

05-22-2001



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Form PTO-1594
(Rev. 03/01)
OMB No. 0651-0027 (exp. 5/31/2002)

TRADEMARKS ONLY

U.S. DEPARTMENT OF COMMERCE
U.S. Patent and Trademark Office

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To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):

Kistler Aerospace Corporation

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

5-14-01

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

3. Nature of conveyance:

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

Execution Date: 03/22/01

2. Name and address of receiving party(ies)

Name: Bay Harbour Management, L.C.

Internal

Address: _____

Street Address: 885 Third Avenue, 34th Fl.

City: New York State: NY Zip: 10022

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

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

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

A. Trademark Application No.(s)

75/770715

B. Trademark Registration No.(s)

Additional number(s) attached Yes No

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

Name: Jeffrey E. Oraker

Internal Address: Gibson, Dunn & Crutcher LLP

Street Address: 1801 California St.

Suite 4100

City: Denver State: CO Zip: 80202

6. Total number of applications and registrations involved: _____

1

7. Total fee (37 CFR 3.41).....\$ 40.00

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number:

(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.

Jeffrey E. Oraker

Name of Person Signing

Jeffrey E. Oraker
Signature

5/9/01

Date

Total number of pages including cover sheet, attachments, and document: 53

Mark documents to be recorded with required cover sheet information to:
Commissioner of Patent & Trademarks, Box Assignments
Washington, D.C. 20231

SECURITY, PLEDGE AND CHARGE AGREEMENT

This SECURITY AND PLEDGE AGREEMENT, dated as of March 22, 2001, is made among each of the undersigned (each, a "Grantor" and, together with any other entity that becomes party hereto pursuant to Section 11.16 hereof, the "Grantors") and BAY HARBOUR MANAGEMENT, L.C., a Florida limited liability company, as Agent for the Lenders (as defined below) (the "Secured Party").

RECITALS:

WHEREAS, the lenders set forth on Schedule 1 to the Credit Agreement (the "Lenders") and the Secured Party have entered into a Credit Agreement dated as of March 22, 2001 (said Agreement, as it may hereafter be amended or otherwise modified from time to time, the "Credit Agreement") with Kistler Aerospace Corporation (the "Company");

WHEREAS, pursuant to the Credit Agreement, the Lenders have agreed to make Loans (as defined in the Credit Agreement) upon the terms and subject to the conditions set forth therein; and

WHEREAS, it is a condition to the obligations of the Lenders to make Loans under the Credit Agreement that the obligations of each Grantor be secured as provided herein;

NOW, THEREFORE, in consideration of the premises and in order to induce the Lenders to make Loans under the Credit Agreement, and in consideration of other Secured Obligations hereinafter incurred, each Grantor hereby agrees with the Secured Party, as follows:

ARTICLE I

DEFINITIONS

1.1 Definitions. Capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed thereto in the Credit Agreement. The following terms shall have the following meanings:

"Account Debtor" shall mean the person who is obligated on a Receivable.

"Accounts" shall mean "accounts" as such term is defined in Section 9-106 of the UCC.

"Affirmation Agreement" shall mean an agreement substantially in the form of Annex I hereto.

"Agreement" shall mean this Pledge and Security Agreement, as the same may from time to time be amended, supplemented or otherwise modified.

"BH Agent" shall mean Bay Harbour Managment, L.C., in its capacity as the agent under the Original Credit Agreement.

"Capital Stock" shall mean any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

"Chattel Paper" shall mean "chattel paper" as such term is defined in Section 9-105(b) of the UCC.

"Charged Notes" shall mean any promissory notes listed on Schedule I hereto, all intercompany notes at any time issued to a Grantor and all other promissory notes issued or held by such Grantor (other than promissory notes to be issued in connection with extensions of trade credit by such Grantor in the ordinary course of business).

"Charged Stock" shall mean any shares of Capital Stock listed on Schedule I hereto, together with any other shares, stock certificates, options or rights of any nature whatsoever in respect of the Capital Stock of any Person that may be issued or granted to, or held by, a Grantor while this Agreement is in effect; provided, only the outstanding capital stock of a foreign controlled corporation possessing up to but not exceeding 65% of the total voting power of all classes of capital stock of such foreign controlled foreign corporation entitled to vote shall be deemed to be pledged or charged hereunder.

"Collateral" shall have the meaning assigned to it in Section 2 hereof.

"Collateral Account" shall mean the account (which may be a securities account) maintained pursuant to this Agreement by the Secured Party, and all funds, investment property and instruments or other items from time to time credited to such account and all interest thereon.

"Collateral Records" shall mean books, records, computer software, computer printouts, customer lists, blueprints, technical specifications, manuals, and similar items which relate to any Collateral other than such items obtained under license or franchise agreements which prohibit assignment or disclosure of such items.

"Contracts" shall mean all contracts to which each Grantor now is, or hereafter will be, bound, or a party, beneficiary or assignee (including without limitation Copyright Licenses, Patent Licenses, Trademark Licenses and Trade Secret Licenses), and all other instruments, agreements and documents executed and delivered with respect to such contracts, and all revenues, rentals, Proceeds and other sums of money due and to become due from any of the foregoing, as the same may be modified, supplemented or amended from time to time in accordance with their terms.

"Copyright Licenses" shall mean all of each Grantor's right, title, and interest in and to any and all agreements providing for the granting of any right in or to Copyrights (whether such Grantor is licensee or licensor thereunder) including, without limitation, each agreement referred to in Item B of Schedule IV.

"Copyrights" shall mean all of each Grantor's right, title, and interest in and to all United States and foreign copyrights, all mask works fixed in semi-conductor chip products (as defined under 17 U.S.C. 901 of the U.S. Copyright Act), whether registered or unregistered, now or hereafter in force throughout the world, all registrations and applications therefor including, without limitation, the registrations and applications referred to in Item A of Schedule IV, all rights corresponding thereto throughout the world, all extensions and renewals of any thereof, the right to sue for past infringements of any of the foregoing, and all proceeds of the foregoing, including, without limitation, licenses, royalties, income, payments, claims, damages, and proceeds of suit.

"Credit Agreement" shall have the meaning specified in the first recital to this Agreement.

"Deposit Accounts" shall mean the Collateral Account and any deposit account, including without limitation, "deposit accounts" as such term is defined in Section 9-105(e) of the UCC and any other deposit or securities account, together with any funds, instruments or other items credited to any such account from time to time, and all interest thereon.

"Documents" shall mean "documents" as such term is defined in Section 9-105(f) of the UCC.

"Encumbrance" shall mean any:

(a) security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, power or title retention arrangement; or

(b) right of set-off, assignment of income, garnishee order or monetary claim; or

(c) right that a person (other than the owner) has to remove something from land (known as a profit a prendre), easement, public right of way, restrictive or positive covenant, lease, or license to use or occupy; or

(d) equity, interest or writ of execution,

or any agreement to create any of them or allow them to exist.

"Equipment" shall mean "equipment" as such term is defined in Section 9-109(2) of the UCC, including, without limitation, machinery, manufacturing equipment, data processing equipment, computers, office equipment, furniture, appliances, tools, furnishings, fixtures, vehicles, motor vehicles, and any manuals, instructions, blueprints, computer software and similar items which relate to the above, and any and all additions, substitutions and replacements of any of the foregoing, wherever located, together with all improvements thereon and all attachments, components, parts, equipment and accessories installed thereon or affixed thereto.

"Event of Default" shall have the meaning assigned thereto in the Credit Agreement.

"Fixtures" shall mean "fixtures" as such term is defined in Section 9-313 of the UCC.

"General Intangibles" shall mean "general intangibles" as such term is defined in Section 9-106 of the UCC, including, without limitation, rights to the payment of money (other than Receivables), Trademarks, Copyrights, Patents and Contracts, licenses including, without limitation, Trademark Licenses, Copyright Licenses, Patent Licenses and Trade Secret Licenses and franchises, partnership interests, joint venture interests, federal income tax refunds, computer software, databases, inventions, designs, Trade Secrets, goodwill, tradenames, fictitious business names, business names, company names, business identifiers, trade styles and service marks (whether or not registered), proprietary rights, customer lists, supplier and customer contracts, sale orders, correspondence, advertising materials, payments due in connection with any requisition, confiscation, condemnation, seizure or forfeiture of any property, reversionary interests in pension and profit-sharing plans and reversionary, beneficial and residual interests in

trusts, credits with and other claims against any Person, together with any collateral for any of the foregoing and the rights under any security agreement granting a security interest in such collateral.

"Instruments" shall mean "instruments" as such term is defined in Section 9-105(1)(i) of the UCC.

"Insurance Policies" shall mean insurance policies, including without limitation the insurance policies attached hereto on Schedule VII.

"Intellectual Property" shall mean, collectively, the Copyrights, the Copyright Licenses, the Patents, the Patent Licenses, the Trademarks, the Trademark Licenses, the Trade Secrets and the Trade Secret Licenses.

"Intercreditor Agreement" shall mean that certain Intercreditor Agreement, dated as of March 22, 2001, between the Company and Bay Harbour Management, L.C., in its capacity as the agent for the Lenders, agent for the lenders under the Original Credit Agreement, and collateral agent.

"Interest Rate Agreements" shall mean interest rate or currency protection or hedging arrangements, including without limitation, caps, collars, floors, forwards and any other similar or dissimilar interest rate or currency exchange agreements or other interest rate or currency hedging arrangements.

"Inventory" shall mean "inventory" as such term is defined in § 9-109(4) of the UCC, including without limitation, all goods (whether such goods are in the possession of a Grantor or of a bailee or other Person for sale, lease, storage, transit, processing, use or otherwise and whether consisting of whole goods, spare parts, components, supplies, materials or consigned or returned or repossessed goods), including without limitation, all such goods whether raw, in process or finished, all materials usable in processing the same and all documents of title covering any inventory, including but not limited to work in process, materials used or consumed in such Grantor's business, now owned or hereafter acquired or manufactured by such Grantor and held for sale in the ordinary course of its business; all present and future substitutions therefor, parts and accessories thereof and all additions thereto; and all proceeds thereof and products of such inventory in any form whatsoever.

"Investment Property" shall mean "investment property" as such term is defined in Section 9-115 of the UCC and including all "financial assets" and "security entitlements" as each term is defined in Section 8-102 of the UCC.

"Money" shall mean "money" as such term is defined in Section 1-201(24) of the UCC.

"Motor Vehicles" shall mean motor vehicles, tractors, trailers and other like property, if title thereto is governed by a certificate of title ownership.

"Original Credit Agreement" shall mean that certain Credit Agreement, dated as of August 31, 2000, entered into between the Company, the lenders set forth on Schedule 1 thereto and the Agent, as amended by that certain First Amendment to Credit Agreement, dated as of December 8, 2000.

"Original Security Agreement" shall mean that certain Security, Pledge and Charge Agreement, dated as of August 31, 2000, between the Company and the Agent.

"Patent Licenses" means all of each Grantor's right, title, and interest in and to any and all agreements providing for the granting of any right in or to Patents (whether such Grantor is licensee or licensor thereunder) including, without limitation, each agreement referred to in Item D of Schedule IV.

"Patents" means all of each Grantor's right, title, and interest in and to all United States and foreign patents and applications for letters patent throughout the world, including, but not limited to each patent and patent application referred to in Item C of Schedule IV, all reissues, divisions, continuations, continuations-in-part, and reexaminations of any of the foregoing, all rights corresponding thereto throughout the world, and all proceeds of the foregoing including, without limitation, licenses, royalties, income, payments, claims, damages, and proceeds of suit and the right to sue for past infringements of any of the foregoing.

"Person" shall mean and include any individual, partnership, joint venture, firm, corporation, association, trust or other enterprise or any government or political subdivision or agency, department or instrumentality thereof.

"Proceeds" shall mean "proceeds" as such term is defined in Section 9-306(1) of the UCC.

"Receivables" shall mean all rights to payment for goods sold or leased or services rendered, whether or not earned by performance and all rights in respect of the Account Debtor, including without limitation, all such rights in which a Grantor has any right, title or interest by reason of the purchase thereof by such Grantor, and including without limitation all such rights constituting or evidenced by any Account, Chattel Paper, Instrument, General Intangible, note, contract, invoice, purchase order, draft,

acceptance, intercompany account, security agreement, or other evidence of indebtedness or security, together with (a) any collateral assigned, hypothecated or held to secure any of the foregoing and the rights under any security agreement granting a security interest in such collateral, (b) all goods, the sale of which gave rise to any of the foregoing, including, without limitation, all rights in any returned or repossessed goods and unpaid seller's rights, (c) all guarantees, endorsements and indemnifications on, or of, any of the foregoing, and (d) all powers of attorney for the execution of any evidence of indebtedness or security or other writing in connection therewith.

"Receivables Records" shall mean (a) all original copies of all documents, instruments or other writings evidencing the Receivables, (b) all books, correspondence, credit or other files, records, ledger sheets or cards, invoices, and other papers relating to Receivables, including without limitation all tapes, cards, computer tapes, computer discs, computer runs, record keeping systems and other papers and documents relating to the Receivables, whether in the possession or under the control of a Grantor or any computer bureau or agent from time to time acting for such Grantor or otherwise, (c) all evidences of the filing of financing statements and the registration of other instruments in connection therewith and amendments, supplements or other modifications thereto, notices to other creditors or secured parties, and certificates, acknowledgments, or other writings, including, without limitation, charge or Lien search reports, from filing or other registration officers, (d) all credit information, reports and memoranda relating thereto, and (e) all other written or non-written forms of information related in any way to the foregoing or any Receivable.

"Secured Obligations" shall mean (a) all obligations, liabilities (including, without limitation, contingent obligations) and indebtedness of every nature of each Grantor, now existing or hereafter incurred, arising under or in connection with the Credit Agreement, any Note, any other Loan Document or this Agreement and (b) all other obligations, liabilities of every kind, nature or description, direct or indirect, primary or secondary, joint or several, absolute or contingent of each Grantor to the Lenders or the Secured Party whether due or to become due and whether now existing or hereafter incurred and whether similar or dissimilar to the obligations described in clause (a) hereof, and including, without limitation, all consumer or commercial transactions, all purchase money and nonpurchase money transactions, all overdrafts, all letters of credit, all lines of credit, all other extensions of credit and all attorneys' fees and legal expenses incurred by the Lenders or the Secured Party in connection with any such obligations, regardless of how they may be evidenced.

"Secured Party" shall mean Bay Harbour Management, L.C., a Florida limited liability company.

"Security Collateral" shall mean:

(i) any Charged Stock and the certificates representing the Charged Stock, and all dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Charged Stock;

(ii) any Charged Notes and the instruments evidencing the Charged Notes, and all interest, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Charged Notes;

(iii) all additional shares of stock (of any issuer of the Charged Stock) from time to time acquired by each Grantor in any manner, and the certificates representing such additional shares, and all dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such shares; and

(iv) all additional indebtedness from time to time owed to each Grantor by any obligor of the Charged Notes and the instruments evidencing such indebtedness, and all interest, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such indebtedness.

"Security Interest" shall mean "Security Interest" as such term is defined in Section 1-201 of the UCC

"Trademark Licenses" shall mean all of each Grantor's right, title and interest in, and to any and all agreements providing for the granting of any right in or to Trademarks (whether such Grantor is licensee or licensor thereunder) including, without limitation, any agreement referred to in Item F of Schedule IV.

"Trademarks" shall mean all of each Grantor's right, title and interest in, and to all United States and foreign trademarks, trade names, corporate names, fictitious business names, trade styles, service marks, certification marks, collective marks, logos, other source or business identifiers, designs, internet domain names and general intangibles of a like nature, all registrations and applications for any of the foregoing including, but not limited to the registrations and applications referred to in Item E of Schedule IV, all extensions or renewals of any of the foregoing; rights of publicity and privacy relating to the use of names, likenesses, signatures and biographical information of real persons; all of the goodwill of the business connected with the use of and symbolized by the foregoing; the right to sue for past infringement or dilution of any of the foregoing or for any injury to goodwill, and all proceeds of the foregoing, including, without limi-

tation, licenses, royalties, income, payments, claims, damages and proceeds of suit.

"Trade Secret Licenses" shall mean all of each Grantor's right, title and interest in and to any and all payments providing for the granting of any right in or to Trade Secrets (whether such Grantor is licensee or licensor thereunder) including, without limitation, any agreement referred to in Item G of Schedule IV.

"Trade Secrets" shall mean all of each Grantor's right, title and interest in and to trade secrets and all other confidential or proprietary information and know-how now or hereafter owned or used in, or contemplated at any time for use in, the business of such Grantor (all of the foregoing being collectively called a "Trade Secret"), whether or not such Trade Secret has been reduced to a writing or other tangible form, including all documents and things embodying, incorporating or referring in any way to such Trade Secret, the right to sue for past infringement of any Trade Secret and all proceeds of the foregoing, including, without limitation, licenses, royalties, income, payments, claims, damages and proceeds of suit.

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

ARTICLE II

GRANT OF SECURITY INTERESTS

2.1 As security for the prompt and complete payment and performance in full of all the Secured Obligations when due (whether at stated maturity, by acceleration or otherwise), each Grantor hereby charges to the Secured Party (and grants to the Secured Party a Security Interest in) all of such Grantor's right, title and interest in, to and under the following, in each case, whether now owned or existing or hereafter acquired or arising and wherever located (all of which being hereinafter collectively called the "Collateral"):

- (1) all Accounts;
- (2) all Chattel Paper;
- (3) all Contracts;
- (4) the Collateral Account;
- (5) all Collateral Records;

[(6) all Deposit Accounts;]

(7) all Documents;

(8) all Equipment;

(9) all Fixtures;

(10) all General Intangibles;

(11) all Intellectual Property;

(12) all Interest Rate Agreements;

(13) all Instruments;

[(14) all Insurance Policies;]

(15) all Inventory;

(16) all Investment Property;

(17) all Money;

(18) all Motor Vehicles;

(19) all Receivables;

(20) all Receivables Records;

(21) all other tangible and intangible personal property;

(22) all of the Security Collateral; and

(23) all accessions and additions to any or all of the foregoing, all substitutions and replacements for any or all of the foregoing and all Proceeds or products of any or all of the foregoing.

The Grantor does this as beneficial owner of the Collateral. The charge of Collateral is fixed.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Each Grantor hereby represents and warrants to the Secured Party, which representations and warranties shall survive execution and delivery of this Agreement, as follows:

3.1 Credit Agreement Representations and Warranties. Each of the representations and warranties made by and/or in respect of such Grantor in Section 4 of the Credit Agreement is true and correct as of the date hereof.

3.2 No Other Encumbrance. (a) Except for the charge and Lien granted to the BH Agent pursuant to the Original Security Agreement, which Security Interests shall have equal ranking and priority as the Security Interests granted hereunder, and except for the charge or Lien granted to the Secured Party hereunder, each Grantor owns and, as to all Collateral whether now existing or hereafter acquired will continue to own, each item of the Collateral pledged or charged by it free and clear of any and all Encumbrances, rights or claims of all other Persons other than Permitted Encumbrances and the Encumbrances set forth on Schedule 6.2 to the Credit Agreement, and such Grantor shall defend the Collateral against all claims and demands of all Persons at any time claiming the same or any interest therein adverse to the Secured Party.

(b) Except for the financing statements filed by the Company in connection with the Original Security Agreement, no effective financing statement or other evidence of Encumbrance covering or purporting to cover any of the Collateral is on file in any public office other than (i) financing statements filed or to be filed in connection with the Security Interests granted to the Secured Party hereunder, (ii) financing statements for which proper termination statements have been delivered to the Secured Party for filing and (iii) financing statements filed in connection with Permitted Encumbrances and the Encumbrances set forth on Schedule 6.2 to the Credit Agreement. None of the Grantors have consented to any other Person other than the Secured Party having "control" (within the meaning of Section 8-106 of the UCC) over the Collateral Account.

3.3 Perfected Encumbrances; Priority. (a) The Security Interests in the Collateral granted to the Secured Party hereunder constitute valid Security Interests in the Collateral to the extent that a security interest can be created under Article 9 of the UCC or as permitted by laws applicable to patents, trademarks and copyrights..

(b) (i) Upon filing financing statements naming such Grantor as "debtor"

and the Secured Party as "secured party" and describing the Collateral in the filing offices set forth on Schedule V hereto and (ii) to the extent not subject to Article 9 of the UCC, (x) as permitted by applicable law, in the case of Intellectual Property, upon the recordation of the Security Interests granted hereunder in Patents, Trademarks and Copyrights in the applicable patent, trademark and copyright registries or (y) in the case of the Security Collateral, upon the delivery of the Security Collateral and Investments to the Secured Party, the Security Interests in the Collateral granted to the Secured Party hereunder will constitute perfected Security Interests therein superior and prior to all Encumbrances (other than Permitted Encumbrances), rights or claims of all other Persons other than the Security Interests in the Collateral granted to the BH Agent pursuant to the Original Security Agreement which Security Interests shall have equal ranking and priority as the Security Interests granted hereunder; provided, however, that the foregoing is accurate only to the extent that a security interest can be perfected by such filings or delivery.

3.4 Security Collateral. (a) The Charged Stock has been duly authorized and validly issued and is fully paid and non-assessable. The Charged Notes have been duly authorized, authenticated or issued and delivered, and is the legal, valid and binding obligation of the issuers thereof, and is not in default.

(b) The Charged Stock constitutes the percentage of the issued and outstanding shares of stock of the respective issuers thereof indicated on Schedule I. The Charged Notes are outstanding in the principal amount indicated on Schedule I.

3.5 Chief Executive Office; Records. The chief executive office of each Grantor is located at the location specified on Schedule III. The Receivables Records and all Contracts and Collateral Records are located at the locations identified on Schedule III as such or at the chief executive office of such Grantor. All Receivables and Contracts are maintained at and controlled and directed (including, without limitation, for general accounting purposes) from the chief executive office of such Grantor or the offices identified on Schedule III as such.

3.6 Location of Inventory and Equipment. All Inventory and Equipment now or from time to time included in the Collateral is kept only at the locations listed on Schedule II. None of such Inventory or Equipment is in the possession of an issuer of a negotiable document (as defined in UCC Section 7-104) therefor or otherwise in the possession of a bailee.

3.7 Receivables. (a) Each Receivable (i) is and will be the legal, valid and binding obligation of the Account Debtor in respect thereof, representing an unsatisfied obligation of such Account Debtor, (ii) is and will be enforceable in accordance with its terms, (iii) is not and will not be subject to any setoffs, defenses, taxes or counterclaims (except (x) with respect to refunds, returns and allowances in the ordinary course of business with respect to damaged merchandise and (y) to the extent that such Receivable may not yet have been earned

by performance) and (iv) is and will be in compliance with all applicable laws, whether federal, state, local or foreign.

(b) None of the Account Debtors in respect of any Receivable is the United States Government or an instrumentality thereof.

(c) No Receivables which are evidenced by Chattel Paper require the consent of the Account Debtor in respect thereof in connection with assignment hereunder and no other Receivable purports to prohibit assignment or require the consent of the Account Debtor thereunder in connection with assignment.

(d) No Receivables are evidenced by any Instrument or Chattel Paper which has not been delivered to the Secured Party.

The representations and warranties contained in this Section 3.7 shall be deemed to be repeated by such Grantor as of the time when each Receivable pledged or charged by it arises.

3.8 Contracts. (a) Each Contract (i) is and will be the legal, valid and binding obligation of each Grantor party thereto, (ii) is and will be enforceable against each Grantor party thereto in accordance with its terms, (iii) is and, to Grantor's knowledge, will be in full force and effect and is not subject to any setoffs, defenses, taxes, counterclaims or other claims, nor have any of the foregoing been asserted or alleged as to any Contract and (iv) is and, to Grantor's knowledge, will be in compliance with all applicable laws, whether federal, state, local or foreign.

(b) No consent or authorization or filing with or other act by or in respect of any governmental authority is required in connection with the execution, delivery, performance, validity or enforceability of any Contract by each Grantor party thereto other than those which have been duly obtained, made or performed, are in full force and effect and do not subject the scope of any Contract to any material adverse limitation, either specific or general in nature.

(c) None of the Grantors nor, to the knowledge of any Grantor, any other party to any Contract is in default or likely to become in default in the performance or observance of any of the terms thereof.

(d) Each Grantor has fully performed all of its obligations under each Contract to which it is a party.

(e) Each Grantor has delivered to the Secured Party a complete and correct copy of each material Contract as set forth on Schedule VIII hereto, including all

amendments, supplements and other modifications thereto.

(f) No payments due such Grantor under any Contract are evidenced by any Instrument or Chattel Paper which has not been delivered to the Secured Party.

(g) Except as set forth on Schedule IX hereto, no party to any Contract is the United States government or an instrumentality thereof.

(h) Except as set forth in Schedule VI, no Contract prohibits assignment or requires or purports to require consent of or notice to any Person in connection with assignment hereunder.

3.9 Farm Products. None of the Collateral constitutes, or is the proceeds of, Farm Products (as defined in the UCC).

3.10 Fair Labor Standards Act. Any goods now or hereafter produced by such Grantor included in the Collateral have been and will be produced in compliance with the requirements of the Fair Labor Standards Act, as amended.

3.11 Intellectual Property Collateral. Except as disclosed in Item H of Schedule IV:

(a) to Grantor's best knowledge after due inquiry, all Intellectual Property is subsisting and has not been adjudged invalid or unenforceable, in whole or in part, and such Grantor has performed all acts and has paid all renewal, maintenance and other fees and taxes required to maintain each and every registration and application of Intellectual Property Collateral in full force and effect;

(b) to Grantor's best knowledge after due inquiry, all Intellectual Property is valid and enforceable; no holding, decision or judgment has been rendered in any action or proceeding before any court or administrative authority challenging the validity or enforceability of such Grantor's right to register, own or use any Intellectual Property and no such action or proceeding is pending or, to the best of such Grantor's knowledge, threatened;

(c) all registrations and applications for Copyrights, Patents and Trademarks are standing in the name of such Grantor and none of the Trademarks, Patents, Copyrights or Trade Secret Collateral has been licensed by such Grantor to any affiliate or third party, except as disclosed in Items B, D, F or G of Schedule IV;

(d) Schedule IV sets forth a true and accurate list of (i) all United States, state and foreign registrations of and applications for Patents, Trademarks and Copyrights

owned by such Grantor and (ii) all Patent Licenses, Trademark Licenses and Copyright Licenses material to the business of such Grantor;

(e) such Grantor is the sole and exclusive owner of the entire right, title and interest in and to all Intellectual Property on Schedule IV, and, to Grantor's best knowledge after due inquiry, owns or has the valid right to use all other Intellectual Property used in or necessary to conduct its business free and clear of all Encumbrances, except for (i) Permitted Encumbrances and the licenses set forth on Schedule IV items B, D, F and G, and (ii) any Encumbrance granted to the BH Agent in connection with the Original Security Agreement;

(f) to Grantor's best knowledge after due inquiry, the conduct of such Grantor's business does not infringe upon any trademark, patent, copyright, trade secret or similar intellectual property right owned or controlled by a third party; and to the Grantor's best knowledge after due inquiry, no claim has been made that the use of any Intellectual Property - owned or used by such Grantor (or any of its respective licensees) violates the asserted rights of any third party;

(g) to the best of such Grantor's knowledge, no third party is infringing in any material respect upon any Intellectual Property owned or used by such Grantor or any of its respective licensees;

(h) no settlement or consents, covenants not to sue, non-assertion assurances or releases have been entered into by such Grantor or to which such Grantor is bound that adversely affect such Grantor's rights to own or use any Intellectual Property; and

(i) other than in connection with the Original Security Agreement, such Grantor has not made a previous assignment, sale, transfer or agreement constituting a present or future assignment sale or transfer of any Intellectual Property that has not been terminated or released. Except for those financing statements and documents executed and filed in connection with the Original Security Agreement, there is no effective financing statement or other document or instrument now executed or on file or recorded in any public office, granting a security interest in or otherwise encumbering any part of the Intellectual Property, other than in favor of the Secured Party.

ARTICLE IV

COVENANTS

Each Grantor covenants and agrees with the Secured Party that from and after the date of this Agreement:

4.1 Further Assurances. At any time and from time to time, upon the request of the Secured Party and at the sole expense of such Grantor, such Grantor will promptly and duly execute and deliver any and all such further instruments, endorsements, powers of attorney and other documents, make such filings, give such notices and take such further action as the Secured Party may reasonably deem desirable in obtaining the full benefits of this Agreement and of the rights, remedies and powers herein granted, including, without limitation, the following:

(a) the filing of any financing statements, in a form acceptable to the Secured Party under the Uniform Commercial Code in effect in any jurisdiction with respect to the charges and Security Interests granted hereby. A photocopy or other reproduction of this Agreement shall be sufficient as a financing statement and may be filed in lieu of the original to the extent permitted by applicable law. Each Grantor will pay or reimburse the Secured Party for all filing fees and related expenses;

(b) the recordation of appropriate evidence of the charges and Security Interests granted hereunder in the Intellectual Property with any intellectual property registry in which said Intellectual Property is registered or in which an application for registration is pending including, without limitation, the United States Patent and Trademark Office, the United States Copyright Office, the various Secretaries of State and the foreign counterparts on any of the foregoing;

(c) will make or reimburse the Secured Party for making all searches deemed necessary by the Secured Party to establish and determine the priority of the Security Interests of the Secured Party or to determine the presence or priority of other secured parties;

(d) upon request of the Secured Party cause the Secured Party to be listed as the Encumbrance holder on the certificate of title or ownership covering any Collateral covered by such a certificate of title or ownership and to deliver evidence thereof to the Secured Party promptly; and

(e) furnish to the Secured Party from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Secured Party may reasonably request, all in reasonable detail and in a form satisfactory to the Secured Party.

4.2 Delivery of Security Collateral. All certificates or instruments representing or evidencing the Security Collateral shall be delivered to and held by or on behalf of the Secured Party pursuant hereto and shall be in suitable form for transfer by delivery or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and

substance satisfactory to the Secured Party. The Secured Party shall have the right, at any time in its discretion, to transfer to or to register in the name of the Secured Party any or all of the Security Collateral, subject only to the revocable rights specified in Section 6.1(b). For the better perfection of the Secured Party's rights in and to the Security Collateral, such Grantor shall forthwith, upon the pledge of any Security Collateral hereunder, cause such Security Collateral to be registered in the name of such nominee or nominees as the Secured Party may direct, subject only to the revocable rights specified in Section 6.1(b). In addition, the Secured Party shall have the right at any time to exchange certificates or instruments representing or evidencing Security Collateral for certificates or instruments of smaller or larger denominations.

4.3 Change of Chief Executive Office. None of the Grantors will move its respective chief executive office except to such new location as such Grantor may establish in accordance with the last sentence of this Section. The originals of all Receivables Records and Contracts and all Collateral Records will continue to be kept at such chief executive office or at the locations identified on Schedule III as such, or at such new locations as such Grantor may establish in accordance with the last sentence of this Section. All Receivables, Receivables Records and Contracts of such Grantor will continue to be maintained at and controlled and directed (including, without limitation, for general accounting purposes) from, a location identified as such on Schedule III or such new locations as such Grantor may establish in accordance with the last sentence of this Section. None of the Grantors shall establish a new location for its chief executive office or such activities (or move any such activities from the location listed in Schedule III therefor) until (i) it shall have given to the Secured Party not less than thirty (30) days' prior written notice of its intention to do so, clearly describing such new location and providing such other information in connection therewith as the Secured Party may reasonably request and (ii) with respect to such new location, it shall have taken all action satisfactory to the Secured Party as the Secured Party may reasonably request, to maintain the security interest of the Secured Party in the Collateral intended to be granted hereby at all times fully perfected, with the same or better priority and in full force and effect.

4.4 Change of Location of Inventory and Equipment. Each Grantor agrees that all Inventory and Equipment now held or subsequently acquired by it shall be kept at (or shall be in transport to) any one of the locations shown on Schedule II or such new location as such Grantor may establish in accordance with the last sentence of this Section. Each Grantor may establish a new location for Inventory and Equipment only if (i) it shall have given to the Secured Party not less than thirty (30) days' prior written notice of its intention to do so, clearly describing such new location and providing such other information in connection therewith as the Secured Party may reasonably request and (ii) with respect to such new location, it shall have taken all action satisfactory to the Secured Party, as the Secured Party may reasonably request, to maintain the security interest of the Secured Party in the Collateral intended to be granted hereby at all times fully perfected, with the same or better priority and in full force and effect.

4.5 Change of Name; Identity or Corporate Structure. None of the Grantors shall change its name (or conduct any significant portion of its business under any new tradenames), identity or corporate structure, except for the anticipated financing plan, until (i) it shall have given to the Secured Party not less than thirty (30) days' prior written notice of its intention to do so, clearly describing such new name, identity or corporate structure or such new trade name and providing such other information in connection therewith as the Secured Party may reasonably request and (ii) with respect to such new name, identity or corporate structure or such new trade name, it shall have taken all action satisfactory to the Secured Party as the Secured Party may reasonably request, to maintain the security interest of the Secured Party in the Collateral intended to be granted hereby at all times fully perfected, with the same or better priority and in full force and effect.

4.6 Delivery of Instruments and Chattel Paper. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any Instrument or Chattel Paper such Instrument or Chattel Paper shall be immediately delivered to the Secured Party, duly indorsed in a manner satisfactory to the Secured Party, to be held as Collateral pursuant to this Agreement.

4.7 Maintain and Mark Records and Receivables. Each Grantor will keep and maintain at its own cost and expense in the ordinary course of business satisfactory and complete records of the Collateral, including, but not limited to, the originals of all documentation with respect to all Receivables and records of all payments received and all credits granted on the Receivables and all merchandise returned and all other dealings therewith. Each Grantor shall legend, in form and manner reasonably satisfactory to the Secured Party, all Chattel Paper and other evidence of Receivables, as well as the Receivables Records, with an appropriate reference to the fact that the Chattel Paper and all other Receivables have been assigned to the Secured Party and that the Secured Party has a security interest therein.

4.8 Right of Inspection. The Secured Party shall at all times have full and free access during normal business hours to all the books, correspondence and records of the Grantors and the Secured Party and its representatives may examine the same, take extracts therefrom and make photocopies thereof and each Grantor agrees to render to the Secured Party, at such Grantor's cost and expense, such clerical and other assistance as may be reasonably requested with regard thereto. The Secured Party and its respective representatives shall at all times have the right to enter and inspect any property of any of the Grantors and enter into and upon any premises where any of the Inventory or Equipment is located for the purpose of inspecting the same, observing its use or otherwise protecting its interests therein.

4.9 Insurance. Each Grantor shall maintain insurance as required by the Credit Agreement and attached hereto on Schedule VII.

4.10 Receivables. (a) Each Grantor shall perform in all material respects all of its obligations with respect to the Receivables.

(b) None of the Grantors shall amend, modify, terminate or waive any provision of any Receivable in any manner which could reasonably be expected to materially adversely affect the value of such Receivable as Collateral. Other than (i) in the ordinary course of business and (ii) while no Default or Event of Default shall have occurred and be continuing, none of the Grantors shall (w) grant any extension or renewal of the time of payment of any Receivable, (x) compromise or settle any dispute, claim or legal proceeding with respect to any Receivable for less than the total unpaid balance thereof, (y) release, wholly or partially, any Person liable for the payment thereof or (z) allow any credit or discount thereon.

(c) Each Grantor shall use its best efforts (including, without limitation, prompt and diligent exercise of each material right it may have under any Receivable (other than any right of termination)) to cause to be collected from each Account Debtor, as and when due (including, without limitation, amounts which are delinquent, such amounts to be collected in accordance with generally accepted lawful collection procedures), any and all amounts owing under or on account of any Receivable and apply all collected amounts to the outstanding balance of such Receivable immediately upon receipt thereof.

4.11 Contracts. (a) Each Grantor shall perform in all material respects all of its obligations under each Contract.

(b) Each Grantor shall deliver promptly to the Secured Party a copy of each material demand, notice or document received by it relating in any way to any Contract.

(c) Without the prior written consent of the Secured Party, none of the Grantors shall amend, modify, terminate or supplement any provision of any Contract or compromise or settle any dispute, claim or legal proceeding with respect to any Contract, in any such case in any manner which could reasonably be expected to materially adversely affect the value of such Contract as Collateral and shall not terminate any Contract. Each such permitted amendment, modification, termination, supplement, compromise or settlement shall be in writing, a copy of which shall be delivered promptly to the Secured Party.

(d) Each Grantor shall promptly and diligently exercise each material right it may have under any Contract (except the right of termination). All costs and expenses in connection therewith, whether incurred by the Grantors or the Secured Party, shall be borne by each Grantor.

4.12 Warehouse Receipts Non-negotiable. Each Grantor agrees that if any

warehouse receipt or receipt in the nature of a warehouse receipt or other Document is issued with respect to any of its Inventory, such warehouse receipt or receipt in the nature thereof or other Document shall not be "negotiable" (as such term is used in Section 7-104 of the UCC or under other relevant law).

4.13 No Impairment. None of the Grantors will take or permit to be taken any action which could impair the Secured Party's rights in the Collateral.

4.14 Limitations on Dispositions of Collateral. None of the Grantors will sell, transfer, lease, license or otherwise dispose of any of the Collateral or any rights therein or attempt, offer or contract to do so, except as permitted in the Credit Agreement.

4.15 Intellectual Property.

(a) None of the Grantors shall intentionally do any act or omit to do any act, whereby any of the Intellectual Property which is used in or otherwise material to the business of such Grantor may lapse or become abandoned, dedicated to the public, or unenforceable, or which would adversely affect the validity, grant, or enforceability of the security interest granted therein.

(b) None of the Grantors shall, with respect to any Trademarks which are used in or otherwise material to the business of such Grantor, cease the use of any of such Trademarks or fail to maintain the level of the quality of products sold and services rendered under any of such Trademark at a level at least substantially consistent with the quality of such products and services as of the date hereof.

(c) Each Grantor shall, within thirty (30) days of the creation or acquisition of any Copyrightable work which is material to the business of such Grantor, apply to register the Copyright in the United States Copyright Office; each Grantor shall, within ninety (90) days of the acquisition of any registrations or applications for any Patents or Trademarks from any third party, record its interest in the United States Patent and Trademark Office.

(d) Each Grantor shall promptly notify the Secured Party if it knows or has reason to know, that any item of the Intellectual Property that is used in or otherwise material to its business may become or has become (a) abandoned or dedicated to the public or placed in the public domain, (b) invalid or unenforceable or (c) subject to any adverse determination or development (including the institution of proceedings) in any action or proceeding in the United States Patent and Trademark Office, the United States Copyright Office any state registry or international or foreign counterpart of the foregoing or any court.

(e) Each Grantor shall take all reasonable steps in the United States Patent

and Trademark Office, the United States Copyright Office, any state registry or international or foreign counterpart of the foregoing, to pursue any application and maintain any registration of each Trademark, Patent or Copyright owned by such Grantor and used in or otherwise material to its business, which is now or shall become included in the Intellectual Property including, but not limited to, those items on Schedule IV Items A, C or E unless the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(f) In the event that any Intellectual Property owned by or exclusively licensed to a Grantor is infringed, misappropriated or diluted by a third party, such Grantor shall promptly take all reasonable actions in its good business judgment are necessary to stop such infringement, misappropriation or dilution and protect its exclusive rights in such Intellectual Property including, but not limited to, the initiation of a suit to obtain injunctive relief and to recover damages.

(g) Each Grantor shall promptly (but in no event more than thirty (30) days after such Grantor obtains knowledge thereof) report to the Secured Party (i) the filing of any application to register any Intellectual Property with the United States Patent and Trademark Office, the United States Copyright Office or any state registry or international or foreign counterpart of the foregoing (whether such application is filed by such Grantor or through any agent, employee, licensee or designee thereof) and (ii) the registration of any Intellectual Property by any such office. Each Grantor hereby authorizes the Secured Party to modify this Agreement by amending Schedule IV and will otherwise cooperate with the Secured Party in effecting any such amendment to include any item of Intellectual Property which shall become part of the Intellectual Property after the date hereof.

(h) Each Grantor shall, promptly upon the reasonable request of the Secured Party, execute and deliver to the Secured Party any document required to acknowledge, confirm, register, record or perfect the Secured Party's interest in any part of the Intellectual Property, whether now owned or hereafter acquired.

(i) Except with the prior consent of the Secured Party or as permitted under the Credit Agreement, none of the Grantors will execute and there will not be on file in any public office, any effective financing statement or other document or instruments, except financing statements or other documents or instruments filed or to be filed in favor of the Secured Party and the BH Agent in connection with the Original Credit Agreement and none of the Grantors will sell, assign, transfer, license, grant any option or create or suffer to exist any Encumbrance upon or with respect to the Intellectual Property, except for the Encumbrance created by and under this Agreement, the other Loan Documents and the Original Security Agreement.

4.16 Notice. Each Grantor will advise the Secured Party promptly, in reasonable

detail and in accordance with the provisions hereof (a) of any Encumbrance (other than Permitted Encumbrances) on, or claim asserted against, any of the Collateral and (b) of the occurrence of any other event which could reasonably be expected to have a material adverse effect on the aggregate value of the Collateral or on the Encumbrance created hereunder.

4.17 Performance by Secured Party of Grantor's Obligations; Reimbursement.

Unless otherwise permitted hereby, if a Grantor fails to perform or comply with any of its agreements contained herein, the Secured Party may, without notice to or consent by such Grantor, perform or comply or cause performance or compliance therewith and the expenses of the Secured Party incurred in connection with such performance or compliance, together with interest thereon at a rate per annum 2% above the Interest Rate, shall be payable by such Grantor to the Secured Party on demand and such reimbursement obligation shall be secured hereby.

ARTICLE V

SPECIAL PROVISIONS REGARDING
RECEIVABLES AND CONTRACTS

5.1 Grantor Remains Liable under Receivables and Contracts.

Anything herein to the contrary notwithstanding (including, without limitation, the grant of any rights to the Secured Party), each Grantor shall remain liable under each of the Receivables and Contracts to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise to each such Receivable or Contract. The Secured Party shall have no obligation or liability under any Receivable (or any agreement giving rise thereto) or Contract by reason of or arising out of this Agreement or the receipt by the Secured Party of any payment relating to such Receivable or Contract pursuant hereto, nor shall the Secured Party be obligated in any manner to perform any of the obligations of any Grantor under or pursuant to any Receivable (or any agreement giving rise thereto) or under or pursuant to any Contract, to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party under any Receivable (or any agreement giving rise thereto) or under any Contract, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

5.2 Notice to Account Debtors and Contracting Parties.

At any time after an Event of Default has occurred and is continuing, the Secured Party may, and upon request of the Secured Party, each Grantor shall notify Account Debtors and parties to the Contracts that the Accounts and the Contracts have been assigned to the Secured Party and that payments in respect thereof shall be made directly to the Secured Party. The Secured Party may in its own

name or in the name of others, communicate with Account Debtors and parties to the Contracts to verify with them to the Secured Party's satisfaction the existence, amount and terms of any Receivables or Contracts.

5.3 Collections on Receivables and Contracts. The Secured Party hereby authorizes each Grantor to collect the Receivables and Contracts and, at any time after an Event of Default has occurred and is continuing, the Secured Party may curtail or terminate said authority and by itself or by its agent, collect all Receivables and amounts owing under the Contracts. After an Event of Default has occurred and is continuing, if required by the Secured Party, any payments of Receivables and Contracts, when collected by a Grantor, shall be forthwith (and, in any event, within two (2) Business Days) delivered by such Grantor to the Secured Party in the exact form received, duly indorsed to the Secured Party if required, for deposit into the Collateral Account, and until so turned over, shall be held by such Grantor in trust for the Secured Party, segregated from other funds of such Grantor. All Proceeds, while held by the Secured Party (or by a Grantor in trust for the Secured Party) shall continue to be Collateral securing all of the Secured Obligations and shall not constitute payment thereof until applied as hereinafter provided.

ARTICLE VI

SPECIAL PROVISIONS REGARDING SECURITY COLLATERAL

6.1 Voting Rights; Dividends; Etc. (a) So long as an Event of Default or event which, with the giving of notice or the lapse of time or both, would become an Event of Default, shall not have occurred and be continuing:

(i) Each Grantor shall be entitled to exercise or refrain from exercising any and all voting and other consensual rights pertaining to the Security Collateral or any part thereof, for any purpose not inconsistent with the terms of this Agreement or the Credit Agreement; provided, however, that such Grantor shall not exercise or refrain from exercising any such right if, in the Secured Party's judgment, such action would have a material adverse effect on the value of the Security Collateral or any part thereof;

(ii) Each Grantor shall be entitled to receive and retain any and all dividends and interest paid in respect of the Security Collateral, provided, however, that any and all

(A) dividends and interest paid or payable other than in

cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Security Collateral,

(B) dividends and other distributions paid or payable in cash in respect of any Security Collateral in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in-surplus, and

(C) cash paid, payable or otherwise distributed in respect of principal of, or in redemption of, or in exchange for, any Security Collateral,

shall be forthwith delivered to the Secured Party to hold as Security Collateral and shall, if received by such Grantor, be received in trust for the benefit of the Secured Party, be segregated from the other property or funds of such Grantor and be forthwith delivered to the Secured Party as Security Collateral in the same form as so received (with any necessary indorsement or assignment); and

(iii) The Secured Party shall execute and deliver (or cause to be executed and delivered) to each Grantor all such proxies and other instruments as such Grantor may reasonably request for the purpose of enabling such Grantor to exercise the voting and other rights which it is entitled to exercise pursuant to paragraph (i) above and to receive the dividends or interest payments which it is authorized to receive and retain pursuant to paragraph (ii) above.

(b) Upon the occurrence and during the continuance of an Event of Default or an event which, with the giving of notice or the lapse of time or both, would become an Event of Default:

(i) All rights of each Grantor (x) to exercise or refrain from exercising the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to Section 6(a)(i) shall, upon notice to such Grantor by the Secured Party cease and (y) to receive the dividends and interest payments which it would otherwise be authorized to receive and retain pursuant to Section 6(a)(ii) shall automatically cease and all such rights shall thereupon become vested in the Secured Party who shall thereupon have the sole right to exercise or refrain from exercising such voting and other consensual rights and to receive and hold as Security Collateral such dividends and interest payments; and

(ii) All dividends and interest payments which are received by a Grantor contrary to the provisions of paragraph (i) of this Section 6.1(b), shall be received in trust for the benefit of the Secured Party, shall be segregated from other

funds of such Grantor and shall be forthwith paid over to the Secured Party as Security Collateral in the same form as so received (with any necessary indorsement).

6.2 Additional Shares. Each Grantor agrees that it will (i) cause each issuer of the Pledge Stock not to issue any stock or other securities in addition to or in substitution for the Pledge Stock issued by such issuer, except to such Grantor and (ii) immediately upon its acquisition (directly or indirectly) thereof, deliver to the Secured Party as additional security hereunder any and all additional shares of stock or other securities of each issuer of the Pledge Stock.

ARTICLE VII

COLLATERAL ACCOUNT

7.1 Collateral Account. There is hereby established with [name of bank] the Collateral Account. The Collateral Account shall be under the sole and exclusive dominion and control of the Secured Party and none of the Grantors shall have any rights with respect to the Collateral Account, except as specifically set forth below with regard to determination of the nature of investments to be made with amounts credited to the Collateral Account. Without limiting the generality of the foregoing, none of the Grantors shall have a right of withdrawal or transfer from the Collateral Account.

7.2 Deposit of Proceeds. There shall be deposited in the Collateral Account from time to time the cash proceeds (as defined in Section 9-306(1) of the UCC) of any of the Collateral (including insurance proceeds thereon) required to be delivered to the Secured Party pursuant hereto. All amounts and investments and other items credited to the Collateral Account from time to time shall constitute Collateral hereunder and shall not constitute payment of the Secured Obligations until applied as hereinafter provided. At any time following the occurrence and during the continuance of an Event of Default, the Secured Party may in its discretion with written notice to Grantor apply or cause to be applied (subject to collection) the balance from time to time outstanding to the credit of the Collateral Account to the payment of the Secured Obligations in the manner specified herein.

7.3 Investment of Balance in Collateral Account. Amounts credited to the Collateral Account shall be invested from time to time in such permitted Investments as each Grantor (or, after the occurrence and during the continuance of a Default or Event of Default, the Secured Party) shall determine, which permitted Investments shall be held in the name and be under the control of the Secured Party.

ARTICLE VIII

POWER OF ATTORNEY

8.1 Secured Party's Appointment as Attorney-in-Fact. (a) Each Grantor hereby irrevocably constitutes and appoints the Secured Party and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, from time to time in the Secured Party's discretion, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, each Grantor hereby gives the Secured Party the power and right, on behalf of such Grantor, without notice to or assent by such Grantor, to do the following:

(i) in the case of any Receivable, at any time when the authority of such Grantor to collect the Receivables has been curtailed or terminated pursuant hereto, or in the case of any other Collateral, at any time when any Event of Default shall have occurred and be continuing, in the name of such Grantor or its own name or otherwise, (A) to take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under or with respect to, any Collateral; (B) to direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Secured Party or as the Secured Party shall direct; and (C) to ask or demand for, collect, receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral;

(ii) to prepare, sign and file any UCC financing statements in the name of such Grantor as debtor;

(iii) to prepare, sign, and file for recordation in any intellectual property registry, appropriate evidence of the charge and security interest granted herein in the Intellectual Property in the name of such Grantor as such Grantor;

(iv) to take or cause to be taken all actions necessary to perform or comply or cause performance or compliance with the terms of this Agreement, including, without limitation, actions to pay or discharge taxes and Encumbrances levied or placed on or threatened against the Collateral, to effect any repairs or obtain any insurance called for by the terms of this Agreement and to pay all or any part of the premiums therefor and the costs thereof;

(v) upon the occurrence and during the continuance of any Event of Default (A) to sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (B) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any Proceeds thereof and to enforce any other right in respect of any Collateral; (C) to defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; (D) to settle, compromise or adjust any suit, action or proceeding described in the preceding clause and, in connection therewith, to give such discharges or releases as the Secured Party may deem appropriate; and (E) generally, to sell or transfer and make any agreement with respect to, or otherwise deal with, any of the Collateral as fully and completely as though the Secured Party were the absolute owner thereof for all purposes, and to do, at the Secured Party's option and such Grantor's expense, at any time or from time to time, all acts and things which the Secured Party deems necessary to protect, preserve or realize upon the charge or security interest over Collateral and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do; and

(vi) at any time and from time to time, to execute, in connection with any foreclosure, any indorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

Each Grantor hereby ratifies all that said attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

Each Grantor hereby acknowledges and agrees that in acting pursuant to this power-of-attorney, the Secured Party shall be acting in its own interest and such Grantor acknowledges and agrees that the Secured Party shall have no fiduciary duties to such Grantor and such Grantor hereby waives any claims to the rights of a beneficiary of a fiduciary relationship hereunder.

(b) No Duty on the Part of Secured Party. The powers conferred on the Secured Party hereunder are solely to protect the interests of the Secured Party in the Collateral and shall not impose any duty upon the Secured Party to exercise any such powers. The Secured Party shall be accountable only for amounts that it actually receives as a result of the exercise of such powers and neither it nor any of its officers, directors, employees or agents shall be responsible to such Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

ARTICLE IX

REMEDIES; RIGHTS UPON DEFAULT

9.1 Rights and Remedies Generally. If an Event of Default shall occur and be continuing, then and in every such case, the Secured Party shall have all the rights of a secured party under the UCC, shall have all rights now or hereafter existing under all other applicable laws or in equity and, subject to any mandatory requirements of applicable law then in effect, shall have all the rights set forth in this Agreement and all the rights set forth with respect to the Collateral or this Agreement or in any other agreement between the parties. No enumeration of rights in this Article or elsewhere in this Agreement or in any related document or other agreement, shall be deemed to in any way limit the rights of the Secured Party as described in this Article.

9.2 Collection of Receivables and other Proceeds. If an Event of Default shall occur and be continuing, in addition to the rights of the Secured Party specified in Section 5.3 with respect to the collection of Receivables and Contracts, all Proceeds received by a Grantor consisting of cash, checks and other near-cash items shall be held by such Grantor in trust for the Secured Party, segregated from other funds of such Grantor and shall forthwith upon receipt by such Grantor, be turned over to the Secured Party, in the same form received by such Grantor (appropriately indorsed or assigned by such Grantor to the order of the Secured Party or in such other manner as shall be satisfactory to the Secured Party) for deposit into the Collateral Account.

9.3 Direct Grantor to Dispose of Collateral. If an Event of Default shall occur and be continuing, the Secured Party may direct a Grantor to sell, assign or otherwise liquidate or dispose of all, or from time to time any, portion of the Collateral and such Grantor shall do so, and the Secured Party may, at its option, take possession of the Proceeds of such Collateral. The Secured Party may direct a Grantor to direct that all Proceeds of such Collateral be paid directly to the Secured Party or may permit the Proceeds of such Collateral to be paid to such Grantor and, if directed by the Secured Party, all such Proceeds consisting of cash, checks or near-cash items shall be held by such Grantor in trust for the Secured Party, segregated from other funds of such Grantor and shall forthwith upon receipt by such Grantor, be turned over to the Secured Party, in the same form received by such Grantor (appropriately indorsed or assigned by such Grantor to the order of the Secured Party or in such other manner as shall be satisfactory to the Secured Party) for deposit into the Collateral Account.

9.4 Collateral Account. If an Event of Default shall occur and be continuing, the Secured Party, with written notice to Grantor, may liquidate any securities credited to the

Collateral Account (including any permitted Investments) and apply the proceeds thereof and any other amounts credited to the Collateral Account to the Secured Obligations (whether matured or unmatured), in such order as the Secured Party may elect. Any balance of such Proceeds remaining after the Secured Obligations have been paid and performed in full, shall be paid over to each Grantor or to whomsoever may lawfully be entitled to receive the same or as a court of competent jurisdiction may direct.

9.5 Possession of Collateral. (a) If an Event of Default shall occur and be continuing:

(i) the Secured Party may personally or by agents or attorneys, immediately retake possession of the Collateral (including the originals of all or any Receivables or Receivables Records) or any part thereof, from a Grantor or any other Person who then has possession of any part thereof, with or without notice or judicial process and for that purpose may enter upon such Grantor's premises where any of the Collateral is located and remove the same and, the Secured Party may use in connection with such removal, any and all services, supplies, aids and other facilities of such Grantor; and

(ii) upon five (5) days notice to such Grantor, such Grantor shall, at its own expense, assemble the Collateral, including, without limitation, the originals of all Receivables Records (or from time to time any portion thereof) and make it available to the Secured Party at any place or places designated by the Secured Party which is reasonably convenient to both parties, whether at such Grantor's or the Secured Party's premises or elsewhere. Such Grantor, shall at its sole expense, store and keep any Collateral so assembled at such place or places pending further action by the Secured Party and while the Collateral shall be so stored and kept, provide such guards and maintenance services as shall be necessary to protect the same and to preserve and maintain the Collateral in good condition. Such Grantor's obligation so to assemble and deliver the Collateral is of the essence of this Agreement and, accordingly, upon application to a court of equity having jurisdiction, the Secured Party shall be entitled to a decree requiring specific performance by such Grantor of said obligation.

(b) When Collateral is in the Secured Party's possession the risk of accidental loss or damage shall be on such Grantor to the extent of any deficiency in any effective insurance coverage.

9.6 Disposition of the Collateral. If an Event of Default shall occur and be continuing, the Secured Party may sell, assign, lease, license (on an exclusive or non-exclusive basis) give an option or options to purchase or otherwise dispose of the Collateral (or contract to do any of the foregoing) under one or more contracts or as an entirety and without the necessity of gathering at the place of sale the property to be sold, at public or private sale or sales, conducted by any officer, nominee or agent of, or auctioneer or attorney for, the Secured Party at

any location of any third party conducting or otherwise involved in such sale or any office of the Secured Party or elsewhere and in general, in such manner, at such time or times and upon such terms and conditions and at such prices as it may consider commercially reasonable, for cash or on credit or for future delivery without assumption of any credit risk. Any of the Collateral may be sold, leased, assigned or options or contracts entered to do so or otherwise disposed of, in the condition in which the same existed when taken by the Secured Party or after any overhaul or repair which the Agent shall determine to be commercially reasonable. To the extent permitted by applicable law, the Secured Party may bid for and become the purchaser of the Collateral or any item thereof, offered for sale in accordance with this Section without accountability to a Grantor (except to the extent of surplus money received) as provided below. In the payment of the purchase price of the Collateral, the purchaser shall be entitled to have credit on account of the purchase price thereof of amounts owing to such purchaser on account of any of the Obligations and any such purchaser may deliver notes, claims for interest or claims for other payment with respect to such Obligations in lieu of cash up to the amount which would, upon distribution of the net proceeds of such sale, be payable thereon. Such notes, if the amount payable hereunder shall be less than the amount due thereon, shall be returned to the holder thereof after being appropriately stamped to show partial payment.

9.7 Registration Rights. If the Secured Party shall determine to exercise its right to sell all or any of the Security Collateral pursuant to Section 9.6, each Grantor agrees that, upon request of the Secured Party, such Grantor will, at its own expense:

(a) execute and deliver, and cause each issuer of the Security Collateral contemplated to be sold and the directors and officers thereof to execute and deliver, all such instruments and documents, and do or cause to be done all such other acts and things, as may be necessary or, in the opinion of the Secured Party, advisable to register such Security Collateral under the provisions of the Securities Act of 1933, as from time to time amended (the "Securities Act"), and to cause the registration statement relating thereto to become effective and to remain effective for such period as prospectuses are required by law to be furnished, and to make all amendments and supplements thereto and to the related prospectus which, in the opinion of the Secured Party, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the Securities and Exchange Commission applicable thereto;

(b) use its best efforts to qualify the Security Collateral under the state securities or "Blue Sky" laws and to obtain all necessary governmental approvals for the sale of the Security Collateral, as requested by the Secured Party;

(c) cause each such issuer to make available to its security holders, as soon as practicable, an earning statement which will satisfy the provisions of Section 11(a) of the Securities Act; and

(d) such Grantor further acknowledges the impossibility of ascertaining the amount of damages which would be suffered by the Secured Party or the Secured Party by reason of the failure by such Grantor to perform any of the covenants contained in this Section and, consequently, agrees that, if such Grantor shall fail to perform any of such covenants, it shall pay, as liquidated damages and not as a penalty, an amount equal to the value of the Security Collateral on the date the Secured Party shall demand compliance with this Section.

9.8 Recourse. Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to satisfy the Secured Obligations. Each Grantor shall also be liable for all expenses of the Secured Party incurred in connection with collecting such deficiency including, without limitation, the fees and disbursements of any attorneys employed by the Secured Party to collect such deficiency.

9.9 Intellectual Property License. Solely for the purpose of enabling the Secured Party to exercise rights and remedies if an Event of Default shall have occurred and be continuing, each Grantor hereby grants to the Secured Party, to the extent it has the right to do so, an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to such Grantor) to use, operate under, license or sublicense any Intellectual Property now owned or hereafter acquired by such Grantor and wherever the same may be located, subject, in the case of Trademarks, to sufficient rights to quality control and inspection in favor of such Grantor to avoid the risk of invalidation of said Trademarks.

9.10 Expenses; Attorneys' Fees. Each Grantor shall reimburse the Secured Party for all its expenses in connection with the exercise of its rights hereunder, including, without limitation, all reasonable attorneys' fees and legal expenses incurred by the Secured Party.

9.11 Application of Proceeds. Subject to the provisions of the Intercreditor Agreement, the proceeds of any disposition of Collateral shall be applied as follows:

(a) to the payment of any and all expenses and fees (including reasonable attorneys' fees and disbursements) incurred by the Secured Party in connection with the exercise of its rights and remedies hereunder, including, without limitation, expenses and fees in connection with obtaining, taking possession of, removing, holding, insuring, repairing, preparing for sale or lease, storing and disposing of Collateral;

(b) to the satisfaction of the Secured Obligations (in such order as the Secured Party may decide);

(c) any other payment of any amount required to be paid by the Secured Party by law; and

(d) upon termination of the Loan Commitments and the expiration, cancellation or return to the issuer thereof undrawn upon of any letters of credit, to the Grantors or as a court of competent jurisdiction may direct.

9.12 Limitation on Duties Regarding Preservation of Collateral. (a) The Secured Party's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the UCC or otherwise, shall be to deal with it in the same manner as the Secured Party deals with similar property for its own account.

(b) The Secured Party shall have no obligation to take any steps to preserve rights against prior parties to any Collateral.

(c) Neither the Secured Party nor any of its directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon all or any part of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of a Grantor or otherwise.

9.13 Waiver of Claims. Except as otherwise provided in this Agreement, **EACH GRANTOR HEREBY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, NOTICE AND JUDICIAL HEARING IN CONNECTION WITH THE SECURED PARTY'S TAKING POSSESSION OR THE SECURED PARTY'S DISPOSITION OF ANY OF THE COLLATERAL,** and such Grantor hereby further waives, to the extent permitted by law:

(a) all damages occasioned by such taking of possession except any damages which are the direct result of the Secured Party's gross negligence or willful misconduct;

(b) all other requirements as to the time, place and terms of sale or other requirements with respect to the enforcement of the Secured Party's rights hereunder;

(c) demand of performance or other demand, notice of intent to demand or accelerate, notice of acceleration presentment, protest, advertisement or notice of any kind to or upon such Grantor or any other Person; and

(d) all rights of redemption, appraisalment, valuation, diligence, stay, extension or moratorium now or hereafter in force under any applicable law in order to prevent or delay the enforcement of this Agreement, the absolute sale of the Collateral or any portion thereof and such Grantor, for itself and all who may claim under it, insofar as it or they now or hereafter lawfully may, hereby waives the benefit of all such laws.

9.14 Discontinuance of Proceedings. In case the Secured Party shall have instituted any proceeding to enforce any right, power or remedy under this Agreement by foreclosure, sale, entry or otherwise, and such proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Secured Party, then and in every such case each Grantor and the Secured Party shall be returned to their former positions and rights hereunder with respect to the Collateral subject to the security interest created under this Agreement, and all rights, remedies and powers of the Secured Party shall continue as if no such proceeding had been instituted.

ARTICLE X

INDEMNITY

10.1 Indemnity and Expenses. (a) Each Grantor agrees to indemnify, reimburse and hold the Secured Party and its respective officers, directors, employees, representatives and agents (hereinafter in this Section referred to individually as "Indemnitee" and collectively as "Indemnitees") harmless from any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgments, suits, costs, expenses or disbursements (including reasonable attorneys' fees and expenses) (for the purposes of this Section the foregoing are collectively called "expenses") for whatsoever kind or nature which may be imposed on, asserted against or incurred by any of the Indemnitees in any way relating to or arising out of this Agreement or the documents executed in connection herewith or in any other way connected with the administration of the transactions contemplated hereby or the enforcement of any of the terms of or the preservation of any rights hereunder or in any way relating to or arising out of the manufacture, ownership, ordering, purchase, delivery, control, acceptance, lease, financing, possession, operation, condition, sale, return or other disposition or use of the Collateral (including, without limitation, latent or other defects, whether or not discoverable), the violation of the applicable laws of any country, state or other governmental body or unit, any tort (including, without limitation, claims arising or imposed under the doctrine of strict liability, or for or on account of injury to or the death of any Person (including any Indemnitee), or for property damage) or any contract claim; provided that no Indemnitee shall be indemnified pursuant to this Section for expenses to the extent caused by the gross negligence or willful misconduct of such Indemnitee. Each Grantor agrees that upon written notice by any Indemnitee of any assertion that could give rise to an expense, such Grantor shall assume full responsibility for the defense thereof. Each Indemnitee agrees to use its best efforts to promptly notify such Grantor of any such assertion of which such Indemnitee has knowledge.

(b) Without limiting the application of clause (a) of this Section, each Grantor agrees to pay, or reimburse the Secured Party for any and all fees, costs and expenses of

whatever kind or nature incurred in connection with the creation, preservation or protection of the Secured Party's charge over, and security interest for the benefit of the Secured Party in, the Collateral, including, without limitation, all fees and taxes in connection with the recording or filing of instruments and documents in public offices, payment or discharge of any taxes or Encumbrance upon or in respect of the Collateral, premiums for insurance with respect to the Collateral and all other fees, costs and expenses in connection with protecting, maintaining or preserving the Collateral and the Secured Party's interest therein, whether through judicial proceedings or otherwise, or in defending or prosecuting any actions, suits or proceedings arising out of or relating to the Collateral.

(c) Without limiting the application of clause (a) or (b) of this Section, each Grantor agrees to pay, indemnify and hold each Indemnitee harmless from and against any expenses which such Indemnitee may suffer, expend or incur in consequence of or growing out of any misrepresentation by such Grantor in this Agreement or in any statement or writing contemplated by or made or delivered pursuant to or in connection with this Agreement.

(d) If and to the extent that the obligations of a Grantor under this Section are unenforceable for any reason, such Grantor hereby agrees to make the maximum contribution to the payment and satisfaction of such obligations which is permissible under applicable law.

10.2 Indemnity Obligations Secured by Collateral; Survival. Any amounts paid by any Indemnitee as to which such Indemnitee has the right to reimbursement shall constitute Secured Obligations secured by the Collateral. The indemnity obligations of each Grantor contained in this Article shall continue in full force and effect notwithstanding the full payment and performance of the Secured Obligations and notwithstanding the discharge thereof.

ARTICLE XI

MISCELLANEOUS

11.1 Governing Law. **THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK.**

11.2 Submission to Jurisdiction. Any legal action or proceeding with respect to this Agreement and any action for enforcement of any judgment in respect thereof may be brought in the courts of the State of New York or of the United States of America for the Southern District of New York and, by execution and delivery of this Agreement, each Grantor

hereby accepts for itself and in respect of its property, generally and unconditionally, the non-exclusive jurisdiction of the aforesaid courts and appellate courts from any thereof. Each Grantor irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, such Grantor at its address set forth under its signature below. Each Grantor hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Agreement brought in the courts referred to above and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum. Nothing herein shall affect the right of the Secured Party to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against a Grantor in any other jurisdiction.

11.3 Waiver of Trial by Jury. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE GRANTOR AND THE SECURED PARTY HEREBY IRREVOCABLY WAIVES ALL RIGHT OF TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY MATTER ARISING HEREUNDER.

11.4 Limitation of Liability. No claim may be made by a Grantor or any other Person against the Secured Party or the affiliates, directors, officers, employees, attorneys or agents of any of them for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement or any act, omission or event occurring in connection therewith; and each Grantor hereby waives, releases and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

11.5 Notices. Except as otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including telecopier or similar writing) and shall be given, if to a Grantor, at the address of the Company specified in the Credit Agreement, and if to the Secured Party, at its address specified in the Credit Agreement, or, as to either party, at such other address as shall be designated by such party in a written notice to the other party. Each such notice or other communication shall be effective (i) if given by telecopy, when such telecopy is transmitted to the telecopy number specified in this Section, or (ii) if given by overnight courier, addressed as aforesaid or by any other means, when delivered at the address specified in this Section.

11.6 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of such Grantor, the Secured Party, all future holders of the Secured Obligations

and their respective successors and assigns, except that such Grantor may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Secured Party.

11.7 Waivers and Amendments. None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except by a written instrument executed by each Grantor and the Secured Party, provided that any provision of this Agreement may be waived by the Secured Party in a written letter or agreement executed by the Secured Party or by telex or facsimile transmission from the Secured Party. Any such amendment, supplement, modification or waiver shall be binding upon such Grantor and the Secured Party and all future holders of the Secured Obligations. In the case of any waiver, such Grantor and the Secured Party shall be restored to their former position and rights hereunder and under the outstanding Secured Obligations, and any Default or Event of Default waived shall be deemed to be cured and not continuing, but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

11.8 No Waiver; Remedies Cumulative. No failure or delay on the part of the Secured Party in exercising any right, power or privilege hereunder and no course of dealing between any of the Grantors and the Secured Party shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Secured Party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Secured Party would otherwise have on any future occasion. The rights and remedies herein expressly provided are cumulative and may be exercised singly or concurrently and as often and in such order as the Secured Party deems expedient and are not exclusive of any rights or remedies which the Secured Party would otherwise have whether by agreement or now or hereafter existing under applicable law. No notice to or demand on a Grantor in any case shall entitle such Grantor to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Secured Party to any other or further action in any circumstances without notice or demand.

11.9 Termination; Release. When the Secured Obligations have been indefeasibly paid and performed in full this Agreement shall terminate and the Secured Party will execute and deliver to such Grantor the proper instruments (including UCC termination statements) acknowledging the termination of this Agreement, and will duly assign, transfer and deliver to such Grantor, without recourse, representation or warranty of any kind whatsoever, such of the Collateral as may be in possession of the Secured Party and has not theretofore been disposed of, applied or released. Secured Party will promptly return (and in any event within 5 Business Days) to Grantor any Collateral held by or on behalf of the Secured Party, including, without limitation, any Pledge Stock and any and all instruments of transfer or assignments in blank with respect thereto. It is hereby understood that, following

termination of this Agreement, the Grantors intend to use the Collateral hereunder to secure long-term financing as described in the Engagement Letter.

11.10 Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument.

11.11 Effectiveness. This Agreement shall become effective on the date on which a Grantor shall have signed a counterpart hereof and shall have delivered the same to the Secured Party.

11.12 Headings Descriptive. The headings of the several Sections and subsections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

11.13 Severability. In case any provision in or obligation under this Agreement or the Secured Obligations shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

11.14 Survival. All indemnities set forth herein shall survive the execution and delivery of this Agreement and the making and repayment of the Secured Obligations.

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

11.16 Additional Grantors. It is understood and agreed that any entity that becomes a Subsidiary of the Company after the date hereof shall execute an Affirmation Agreement, substantially the same as the form of Annex I hereof or in such other form as may be reasonably satisfactory to the Secured Party and shall automatically become a Grantor hereunder by executing such Affirmation Agreement and delivering the same to the Secured Party.

11.17 Conflicts. In the event of any conflict or inconsistency between this Agreement and the Intercreditor Agreement, the terms and provisions of the Intercreditor Agreement shall control.

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

KISTLER AEROSPACE CORPORATION

By August F. DeLuca
Name: AUGUST F. DELUCA
Title: SVP & CFO

Acknowledged and Agreed:
BAY HARBOUR MANAGEMENT, L.C.


By _____
Name:
Title:

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

KISTLER AEROSPACE CORPORATION

By _____
Name:
Title:

Acknowledged and Agreed:
BAY HARBOUR MANAGEMENT, L.C.

By 
Name: Steve Van Dyke
Title: Managing Principle

FORM OF AFFIRMATION AGREEMENT

AFFIRMATION AGREEMENT, dated as of March __, 2001 is delivered pursuant to Section 11.16 of the Security Agreement referred to below. The undersigned hereby agrees that this Affirmation Agreement may be attached to the Security Agreement, dated as of March 22, 2001 (as amended, the "Security Agreement") among Kistler Aerospace Corporation and Bay Harbour Management, L.C., as Secured Party. Capitalized terms used but not otherwise defined herein shall have the meaning set forth in the Security Agreement. The undersigned by executing and delivering this Affirmation Agreement becomes a Grantor under the Security Agreement in accordance with Section 11.16 thereof and agrees to be bound by all of the terms thereof.

Without limiting the generality of the foregoing and notwithstanding anything herein or in the Security Agreement to the contrary, the parties hereto agreed that the Secured Party may enforce its rights against the Grantors party hereto in respect of the Limited Recourse Obligations (as defined below) only to the extent necessary to enforce its rights against the Collateral. If the Secured Party does not recover all money owing to it in connection with the Limited Recourse Obligations by enforcing those rights, it may not seek to recover the shortfall by: (a) bringing proceedings against either Grantor party hereto or (b) applying to have either Grantor party here wound up or proving in the winding up of either such Grantor.

"Limited Recourse Obligations" shall mean those of the Secured Obligations as are obligations of either Grantor party hereto to pay money to the Secured Party under or in connection with this Agreement, the Security Agreement, or the Subsidiary Guaranty.

The undersigned hereby makes the representations and warranties set forth in the Security Agreement, as amended hereby, to the extent relating to the undersigned. In addition, each of the undersigned hereby represents and warrants that, as of the date of this Agreement, it lacks assets sufficient to fulfill its obligations under the Subsidiary Guarantee and is dependent upon funding and other assistance from the Company to meet current obligations and to complete its business plan of constructing a launch site for the K-1 launch vehicle and conducting test and commercial flight operations of the K-1 launch vehicle.

KISTLER WOOMERA
PTY
LIMITED

By: _____
Name:
Title:

SPACEPORT
WOOMERA PTY
LIMITED

By: _____
Name:
Title:

ACKNOWLEDGED AND AGREED:

KISTLER AEROSPACE CORPORATION

By: _____
Name:
Title:

BAY HARBOUR MANAGEMENT, L.C.

By: _____
Name:
Title:

SECURITY COLLATERAL

PART I

Charged Stock

Kistler Woomera Pty Limited
ACN 079 018 545
ABN 93 079 018 545
100% owned

Spaceport Woomera Pty Limited
ACN 082 398 043
ABN 46 082 398 043
100% owned

PART II

Charged Notes

NONE

LOCATIONS OF EQUIPMENT AND INVENTORY

Locations of Equipment:

Washington

California

Locations of Inventory:

NONE

JURISDICTIONS OF INCORPORATION
AND
LOCATIONS OF CHIEF EXECUTIVE OFFICES

| <u>Grantor</u> | <u>Jurisdiction of Incorporation</u> | <u>Location of Chief Executive Office</u> |
|-------------------------------|--|---|
| Kistler Aerospace Corporation | Washington | 3760 Carillon Point Kirkland, WA 98033 |
| Spaceport Woomera Pty Limited | Australia | 60 Marcus Clarke Street Canberra City ACT 2601 |
| Kistler Woomera Pty Limited | Australia | 60 Marcus Clarke Street Canberra City ACT 2601 |

INTELLECTUAL PROPERTY

PART A: COPYRIGHTS

None

PART B: COPYRIGHT LICENSES

None

PART C: PATENTS

Patents Issued

| | <u>Issue Date</u> | <u>Patent No. Serial No.</u> | <u>(Commonly Known Title)/Actual Patent Title</u> |
|----|-------------------|----------------------------------|--|
| 1. | 16-Sep-97 | 5,667,167 08/299,089 | (Walter's Methods & Apparatus Platform) "Methods and Apparatus for Reusable Launch Platform and Reusable Spacecraft" |
| 2. | 27-Jul-99 | 5,927,653 08/632,786 | (Dr. Mueller's "Two Stage") "Two-Stage Reusable Earth-To-Orbit Aerospace Vehicle and Transport System" |
| 3. | 11-Feb-99 | 701,902 | (Australian Erector Hardware Petty Patent) "Spacecraft Launch System and Method" [Australian Petty Patent] |
| 4. | 4-Jul-00 | 6,082,676 09/030,662 | (LOX Skirts) "Cryogenic Tanks for Launch Vehicles" |
| 5. | 20-Jun-00 | 6,076,771 09/030,627 | (Roll Control of Cylindrical Re-Entry Vehicle) "System And Method for Controlling a Re-Entry Vehicle" |
| 6. | 9-May-00 | 6,059,234 09/034,038 | (Payload Fairing Assembly) "Payload Module" |

| | | | |
|-----|-----------|-------------------------|--|
| 7. | 29-Oct-96 | 5,568,901 08/283,739 | (The "Stiennon Patent") "Two Stage Launch Vehicle and Launch Trajectory Method" |
| 8. | 5-Sep-00 | 6,113,032 09/030,645 | (LOX Retention tank) "Delivering Liquid Propellant in a Reusable Booster Stage" |
| 9. | 12-Dec-00 | 6,158,693 09/030,724 | (Three Engines in a Line) "Recoverable Booster Stage and Recovery Method" |
| 10. | 13-Feb-01 | 6,186,039 09/030,511 | (Horiz. To Vertical Launch Assembly) "Spacecraft Launch System and Method" |

Patent Applications

| | <u>Filing Date</u> | <u>Serial No</u> | <u>(Commonly Known Title)/Actual Application Title</u> |
|----|--------------------|------------------|--|
| 1. | 01-Mar-99 | 09/260,857 | (Liquid Oxygen Downcomer) "Liquid Oxygen Downcomer" |
| 2. | 05-Mar-99 | 09/263,470 | (Trapped Air as Separation System) "Stage Separation System and Method" |
| 3. | 11-Dec-00 | 09/735,201 | (ISS Logistics Module) "Logistics Module System and Method" [U.S. Utility Application based on Provisional Application] |
| 4. | 17-Apr-98 | 9-537397 | (Dr. Mueller's "Two-Stage") Two-Stage Reusable Earth-to-Orbit Aerospace Vehicle and Transport System [Japanese Patent Application based on PCT No. PCT/US97/06501] |
| 5. | 14-Dec-00 | PCT/US/00/34166 | "Logistics Module System and Method" [PCT Application based on U.S. Application 09/735,201] |

PART D: PATENT LICENSES

None

PART E: TRADEMARKS

Trademarks Registrations Issued

| | Filing Date | Reg. Date | Reg. No. | Country | Trademark |
|----|--------------------|------------------|-----------------|----------------|--|
| 1. | 12-Aug-1999 | 17-Mar-2000 | 803322 | Australia | "KISTLER AEROSPACE CORPORATION" and design |

Applications for Trademark Registration

| | Filing Date | App. No. | Country | Trademark | Status | Status Date |
|----|--------------------|-----------------|----------------|--|--|--------------------|
| 1. | 9-Aug-1999 | 75/770715 | U.S.A. | "KISTLER AEROSPACE CORPORATION" and design | Approved for publication | 29-Aug-2000 |
| 2 | 12-Aug-1999 | 803324 | Australia | "SPACEPORT WOOMERA PTY LTD" and design | Under examination; acceptance due 6-Sept- 2001 | 27-Jun-2000 |
| 3 | 12-Aug-1999 | 803368 | Australia | "KISTLER WOOMERA PTY LTD" and design | Under examination; acceptance due 6-Sept- 2001 | 27-Jun-2000 |

PART F: TRADEMARK LICENSES

None

PART G: TRADE SECRET LICENSES

None

PART H: INTELLECTUAL PROPERTY MATTERS

None

SCHEDULE V

FILING OFFICES FOR UCC FINANCING STATEMENTS

Washington
California
Louisiana

CERTAIN MATTERS RELATING TO THE COLLATERAL

See Schedule VII

INSURANCE POLICIES

| Policy Type | Policy Number | Insurance Carrier |
|-----------------------------------|---------------|-----------------------------|
| Property Policy | 35348457 | Chubb |
| Foreign Package | 35363320 | Chubb |
| Business Auto | 73240282 | Chubb |
| Workers' Comp. | 3BA089494002 | Kemper |
| Executive Protection | 81588417 | Chubb |
| Umbrella Liability | 79217637 | Chubb |
| D&O primary | 8587780 | National Union |
| D&O Excess | 75217671499 | Executive Risk Indemnity |
| D&O Excess | FD9900688 | Lloyd's of London |
| D&O Excess | 272491301 | Zurich American |
| Employment Practices Liability | 8587786 | National Union |

CONTRACTS

Lockheed Martin
Northrop Grumman
Aerojet
Draper Laboratory
Honeywell
Irvin Aerospace
Oceaneering
Leighton
PB Environments
ATA Engineering Inc.
Nielson Engineering
Primex Aerospace Corporation
SDRC
Space Systems/Loral
NASA's Marshall Space Flight Center
Carillon Properties
Compaq
Defence Support Centre Woomera
Hoffman Hart
Reeves Entertainment
Unigraphics Solutions
Compaq Financial Services Corporation

GOVERNMENT PARTIES

Alternate Access to Station (AAS) study with NASA's Marshall Space Flight Center

Operations Agreement with Commonwealth of Australia

Crown Lease no. 21332 with State of South Australia

Subpermit with NTS Development Corporation

Permit with U.S. Department of Energy