

08-24-2001



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

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

RECORDATION FORM COVER SHEET
TRADEMARKS ONLY

Tab settings

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

1. Name of conveying party(ies):
American Remanufacturers, Inc. *08/10/01*

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

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

2. Name and address of receiving party(ies)

Name: Interpel Corp.
 Internal Address: _____
 Street Address: 650 Madison Avenue, 24th Floor
 City: New York State: New York Zip: 10022

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

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

3. Nature of conveyance:

Assignment Merger
 Security Agreement Change of Name
 Other _____

Execution Date: July 16, 2001

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

A. Trademark Application No.(s)
 B. Trademark Registration No.(s)
 2,458,472; 2,458,473

Additional number(s) attached Yes No

TRADEMARK OFFICE
 AUG 23 10 33 AM '01
 RECEIVED

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

Name: Christopher J. Husa
 Internal Address: Heller Ehrman White & McAuliffe LLP
 Street Address: 601 South Figueroa Street, 40th Floor
 City: Los Angeles State: California Zip: 90017

6. Total number of applications and registrations involved:

7. Total fee (37 CFR 3.41).....\$ 65.00
 Enclosed
 Authorized to be charged to deposit account

8. Deposit account number:
 08-1645

(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.

Christopher J. Husa *Christopher J. Husa* August 9, 2001
 Name of Person Signing Signature Date

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

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

08/23/2001 LMUELLER 00000139 081645 2458472

01 FC:481 40.00 CH
02 FC:482 25.00 CH

TRADEMARK
REEL: 002354 FRAME: 0678



08-10-2001

U.S. Patent & TMOtc/TM Mail Rcpt Dt #28

TRADEMARK SECURITY AGREEMENT

TRADEMARK SECURITY AGREEMENT, dated as of July 16, 2001, by the grantors that are signatory hereto (collectively referred to herein as "Grantors" and individually as a "Grantor") in favor of Interpel Corp., a Delaware corporation ("Lender").

WITNESSETH:

WHEREAS, pursuant to that certain Senior Subordinated Promissory Note due December 31, 2003, as from time to time amended, restated, supplemented or otherwise modified (the "Note"), issued on of the date hereof by ARI Holdings, Inc. ("Holdings") to Lender, Lender has agreed to make a loan in the original principal amount of \$7,800,000 for the benefit of Grantors;

WHEREAS, each Grantor other than Holdings has guaranteed payment of the obligations under the Note;

WHEREAS, Lender is willing to make the loan as provided for in the Note, but only upon the condition, among others, that each Grantor shall have executed and delivered to Lender that certain Security Agreement dated as of the date hereof (including all annexes, exhibits or schedules thereto, as from time to time amended, restated, supplemented or otherwise modified, the "Security Agreement");

WHEREAS, pursuant to the Security Agreement, each Grantor is required to execute and deliver to Lender this Trademark Security Agreement;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Grantor hereby agrees as follows:

1. DEFINED TERMS.

"Trademark License" shall mean any and all rights under any written or oral agreement to which any Grantor is now or hereafter becomes a party granting any right to use any Trademark.

"Trademarks" shall mean all of the following now owned or hereafter acquired by any Grantor: (a) all trademarks, trade names, corporate names, business names, trade styles, service marks, logos, other source or business identifiers, prints and labels on which any of the foregoing have appeared or appear, designs and general intangibles of like nature (whether registered or unregistered), now owned or existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, including registrations, recordings and applications in the United

States Patent and Trademark Office or in any similar office or agency of the United States, any state or territory thereof, or any other country or any political subdivision thereof; (b) all reissues, extensions or renewals thereof; and (c) all goodwill associated with or symbolized by any of the foregoing.

2. GRANT OF SECURITY INTEREST IN TRADEMARK COLLATERAL.

Each Grantor hereby grants to Lender a continuing security interest (subject only to the terms and conditions of the Subordination Agreement, dated the date hereof, between Lender, Holdings, General Electric Capital Corporation, as Agent for Lenders under the Credit Agreement (as defined in the Subordination Agreement) and each Credit Party signatory to the Subordination Agreement (the "Subordination Agreement")) in all of such Grantor's right, title and interest in, to and under the following, whether presently existing or hereafter created or acquired (collectively, the "Trademark Collateral"):

(a) all of its Trademarks and Trademark Licenses to which it is a party including those referred to on Schedule I hereto;

(b) all reissues, continuations or extensions of the foregoing;

(c) all goodwill of the business connected with the use of, and symbolized by, each Trademark and each Trademark License; and

(d) all products and proceeds of the foregoing, including, without limitation, any claim by such Grantor against third parties for past, present or future (i) infringement or dilution of any Trademark or Trademark licensed under any Trademark License or (ii) injury to the goodwill associated with any Trademark or any Trademark licensed under any Trademark License.

3. SECURITY AGREEMENT.

The security interests granted pursuant to this Trademark Security Agreement are granted in conjunction with the security interests granted to Lender pursuant to the Security Agreement. Each Grantor hereby acknowledges and affirms that the rights and remedies of Lender with respect to the security interest in the Trademark Collateral made and granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein and each of which is subject to the Subordination Agreement. Notwithstanding anything contained herein, in no event shall anything contained herein obligate any Grantor to take any action in contravention of the Senior Debt Documents (as defined in the Subordination Agreement).

[signature page follows]

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

**AUTOMOTIVE CALIPER EXCHANGE
INCORPORATED**

By: Donald E Seamy
Name: _____
Title _____

OHIO CALIPER, INC.

By: Donald E Seamy
Name: _____
Title _____

ARI HOLDINGS, INC.

By: Donald E Seamy
Name: _____
Title _____

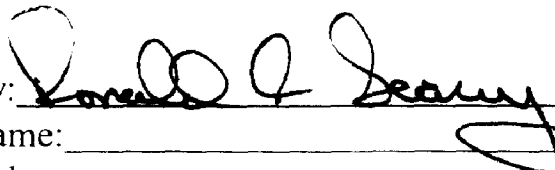
KLICKITAT, INC.

By: Donald E Seamy
Name: _____
Title _____

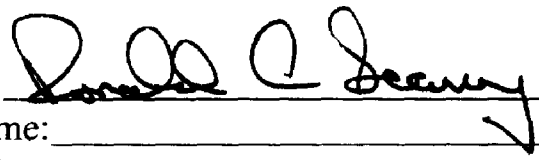
ATSCO PRODUCTS, INC.

By: Donald E Seamy
Name: _____
Title _____

NEW ABS FICTION, INC.

By: 
Name: _____
Title _____

AMERICAN REMANUFACTURERS, INC.

By: 
Name: _____
Title _____

ACCEPTED AND ACKNOWLEDGED BY:

INTERPEL CORP.

By: _____
Name: _____
Title _____

NEW ABS FICTION, INC.

By: _____
Name: _____
Title _____

AMERICAN REMANUFACTURERS, INC.

By: _____
Name: _____
Title _____

ACCEPTED AND ACKNOWLEDGED BY:

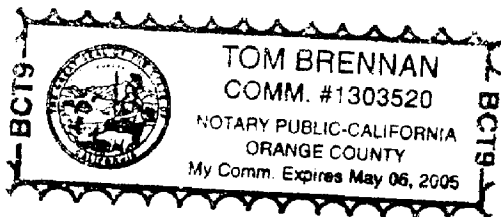
INTERPEL CORP.

By: J. William Urig
Name: J. WILLIAM URIG
Title: SEC

ACKNOWLEDGMENT OF GRANTOR

STATE OF CALIFORNIA)) ss.
COUNTY OF ORANGE)

On this 11th day of July, 2001, before me personally appeared Ronald Scary, proved to me on the basis of satisfactory evidence to be the person who executed the foregoing instrument on behalf of AUTOMOTIVE CALIPER EXCHANGE INCORPORATED, who being by me duly sworn did depose and say that he is an authorized officer of said corporation, that the said instrument was signed on behalf of said corporation as authorized by its Board of Directors and that he acknowledged said instrument to be the free act and deed of said corporation.



[Signature]
Notary Public

{seal}

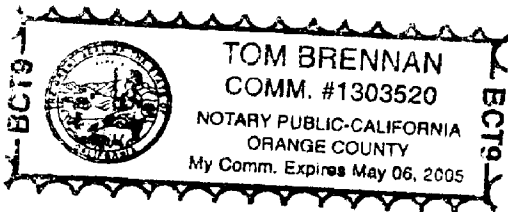
ACKNOWLEDGMENT OF GRANTOR

STATE OF CALIFORNIA)

) ss.

COUNTY OF ORANGE)

On this 11th day of July, 2001, before me personally appeared Ronald Searcy, proved to me on the basis of satisfactory evidence to be the person who executed the foregoing instrument on behalf of OHIO CALIPER, INC., who being by me duly sworn did depose and say that he is an authorized officer of said corporation, that the said instrument was signed on behalf of said corporation as authorized by its Board of Directors and that he acknowledged said instrument to be the free act and deed of said corporation.





Notary Public

{seal}

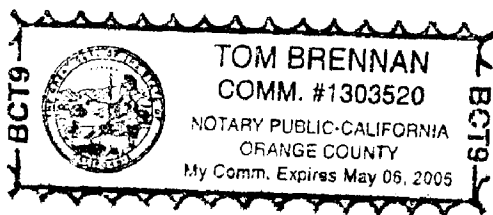
ACKNOWLEDGMENT OF GRANTOR

STATE OF CALIFORNIA)

) ss.

COUNTY OF ORANGE)

On this 11th day of July, 2001, before me personally appeared Ronald Scarcy, proved to me on the basis of satisfactory evidence to be the person who executed the foregoing instrument on behalf of ARI HOLDINGS, INC., who being by me duly sworn did depose and say that he is an authorized officer of said corporation, that the said instrument was signed on behalf of said corporation as authorized by its Board of Directors and that he acknowledged said instrument to be the free act and deed of said corporation.





Notary Public

{seal}

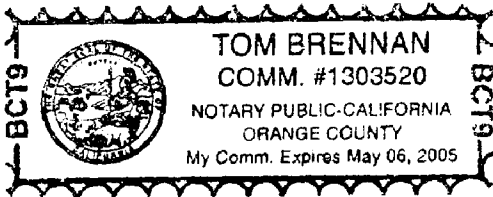
ACKNOWLEDGMENT OF GRANTOR

STATE OF CALIFORNIA)

) ss.

COUNTY OF ORANGE)

On this 11th day of July, 2001, before me personally appeared Ronald Searcy, proved to me on the basis of satisfactory evidence to be the person who executed the foregoing instrument on behalf of KCLICKITAT, INC., who being by me duly sworn did depose and say that he is an authorized officer of said corporation, that the said instrument was signed on behalf of said corporation as authorized by its Board of Directors and that he acknowledged said instrument to be the free act and deed of said corporation.




Notary Public

{seal}

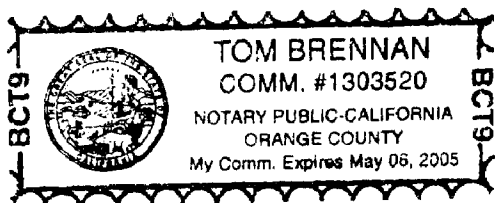
ACKNOWLEDGMENT OF GRANTOR

STATE OF CALIFORNIA)

) ss.

COUNTY OF ORANGE)

On this 11th day of July, 2001, before me personally appeared Ronald Searcy, proved to me on the basis of satisfactory evidence to be the person who executed the foregoing instrument on behalf of ATSCO PRODUCTS, INC., who being by me duly sworn did depose and say that he is an authorized officer of said corporation, that the said instrument was signed on behalf of said corporation as authorized by its Board of Directors and that he acknowledged said instrument to be the free act and deed of said corporation.



Tom Brennan
Notary Public

{seal}

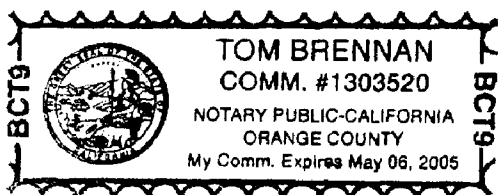
ACKNOWLEDGMENT OF GRANTOR

STATE OF CALIFORNIA)

) ss.

COUNTY OF ORANGE)

On this 11th day of July, 2001, before me personally appeared Ronald Scorer, proved to me on the basis of satisfactory evidence to be the person who executed the foregoing instrument on behalf of NEW ABS FRICTION, INC., who being by me duly sworn did depose and say that he is an authorized officer of said corporation, that the said instrument was signed on behalf of said corporation as authorized by its Board of Directors and that he acknowledged said instrument to be the free act and deed of said corporation.



Tom Brennan

Notary Public

{seal}

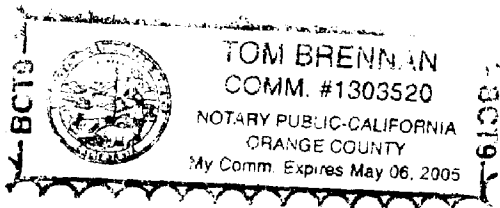
ACKNOWLEDGMENT OF GRANTOR

STATE OF CALIFORNIA)

) ss.

COUNTY OF ORANGE)

On this 11th day of July, 2001, before me personally appeared Ronald Searcy, proved to me on the basis of satisfactory evidence to be the person who executed the foregoing instrument on behalf of AMERICAN REMANUFACTURERS, INC., who being by me duly sworn did depose and say that he is an authorized officer of said corporation, that the said instrument was signed on behalf of said corporation as authorized by its Board of Directors and that he acknowledged said instrument to be the free act and deed of said corporation.



Tom Brennan
Notary Public

{seal}

SCHEDULE I
to
TRADEMARK SECURITY AGREEMENT

TRADEMARK REGISTRATIONS

AMERICAN REMANUFACTURERS, INC. ("ARI")

1. Trademark Registration for ARI name, dated June 5, 2001, Registration No. 2,458,473.
2. Trademark Registration for ARI Logo, dated June 5, 2001, Registration No. 2,458,472.

ARI HOLDINGS, INC.

None.

AUTOMOTIVE CALIPER EXCHANGE INCORPORATED ("ACEI")

1. Trademark Registration for "ACEI" without design, dated January 19, 1999, Registration No. 2,218,525.
2. Application for Trademark Registration, filing receipt dated September 15, 1997 for "RoadProven" without design in United States Patent and Trademark Office, Application Serial No. 75/356650.
3. Non-Exclusive License Agreement, dated May 14, 1997, between ACEI and Aftermarket Technology Corp. ("ATC"), allowing a subsidiary of ATC to utilize ACEI's Front Wheel Drive Axle Catalog.
4. Agreement, dated October 17, 1996, between Neapco, Inc. and ACEI, for Neapco to purchase for its use on a non-exclusive basis ACEI's Front Wheel Drive Axle Catalog.
5. Trademark Registration for "ACEI" with design, dated January 19, 1999, Registration No. 2,218,534.

ACEI'S use of its unregistered trademark "SuperBrakes" in connection with its calipers program may potentially infringe or interfere with a registered trademark of another company. As of the Closing Date, ACEI has not received any oral or written communication from such company in connection with ACEI's use of the trademark "SuperBrakes."

KLICKITAT, INC.

None.

OHIO CALIPER, INC.

None.

ATSCO PRODUCTS, INC

None.

NEW ABS FRICTION, INC.

None.

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SECURITY AGREEMENT

SECURITY AGREEMENT, dated as of July ~~16~~ 2001, among ARI HOLDINGS, INC., a Delaware corporation ("Holdings"), OHIO CALIPER, INC., an Ohio corporation ("OCI"), AUTOMOTIVE CALIPER EXCHANGE INCORPORATED, a California corporation, ("ACEI"), KLICKITAT, INC., a California corporation ("Klickitat"), ATSCO Products, Inc., an Arizona corporation ("ATSCO"), American Remanufacturers, Inc., a Delaware corporation ("ARI"), New ABS Friction, Inc., a Delaware corporation ("New ABS Friction") (Holdings, OCI, ACEI, Klickitat, ATSCO, New ABS Friction and ARI are sometimes collectively referred to herein as "Grantors" and individually as a "Grantor"), and Interpel Corp., a Delaware corporation ("Lender").

WITNESSETH:

WHEREAS, pursuant to that certain Senior Subordinated Promissory Note due December 31, 2003 in the original principal amount of \$7,800,000 (the "Note") issued on the date hereof by Holdings to Lender, Lender has agreed to make a loan for the benefit of Holdings;

WHEREAS, each Grantor other than Holdings has guaranteed the obligations under the Note;

WHEREAS, in order to induce Lender to make the loan as provided for in the Note, each Grantor has agreed to grant a continuing Lien on the Collateral (as hereinafter defined) to secure the obligations under the Note (the "Obligations");

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. DEFINED TERMS.

(a) All capitalized terms used but not otherwise defined herein have the meanings given to them in the Note or in Annex A hereto. All other undefined terms contained in this Security Agreement, unless the context indicates otherwise, have the meanings provided for by the Code to the extent the same are used or defined therein.

(b) "Uniform Commercial Code jurisdiction" means any jurisdiction that has adopted "Revised Article 9" of the Code on or after July 1, 2001.

(c) "Business Day" means any day that is not a Saturday, a Sunday or a day on which banks are required or permitted to be closed in the State of New York.

2. GRANT OF LIEN.

(a) Each Grantor hereby grants a security interest in the Collateral to secure the prompt and complete payment, performance and observance of all of the Obligations in accordance with the terms thereof, each Grantor hereby grants, assigns, conveys, mortgages, pledges,

hypothecates and transfers to Lender, a Lien upon all of its right, title and interest in, to and under the following property, whether now owned by or owing to, or hereafter acquired by or arising in favor of such Grantor (including under any trade names, styles or derivations thereof), and whether owned or consigned by or to, or leased from or to, such Grantor, and regardless of where located (all of which being hereinafter collectively referred to as the "Collateral"), including:

- (i) all Accounts;
- (ii) all Chattel Paper;
- (iii) all Contracts;
- (iv) all Documents;
- (v) all Equipment;
- (vi) all Fixtures;
- (vii) all General Intangibles (including payment intangibles and Software);
- (viii) all Goods;
- (ix) all Instruments;
- (x) all Inventory;
- (xi) all Investment Property;
- (xii) All Deposit Accounts of any Grantor, including all blocked accounts, concentration accounts, disbursement accounts, and all other deposit and other bank accounts and all deposits therein;
- (xiii) all money, cash or cash equivalents of any Grantor;
- (xiv) all Supporting Obligations and Letter-of-Credit Rights of any Grantor;

and

(xv) to the extent not otherwise included, all Proceeds, tort claims, insurance claims and other rights to payments not otherwise included in the foregoing and products of the foregoing and all accessions to, substitutions and replacements for, and rents and profits of, each of the foregoing.

(b) In addition, to secure the prompt and complete payment, performance and observance of the Obligations in accordance with the terms thereof and in order to induce Lender as aforesaid, subject to the terms and conditions of that certain Subordination Agreement, dated the date hereof, between Lender, Holdings, General Electric Capital Corporation, as Agent for the Lenders under the Credit Agreement (as defined in the Subordination Agreement) and each Credit Party signatory to the Subordination Agreement (the "Subordination Agreement") each Grantor

hereby grants to Lender a right of setoff (exercisable upon the occurrence and during the continuance of an Event of Default) against the property of such Grantor held by Lender, consisting of property described above in Section 2(a) now or hereafter in the possession or custody of or in transit to Lender, for any purpose, including safekeeping, collection or pledge, for the account of such Grantor, or as to which such Grantor may have any right or power.

3. LENDER'S RIGHTS: LIMITATIONS ON LENDER'S OBLIGATIONS.

(a) It is expressly agreed by each Grantor that, anything herein to the contrary notwithstanding, each Grantor shall remain liable under each of its Contracts and each of its Licenses to observe and perform all the conditions and obligations to be observed and performed by it thereunder. Lender shall not have any obligation or liability under any Contract or License by reason of or arising out of this Security Agreement or the granting herein of a Lien thereon or the receipt by Lender of any payment relating to any Contract or License pursuant hereto. Lender shall not be required or obligated in any manner to perform or fulfill any of the obligations of any Grantor under or pursuant to any Contract or License, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it or the sufficiency of any performance by any party under any Contract or License, or to present or file any claims, or to take any action to collect or enforce any performance or the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

(b) Subject to the terms of the Subordination Agreement, Lender may at any time after an Event of Default has occurred and be continuing, (or if any rights of set-off (other than set-offs against an Account arising under the Contract giving rise to the same Account) or contra accounts may be asserted with respect to the following), without prior notice to any Grantor, notify Account Debtors, and other Persons obligated on the Collateral that Lender has a security interest therein, and that payments shall be made directly to Lender. Upon the request of Lender, each Grantor shall so notify Account Debtors and other Persons obligated on Collateral. Once any such notice has been given to any Account Debtor or other Person obligated on the Collateral, the affected Grantor shall not give any contrary instructions to such Account Debtor or other Person without Lender's prior written consent.

(c) Subject to the terms of the Subordination Agreement, Lender may at any time in Lender's own name, in the name of a nominee of Lender or in the name of any Grantor communicate (by mail, telephone, facsimile or otherwise) with Account Debtors, parties to Contracts, and obligors in respect of Instruments and obligors in respect of Chattel Paper to verify with such Persons, to Lender's satisfaction, the existence, amount and terms of, and any such other matter relating to, Accounts, Contracts, payment intangibles, Instruments or Chattel Paper; provided that, absent the occurrence and continuance of an Event of Default, Lender shall conduct such verifications in coordination with the applicable Grantor and each Grantor hereby agrees to coordinate and effectuate any such verification requested by Lender in its reasonable credit judgment within 10 days following Lender's request therefor. If a Default or Event of Default shall have occurred and be continuing, each Grantor, at its own expense, shall cause the independent certified public accountants then engaged by such Grantor to prepare and deliver to Lender at any time and from time to time promptly upon Lender's request the following reports with respect to each Grantor: (i) a reconciliation of all Accounts; (ii) an aging of all Accounts; (iii) trial balances;

and (iv) a test verification of such Accounts as Lender may request. Each Grantor, at its own expense, shall deliver to Lender the results of each physical verification, if any, which such Grantor may in its discretion have made, or caused any other Person to have made on its behalf, of all or any portion of its Inventory.

4. REPRESENTATIONS AND WARRANTIES.

Each Grantor represents and warrants that:

(a) Each Grantor has rights in and power to transfer each item of the Collateral upon which it purports to grant a Lien hereunder, free and clear of any and all Liens other than Permitted Encumbrances.

(b) No effective security agreement, financing statement, equivalent security or Lien instrument or continuation statement covering all or any part of the Collateral is on file or of record in any public office, except such as may have been filed (i) by any Grantor in favor of Lender or General Electric Capital Corporation pursuant to this Security Agreement, the Note or the Credit Agreement and related documents, and (ii) in connection with any other Permitted Encumbrances.

(c) This Security Agreement is effective to create a valid and continuing Lien on and, upon the filing of the appropriate financing statements listed on Schedule I hereto and filing of the Copyright Security Agreement with the United States Copyright Office and filing of the Patent Security Agreement and the Trademark Security Agreement with the United States Patent and Trademark Office, a perfected Lien in favor of Lender, on the Collateral with respect to which a Lien may be perfected by filing pursuant to the Code. Such Lien is prior to all other Liens, except Permitted Encumbrances that would be prior to Liens in favor of Lender, as a matter of law, and is enforceable as such as against any and all creditors of and purchasers from any Grantor (other than purchasers, lessees and non-exclusive licenses of Inventory in the ordinary course of business). All action by any Grantor necessary or desirable to protect and (subject to the filing by Lender of the financing statement, Copyright Security Agreement, Patent Security Agreement and Trademark Security Agreement referred to in the first sentence of this clause (c)) perfect such Lien on each item of the Collateral has been duly taken.

(d) Schedule II hereto lists all Instruments, Letter of Credit Rights and Chattel Paper of each Grantor. Subject to the terms of the Subordination Agreement, all action by any Grantor necessary or desirable to protect and perfect the Lien in favor of Lender, on each item set forth on Schedule II (including the delivery of all originals thereof to Lender and the legending of all Chattel Paper as required by Section 5(b) hereof) has been duly taken. The Lien in favor of Lender on the Collateral listed on Schedule II hereto is prior to all other Liens, except Permitted Encumbrances that would be prior to the Liens in favor of Lender, as a matter of law, and is enforceable as such against any and all creditors of and purchasers from any Grantor.

(e) Each Grantor's name as of the date hereof as it appears in official filings in the state of its incorporation or other organization, the type of entity of each Grantor (including corporation, partnership, limited partnership or limited liability company), organizational identification number issued by each Grantor's state of incorporation or organization or a statement

that no such number has been issued, each Grantor's state of organization or incorporation, the location of each Grantor's chief executive office, principal place of business, corporate offices, all warehouses and premises where Collateral is stored or located, and the locations of all of its books and records concerning the Collateral are set forth on Schedule III-A, Schedule III-B, Schedule III-C, Schedule III-D, Schedule III-E, Schedule III-F and Schedule III-G.

(f) With respect to the Accounts, except as specifically disclosed in the most recent Collateral report delivered to Lender (i) they represent bona fide sales of Inventory or rendering of services to Account Debtors in the ordinary course of each Grantor's business and are not evidenced by a judgment, Instrument or Chattel Paper; (ii) there are no setoffs, claims or disputes existing or asserted with respect thereto and no Grantor has made any agreement with any Account Debtor for any extension of time for the payment thereof, any compromise or settlement for less than the full amount thereof, any release of any Account Debtor from liability therefor, or any deduction therefrom except a discount or allowance allowed by such Grantor in the ordinary course of its business for prompt payment and disclosed to Lender; (iii) to each Grantor's knowledge, there are no facts, events or occurrences which in any way impair the validity or enforceability thereof or could reasonably be expected to reduce the amount payable thereunder as shown on any Grantor's books and records and any invoices, statements and Collateral reports delivered to Lender with respect thereto; (iv) no Grantor has received any notice of proceedings or actions which are threatened or pending against any Account Debtor which might result in any adverse change in such Account Debtor's financial condition; and (v) no Grantor has knowledge that any Account Debtor is unable generally to pay its debts as they become due. Further with respect to the Accounts (x) the amounts shown on all invoices, and statements and Collateral reports which may be delivered to the Lender with respect thereto are actually and absolutely owing to such Grantor as indicated thereon and are not in any way contingent; (y) no payments have been or shall be made thereon except payments immediately delivered to the applicable blocked accounts or the Lender; and (z) to each Grantor's knowledge, all Account Debtors have the capacity to contract.

(g) With respect to any Inventory, (i) as of the date hereof, such Inventory is located at one of the applicable Grantor's locations set forth on Schedule III-A, Schedule III-B, Schedule III-C, Schedule III-D, Schedule III-E, Schedule III-F or Schedule III-G hereto, as applicable, (ii) except as permitted under the Note, no Inventory is now, or shall at any time or times hereafter be stored at any other location unless the applicable Grantor shall have taken such actions as Lender deems necessary to perfect and maintain Lender's Lien in such Inventory and obtained, bailee, landlord and mortgagee agreements, (iii) the applicable Grantor has good, indefeasible and merchantable title to such Inventory and such Inventory is not subject to any Lien or security interest or document whatsoever except for the Lien granted to Lender, for the benefit of Lender, and except for Permitted Encumbrances, (iv) such Inventory is not subject to any licensing, patent, royalty, trademark, trade name or copyright agreements with any third parties which would require any consent of any third party upon sale or disposition of that Inventory or the payment of any monies to any third party as a precondition of such sale or other disposition, and (v) the completion of manufacture, sale or other disposition of such Inventory by Lender following the occurrence and during the continuance of an Event of Default shall not require the consent of any Person and shall not constitute a breach or default under any contract or agreement to which any Grantor is a party or to which such property is subject.

(h) As of the date hereof, no Grantor has any interest in, or title to, any Patent, Trademark or Copyright that has been registered or for which an application for registration has been filed with the United States Patent and Trademark Office or the United States Copyright Office, as applicable, or any similar office in any other country except as set forth in Schedule IV hereto. This Security Agreement is effective to create a valid and continuing Lien on and, upon filing of the Copyright Security Agreement with the United States Copyright Office and filing of the Patent Security Agreement and the Trademark Security Agreement with the United State Patent and Trademark Office, perfected Liens in favor of Lender, on each Grantor's Patents, Trademarks and Copyrights and such perfected Liens are enforceable as such as against any and all creditors of and purchasers from any Grantor. Upon filing of the Copyright Security Agreement with the United States Copyright Office and filing of the Patent Security Agreement and the Trademark Security Agreement with the United State Patent and Trademark Office and the filing of appropriate financing statements listed on Schedule I hereto, all action necessary or desirable to protect and perfect Lender's Lien on each Grantor's Patents, Trademarks or Copyrights shall have been duly taken.

5. COVENANTS.

Each Grantor covenants and agrees with Lender, that from and after the date of this Security Agreement and until the Termination Date:

(a) Further Assurances; Pledge of Instruments; Chattel Paper.

(i) Subject to the terms of the Subordination Agreement, at any time and from time to time, upon the written request of Lender and at the sole expense of Grantors, each Grantor shall promptly and duly execute and deliver any and all such further instruments and documents and take such further actions as Lender may deem desirable in its reasonable credit judgment to obtain the full benefits of this Security Agreement and of the rights and powers herein granted, including (A) using its commercially reasonable best efforts to secure all consents and approvals necessary or appropriate for the assignment to or for the benefit of Lender of any License or Contract held by such Grantor or in which such Grantor has any rights not heretofore assigned, and to enforce the security interests granted hereunder; and (B) filing any financing or continuation statements under the Code with respect to the Liens granted hereunder or under any other Security Document as to those jurisdictions that are not Uniform Commercial Code jurisdictions.

(ii) Subject to the terms of the Subordination Agreement, unless Lender shall otherwise consent in writing (which consent may be revoked), each Grantor shall deliver to Lender all Collateral consisting of negotiable Documents, certificated securities (accompanied by stock powers executed in blank), Chattel Paper and Instruments promptly after such Credit Party receives the same.

(iii) Subject to the terms of the Subordination Agreement, each Grantor shall obtain or use its best efforts to obtain waivers or subordinations of Liens from landlords and mortgagees, and each Grantor shall in all instances obtain signed acknowledgements of

Lender's Liens from bailees having possession of any Grantor's Goods that they hold for the benefit of Lender.

(iv) Each Grantor shall take all steps necessary to grant the Lender control of all electronic chattel paper in accordance with the Code and all "transferable records" as defined in the Uniform Electronic Transactions Act.

(v) Subject to the terms of the Subordination Agreement, each Grantor hereby irrevocably authorizes the Lender at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto that (a) indicate the Collateral (i) as all assets of such Grantor or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the Code of the State of New York or such jurisdiction, or (ii) as being of an equal or lesser scope or with greater detail, and (b) contain any other information required by Part 5 of Article 9 of the Code of the State of New York for the sufficiency or filing office acceptance of any financing statement or amendment, including (i) whether such Grantor is an organization, the type of organization and any organization identification number issued to such Grantor, and (ii) in the case of a financing statement filed as a fixture filing or indicating Collateral as as-extracted collateral or timber to be cut, a sufficient description of real property to which the Collateral relates. Each Grantor agrees to furnish any such information to the Lender promptly upon request. Each Grantor also ratifies its authorization for the Lender to have filed in any Uniform Commercial Code jurisdiction any like initial financing statements or amendments thereto if filed prior to the date hereof.

(vi) Each Grantor shall promptly notify Lender of any commercial tort claim (as defined in the Code) acquired by it and unless otherwise consented by Lender, such Grantor shall enter into a supplement to this Security Agreement, granting to Lender a Lien in such commercial tort claim.

(b) Maintenance of Records. Grantors shall keep and maintain, at their own cost and expense, satisfactory and complete records of the Collateral, including a record of any and all payments received and any and all credits granted with respect to the Collateral and all other dealings with the Collateral. If requested by Lender, Grantors shall mark their books and records pertaining to the Collateral to evidence this Security Agreement and the Liens granted hereby. If any Grantor retains possession of any Chattel Paper or Instruments with Lender's consent, such Chattel Paper and Instruments shall be marked with the following legend: "This writing and the obligations evidenced or secured hereby are subject to the security interest of Quilvest American Equity Limited."

(c) Covenants Regarding Patent, Trademark and Copyright Collateral.

(i) Grantors shall notify Lender immediately if they know or have reason to know that any application or registration relating to any material Patent, Trademark or Copyright (now or hereafter existing) may become abandoned or dedicated, or of any adverse determination or development (including the institution of, or any such

determination or development in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office or any court) regarding any Grantor's ownership of any material Patent, Trademark or Copyright, its right to register the same, or to keep and maintain the same.

(ii) In the event that any Grantor, either itself or through any Lender, employee, licensee or designee, shall file an application for the registration of any Patent, Trademark or Copyright with the United States Patent and Trademark Office, the United Copyright Office or any similar office or agency, such Grantor shall give Lender written notice thereof within five (5) Business Days of such filing, and, upon request of Lender, Grantor shall execute and deliver any and all Patent Security Agreements, Copyright Security Agreements or Trademark Security Agreements as Lender may request to evidence Lender's Lien on such Patent, Trademark or Copyright, and the General Intangibles of such Grantor relating thereto or represented thereby.

(iii) Grantors shall take all actions necessary or reasonably requested by Lender to maintain and pursue each application, to obtain the relevant registration and to maintain the registration of each of the Patents, Trademarks and Copyrights (now or hereafter existing), including the filing of applications for renewal, affidavits of use, affidavits of noncontestability and opposition and interference and cancellation proceedings, unless the applicable Grantor shall determine that such Patent, Trademark or Copyright is not material to the conduct of its business.

(iv) In the event that any material Patent, Trademark or Copyright is infringed upon, or misappropriated or diluted by a third party, such Grantor shall notify Lender promptly after such Grantor learns thereof comply with Section 5(a)(vi) of this Security Agreement. Such Grantor shall, unless such Grantor shall reasonably determine that such Patent, Trademark or Copyright is in no way material to the conduct of its business or operations, promptly sue for infringement, misappropriation or dilution and to recover any and all damages for such infringement, misappropriation or dilution, or shall take such other actions as such Grantor shall in its reasonable business judgment deem appropriate under the circumstances to protect such Patent, Trademark or Copyright.

(d) Indemnification. In any suit, proceeding or action brought by Lender at any time following the occurrence and during the continuance of an Event of Default relating to any Account, Chattel Paper, Contract, Document, General Intangible or Instrument Collateral for any sum owing thereunder with respect thereto or to enforce any provision of any Account, Chattel Paper, Contract, Document, General Intangible rights or Instrument claims with respect thereto, each Grantor will save, indemnify and keep Lender harmless from and against all expense (including reasonable attorneys' fees and expenses), loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment or reduction of liability whatsoever of the obligor thereunder, Account Debtor or other Person obligated on the Collateral, arising out of a breach by any Grantor of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to, or in favor of, such obligor or its successors from such Grantor, except in the case of Lender, to the extent such expense, loss, or damage is attributable solely to the gross negligence or willful misconduct of Lender as finally determined by a court of competent

jurisdiction. All such obligations of Grantors shall be and remain enforceable against and only against Grantors and shall not be enforceable against Lender.

(e) Compliance with Terms of Accounts, etc. In all material respects, each Grantor will perform and comply with all obligations in respect of its Accounts, Chattel Paper, Contracts and Licenses and all other agreements to which it is a party or by which it is bound relating to the Collateral.

(f) Limitation on Liens on Collateral. No Grantor will create, permit or suffer to exist, and each Grantor will defend the Collateral against, and take such other action as is necessary to remove, any Lien on the Collateral except Permitted Encumbrances.

(g) Limitations on Disposition. No Grantor will sell, license, lease, transfer or otherwise dispose of any of the Collateral, or attempt or contract to do so except as permitted by the Note.

(h) Further Identification of Collateral. Grantors will, if so requested by Lender, furnish to Lender, as often as Lender requests, statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as Lender may reasonably request, all in such detail as Lender may specify.

(i) Notices. Grantors will advise Lender promptly, in reasonable detail, (i) of any Lien (other than Permitted Encumbrances) or claim made or asserted against any of the Collateral, and (ii) of the occurrence of any other event which would have a material adverse effect on the aggregate value of the Collateral or on the Liens created hereunder or under any other Security Document.

(j) Good Standing Certificates. At the request of Lender, but not more frequently than once during each calendar year, each Grantor shall provide to Lender a certificate of good standing from its state of incorporation or organization.

(k) No Reincorporation. No Grantor shall reincorporate or reorganize itself under the laws of any jurisdiction other than the jurisdiction in which it is incorporated or organized as of the date hereof without the prior written consent of Lender.

(l) Terminations; Amendments Not Authorized. Each Grantor acknowledges that it is not authorized to file any financing statement or amendment or termination statement with respect to any financing statement without the prior written consent of Lender and agrees that it will not do so without the prior written consent of Lender, subject to such Grantor's rights under Section 9-509(d)(2) of the Code. Lender will promptly deliver to each Grantor for filing or authorize each Grantor to prepare and file termination statements and releases as requested by the Lender.

(m) No Restriction on Payments to Lender. Grantors shall not enter into any Contract that restricts or prohibits the grant of a security interest in Accounts, Chattel Paper, Instruments or payment intangibles or the proceeds of the foregoing to Lender.

6. LENDER'S APPOINTMENT AS ATTORNEY-IN-FACT.

Each Grantor shall execute and deliver to Lender a power of attorney (the "Power of Attorney") substantially in the form attached hereto as Exhibit A. Subject to the terms of the Subordination Agreement, the power of attorney granted pursuant to the Power of Attorney is a power coupled with an interest and shall be irrevocable until the Termination Date. The powers conferred on Lender, for the benefit of Lender, under the Power of Attorney are solely to protect Lender's interests (for the benefit of Lender) in the Collateral and shall not impose any duty upon Lender to exercise any such powers. Lender agrees that (a) it shall not exercise any power or authority granted under the Power of Attorney unless an Event of Default has occurred and is continuing, and (b) Lender shall account for any moneys received by Lender in respect of any foreclosure on or disposition of Collateral pursuant to the Power of Attorney following the occurrence and during the continuance of an Event of Default; provided that Lender shall not have any duty as to any Collateral, and Lender shall be accountable only for amounts that they actually receive as a result of the exercise of such powers. NONE OF LENDER, NOR ITS AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES, OR REPRESENTATIVES SHALL BE RESPONSIBLE TO ANY GRANTOR FOR ANY ACT OR FAILURE TO ACT UNDER ANY POWER OF ATTORNEY OR OTHERWISE, EXCEPT IN RESPECT OF DAMAGES ATTRIBUTABLE SOLELY TO THEIR OWN GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, NOR FOR ANY PUNITIVE, EXEMPLARY, INDIRECT OR CONSEQUENTIAL DAMAGES.

7. REMEDIES: RIGHTS UPON DEFAULT.

In addition to all other rights and remedies granted to it under this Security Agreement, the Note, the other Security Documents and under any other instrument or agreement securing, evidencing or relating to any of the Obligations, if any Event of Default shall have occurred and be continuing, Lender may exercise all rights and remedies of a secured party under the Code subject to the terms of the Subordination Agreement. Without limiting the generality of the foregoing, each Grantor expressly agrees that in any such event Lender, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon such Grantor or any other Person (all and each of which demands, advertisements and notices are hereby expressly waived to the maximum extent permitted by the Code and other applicable law), may forthwith enter upon the premises of such Grantor where any Collateral is located through self-help, without judicial process, without first obtaining a final judgment or giving such Grantor or any other Person notice and opportunity for a hearing on Lender's claim or action and may collect, receive, assemble, process, appropriate and realize upon the Collateral, or any part thereof, and may forthwith sell, lease, license, assign, give an option or options to purchase, or sell or otherwise dispose of and deliver said Collateral (or contract to do so), or any part thereof, in one or more parcels at a public or private sale or sales, at any exchange at such prices as it may deem acceptable, for cash or on credit or for future delivery without assumption of any credit risk. Lender shall have the right upon any such public sale or sales and, to the extent permitted by law, upon any such private sale or sales, to purchase for the benefit of Lender, the whole or any part of said Collateral so sold, free of any right or equity of redemption, which equity of redemption each Grantor hereby releases. Such sales may be adjourned and continued from time to time with or without notice. Lender shall have

the right to conduct such sales on any Grantor's premises or elsewhere and shall have the right to use any Grantor's premises without charge for such time or times as Lender deems necessary or advisable.

Each Grantor further agrees, at Lender's request, to assemble the Collateral and make it available to Lender at a place or places designated by Lender which are reasonably convenient to such Grantor, whether at such Grantor's premises or elsewhere. Until Lender is able to effect a sale, lease, or other disposition of Collateral, Lender shall have the right to hold or use Collateral, or any part thereof, to the extent that it deems appropriate for the purpose of preserving Collateral or its value or for any other purpose deemed appropriate by Lender. Lender shall have no obligation to any Grantor to maintain or preserve the rights of such Grantor as against third parties with respect to Collateral while Collateral is in the possession of Lender. Lender may, if it so elects, seek the appointment of a receiver or keeper to take possession of Collateral and to enforce any of Lender's remedies (for the benefit of Lender), with respect to such appointment without prior notice or hearing as to such appointment. Lender shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale to the Obligations and only after so paying over such net proceeds, and after the payment by Lender of any other amount required by any provision of law, need Lender account for the surplus, if any, to any Grantor. To the maximum extent permitted by applicable law, each Grantor waives all claims, damages and demands against Lender arising out of the repossession, retention or sale of the Collateral except such as arise solely out of the gross negligence or willful misconduct of Lender as finally determined by a court of competent jurisdiction. Each Grantor agrees that ten (10) days prior notice by Lender of the time and place of any public sale or of the time after which a private sale may take place is reasonable notification of such matters. Grantors shall remain liable for any deficiency if the proceeds of any sale or disposition of the Collateral are insufficient to pay all Obligations, including any attorneys' fees and other expenses incurred by Lender to collect such deficiency.

Except as otherwise specifically provided herein, each Grantor hereby waives presentment, demand, protest or any notice (to the maximum extent permitted by applicable law) of any kind in connection with this Security Agreement or any Collateral.

8. GRANT OF LICENSE TO USE INTELLECTUAL PROPERTY COLLATERAL.

For the purpose of enabling Lender to exercise rights and remedies under Section 7 hereof (including, without limiting the terms of Section 7 hereof, in order to take possession of, hold, preserve, process, assemble, prepare for sale, market for sale, sell or otherwise dispose of Collateral) at such time as Lender shall be lawfully entitled to exercise such rights and remedies, each Grantor hereby grants to Lender, for the benefit of Lender, an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to such Grantor) to use, license or sublicense any Intellectual Property now owned or hereafter acquired by such Grantor, and wherever the same may be located, and including in such license access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof.

9. LIMITATION ON LENDER'S DUTY IN RESPECT OF COLLATERAL.

Lender shall use reasonable care with respect to the Collateral in its possession or under its control. Lender shall not have any other duty as to any Collateral in its possession or control or in the possession or control of any Lender or nominee of Lender, or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto.

10. REINSTATEMENT.

This Security Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against any Grantor for liquidation or reorganization, should any Grantor become insolvent or make an assignment for the benefit of any creditor or creditors or should a receiver or trustee be appointed for all or any significant part of any Grantor's assets, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

11. NOTICES.

Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other party, or whenever any of the parties desires to give and serve upon any other party any communication with respect to this Security Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be given in the manner, and deemed received, as provided for in the Note.

12. SEVERABILITY.

Whenever possible, each provision of this Security Agreement shall be interpreted in a manner as to be effective and valid under applicable law, but if any provision of this Security Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Security Agreement. This Security Agreement is to be read, construed and applied together with the Note and the other Security Documents which, taken together, set forth the complete understanding and agreement of Lender and Grantors with respect to the matters referred to herein and therein.

13. NO WAIVER: CUMULATIVE REMEDIES.

Lender shall not by any act, delay, omission or otherwise be deemed to have waived any of its rights or remedies hereunder, and no waiver shall be valid unless in writing, signed by Lender and then only to the extent therein set forth. A waiver by Lender of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which Lender

would otherwise have had on any future occasion. No failure to exercise nor any delay in exercising on the part of Lender any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or future exercise thereof or the exercise of any other right, power or privilege. The rights and remedies hereunder provided are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights and remedies provided by law. None of the terms or provisions of this Security Agreement may be waived, altered, modified or amended except by an instrument in writing, duly executed by Lender and Grantors.

14. LIMITATION BY LAW.

All rights, remedies and powers provided in this Security Agreement may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Security Agreement are intended to be subject to all applicable mandatory provisions of law that may be controlling and to be limited to the extent necessary so that they shall not render this Security Agreement invalid, unenforceable, in whole or in part, or not entitled to be recorded, registered or filed under the provisions of any applicable law.

15. TERMINATION OF THIS SECURITY AGREEMENT.

Subject to Section 10 hereof, this Security Agreement shall terminate upon the Termination Date.

16. SUCCESSORS AND ASSIGNS.

This Security Agreement and all obligations of Grantors hereunder shall be binding upon the successors and assigns of each Grantor (including any debtor-in-possession on behalf of such Grantor) and shall, together with the rights and remedies of Lender hereunder, inure to the benefit of Lender, all future holders of any instrument evidencing any of the Obligations and their respective successors and assigns. No sales of participations, other sales, assignments, transfers or other dispositions of any agreement governing or instrument evidencing the Obligations or any portion thereof or interest therein shall in any manner affect the Lien granted to Lender hereunder. No Grantor may assign, sell, hypothecate or otherwise transfer any interest in or obligation under this Security Agreement.

17. COUNTERPARTS.

This Security Agreement may be executed in any number of separate counterparts, each of which shall collectively and separately constitute one agreement. This Security Agreement may be authenticated by manual signature, facsimile or, if approved in writing by Lender, electronic means, all of which shall be equally valid.

18. GOVERNING LAW.

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THE NOTE OR THE SECURITY DOCUMENTS, IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THIS SECURITY AGREEMENT AND

THE OBLIGATIONS ARISING HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE, AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. EACH GRANTOR HEREBY CONSENTS AND AGREES THAT THE STATE OR FEDERAL COURTS LOCATED IN NEW YORK COUNTY, CITY OF NEW YORK, NEW YORK, SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN GRANTORS AND LENDER PERTAINING TO THIS SECURITY AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS SECURITY AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS; PROVIDED, THAT LENDER AND GRANTORS ACKNOWLEDGE THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF NEW YORK COUNTY, CITY OF NEW YORK, NEW YORK; PROVIDED, FURTHER NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE LENDER FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF LENDER. EACH GRANTOR EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND EACH GRANTOR HEREBY WAIVES ANY OBJECTION WHICH IT MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS AND HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. EACH GRANTOR HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINTS AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO SUCH GRANTOR AT THE ADDRESS SET FORTH IN SECTION 14 OF THE NOTE AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF ACTUAL RECEIPT THEREOF OR THREE (3) DAYS AFTER DEPOSIT IN THE U.S. MAILED, PROPER POSTAGE PREPAID.

19. WAIVER OF JURY TRIAL.

BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT DISPUTES ARISING HEREUNDER OR RELATING HERETO BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, AMONG LENDER AND GRANTORS ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED IN CONNECTION WITH, THIS SECURITY

AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS RELATED HERETO OR THERETO.

20. SECTION TITLES.

The Section titles contained in this Security Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

21. NO STRICT CONSTRUCTION.

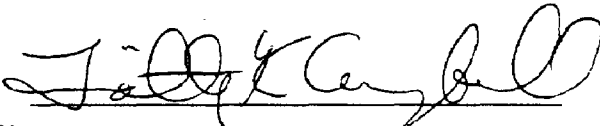
The parties hereto have participated jointly in the negotiation and drafting of this Security Agreement. In the event an ambiguity or question of intent or interpretation arises, this Security Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Security Agreement.

22. SUBORDINATION.


Lender and each Grantor hereby affirm and agree that the Liens granted to Lender herein are expressly subordinated to the Liens granted to General Electric Capital Corporation, as Agent, securing the Obligations as defined in and under the Credit Agreement, and the terms and conditions of this Security Agreement are subject to all terms and conditions set forth in the Subordination Agreement. Notwithstanding anything contained herein, in no event shall anything contained herein obligate any Grantor to take any action in contravention of the Senior Debt Documents (as defined in the Subordination Agreement).

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


ARI HOLDINGS, INC.

By: 
Name: _____
Title: _____


OHIO CALIPER, INC.

By: 
Name: _____
Title: _____


**AUTOMOTIVE CALIPER EXCHANGE
INCORPORATED**

By: 
Name: _____
Title: _____


KLICKITAT, INC.

By: 
Name: _____
Title: _____


ATSCO PRODUCTS, INC.

By: 
Name: _____
Title: _____

AMERICAN REMANUFACTURERS, INC.

By: 
Name: _____
Title: _____

NEW ABS FRICTION, INC.

By: 
Name: _____
Title: _____

INTERPEL CORP., as Lender

By: _____
Name: _____
Title: _____

AMERICAN REMANUFACTURERS, INC.

By: _____
Name: _____
Title: _____

NEW ABS FRICTION, INC.

By: _____
Name: _____
Title: _____

INTERPEL CORP., as Lender

By: William Almgren
Name: _____
Title: SEC

DEFINITIONS

“Account Debtor” shall mean any Person who may become obligated to any Grantor under, with respect to, or on account of, an Account, Chattel Paper or General Intangibles (including a payment intangible).

“Accounts” shall mean all “accounts,” as such term is defined in the Code, now owned or hereafter acquired by any Grantor, including (a) all accounts receivable, other receivables, book debts and other forms of obligations (other than forms of obligations evidenced by Chattel Paper, or Instruments) (including any such obligations that may be characterized as an account or contract right under the Code), (b) all of each Grantor's rights in, to and under all purchase orders or receipts for goods or services, (c) all of each Grantor's rights to any goods represented by any of the foregoing (including unpaid sellers' rights of rescission, replevin, reclamation and stoppage in transit and rights to returned, reclaimed or repossessed goods), (d) all rights to payment due to any Grantor for property sold, leased, licensed, assigned or otherwise disposed of, for a policy of insurance issued or to be issued, for a secondary obligation incurred or to be incurred, for energy provided or to be provided, for the use or hire of a vessel under a charter or other contract, arising out of the use of a credit card or charge card, or for services rendered or to be rendered by such Grantor or in connection with any other transaction (whether or not yet earned by performance on the part of such Grantor), (e) all health care insurance receivables and (f) all collateral security of any kind, given by any Account Debtor or any other Person with respect to any of the foregoing.

“Charges” shall mean all federal, state, county, city, municipal, local, foreign or other governmental taxes (including taxes owed to the PBGC at the time due and payable), levies, assessments, charges, liens, claims or encumbrances upon or relating to (a) the Collateral, (b) the Obligations, (c) the employees, payroll, income or gross receipts of any Grantor, (d) any Grantor's ownership or use of any properties or other assets, or (e) any other aspect of any Grantor's business.

“Chattel Paper” shall mean any “chattel paper,” as such term is defined in the Code, now owned or hereafter acquired by any Grantor, wherever located.

“Contracts” shall mean all “contracts,” as such term is defined in the Code, now owned or hereafter acquired by any Grantor, in any event, including all contracts, undertakings, or agreements (other than rights evidenced by Chattel Paper, Documents or Instruments) in or under which any Grantor may now or hereafter have any right, title or interest, including any agreement relating to the terms of payment or the terms of performance of any Account.

“Copyright License” shall mean any and all rights now owned or hereafter acquired by any Grantor under any written agreement granting any right to use any Copyright or Copyright registration.

“Copyrights” shall mean all of the following now owned or hereafter acquired by any Grantor: (a) all copyrights and general intangibles of like nature (whether registered or

unregistered), now owned or existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, including all registrations, recordings and applications in the United States Copyright Office or in any similar office or agency of the United States, any state or territory thereof, or any other country or any political subdivision thereof, and (b) all reissues, extensions or renewals thereof.

“Deposit Accounts” means all “deposit accounts” as such term is defined in the Code, now or hereafter held in the name of any Grantor.

“Design License” shall mean rights under any written agreement now owned or hereafter acquired by any Grantor granting any right to use any Design.

“Designs” shall mean the following now owned or hereafter acquired by any Grantor: (a) all industrial designs, design patents and other designs now owned or existing or hereafter adopted or acquired, all registrations and recordings thereof and all applications in connection therewith, including all registrations, recordings and applications in the Canadian Industrial Designs Office or any similar office in any country and all records thereof and (b) all reissues, extensions or renewals thereof.

“Documents” shall mean any “documents,” as such term is defined in the Code, now owned or hereafter acquired by any Grantor, wherever located.

“Equipment” shall mean all “equipment,” as such term is defined in the Code, now owned or hereafter acquired by any Grantor, wherever located and, in any event, including all such Grantor’s machinery and equipment, including processing equipment, conveyors, machine tools, data processing and computer equipment with software and peripheral equipment (other than software constituting part of the Accounts), and all engineering, processing and manufacturing equipment, office machinery, furniture, materials handling equipment, tools, attachments, accessories, automotive equipment, trailers, trucks, forklifts, molds, dies, stamps, motor vehicles, rolling stock and other equipment of every kind and nature, trade fixtures and fixtures not forming a part of real property, all whether now owned or hereafter acquired, and wherever situated, together with all additions and accessions thereto, replacements therefor, all parts therefor, all substitutes for any of the foregoing, fuel therefor, and all manuals, drawings, instructions, warranties and rights with respect thereto, and all products and proceeds thereof and condemnation awards and insurance proceeds with respect thereto.

“Fixtures” shall mean any “fixtures” as such term is defined in the Code, now owned or hereafter acquired by any Grantor.

“General Intangibles” shall mean any “general intangibles,” as such term is defined in the Code, now owned or hereafter acquired by any Grantor, and, in any event, including all right, title and interest which such Grantor may now or hereafter have in or under any Contract, all customer lists, Licenses, Copyrights, Trademarks, Patents, and all applications therefor and reissues, extensions or renewals thereof, rights in Intellectual Property, interests in partnerships, joint ventures and other business associations, licenses, permits, copyrights, trade secrets, proprietary or confidential information, inventions (whether or not patented or patentable),

technical information, procedures, designs, knowledge, know-how, software, data bases, data, skill, expertise, experience, processes, models, drawings, materials and records, goodwill (including the goodwill associated with any Trademark or Trademark License), all rights and claims in or under insurance policies (including insurance for fire, damage, loss and casualty, whether covering personal property, real property, tangible rights or intangible rights, all liability, life, key man and business interruption insurance, and all unearned premiums), uncertificated securities, choses in action, deposit, checking and other bank accounts, rights to receive tax refunds and other payments, rights of indemnification, all books and records, correspondence, credit files, invoices and other papers, including without limitation all tapes, cards, computer runs and other papers and documents in the possession or under the control of such Grantor or any computer bureau or service company from time to time acting for such Grantor.

“Goods” means all “goods” as defined in the Code, now owned or hereafter acquired by any Grantor, wherever located, including embedded software to the extent included in “goods” as defined in the Code, manufactured homes, standing timber that is cut and removed for sale and unborn young of animals.

“Instruments” shall mean any “instrument,” as such term is defined in the Code, now owned or hereafter acquired by any Grantor, wherever located, and, in any event, including all certificated securities, all certificates of deposit, and all promissory notes and other evidences of indebtedness, other than instruments that constitute, or are a part of a group of writings that constitute, Chattel Paper.

“Intellectual Property” shall mean any and all Licenses, Patents, Copyrights, Trademarks, Designs, trade secrets and customer lists.

“Inventory” shall mean any “inventory,” as such term is defined in the Code, now or hereafter owned or acquired by any Grantor, wherever located, and in any event including inventory, merchandise, goods and other personal property which are held by or on behalf of any Grantor for sale or lease or are furnished or are to be furnished under a contract of service, or which constitute raw materials, work in process or materials used or consumed or to be used or consumed in such Grantor’s business or in the processing, production, packaging, promotion, delivery or shipping of the same, including all supplies and embedded software.

“Investment Property” shall have the meaning ascribed thereto in Section 9-115 of the Code in those jurisdictions in which such definition has been adopted and shall include (i) all securities, whether certificated or uncertificated, including stocks, bonds, interests in limited liability companies, partnership interests, treasuries, certificates of deposit, and mutual fund shares; (ii) all securities entitlements of any Grantor, including the rights of any Grantor to any securities account and the financial assets held by a securities intermediary in such securities account and any free credit balance or other money owing by any securities intermediary with respect to that account; (iii) all securities accounts held by any Grantor; (iv) all commodity contracts held by any Grantor; and (v) all commodity accounts held by any Grantor.

“Letter-of-Credit Rights” means “letter-of-credit rights” as such term is defined in the Code, now owned or hereafter acquired by any Grantor, including rights to payment or

performance under a letter of credit, whether or not such Grantor, as beneficiary, has demanded or is entitled to demand payment or performance.

“License” shall mean any Copyright License, Patent License, Trademark License, Design License, or other license of rights or interests now held or hereafter acquired by any Grantor.

“Patent License” shall mean rights under any written agreement now owned or hereafter acquired by any Grantor granting any right with respect to any invention on which a Patent is in existence.

“Patents” shall mean all of the following in which any Grantor now holds or hereafter acquires any interest: (a) all letters patent of the United States or any other country, all registrations and recordings thereof, and all applications for letters patent of the United States or any other country, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state or territory thereof, or any other country, and (b) all reissues, continuations, continuations-in-part or extensions thereof.

“PBGC” shall mean the Pension Benefit Guaranty Corporation or any successor thereto.

“Permitted Encumbrances” shall mean the following encumbrances: (a) Liens for taxes or assessments or other governmental Charges not yet due and payable or which are being contested in good faith, but excluding any Lien for federal taxes or assessments or other federal Charges that is superior to any of the Liens securing the Obligations; (b) pledges or deposits of money securing obligations under workmen’s compensation, unemployment insurance, social security or public liability laws or similar legislation; (c) pledges or deposits of money securing bids, tenders, contracts (other than contracts for the payment of money) or leases to which any Grantor is a party as lessee made in the ordinary course of business; (d) deposits of money securing statutory obligations of any Grantor for workers compensation, unemployment compensation and similar costs (excluding Liens under ERISA); (e) inchoate and unperfected workers’, mechanics’ or similar liens arising in the ordinary course of business for sums not more than 30 days past due or which are being contested in good faith; (f) carriers’, warehousemen’s, suppliers’ or other similar possessory liens arising in the ordinary course of business for sums not more than 30 days past due or which are being contested in good faith; (g) deposits securing, or in lieu of, surety, appeal or customs bonds in proceedings to which any Grantor is a party; (h) any attachment or judgment lien not constituting an Event of Default under the Note; (i) zoning restrictions, easements, licenses, or other restrictions on the use of any real estate or other minor irregularities in title (including leasehold title) thereto, so long as the same do not materially impair the use, value, or marketability of such real estate; (j) presently existing or hereinafter created Liens in favor of Lender; and (k) Liens incurred or permitted under the Credit Agreement.

“Proceeds” shall mean “proceeds,” as such term is defined in the Code, including (a) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to any Grantor from time to time with respect to any of the Collateral, (b) any and all payments (in any form whatsoever)

made or due and payable to any Grantor from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental authority (or any Person acting under color of governmental authority), (c) any claim of any Grantor against third parties (i) for past, present or future infringement of any Patent or Patent License, or (ii) for past, present or future infringement or dilution of any Copyright, Copyright License, Trademark or Trademark License, or for injury to the goodwill associated with any Trademark or Trademark License, (d) any recoveries by any Grantor against third parties with respect to any litigation or dispute concerning any of the Collateral, including claims arising out of the loss or nonconformity of, interference with the use of, defects in, or infringement of rights in, or damage to, Collateral, (e) all amounts collected on, or distributed on account of, other Collateral, including dividends, interest, distributions and Instruments with respect to Investment Property and pledged stock, and (f) any and all other amounts, rights to payment or other property acquired upon the sale, lease, license, exchange or other disposition of Collateral and all rights arising out of Collateral.

“Supporting Obligations” means all “supporting obligations” as such term is defined in the Code, including letters of credit and guaranties issued in support of Accounts, Chattel Paper, Documents, General Intangibles, Instruments, or Investment Property.

“Termination Date” shall mean the date on which all amounts and obligations under the Note shall have been paid in full and fully satisfied.

“Trademark License” shall mean rights under any written agreement now owned or hereafter acquired by any Grantor granting any right to use any Trademark.

“Trademarks” shall mean all of the following now owned or hereafter acquired by any Grantor: (a) all trademarks, trade names, corporate names, business names, trade styles, service marks, logos, other source or business identifiers, prints and labels on which any of the foregoing have appeared or appear, designs and general intangibles of like nature (whether registered or unregistered), now owned or existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state or territory thereof, or any other country or any political subdivision thereof; (b) all reissues, extensions or renewals thereof; and (c) all goodwill associated with or symbolized by any of the foregoing.

EXHIBIT A

POWER OF ATTORNEY

This Power of Attorney is executed and delivered by _____ a _____ corporation ("Grantor"), to Interpel Corp., a Delaware corporation (hereinafter referred to as "Attorney"), as Holder, Senior Subordinated Promissory Note due December 31, 2003 and other related documents (the "Loan Documents"). No person to whom this Power of Attorney is presented, as authority for Attorney to take any action or actions contemplated hereby, shall be required to inquire into or seek confirmation from Grantor as to the authority of Attorney to take any action described below, or as to the existence of or fulfillment of any condition to this Power of Attorney, which is intended to grant to Attorney unconditionally the authority to take and perform the actions contemplated herein, and Grantor irrevocable waives any right to commence any suit or action, in law or equity, against any person or entity which acts in reliance upon or acknowledges the authority granted under this Power of Attorney. The power of attorney granted hereby is coupled with an interest, and may not be revoked or canceled by Grantor without Attorney's written consent.

Grantor hereby irrevocably constitutes and appoints Attorney (and all officers or employees designated by Attorney), with full power of substitution, as Grantor's true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of Grantor and in the name of Grantor or in its own name, from time to time in Attorney's discretion, to take any and all appropriate action and to execute and deliver any and all documents and instruments which may be necessary or desirable to accomplish the purposes of the Loan Documents and, without limiting the generality of the foregoing, Grantor hereby grants to Attorney the power and right, on behalf of Grantor, without notice to or assent by Grantor, and at any time, to do the following: (a) change the mailing address of Grantor, open a post office box on behalf of Grantor, open mail for Grantor, and ask, demand, collect, give acquittances and receipts for, take possession of, endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, and notices in connection with any property of Grantor; (b) effect any repairs to any asset of Grantor, or continue or obtain any insurance and pay all or any part of the premiums therefor and costs thereof, and make, settle and adjust all claims under such policies of insurance, and make all determinations and decisions with respect to such policies; (c) pay or discharge any taxes, liens, security interests, or other encumbrances levied or placed on or threatened against Grantor or its property; (d) defend any suit, action or proceeding brought against Grantor if Grantor does not defend such suit, action or proceeding or if Attorney believes that Grantor is not pursuing such defense in a manner that will maximize the recovery to Attorney, and settle, compromise or adjust any suit, action, or proceeding described above and, in connection therewith, give such discharges or releases as Attorney may deem appropriate; (e) file or prosecute any claim, litigation, suit or proceeding in any court of competent jurisdiction or before any arbitrator, or take any other action otherwise deemed appropriate by Attorney for the purpose of collecting any and all such moneys due to Grantor whenever payable and to enforce any other right in respect of Grantor's property; (f) cause the certified public accountants then engaged by Grantor to prepare and deliver to Attorney at any time and from time to time, promptly upon Attorney's

request, the following reports: (1) a reconciliation of all accounts, (2) an aging of all accounts, (3) trial balances, (4) test verifications of such accounts as Attorney may request, and (5) the results of each physical verification of inventory; (g) communicate in its own name with any party to any Contract with regard to the assignment of the right, title and interest of such Grantor in and under the Contracts and other matters relating thereto; and (h) to the extent that Grantor's authorization given in Section 5(a)(v) of the Security Agreement is not sufficient, to file such financing statements with respect to the Security Agreement, with or without Grantor's signature, or to file a photocopy of the Security Agreement in substitution for a financing statement, as the Lender may deem appropriate and to execute in Grantor's name such financing statements and amendments thereto and continuation statements which may require the Grantor's signature; and (i) execute, in connection with any sale provided for in any Loan Document, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral and to otherwise direct such sale or resale, all as though Attorney were the absolute owner of the property of Grantor for all purposes, and to do, at Attorney's option and Grantor's expense, at any time or from time to time, all acts and other things that Attorney reasonably deems necessary to perfect, preserve, or realize upon Grantor's property or assets and Attorney's Liens thereon, all as fully and effectively as Grantor might do. Grantor hereby ratifies, to the extent permitted by law, all that said Attorney shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, this Power of Attorney is executed by Grantor, and Grantor has caused its seal to be affixed pursuant to the authority of its board of directors this _____ day of July, 2001.

By: _____

Title: _____

ATTEST:

By: _____

Title: _____

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Exh. A, p.2

RECORDED: 08/10/2001

TRADEMARK
REEL: 002354 FRAME: 0717