

10-18-2001



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

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

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):
 Neat Group, Inc. (Delaware corp.)
 Neat Research, LTD. (Israeli Limited Partnership)

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

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

2. Name and address of receiving party(ies)
 Name: United New Ventures, Inc.
 Internal Address: attn: Chief Financial Officer
 Street Address: P.O. Box 66100-WHQV
 City: Chicago State: IL Zip: 60666

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: October 4, 2001

4. Application number(s) or registration number(s):
 A. Trademark Application No.(s)
76/182,371 76/182,369 76/182,368
76/182,367 76/182,366
76/182,370 76/256,702

Additional number(s) attached Yes No

B. Trademark Registration No.(s)
OCT - 8 2001

5. Name and address of party to whom correspondence concerning document should be mailed:
 Name: Susan D. Reinecke
 Internal Address: Mayer, Brown & Platt
 Street Address: P.O. Box 2828
 City: Chicago State: IL Zip: 60690-2828

6. Total number of applications and registrations involved: 7

7. Total fee (37 CFR 3.41).....\$ 280.00
 Enclosed
 Authorized to be charged to deposit account

8. Deposit account number:
13-0019
 (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.

Susan D. Reinecke Susan D. Reinecke October 8, 2001
 Name of Person Signing Signature Date

Total number of pages including cover sheet, attachments, and document: 19

10/17/2001 LMUELLER 00000131 76182371
 01 FC:481 40.00 DP
 02 FC:482 150.00 DP

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

Refund Ref: 10/17/2001 LMUELLER 0000111044

CHECK Refund Total: \$90.00

TRADEMARK
REEL: 002384 FRAME: 0781

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Agreement") dated as of October 4, 2001 is among NEAT GROUP, INC., a Delaware corporation (the "Parent"), NEAT RESEARCH, LTD., an Israeli company and wholly-owned subsidiary of the Parent (the "Subsidiary" and, together with the Parent, the "Debtors") and UNITED NEWVENTURES, INC., a Delaware corporation (the "Secured Party").

W I T N E S S E T H

WHEREAS, pursuant to that certain note purchase agreement, dated as of even date herewith (as amended, supplemented or otherwise modified from time to time, the "Purchase Agreement"), between the Debtors and the Secured Party, the Secured Party has agreed to purchase Senior Secured Convertible Notes issued by the Parent (the "Notes"); and

WHEREAS, as a condition precedent to the purchase of the Notes under the Purchase Agreement, the Debtors are required to execute and deliver this Agreement; and

WHEREAS, each of the Debtors has duly authorized the execution, delivery and performance of this Agreement; and

WHEREAS, the obligations of the Debtor under the Purchase Agreement and the Notes are to be secured pursuant to this Agreement; and

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Secured Party, the Parent and the Subsidiary, intending to be legally bound, hereby agree as follows:

1. Definitions. When used herein, (a) the terms Account Debtor, Goods and Instrument shall have the respective meanings assigned to such terms in the Uniform Commercial Code (as defined below) and (b) the following terms have the following meanings (such definitions to be applicable to both the singular and plural forms of such terms):

Account shall mean any account, contract right, instrument or document representing any right of either Debtor to payment for goods sold or leased or for services rendered, whether or not such right to payment has been earned by performance, and all interest and service charges thereon, and any other account of either Debtor as such term is defined in the Illinois Uniform Commercial Code.

Agreement - see the Preamble.

Assignee Deposit Account - see Section 4

Chattel Paper shall mean any writing or writings owned by either Debtor which evidence (a) both a monetary obligation and a security interest in specific goods or (b) a lease of specific goods, and each Debtor's rights to payments thereunder, and any other chattel paper of either Debtor as such term is defined in the Illinois Uniform Commercial Code.

Collateral means, with respect to any Debtor, all property and rights of such Debtor in which a security interest is granted hereunder.

Debtor - see the Preamble.

Default each of the following shall be a "Default" as such term is used in this Agreement:

- (i) Failure by either Debtor to duly perform or observe, in all material respects, any obligation, covenant or agreement on its part contained in this Agreement which failure is not cured within fifteen (15) days after such failure;
- (ii) Any "Event of Default" as such term is defined in the Note;
- (iii) Any representation or warranty of either Debtor contained herein is discovered to be untrue in any material respect or any statement, certificate or data furnished by either Debtor pursuant hereto is discovered to be untrue in any material respect as of the date as of which the facts therein set forth are stated or certified;
- (iv) All or any part of the Collateral is attached, seized, subjected to a writ or distress warrant, or levied upon, or come within the possession or control of any receiver, trustee, custodian or assignee for the benefit of creditors which condition is not removed or cancelled within fifteen (15) days; or
- (v) The entry into any exclusive license relating to or sale, conveyance, assignment, lease, abandonment or otherwise transfer or disposition of, voluntarily or involuntarily, any of its properties or assets, tangible or intangible (including sale, assignment, discount or other disposition of Accounts, Chattel Paper, Tangibles or General Intangibles with or without recourse).

General Intangibles shall mean any personal property (including things in action) of the Debtors, other than goods, accounts, chattel paper, documents, instruments and money, and any other general intangibles of the Debtors as such term is defined in the Illinois Uniform Commercial Code, including, without limitation, all of the Debtor's rights, title and interest in and to all contracts to supply goods and services to its customers, tax refunds and rebates, manufacturing and processing rights, designs, patent rights and applications therefor, trademarks and registration or applications therefor, tradenames, brand names, logos, inventions, copyrights and all applications and registrations therefore, license rights, royalties, trade secrets, methods, processes, know-how and formulas. General Intangibles specifically includes, but is not limited to, those items described in Schedule I.

Inventory shall mean all goods, merchandise and other personal property, now owned or hereafter produced, manufactured or acquired by the Debtors which are held for sale or lease or are furnished or to be furnished under a contract of service or are raw materials, work in process or materials used or consumed or to be used or consumed in the Debtors' business, and any other inventory of the Debtors as such term is defined in the Illinois Uniform Commercial Code.

Liabilities means all obligations (monetary or otherwise) of the Debtors, howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter

existing, or due or to become due, which arise out of or in connection with the Notes including, without limitation, any post-petition interest accruing during any bankruptcy or reorganization of either Debtor or other similar proceeding.

Notes – see the Recitals.

Purchase Agreement - see the Recitals.

Secured Party - see the Preamble.

Tangible Property shall mean all machinery, equipment, furniture and other tangible personal property and fixtures of either Debtor or any part thereof, together with all accessions, additions, accessories, parts and equipment now or hereafter affixed thereto or used in connection therewith.

Uniform Commercial Code means the Uniform Commercial Code as in effect in the State of Illinois on the date of this Agreement; provided, however, as used in Section 9 hereof, “Uniform Commercial Code” means the Uniform Commercial Code as in effect from time to time in the applicable jurisdiction.

2. Grant of Security Interest. As security for the payment of all Liabilities, each of the Debtors hereby assigns to the Secured Party, and grants to the Secured Party, a continuing security interest in all of the Debtors’ right, title and interest in the following property, whether now or hereafter existing or acquired:

All cash, cash equivalents, Tangible Property, Accounts, General Intangibles, Instruments and Chattel Paper of the Debtors, whether now or hereafter existing or acquired, including, without limitation, all present and future claims of the Debtors for tax refunds, all other present and future obligations due the Debtors and all present and future interests of the Debtors any goods the sale or lease of which shall have given or shall give rise to any Accounts, Chattel Paper or Instruments; all present and future Inventory of the Debtors and all documents of title covering any Tangible Property or Inventory; all records (including computer software) pertaining to the Collateral; and all products and proceeds (whether cash or non-cash proceeds) of any of the foregoing, including without limitation insurance and condemnation proceeds.

Except to the extent the financing statements listed in Schedule IV create a duly perfected security interest in the security as set forth therein, the Secured Parties’ claim against the Collateral shall be senior to all other present and future creditors to the full extent permitted by law.

3. Warranties. Each Debtor warrants that: (a) except as disclosed on Schedule IV, no financing statement or other filing (other than any which may have been filed on behalf of the Secured Party) covering any of the Collateral is on file in any public office; (b) except to the extent the financing statements listed in Schedule IV create a duly perfected security interest in the security as set forth therein, the Debtor is and will be the lawful owner of all Collateral, free of all liens and claims whatsoever, other than the security interest created hereunder, with full power and authority to execute this Agreement and perform the Debtor’s obligations hereunder, and to subject the Collateral to the security interest hereunder; (c) all written information with

respect to Collateral and Account Debtors set forth in any schedule, certificate or other writing at any time heretofore or hereafter furnished by the Debtor to the Secured Party, and all other written information heretofore or hereafter furnished by the Debtor to the Secured Party, is and will be true and correct in all material respects as of the date furnished; (d) the Debtor's jurisdiction of organization, chief executive office, principal place of business and locations of all portions of the Collateral which is tangible property are as set forth on Schedule II hereto; (e) the execution and delivery of this Agreement and the performance by the Debtor of its obligations hereunder are within the Debtor's powers, have been duly authorized by all necessary corporate action, have received all necessary governmental approval (if any shall be required), and do not and will not contravene or conflict with any provision of law or of the organizational documents of such Debtor or of any agreement, indenture, instrument or other document, or any judgment, order or decree, which is binding upon the Debtor; (f) this Agreement is a legal, valid and binding obligation of the Debtor, enforceable in accordance with its terms, except that the enforceability of this Agreement may be limited by bankruptcy, insolvency, fraudulent conveyance, fraudulent transfer, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law) and creates a valid, and after all appropriate action is taken and except to the extent the financing statements listed in Schedule IV create a duly perfected security interest in the security as set forth therein, first priority security interest in the Collateral and such security interest is entitled to all rights, priorities and benefits afforded by the Uniform Commercial Code; and (g) such Debtor is in compliance with the requirements of all applicable laws, rules, regulations and orders of every governmental authority, the non-compliance with which would materially adversely affect any material portion of the Collateral.

4. Collections, etc. Until such time as the Secured Party shall notify each Debtor in writing of the revocation of such power and authority which notification shall remain in effect only so long as any Default has occurred and is continuing, each Debtor (a) will, at its own expense, endeavor to collect, as and when due, all amounts due under any of the Collateral, including the taking of such action with respect to such collection as the Secured Party may reasonably request or, in the absence of such request, as the Debtor may deem advisable, and (b) may grant, in the ordinary course of business, to any party obligated on any Account, any rebate, refund or allowance to which such party may be lawfully entitled, and may accept, in connection therewith, the return of goods, the lease of which shall have given rise to such Account. The Secured Party, however, may, at any time that a Default exists and is continuing, after first notifying each Debtor of its intention to do so, whether before or after any revocation of such power and authority or the maturity of any of the Liabilities, notify any Account Debtor obligated on any of the Collateral to make payment to the Secured Party of any amounts due or to become due thereunder and enforce collection of any of the Collateral by suit or otherwise and surrender, release or exchange all or any part thereof, or compromise or extend or renew for any period (whether or not longer than the original period) any indebtedness thereunder or evidenced thereby. Upon request of the Secured Party during the existence of a Default, each Debtor will, at its own expense, notify any Account Debtor obligated on any of the Collateral to make payment directly to the Secured Party of any amounts due or to become due thereunder.

Upon request by the Secured Party during the existence of a Default, each Debtor will forthwith, upon receipt, transmit and deliver to the Secured Party, in the form received, all cash.

checks, drafts and other instruments or writings for the payment of money (properly endorsed, where required, so that such items may be collected by the Secured Party) which may be received by such Debtor at any time in full or partial payment or otherwise as proceeds of any of the Collateral (other than cash, checks, drafts and other instruments or writings in an aggregate amount of less than \$10,000). Except as the Secured Party may otherwise consent in writing, any such items which may be so received by a Debtor will not be commingled with any other of its funds or property, but will be held separate and apart from its own funds or property and upon express trust for the Secured Party until delivery is made to the Secured Party. Each Debtor will comply with the terms and conditions of any consent given by the Secured Party pursuant to the foregoing sentence.

During the existence of a Default, all items or amounts which are delivered by a Debtor to the Secured Party on account of partial or full payment or otherwise as proceeds of any of the Collateral shall be deposited to the credit of a deposit account (the "Assignee Deposit Account") of such Debtor with the Secured Party, or a bank designated by the Secured Party, as security for payment of the Liabilities. No Debtor shall have any right to withdraw any funds deposited in the applicable Assignee Deposit Account. The Secured Party may, from time to time, in its discretion, and shall upon request of a Debtor made not more than once in any week, apply all or any of the then balance, representing collected funds, in the Assignee Deposit Account, toward payment of the Liabilities, whether or not then due, in such order of application as the Secured Party may determine, and the Secured Party may, from time to time, in its discretion, release all or any of such balance to the Debtors.

Upon the occurrence and during the continuance of a Default, the Secured Party is authorized to endorse, in the name of any Debtor, any item, howsoever received by the Secured Party, representing any payment on or other proceeds of any of the Collateral. This provision shall constitute an irrevocable power-of-attorney coupled with an interest, but only for these purposes.

5. Certificates, Schedules and Reports. Each Debtor will from time to time, as the Secured Party may reasonably request, deliver to the Secured Party such schedules, certificates and reports respecting all or any of the Collateral at the time subject to the security interest hereunder, and the items or amounts received by the Debtor in full or partial payment of any of the Collateral, as the Secured Party may reasonably request. Any such schedule, certificate or report shall be executed by a duly authorized officer of the Debtor and shall be in such form and detail as the Secured Party may reasonably specify. Each Debtor shall immediately notify the Secured Party of the occurrence of any event causing any loss or depreciation in the value of its inventory or other goods or intellectual property which would materially adversely affect any material portion of the Collateral, and such notice shall reasonably specify the amount of such loss or depreciation.

6. Affirmative Covenants of the Debtor. Each of the Debtors (a) will, upon request of the Secured Party, execute such financing statements and other documents (and pay the cost of filing or recording the same in all public offices reasonably deemed appropriate by the Secured Party) and do such other acts and things, all as the Secured Party may from time to time reasonably request, to establish and maintain a valid security interest in the Collateral (except to the extent the financing statements listed in Schedule IV create a duly perfected security interest

in the security as set forth therein, free of all other liens, claims and rights of third parties whatsoever) to secure the payment of the Liabilities; (b) will keep its records concerning Accounts in such a manner as will enable the Secured Party or its designees to determine at any time the status of Accounts; (c) will permit the Secured Party and its designees, from time to time, on reasonable notice and at reasonable times and intervals during normal business hours (or at any time without notice during the existence of a Default) to inspect such Debtor's Inventory (and to the extent Inventory is on lease to an Account Debtor, the Debtor agrees to use its best efforts to cause such Account Debtor to permit the Secured Party to inspect the Inventory), and to inspect, audit and make copies of and extracts from all records and all other papers in the possession of the Debtor pertaining to the Collateral and the Account Debtors (subject to the restrictions contained in the Confidentiality Agreement, dated as of July 18, 2000, by and between the Debtor and United Air Lines, Inc.), and will, upon request of the Secured Party during the existence of a Default, deliver to the Secured Party all of such records and papers; (d) will furnish the Secured Party with such information concerning the Debtor, the Collateral and the Account Debtors as the Secured Party may from time to time reasonably request; (e) will stamp on its records concerning the Collateral, and add on all Chattel Paper constituting a portion of the Collateral, a notation, in form satisfactory to the Secured Party, of the security interest of the Secured Party hereunder; (f) will take such actions (and if the Inventory is on lease to an Account Debtor, will cause such Account Debtor to take such actions) as are reasonably necessary to keep its Inventory in good repair and condition, ordinary wear and tear excepted; (g) will promptly pay when due all license fees, registration fees, taxes, assessments and other charges which may be levied upon or assessed against the ownership, operation, possession, maintenance or use of its Inventory; (h) will, upon written request of the Secured Party, (1) cause to be noted on the applicable certificate, in the event any of its Inventory is covered by a certificate of title, the security interest of the Secured Party in the Inventory covered thereby, and (2) deliver all such certificates to the Secured Party or its designees; (i) will take all steps reasonably necessary to protect, preserve and maintain all of its rights in the Collateral; (j) in the case of Parent, will keep all of the tangible Collateral in the United States; (k) in the case of Subsidiary, will keep all of the tangible Collateral in Israel; and (l) will reimburse the Secured Party for all expenses, including reasonable attorneys' fees and legal expenses, incurred by the Secured Party in seeking to collect or enforce any rights in respect of the Collateral.

Any expenses incurred in protecting, preserving and maintaining any Collateral shall be borne by the Debtors. Whenever a Default shall be existing, each Debtor shall promptly, upon demand, reimburse and indemnify the Secured Party for all reasonable costs and expenses incurred by the Secured Party in the exercise of its rights under this Section 6. Notwithstanding the foregoing, the Secured Party shall have no obligations or liabilities regarding any of the Collateral by reason of, or arising out of, this Agreement.

7. Negative Covenants of the Debtor. Each of the Debtors (a) will not sell, lease, transfer or otherwise dispose of all, substantially all, or any material portion of the Collateral, except for sales of inventory in the ordinary course for fair consideration; (b) except (i) to the extent the financing statements listed in Schedule IV create a duly perfected security interest in the security as set forth therein, (ii) the pledges and guarantees as described on Schedule III and (iii) any future pledges or guarantees of cash or cash equivalents by Neat in the ordinary course of business not to exceed \$500,000 in the aggregate, will not create, incur or permit to exist any mortgage, pledge, encumbrance, lien, security interest or charge of any kind (including liens or

charges upon properties acquired or to be acquired under conditional sales agreements or other title retention devices) on its property or assets, whether now owned or hereafter acquired, or upon any income or profits therefrom, except as permitted under this Agreement, the Purchase Agreement and the Note; (c) except pursuant to the Notes, except as set forth in Schedule III and except for purchase money financing to the extent otherwise permitted herein, will not have at any time outstanding any indebtedness for borrowed money or any outstanding letters of credit; (d) will not redeem, repurchase or otherwise make any payment to acquire any shares of the Parent's common stock or securities convertible into or exchangeable for shares of common stock; (e) will not pay dividends or make any other distribution on its common stock or any other class of equity security; and (f) will not directly or indirectly guarantee or otherwise become directly or indirectly liable for any obligations or liabilities of any other person or entity other than an amount not to exceed, in the aggregate, \$25,000.

8. Insurance Covenant of the Debtor. Each Debtor shall carry adequate insurance issued by responsible and financially sound insurers, in amounts acceptable to Secured Party (at least adequate to comply with any co-insurance provisions) and against all such liability and hazards as are usually carried by entities engaged in the same or a similar business similarly situated or as may be required by Secured Party. In the case of insurance on any of the Collateral, Debtors shall carry insurance in the full insurable value thereof and cause Secured Party to be named as loss payee (with a lender's loss payable endorsement) with respect to all personal property, and additional insured with respect to all liability insurance, as its interests may appear with thirty (30) days' notice to be given Secured Party by the insurance carrier prior to cancellation or material modification of such insurance coverage.

Each Debtor shall cause to be delivered to Secured Party the insurance policies therefor or in the alternative, evidence of insurance and at least thirty (30) business days prior to the expiration of any such insurance, additional policies or duplicates thereof or in the alternative, evidence of insurance evidencing the renewal of such insurance and payment of the premiums therefor. Debtors shall direct all insurers that in the event of any loss thereunder or the cancellation of any insurance policy, the insurers shall make payments for such loss and pay all returned or unearned premiums directly to Secured Party and not to Debtor and Secured Party jointly.

In the event of any loss, each Debtor will give Secured Party immediate notice thereof and Secured Party may make proof of loss whether the same is done by Debtor. Secured Party is granted a power of attorney by each Debtor with full power of substitution to file any proof of loss in such Debtor's or in Secured Party's name, to endorse such Debtor's name on any check, draft or other instrument evidencing insurance proceeds, and to take any action or sign any document to pursue any insurance loss claim. Such power being coupled with an interest is irrevocable.

In the event of any loss, Secured Party, at its option, may (i) retain and apply all or any part of the insurance proceeds to reduce, in such order and amounts as Secured Party may elect the Secured Party Indebtedness, or (ii) disburse all or any part of such insurance proceeds to or for the benefit of the Debtors for the purpose of repairing or replacing Collateral after receiving proof satisfactory to Secured Party of such repair or replacement, in either case without waiving or impairing the Secured Party Indebtedness or any provision of this Agreement. Any deficiency

thereon shall be paid by Debtors to Secured Party upon demand. Neither Debtor shall take out any insurance without having Secured Party named as loss payee or additional insured thereon. Each Debtor shall bear the full risk of loss from any loss of any nature whatsoever with respect to the Collateral.

9. Default. Whenever a Default shall be existing, the Secured Party may exercise from time to time any rights and remedies available to it under applicable law. Each Debtor agrees, in case of Default, to assemble, at its expense, all its Inventory at a convenient place or places acceptable to the Secured Party. Any notification of intended disposition of any of the Collateral required by law shall be deemed reasonably and properly given if given at least five days before such disposition. Any proceeds of any disposition by the Secured Party of any of the Collateral may be applied by the Secured Party to payment of expenses in connection with the Collateral, including reasonable attorneys' fees and legal expenses, and any balance of such proceeds may be applied by the Secured Party toward the payment of such of the Liabilities, and in such order of application, as the Secured Party may from time to time elect.

Each Debtor hereby appoints the Secured Party as such Debtor's attorney-in-fact, which appointment as attorney-in-fact is irrevocable and coupled with an interest, with full power and authority in the place of such Debtor and in the name of such Debtor, upon the occurrence and during the continuance of a Default, in Secured Party's discretion, to take any action and to execute any instrument that it may deem necessary to accomplish the purposes of this Agreement.

10. General. The Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of any of the Collateral in its possession if it takes such action for that purpose as a Debtor requests in writing, but failure of the Secured Party to comply with any such request shall not of itself be deemed a failure to exercise reasonable care; and no failure of the Secured Party to preserve or protect any rights with respect to such Collateral against prior parties, or to do any act with respect to the preservation of such Collateral not so requested by a Debtor, shall be deemed of itself a failure to exercise reasonable care in the custody or preservation of such Collateral.

All notices, reports and other communications given pursuant to this Agreement shall be in writing and shall either be mailed by first class mail, postage prepaid, certified or registered with return receipt requested, delivered in person or by nationally recognized overnight courier or sent by telecopier or prepaid telegram followed by confirmatory letter. Notice sent by mail in the foregoing manner shall be deemed served or given three (3) Business Days after deposit in the United States Postal Service. Notice delivered by nationally recognized overnight courier shall be deemed served or given one (1) Business Day after delivery to the courier charges, prepaid. For purposes of notice, the address of each party hereto shall be the address as stated on the signature page of this Agreement; provided, that, each party hereto shall have the continuing right to change its address for notice hereunder to any other location by giving thirty (30) days' prior notice of such change to the Secured Party in the manner set forth above.

The Debtors agree to pay all reasonable expenses (including reasonable attorney's fees and legal expenses) paid or incurred by the Secured Party in endeavoring to collect the

Liabilities, or any part thereof, and in enforcing this Agreement against the Debtors, and such obligations will themselves be Liabilities.

No delay on the part of the Secured Party in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Secured Party of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy.

This Agreement shall remain in full force and effect until the earlier of (i) all Liabilities have been paid in full or (ii) the Notes have been fully converted. If at any time all or any part of any payment theretofore applied by the Secured Party to any of the Liabilities is or must be rescinded or returned by the Secured Party for any reason whatsoever (including the insolvency, bankruptcy or reorganization of a Debtor), such Liabilities shall, for the purposes of this Agreement, to the extent that such payment is or must be rescinded or returned, be deemed to have continued in existence, notwithstanding such application by the Secured Party, and this Agreement shall continue to be effective or be reinstated, as the case may be, as to such Liabilities, all as though such application by the Secured Party had not been made.

THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF ILLINOIS; subject, however, to the applicability of the Uniform Commercial Code of any jurisdiction in which any Inventory of a Debtor may be located at any given time. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under 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 Agreement. This Agreement, the Purchase Agreement and the Notes constitute the entire understanding among the parties hereto with respect to the subject matter hereof and thereof and supersede any prior agreements, written or oral, with respect thereto.

The rights and privileges of the Secured Party hereunder shall inure to the benefit of its successors and assigns.

This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement.

To induce the Secured Party to purchase the Notes, each Debtor irrevocably agrees that, subject to the Secured Party's sole and absolute election, all suits, actions or other proceedings in any way, manner or respect, arising out of or from or related to this Agreement or any document executed in connection herewith, shall be subject to litigation in courts having situs within Illinois. Each Debtor hereby consents and submits to the jurisdiction of any local, state or federal court located within said city and state. Each Debtor hereby waives any right it may have to trial by jury, to transfer or change the venue of any suit, action or other proceeding brought against such Debtor by the Secured Party in accordance with this section, or to claim that any such proceeding has been brought in an inconvenient forum.

IN WITNESS WHEREOF, this Agreement has been duly executed as of the day and year first above written.

NEAT GROUP, INC.

By: _____

Name: _____

Title: _____

NEAT RESEARCH, LTD.

By: _____

Name: _____

Title: _____

UNITED NEWVENTURES, INC.

By:  _____

Name: _____

Title: _____

12858913

IN WITNESS WHEREOF, this Agreement has been duly executed as of the day and year first above written.

NEAT GROUP, INC.

Neat Group Inc.

By: _____

Name: Dtai Kohavi

Title: CEO

NEAT RESEARCH, LTD.

Neat Research Ltd.

By: _____

Name: Dtai Kohavi

Title: Managing Director

UNITED NEWVENTURES, INC.

By: _____

Name: _____

Title: _____

12858913

SCHEDULE I

**SECURITY AGREEMENT
SCHEDULE I**

1. Intellectual Property

In addition to the patent and trademark applications, Neat Group was granted a license to use United's technology as related to the "Dynamic Packaging" concept.

a. Patent Applications

Neat Research Ltd has 3 patents pending:

Patent 1: Method and apparatus for the composition and sale of travel-oriented packages – Application Number: 09/551,519

Patent 2: Electronic Negotiating Systems – Application Number: 09/607,138

Patent 3: Must Fly – Application Number: 09/805,391

b. Trademarks:

Neat Group, Inc has seven trademarks pending:

- i. Neat Group (and design) – Serial No.: 76/182368
- ii. Opaque Distribution Channel - Serial No.: 76/182371
- iii. Combos Cost Less - Serial No.: 76/182367
- iv. Combinations Cost Less - Serial No.: 76/182370
- v. ODC - Serial No.: 76/182369
- vi. Neat Group - Serial No.: 76/182366
- vii. Neat logo – Serial No.: 76/256702

2. Tax Benefits

Neat Research Ltd. has been granted the status of "Approved Enterprise" by the Israeli Authorities, which is a program that entitles it to receive benefits including various forms of tax relief.

SCHEDULE II

SECURITY AGREEMENT

SCHEDULE II

Neat is incorporated in the state of Delaware.

Chief Executive Office:

540 University Avenue, Suite 350
Palo Alto, CA, 94301

Principal locations of business:

1. 10200 Grogan's Mill Rd., Suite 150
The Woodlands, TX 77380
2. 9 Hamenofim St.,
Herzliya, 46120
Israel

Secured property is located at the following locations:

1. 10200 Grogan's Mill Rd., Suite 150
The Woodlands, TX 77380
2. 9 Hamenofim St.,
Herzliya, 46120
Israel
3. 540 University Avenue, Suite 350
Palo Alto, CA, 94301
4. 801 Industrial Blvd.,
Grapevine, TX 76501 (server hosting)

SCHEDULE III

**SECURITY AGREEMENT
SCHEDULE III**

Neat Group Inc.

- i. CD securing Letter of Credit for Houston Offices: \$120,000
- ii. CD securing Letter of Credit for ARC: \$21,000
- iii. Restricted Money Market Account for Merchant Account: \$ 175,000

Neat Research Ltd.

- i. Bank Guarantee from First International Bank of Israel for the lease of the Israel Office in the sum of 626,095.71 NIS (~ \$144,000 at an exchange rate of 4.35).

SCHEDULE IV

1. Financing Statement, #00-561621; dated 08/09/2000; filed with the Texas Secretary of State; Debtor: Neat Group, Inc.; Secured Party: Woodlands Office Equities –'95 Limited.
2. Financing Statement, #00-01-064136; dated 04/03/2001; filed with the Texas Secretary of State; Debtor: Neat Group, Inc.; Secured Party: Wells Fargo Bank Texas, N.A.
3. Financing Statement, #00-551068; dated 07/26/2000; filed with the Texas Secretary of State; Debtor: Neat Group, Inc.; Secured Party: Wells Fargo Bank (Texas), N.A.
4. Financing Statement, #01-074467; dated 08/09/2000; filed with the Texas Secretary of State; Debtor: Neat Group, Inc.; Secured Party: Sun Microsystems Finance, A Sun Microsystems, Inc., business.