to make any payments or perform any acts required on Debtor's behalf.

**11. Notices.** All notices required to be given under this Security Agreement shall be in writing (including, without limitation, by telex, telecopy or internet) and shall be deemed sufficiently given for all purposes hereunder if: **(a)** sent by certified mail, return receipt requested, whereupon such notices shall be deemed received three (3) days following the day of deposit with the Post Office Registry Clerk; or **(b)** sent by overnight express courier or personal delivery served on Debtor, its respective agent, or on Lender, whereupon such notice shall be deemed received one

(1) day following the date of delivery. All notices hereunder shall be addressed as follows (or at such other address as may be specified in a notice duly given hereunder):

**If to Debtor:** Litespeed Titanium Components, Inc.  
9308 Ooltewah Industrial Drive  
Ooltewah, Tennessee 37363

and QR Merlin Acquisition, LLC  
9308 Ooltewah Industrial Drive  
Ooltewah, Tennessee 37363

**with a copy to:** Cohn, Birnbaum & Shea, P.C.  
Attorneys at Law  
100 Pearl Street  
Hartford, Connecticut 06103

**If to Lender:** Citibank N.A.  
Citicorp Center, 153 East 53<sup>rd</sup> Street  
25th Floor, Zone 5  
New York, New York 10022.  
Attention: Laura G. Rowley, Assistant Vice President

**with a copy to:** Rothschild & Quaid LLP  
229 Seventh Street  
Suite 305  
Garden City, New York 11530  
Attention: Valerie M. Rothschild, Esq.

**12. Usury.** No matter what else is set forth in this Security Agreement or the Loan Agreement, or any other Loan Document, if any payment by Debtor or act by Debtor would result in the payment of interest in excess of the maximum rate of interest legally permissible, then Debtor's obligation to make such payment or do such an act shall be deemed automatically reduced to such maximum rate, so that in no event shall Debtor be obligated to make any payment, perform any act, or promise to do (or not do) any act which would result in the payment of interest in excess of such maximum rate. Any such excess payments shall, at Lender's option, either be applied as partial prepayments of the Loans or any other sums due under the Loan Documents or this Security Agreement as Lender shall determine in its sole discretion, or held as cash collateral for the repayment of the Loans.

**13. Successors and Assigns.** All of Debtor's Obligations, and all of Lender's rights, under this Security Agreement, shall bind and benefit their respective successors and assigns, including any other lender which may participate in the making of any loans or advances evidenced by the Note. Lender retains any rights it may otherwise have that are not set forth in this Security Agreement. Only Lender, and not Debtor in any event, has the right at any time and without Debtor's consent, to assign its rights and/or obligations under this Security Agreement or its rights to the Collateral. Subject to relevant sections of the Loan Agreement, Lender may assign or otherwise transfer all or any of the Obligations, and may deliver all or any of the Collateral to the transferee or assignee, who shall thereupon become vested with all the powers and rights in respect thereof given to Lender herein or otherwise, and Lender shall thereafter be forever relieved and fully discharged from any liability or responsibility with respect thereto, all without prejudice to the retention by Lender of all rights and powers not so transferred.

**14. Waiver.** (a) The rights, powers and remedies given to Lender by this Security Agreement shall be in addition to all rights, powers and remedies given to Lender by virtue of any statute or rule of law. Any forbearance or failure or delay by Lender in exercising any right,

power or remedy hereunder shall not be deemed to be a waiver of such right, power or remedy, and any single or partial exercise of any right, power or remedy hereunder shall not preclude the further exercise thereof; and every right, power and remedy of Lender shall continue in full force and effect until such right, power or remedy is specifically waived by an instrument in writing executed by Lender.

**(b)** DEBTOR AND LENDER HEREBY AGREE THAT ANY LITIGATION ARISING OUT OF ANY CONTROVERSY WITH RESPECT TO, IN CONNECTION WITH OR ARISING OUT OF THE NOTE, THIS SECURITY AGREEMENT, OR ANY OTHER LOAN DOCUMENT, SHALL BE TRIED BY A JUDGE SITTING WITHOUT A JURY.

**(c)** DEBTOR HEREBY WAIVES THE RIGHT TO INTERPOSE ANY SET-OFF OR COUNTERCLAIM OF ANY KIND OR DESCRIPTION IN ANY LITIGATION COMMENCED BY LENDER IN CONNECTION WITH THE LOAN, THE COLLATERAL AND/OR THIS SECURITY AGREEMENT.

**(d)** Debtor and Lender confirm that the foregoing waivers are informed and freely made.

**15. Indemnity.** **(a)** Neither Lender, nor any director, officer or employee of Lender, shall be liable to Debtor for any action taken or omitted to be taken by it or them hereunder or in connection herewith, except for its or their own gross negligence or willful misconduct; nor shall Lender be responsible for the validity, effectiveness or sufficiency hereof or of any document or security furnished pursuant hereto or in connection herewith. Lender shall be entitled to rely on any communications, instrument or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Debtor agrees to indemnify and hold harmless Lender, and/or agents of Lender, from and against any and all liability incurred by Lender (or such agent) hereunder or in connection herewith, unless such liability shall be due to willful misconduct or gross negligence on the part of Lender or such director, officer, employee or agent.

**(b)** Debtor shall indemnify and hold harmless Lender, and each of its directors, officers, employees, agents, affiliates and advisors, from and against any and all claims, damages, losses, liabilities and expense (including without limitation, reasonable fees and disbursements of counsel) which may be incurred by or asserted against Lender or any such individual or entity described above in connection with or arising out of any investigation, litigation or proceeding related to or arising out of this Security Agreement, the transactions contemplated hereunder, or any of the Loan Documents.

**(c)** If the representation by Debtor as to the use to be made of the proceeds of the Loans is not correct, Debtor shall indemnify Lender for any loss which Lender sustains in consequence of its relying on the statement of Debtor, without regard to whether Debtor had acted in good faith.

**(d)** The foregoing indemnities shall survive the payment in full of the Note and fulfillment of the Obligations under the Loan Documents.

**16. No Fiduciary Relationship.** Lender and Debtor acknowledge and agree that Lender is not acting as escrow agent, trustee or other fiduciary under this Security Agreement, and that Lender is holding the Collateral solely as a secured party.

**17. Complete Agreement; Modification.** **(a)** Debtor's obligations under this Security Agreement and the other Loan Documents, are absolute and unconditional and are valid irrespective of any other agreement or circumstance which might otherwise constitute a defense to the Obligations hereunder or thereunder. This Security Agreement and the other Loan Documents set forth the entire understanding of the parties with respect to the Loans. Debtor acknowledges that no oral or other agreements, conditions, promises, understandings, representations or

warranties exist in regard to the Obligations under this Security Agreement or the other Loan Documents, except those specifically set forth herein and therein.

(b) This Security Agreement cannot be modified without the mutual agreement in writing of Lender and Debtor.

**18. New York Law; Jurisdiction.** (a) This Security Agreement and the other Loan Documents shall be governed by the laws of the State of New York. In the event of a conflict between any provisions of this Security Agreement and any federal or New York State statute, law or regulation in effect as of the date of this Security Agreement, the statute, law or regulation shall control to the extent of such conflict and the provisions contained in this Security Agreement shall be without effect. All other provisions of this Security Agreement shall remain fully effective and enforceable.

(b) Without limiting the right of Lender to bring any action or proceeding against Debtor or the Collateral arising out of or relating to any obligation of Debtor under the Note or under this Security Agreement (“**Action**”) in the Courts of other jurisdictions, Debtor hereby irrevocably (i) submits to the jurisdiction of any New York State or Federal Court sitting in the County of New York, and the Action may be heard and determined in such New York State Court or in such Federal Court; (ii) waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of any Action in any permitted jurisdiction; and (iii) agrees that the Summons and Complaint or any other process in any jurisdiction may be served in any matter permitted by law in which event Debtor's time to respond shall be the time provided by law.

**19. Continuing Agreement.** (a) This is a continuing agreement and all the rights, powers and remedies hereunder shall apply to all past, present and future indebtedness of Debtor to Lender under the Loan Agreement, including that arising under successive transactions which shall either continue the Obligations, increase or decrease them, or from time to time create new Obligations after all or any prior Obligations have been satisfied, and notwithstanding the death, incapacity, or bankruptcy of Debtor, or any other event or proceeding affecting Debtor.

(b) Until all the Obligations of Debtor under the Loan Documents shall have been complied with and paid in full, the power of sale and all other rights, powers and remedies granted to Lender hereunder shall continue to exist and may be exercised by Lender at any time and from time to time irrespective of the fact that the Obligations or any part thereof may have become barred by any statute of limitations, or that the personal liability of Debtor may have ceased.

**20. Severability.** Any provision of this Security Agreement, the Note or any other Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Security Agreement, the Note or such other Loan Document or affecting the validity or enforceability of such provision in any other jurisdiction.

If any of the provisions of this Security Agreement is terminated by operation of law as against Debtor, Debtor shall indemnify and save Lender, its successors or assigns, harmless from any loss which may be suffered or incurred by Lender in making, giving, or extending any loans or other credit or otherwise acting in reliance hereon prior to receipt by it of notice in writing of such termination.

**21. Discharge of Debtor.** Debtor shall not be discharged by any extension of time, additional advances and notes, renewals and extensions of any note, the taking of further security, releasing security, extinguishment of the security interest as to all or any part of the Collateral, or any other act except as release or discharge of the secured interest upon the full payment of the obligations secured by this Security Agreement, including charges, expenses, fees, costs and interest.

**22. Use of Captions.** Captions are used in this Security Agreement only as a matter of convenience and do not define or describe the intent of any provision.

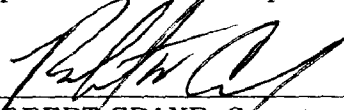
**23. Counterparts.** This Security Agreement may be executed in counterparts whereupon each of the executed counterparts of this Security Agreement shall be an original and all counterparts together shall constitute the same instrument.

**24. Joint and Several Obligation.** If this Security Agreement is executed by two or more parties as Debtors, they shall be severally bound and committed thereunder, and the term "Debtor" wherever used herein shall be construed to render to each of such parties separately, all in the same manner and with the same effect as if each of them had signed separate instruments.

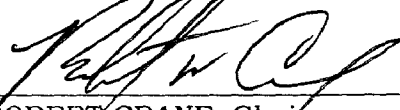
**25. Time is of the Essence.** Time is of the essence as to all dates set forth herein, provided however, that whenever any Obligation to be complied with under this Security Agreement shall be stated to be due on a Saturday, Sunday or a public holiday, or the equivalent for banks generally under the laws of the State of New York (any other day being a "**Business Day**"), such compliance may be made on the next succeeding Business day, and such extension of time shall in such case be included in the computations of payment of interest.

**IN WITNESS WHEREOF**, the parties hereto have executed this Security Agreement on the day and year first above written.

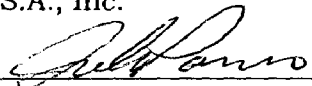
Litespeed Titanium Components, Inc.

By:   
ROBERT CRANE, Secretary

QR Merlin Acquisition, LLC

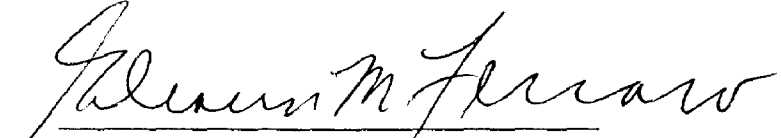
By:   
ROBERT CRANE, Chairman

Citicorp U.S.A., Inc.

By:   
Jules Panna, Vice President

STATE OF NEW YORK )  
 ) SS.:  
COUNTY OF NEW YORK )

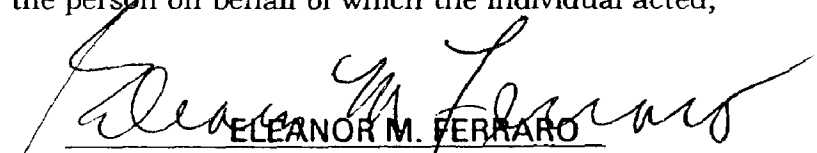
On the 3 day of October in the year 2000, before me, the undersigned, a notary public in and for said State, personally appeared ROBERT CRANE, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person on behalf of which the individual acted, executed the instrument.

  
\_\_\_\_\_  
Notary Public

ELEANOR M. FERRARO  
Notary Public, State of New York  
No. 24 - 01 FE4810351  
Commission Expires March 30, 2002

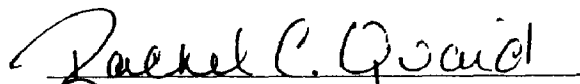
STATE OF NEW YORK )  
 ) SS.:  
COUNTY OF NEW YORK )

On the 3 day of October in the year 2000, before me, the undersigned, a notary public in and for said State, personally appeared ROBERT CRANE, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person on behalf of which the individual acted, executed the instrument.

  
\_\_\_\_\_  
ELEANOR M. FERRARO  
Notary Public, State of New York  
No. 24 - 01 FE4810351  
Commission Expires March 30, 2002

STATE OF NEW YORK )  
 ) SS.:  
COUNTY OF NEW YORK )

On the 5 day of October in the year 2000, before me, the undersigned, a notary public in and for said State, personally appeared Jules Panno, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person on behalf of which the individual acted, executed the instrument.

  
\_\_\_\_\_  
Notary Public

RACHEL C. QUAID  
NOTARY PUBLIC, State of New York  
No. 02QU4936548  
Qualified in Nassau County  
Commission Expires June 13, 2002

**SCHEDULE A****LITESPEED TITANIUM COMPONENTS, INC.**

TRADEMARK	COUNTRY	STATUS	NUMBER	FILE/ REGISTRATION DATE
Vari-Link	U.S.	Registered	1,879,666	21-Feb-1995
Litespeed (Stylized)	U.S.	Registered	1,706,553	11-Aug-1992
Asymmetric	U.S.	Registered	1,924,870	03-Oct-1995
Litespeed	U.S.	Pending	74/456,509	05-Nov-1993
Litespeed	Canada	Registered	TMA452803	05-Jan-1996
Litespeed	European Community	Registered	000665829	08-Mar-1999
Litespeed	Germany	Registered	39509328	19-Jan-1996
Litespeed Titanium (and design)	Germany	Registered	2099547	25-Jan-1996
Litespeed	Switzerland	Pending	8923/1997	10-Nov-1997
Litespeed	France	Registered	96 633 105	05-Jul-1996
Litespeed	Japan	Pending	28400/1995	27-Mar-1995
Litespeed	Japan	Registered	4295526	16-Jul-1999



SCHEDULE A (continued)

QR MERLIN, LLC

Mark	Appl. No.	Filing Date	Reg. No.	Reg. Date	Status
QR	73/823,556	09/05/89	1,598,470	05/29/90	Registered
QR	73/823,555	09/05/89	1,589,058	03/27/90	Registered
QR	75/108,140	05/22/96	2,296,319	11/30/99	Registered
Quintana Roo	73/823,552	09/05/89	1,596,274	05/15/90	Registered
Quintana Roo	73/823,554	09/05/89	1,627,240	12/11/90	Registered
Quintana Roo	75/108,131	05/22/96	2,333,460	03/21/00	Registered
Real and Design	75/749,172	07/13/99			Pending
Real Design	75/749,298	07/13/99	2,357,470	06/13/00	Registered

Mark	Country	Appl. No.	Filing Date	Reg. No.	Reg. Date	Status
QR	France	96/651,966	11/22/96	96,651,966	05/02/97	Registered
QR	Taiwan	8,823,878	05/19/99			Pending
Quintana Roo	France	96/651,967	11/26/96	96,651,967	05/02/97	Registered
Quintana Roo	Taiwan	8,823,879	05/19/99			Pending

Docket Number	Mark	Serial No. File Date	Reg. No. Reg. Date	Status
MERL T001XX United States REF:	Merlin Class: 012	73/802,956 05/26/1989	1,576,748 01/02/1990	Issued
MERL T002XX United States REF:	Newsboy Class: 012 019	74/581,301 10/03/1994	1,977,348 05/28/98	Issued
Merlin Metalworks Germany	Merlin		2,062,807 04/20/1994	Issued

**Schedule B**

Trademark application 74/456,509 has been opposed by King Par, Inc., a Michigan golf club manufacturer. The application covers the name "Litespeed" with respect to goods including racquets for tennis and racquetball and kayak and paddles.