

01-28-2002

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NLYU.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office

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

1. Name of conveying party(ies):

Modtech Holdings, Inc.

- 1-25-02
- ☐ Individual(s) ☐ Association
☐ General Partnership ☐ Limited Partnership
☒ Corporation-State Delaware
☐ Other

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

3. Nature of conveyance:

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

Execution Date: Dec. 26, 2001

2. Name and address of receiving party(ies):

Name: Wells Fargo Bank, N.A., as
Administrative Agent
Internal Address: Attn: Modtech Account Officer

Street Address: 1000 Lakes Dr., Suite 250

City: West Covina State: CA ZIP: 91790

- ☐ Individual(s) citizenship
☐ Association
☐ General Partnership
☐ Limited Partnership
☐ Corporation-State
☒ Other national banking association

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

(Designations must be a separate document from Assignment)

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

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

A. Trademark Application No.(s)

75-866,600

75-866,601

B. Trademark registration No.(s)

n/a

Additional numbers attached? ☐ Yes ☒ No

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

Name: Sheppard, Mullin, Richter & Hampton LLP

Internal Address: Attn: J. Cravitz

Street Address: 333 S. Hope St., 48th Floor

City: Los Angeles State: CA ZIP: 90071

6. Total number of applications and registrations involved: 2

7. Total fee (37 CFR 3.41): \$ 65.00

☒ Enclosed☐ Authorized to be charged to deposit account

8. Deposit account number:

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

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01 FC:481

40.00 OP
25.00 OP

02 FC:482

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.

Todd Graham, Esq.
Name of Person Signing

Signature

1/24/02

Date

Total number of pages comprising cover sheet: 33

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

Do not detach this portion

Mail documents to be recorded with required cover sheet information to:

Commissioner of Patents and Trademarks
Box Assignments
Washington, D.C. 20231

Public burden reporting for this sample cover sheet is estimated to average about 30 minutes per document to be recorded, including time for reviewing the document and gathering the data needed, and completing and reviewing the sample cover sheet. Send comments regarding this burden estimate to the U.S. Patent and Trademark Office, Office of Information Systems, PK2-1000C, Washington, D.C. 20231, and to the Office of Management and Budget, Paperwork Reduction Project (0651-0011), Washington, D.C. 20503.

TRADEMARK

REEL: 002430 FRAME: 0746

SECURITY AGREEMENT

This SECURITY AGREEMENT ("Agreement"), dated as of December 26, 2001, is made by each of the Persons listed on the signature pages hereto, together with each other Person who may become a party hereto pursuant to Section 24 of this Agreement (each a "Grantor" and collectively "Grantors"), jointly and severally in favor of WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent for the benefit of the Lenders that are or become party to the Credit Agreement referred to below (collectively "Secured Party"), with reference to the following facts:

RECITALS

A. Pursuant to the Credit Agreement (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement") dated as of December 26, 2001 by and among Modtech Holdings, Inc., a Delaware corporation (the "Borrower"), the lenders from time to time parties thereto (collectively, the "Lenders" and individually, a "Lender"), and Wells Fargo Bank, National Association, as the Administrative Agent for the Lenders (in such capacity, the "Administrative Agent"), the Lenders have agreed to extend certain credit facilities to Borrower.

B. The Credit Agreement provides, as a condition of the agreements of the Lenders set forth therein, that Grantors shall enter into this Agreement and shall grant security interests to Secured Party as herein provided.

C. Each Grantor expects to realize direct and indirect benefits as a result of the continued availability of the aforementioned credit facilities.

AGREEMENT

NOW, THEREFORE, in order to induce the Lenders to agree to the terms of the Credit Agreement and each of the other Loan Documents referred to therein, and for other good and valuable consideration, the receipt and adequacy of which hereby is acknowledged, Grantors hereby jointly and severally represent, warrant, covenant, agree, assign and grant as follows:

1. Definitions. This Agreement is the Security Agreement referred to in the Credit Agreement. This Agreement is one of the "Loan Documents" referred to in the Credit Agreement. Terms defined in the Credit Agreement and not otherwise defined in this Agreement shall have the meanings defined for those terms in the Credit Agreement. Terms defined in the California Uniform Commercial Code and not otherwise defined in this Agreement or in the Credit Agreement shall have the meanings defined for those terms in the California Uniform Commercial Code. As used in this Agreement, the following terms shall have the meanings respectively set forth after each:

"Collateral" means and includes all present and future right, title and interest of Grantors, or any one or more of them, in or to any Property or assets whatsoever, whether now or hereafter acquired and wherever the same may from time to time be located, and all rights and powers of Grantors, or any one or more of them, to transfer any interest in or to any Property or assets whatsoever, including, without limitation, any and all of the following Property:

(a) All present and future accounts, accounts receivable, agreements, contracts, leases, contract rights, payment intangibles, rights to payment, instruments, documents, chattel paper (whether tangible or electronic), promissory notes, security agreements, guaranties, letters of credit (letter-of-credit rights), undertakings, surety bonds, insurance policies (whether or not required by the terms of the Loan Documents), notes and drafts, and all forms of obligations owing to any Grantor or in which any Grantor may have any interest, however created or arising and whether or not earned by performance;

(b) All present and future general intangibles, all tax refunds of every kind and nature to which any Grantor now or hereafter may become entitled, however arising, all other refunds, and all deposits, reserves, loans, royalties, cost savings, deferred payments, goodwill, choses in action, liquidated damages, rights to indemnification, trade secrets, computer programs, software, customer and supplier lists, patents, licenses, permits, copyrights, technology, processes, proprietary information, insurance proceeds of which any Grantor is a beneficiary, and all present and future: (i) trademarks, trade names, trade styles, service marks, all prints and labels on which said trademarks, trade names, trade styles and service marks appear, have appeared, or will appear, and all designs and general intangibles of a like nature, all applications, registrations, and recordings relating to the foregoing in the United States Patent and Trademark Office ("USPTO") or in any similar office or agency of the United States of America, any state thereof, or any political subdivision thereof, or in any other countries, and all reissues, extensions, and renewals thereof (the "Trademarks"), including those registered and applied-for trademarks, terms, designs and applications described in Schedule 1 attached hereto and made a part hereof, and (ii) the goodwill of the business symbolized by each of the Trademarks, including, without limitation, all customer lists and other records relating to the distribution of products or services bearing the Trademarks (that portion of the Collateral described in the foregoing clauses (i) and (ii) is referred to herein as the "Trademark Collateral");

(c) All present and future deposit accounts of any Grantor, including, without limitation, any demand, time, savings, passbook or like account maintained by any Grantor with any bank, savings and loan association, credit union or like organization, and all money, Cash and Cash Equivalents of any Grantor, whether or not deposited in any such deposit account;

(d) All present and future books and records, including, without limitation, books of account and ledgers of every kind and nature, all electronically

recorded data relating to any Grantor or the business thereof, all receptacles and containers for such records, and all files and correspondence;

(e) All present and future goods, including, without limitation, all consumer goods, farm products, inventory, equipment, catalogs, machinery, tools, molds, dies, furniture, furnishings, fixtures, trade fixtures, motor vehicles and all other goods used in connection with or in the conduct of any Grantor's business, including all goods as defined in Section 9102(4) of the California Uniform Commercial Code;

(f) All present and future inventory and merchandise, including, without limitation, all present and future goods held for sale or lease or to be furnished under a contract of service, all raw materials, work in process and finished goods, all packing materials, supplies and containers relating to or used in connection with any of the foregoing, and all bills of lading, warehouse receipts or documents of title relating to any of the foregoing;

(g) All present and future stocks, bonds, debentures, securities (whether certificated or uncertificated), securities entitlements, securities accounts, commodity contracts, commodity accounts, subscription rights, options, warrants, puts, calls, certificates, investment property, partnership interests, limited liability company membership or other interests, joint venture interests, certificates of deposit, Investments and/or brokerage accounts and all rights, preferences, privileges, dividends, distributions, redemption payments, or liquidation payments with respect thereto;

(h) All present and future accessions, appurtenances, components, repairs, repair parts, spare parts, replacements, substitutions, additions, issue and/or improvements to or of or with respect to any of the foregoing;

(i) All other tangible and intangible Property of any Grantor;

(j) All rights, remedies, powers and/or privileges of any Grantor with respect to any of the foregoing, including the right to make claims thereunder or with respect thereto; and

(k) Any and all proceeds and products of any of the foregoing, including, without limitation, all money, accounts, payment intangibles, general intangibles, deposit accounts, promissory notes, documents, instruments, certificates of deposit, chattel paper, goods, insurance proceeds, claims by Grantors against third parties for past, present and future infringement of the Trademarks or any license with respect thereto, and any other tangible or intangible property received upon the sale or disposition of any of the foregoing;

provided that the term "Collateral", as used in this Agreement, shall not include interests pledged pursuant to the Pledge Agreement.

"Secured Obligations" means all present and future Obligations of every kind or nature of Borrower or any of its Subsidiaries at any time and from time to time owed to

Secured Party or any one or more of them, under any one or more of the Loan Documents, whether due or to become due, matured or unmatured, liquidated or unliquidated, or contingent or noncontingent, including Obligations of performance as well as Obligations of payment, and including interest that accrues after the commencement of any proceeding under any Debtor Relief Law by or against Borrower or any Grantor.

"Secured Party" means the Administrative Agent (acting as the Administrative Agent and/or on behalf of the Lenders), and the Lenders, and each of them, and any one or more of them. Subject to the terms of the Credit Agreement, any right, remedy, privilege or power of Secured Party may be exercised by the Administrative Agent, or, if there is no Administrative Agent, by the Requisite Lenders or by any Lender acting with the consent of the Requisite Lenders.

2. Further Assurances. At any time and from time to time at the request of Secured Party, each Grantor shall execute and deliver to Secured Party all such financing statements and other instruments and documents in form and substance satisfactory to Secured Party as shall be necessary or desirable to fully perfect, when filed and/or recorded, Secured Party's security interests granted pursuant to Section 3 of this Agreement. At any time and from time to time, Secured Party shall be entitled to file and/or record any or all such financing statements, instruments and documents held by it, and any or all such further financing statements, documents and instruments, and to take all such other actions, as Secured Party may deem appropriate to perfect and to maintain perfected the security interests granted in Section 3 of this Agreement. Before and after the occurrence of any Event of Default, at Secured Party's request, each Grantor shall execute all such further financing statements, instruments and documents, and shall do all such further acts and things, as may be deemed necessary or desirable by Secured Party to create and perfect, and to continue and preserve, an indefeasible security interest in the Collateral in favor of Secured Party, or the priority thereof. With respect to any Collateral consisting of certificated securities, instruments, documents, certificates of title or the like, as to which Secured Party's security interest need be perfected by, or the priority thereof need be assured by, possession of such Collateral, Grantors will upon demand of Secured Party deliver possession of same in pledge to Secured Party. With respect to any Collateral consisting of securities, instruments, partnership or joint venture interests or the like, Grantors hereby consent and agree that the issuers of, or obligors on, any such Collateral, or any registrar or transfer agent or trustee for any such Collateral, shall be entitled to accept the provisions of this Agreement as conclusive evidence of the right of Secured Party to effect any transfer or exercise any right hereunder or with respect to any such Collateral, notwithstanding any other notice or direction to the contrary heretofore or hereafter given by any Grantor or any other Person to such issuers or such obligors or to any such registrar or transfer agent or trustee.

3. Security Agreement. For valuable consideration, Grantors and each of them hereby assign and pledge to Secured Party, and grant to Secured Party a security interest in, all presently existing and hereafter acquired Collateral, as security for the timely payment and performance of all of the Secured Obligations. This Agreement is a continuing and irrevocable agreement and all the rights, powers, privileges and remedies hereunder shall apply to any and all Secured Obligations, including those arising under successive transactions which shall either continue the Secured Obligations, increase or decrease them,

or from time to time create new Secured Obligations after all or any prior Secured Obligations have been satisfied, and notwithstanding the bankruptcy of Borrower, any Subsidiary of Borrower or any other Person or any other event or proceeding affecting any Person.

4. Grantors' Representations, Warranties and Agreements. Except as otherwise disclosed to Secured Party in writing concurrently herewith, each Grantor represents, warrants and agrees, with respect to itself, that:

(a) such Grantor is the sole legal and beneficial owner of its respective portion of the existing Collateral and such Grantor has the right and power to grant the security interests granted hereunder;

(b) such Grantor will pay, prior to delinquency, all taxes, charges, Liens and assessments against the portion of the Collateral owned by it, except such as are timely contested in good faith, and upon its failure to pay or so contest such taxes, charges, Liens and assessments, Secured Party at its option may pay any of them, and Secured Party shall be the sole judge of the legality or validity thereof and the amount necessary to discharge the same;

(c) the Collateral will not be used for any unlawful purpose or in violation of any Law, regulation or ordinance, nor used in any way that will void or impair any insurance required to be carried in connection therewith;

(d) such Grantor will, to the extent consistent with good business practice, keep the portion of the Collateral owned by it in reasonably good repair, working order and condition, and from time to time make all needful and proper repairs, renewals, replacements, additions and improvements thereto and, as appropriate and applicable, will otherwise deal with such portion of the Collateral in all such ways as are considered good practice by owners of like Property;

(e) such Grantor will take all reasonable steps to preserve and protect the portion of the Collateral owned by it, including, with respect to the Trademarks, the filing of any renewal affidavits and applications;

(f) as of the date hereof, such Grantor has no Trademarks registered, or subject to pending applications, in the USPTO, or any similar office or agency in the United States of America other than those described in Schedule 1 attached hereto;

(g) except as listed on Schedule 4.10 to the Credit Agreement, to the best of such Grantor's knowledge there are no actions, suits, proceedings or investigations pending or threatened in writing against any Grantor before any Governmental Agency which could reasonably be expected to cause the Trademark Collateral, or any portion thereof, to be adjudged invalid or unenforceable, in whole or in part;

(h) such Grantor shall not file any application for the registration of a trademark with the USPTO or any similar office or agency in the United States of America, or any State therein, unless such Grantor has, by thirty (30) days' prior written notice, informed Secured Party of such action;

(i) such Grantor has not abandoned any of the Trademarks, and such Grantor will not do any act, or omit to do any act, whereby the Trademarks may become abandoned, canceled, invalidated, unenforceable, avoided, or avoidable;

(j) such Grantor shall notify Secured Party immediately if it knows, or has reason to know, of any reason why any applicable registration or recording of any material Trademark may become abandoned, canceled, invalidated, or unenforceable;

(k) such Grantor will render any assistance, as Secured Party may reasonably determine is necessary, to Secured Party in any proceeding before the USPTO, any federal or state court, or any similar office or agency in the United States of America, or any State therein, to maintain the Trademarks and to protect Secured Party's security interest therein, including, without limitation, filing of renewals, affidavits of use, affidavits of incontestability and opposition, interference, and cancellation proceedings;

(l) such Grantor will promptly notify Secured Party if such Grantor learns of any material use by any Person of any term or design likely to cause confusion with any of the Trademarks, or of any material use by any Person of any other process or product which infringes upon any of the Trademarks, and if requested by Secured Party, such Grantor, at its expense, shall join with Secured Party in such action as Secured Party in Secured Party's discretion, may reasonably deem advisable for the protection of Secured Party's interest in and to the Trademarks;

(m) such Grantor assumes all responsibility and liability arising from the use of the Trademarks, and such Grantor hereby indemnifies and holds the Administrative Agent and each of the Lenders harmless from and against any claim, suit, loss, damage or expense (including reasonable attorneys' fees) arising out of any alleged defect in any product manufactured, promoted, or sold by any Grantor (or any Affiliate or Subsidiary thereof) in connection with any Trademark or out of the manufacture, promotion, labeling, sale, or advertisement of any such product by any Grantor or any Affiliate or Subsidiary thereof;

(n) such Grantor shall promptly notify Secured Party in writing of any adverse determination in any proceeding in the USPTO or any other foreign or domestic Governmental Agency, court or body, regarding such Grantor's claim of ownership in any of the Trademarks, and in the event of any material infringement of any of the Trademarks owned by such Grantor by a third party, such Grantor shall promptly notify Secured Party of such infringement and sue for and diligently pursue damages for such infringement. If such Grantor shall fail to take such action within one (1) month after such notice is given to Secured Party, Secured Party may, but shall not be required to, itself take such action in the name of such Grantors, and such Grantor hereby appoints Secured Party the true and lawful attorney of such Grantor, for it and in its name, place and stead, on behalf of such Grantor, to commence judicial proceedings in any court or before any other tribunal to enjoin and recover damages for such infringement, any such damages due to such Grantor, net of costs and reasonable attorneys' fees, to be applied to the Secured Obligations;

(o) such Grantor will maintain, with responsible insurance companies, insurance covering the portion of the Collateral owned by it against such insurable losses as is required by the Credit Agreement and as is consistent with sound business practice, and will

cause Secured Party to be designated as an additional insured and loss payee with respect to all insurance (whether or not required by the Credit Agreement), will obtain the written agreement of the insurers that such insurance shall not be canceled, terminated or materially modified to the detriment of Secured Party without at least 30 days' prior written notice to Secured Party, and will furnish copies of such insurance policies or certificates to Secured Party promptly upon request therefor;

(p) such Grantor will promptly notify Secured Party in writing in the event of any substantial or material damage to the Collateral (considered as a whole) from any source whatsoever, and, except for the disposition of collections and other proceeds of the Collateral permitted by Section 7 hereof, such Grantor will not remove or permit to be removed the portion of the Collateral owned by it from its places of business without the prior written consent of Secured Party, except for such items of the Collateral as are removed in the ordinary course of business or in connection with any transaction or disposition otherwise permitted by the Loan Documents; and

(q) in the event such Grantor changes its name or its address as either are set forth herein, in the Credit Agreement or in any other Loan Document, such Grantor will notify Secured Party of such name and/or address change promptly, but in any event, within twenty (20) days.

5. Deposit Accounts. For each deposit account included in the Collateral that any Grantor at any time opens or maintains, such Grantor shall, at its option, unless a Default or Event of Default shall have occurred and be continuing, in which case, at the request and option of the Administrative Agent, either (a) cause the depository bank to agree to comply at any time with instructions from the Administrative Agent to such depository bank directing the disposition of funds from time to time credited to such deposit account, without further consent of such Grantor, pursuant to an agreement in the form of Exhibit B attached hereto or such other form reasonably satisfactory to the Administrative Agent, or (b) arrange for the Administrative Agent to become the customer of the depository bank with respect to the deposit account, with the Grantor being permitted, only with the consent of the Administrative Agent, to exercise rights to withdraw funds from such deposit account. The Administrative Agent agrees with each Grantor that the Administrative Agent shall not give any such instructions or withhold any withdrawal rights from any Grantor, unless an Event of Default has occurred and is continuing, or, after giving effect to any withdrawal would occur, and agrees that notice thereof by the Administrative Agent shall be given within one Banking Day thereafter to any such Grantor. The preceding sentences of this paragraph shall not apply to (i) any deposit account for which any Grantor, the depository bank and the Administrative Agent have entered into a cash collateral agreement specially negotiated among such Grantor, the depository bank and the Administrative Agent for the specific purpose set forth therein and (ii) deposit accounts for which the Administrative Agent is the depository, provided that each Grantor shall have sixty (60) days after the Closing Date to comply with the provisions of this Section. Without limitation on the foregoing, the Administrative Agent shall also have the right at any time, whether or not an Event of Default shall have occurred or be continuing, to make inquiry of each applicable depository institution at which a deposit account is maintained to verify the account balance of such deposit account.

6. Secured Party's Rights Re Collateral. At any time (whether or not an Event of Default has occurred), upon notice and at the expense of each Grantor with regard to the portion of the Collateral owned by it, Secured Party may, to the extent Secured Party deems it necessary or desirable to protect the security hereunder, but Secured Party shall not be obligated to: (a) at all reasonable times on reasonable notice, enter upon any premises on which Collateral is situated and examine the same or (b) perform any obligation of any Grantor under this Agreement or any obligation of any Grantor under the Loan Documents which the Grantor has failed to perform. At any time and from time to time, at the expense of each Grantor with regard to the portion of the Collateral owned by it, Secured Party may, to the extent it may deem such actions necessary or desirable to protect the security hereunder, but Secured Party shall not be obligated to: (i) notify obligors on the Collateral that the Collateral has been assigned to Secured Party; and (ii) at any time and from time to time request from obligors on the Collateral, in the name of any Grantor or in the name of Secured Party, information concerning the Collateral and the amounts owing thereon. Each Grantor shall maintain books and records pertaining to the Collateral in such detail, form and scope as Secured Party shall require consistent with Secured Party's interests hereunder. Each Grantor shall at any time at Secured Party's request mark the Collateral and/or such Grantor's ledger cards, books of account and other records relating to the Collateral with appropriate notations satisfactory to Secured Party disclosing that they are subject to Secured Party's security interests. Secured Party shall at all reasonable times on reasonable notice have full access to and the right to audit any and all of Grantors' books and records pertaining to the Collateral, and to confirm and verify the value of the Collateral and to do whatever else Secured Party reasonably may deem necessary or desirable to protect its interests; provided, however, that any such action which involves communicating with customers of Grantors shall be carried out by Secured Party through Grantors' independent auditors unless Secured Party shall then have the right directly to notify obligors on the Collateral as provided in Section 10. Secured Party shall be under no duty or obligation whatsoever to take any action to preserve any rights of or against any prior or other parties in connection with the Collateral, to exercise any voting rights or managerial rights with respect to any Collateral, whether or not an Event of Default shall have occurred, or to make or give any presentments, demands for performance, notices of non-performance, protests, notices of dishonor or notices of any other nature whatsoever in connection with the Collateral or the Secured Obligations. Secured Party shall be under no duty or obligation whatsoever to take any action to protect or preserve the Collateral or any rights of any Grantor therein, or to make collections or enforce payment thereon, or to participate in any foreclosure or other proceeding in connection therewith.

7. Collections on the Collateral. Except as otherwise provided in any Loan Document, Grantors shall have the right to use and to continue to make collections on and receive dividends and other proceeds of all of the Collateral in the ordinary course of business so long as no Event of Default shall have occurred and be continuing. Upon the occurrence and during the continuance of an Event of Default, at the option of Secured Party, Grantors' right to make collections on and receive dividends and other proceeds of the Collateral and to use or dispose of such collections and proceeds shall terminate, and any and all dividends, proceeds and collections, including all partial or total prepayments, then held or thereafter received on or on account of the Collateral will be held or received by Grantors in trust for Secured Party and immediately delivered in kind to Secured Party. Any remittance

received by any Grantor from any Person shall be presumed to relate to the Collateral and to be subject to Secured Party's security interests. Upon the occurrence and during the continuance of an Event of Default, Secured Party shall have the right at all times to receive, receipt for, endorse, assign, deposit and deliver, in the name of Secured Party or in the name of the appropriate Grantor, any and all checks, notes, drafts and other instruments for the payment of money constituting proceeds of or otherwise relating to the Collateral; and each Grantor hereby authorizes Secured Party to affix, by facsimile signature or otherwise, the general or special endorsement of it, in such manner as Secured Party shall deem advisable, to any such instrument in the event the same has been delivered to or obtained by Secured Party without appropriate endorsement, and Secured Party and any collecting bank are hereby authorized to consider such endorsement to be a sufficient, valid and effective endorsement by the appropriate Grantor, to the same extent as though it were manually executed by the duly authorized officer of the appropriate Grantor, regardless of by whom or under what circumstances or by what authority such facsimile signature or other endorsement actually is affixed, without duty of inquiry or responsibility as to such matters, and each Grantor hereby expressly waives demand, presentment, protest and notice of protest or dishonor and all other notices of every kind and nature with respect to any such instrument.

8. Possession of Collateral by Secured Party. All the Collateral now, heretofore or hereafter delivered to Secured Party shall be held by Administrative Agent on behalf of Secured Party in Administrative Agent's possession, custody and control. Any or all of the Collateral delivered to Secured Party may be held in an interest-bearing or non-interest-bearing account, in Secured Party's sole and absolute discretion, and Secured Party may, in its discretion, apply any such interest to payment of the Secured Obligations. Nothing herein shall obligate Secured Party to invest any Collateral or obtain any particular return thereon. Upon the occurrence and during the continuance of an Event of Default, whenever any of the Collateral is in Secured Party's possession, custody or control, Secured Party may use, operate and consume the Collateral, whether for the purpose of preserving and/or protecting the Collateral, or for the purpose of performing any of Grantors' obligations with respect thereto, or otherwise. Secured Party may at any time deliver or redeliver the Collateral or any part thereof to Grantors, and the receipt of any of the same by any Grantor shall be complete and full acquittance for the Collateral so delivered, and Secured Party thereafter shall be discharged from any liability or responsibility therefor. So long as Secured Party exercises reasonable care with respect to any Collateral in its possession, custody or control, Secured Party shall have no liability for any loss of or damage to such Collateral, and in no event shall Secured Party have liability for any diminution in value of Collateral occasioned by economic or market conditions or events. Secured Party shall be deemed to have exercised reasonable care within the meaning of the preceding sentence if the Collateral in the possession, custody or control of Secured Party is accorded treatment substantially equal to that which Secured Party accords its own property, it being understood that Secured Party shall not have any responsibility for (a) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relating to any Collateral, whether or not Secured Party has or is deemed to have knowledge of such matters, or (b) taking any necessary steps to preserve rights against any Person with respect to any Collateral.

9. Events of Default. There shall be an Event of Default hereunder upon the occurrence and during the continuance of an Event of Default under the Credit Agreement.

10. Rights Upon Event of Default. Upon the occurrence and during the continuance of an Event of Default, Secured Party shall have, in any jurisdiction where enforcement hereof is sought, in addition to all other rights and remedies that Secured Party may have under applicable Law or in equity or under this Agreement (including, without limitation, all rights set forth in Section 7 hereof) or under any other Loan Document, all rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction, and, in addition, the following rights and remedies, all of which may be exercised with or without notice to Grantors and without affecting the Obligations of Grantors hereunder or under any other Loan Document, or the enforceability of the Liens and security interests created hereby: (a) to foreclose the Liens and security interests created hereunder or under any other agreement relating to any Collateral by any available judicial procedure or without judicial process; (b) to enter any premises where any Collateral may be located for the purpose of securing, protecting, inventorying, appraising, inspecting, repairing, preserving, storing, preparing, processing, taking possession of or removing the same; (c) to sell, assign, lease or otherwise dispose of any Collateral or any part thereof, either at public or private sale or at any broker's board, in lot or in bulk, for cash, on credit or otherwise, with or without representations or warranties and upon such terms as shall be acceptable to Secured Party; (d) to notify obligors on the Collateral that the Collateral has been assigned to Secured Party and that all payments thereon are to be made directly and exclusively to Secured Party; (e) to collect by legal proceedings or otherwise all dividends, distributions, interest, principal or other sums now or hereafter payable upon or on account of the Collateral; (f) to cause the Collateral to be registered in the name of Secured Party, as legal owner; (g) to enter into any extension, reorganization, deposit, merger or consolidation agreement, or any other agreement relating to or affecting the Collateral, and in connection therewith Secured Party may deposit or surrender control of the Collateral and/or accept other Property in exchange for the Collateral; (h) to settle, compromise or release, on terms acceptable to Secured Party, in whole or in part, any amounts owing on the Collateral and/or any disputes with respect thereto; (i) to extend the time of payment, make allowances and adjustments and issue credits in connection with the Collateral in the name of Secured Party or in the name of any Grantor; (j) to enforce payment and prosecute any action or proceeding with respect to any or all of the Collateral and take or bring, in the name of Secured Party or in the name of any Grantor, any and all steps, actions, suits or proceedings deemed by Secured Party necessary or desirable to effect collection of or to realize upon the Collateral, including any judicial or nonjudicial foreclosure thereof or thereon, and each Grantor specifically consents to any nonjudicial foreclosure of any or all of the Collateral or any other action taken by Secured Party which may release any obligor from personal liability on any of the Collateral, and each Grantor waives any right not expressly provided for in this Agreement to receive notice of any public or private judicial or nonjudicial sale or foreclosure of any security or any of the Collateral; and any money or other property received by Secured Party in exchange for or on account of the Collateral, whether representing collections or proceeds of Collateral, and whether resulting from voluntary payments or foreclosure proceedings or other legal action taken by Secured Party or Grantors may be applied by Secured Party without notice to Grantors to the Secured Obligations in such order and manner as Secured Party in its sole discretion shall

determine; (k) to insure, process and preserve the Collateral; (l) to exercise all rights, remedies, powers or privileges provided under any of the Loan Documents; (m) to remove, from any premises where the same may be located, the Collateral and any and all documents, instruments, files and records, and any receptacles and cabinets containing the same, relating to the Collateral, and Secured Party may, at the cost and expense of each Grantor, use such of its supplies, equipment, facilities and space at its places of business as may be necessary or appropriate to properly administer, process, store, control, prepare for sale or disposition and/or sell or dispose of the portion of the Collateral owned by such Grantor or to properly administer and control the handling of collections and realizations thereon, and Secured Party shall be deemed to have a rent-free tenancy of any premises of any Grantor for such purposes and for such periods of time as reasonably required by Secured Party; (n) to receive, open and dispose of all mail addressed to any Grantor and notify postal authorities to change the address for delivery thereof to such address as Secured Party may designate; provided that Secured Party agrees that it will promptly deliver over to the appropriate Grantor such opened mail as does not relate to the Collateral; and (o) to exercise all other rights, powers, privileges and remedies of a Secured Lender under Article 9 of the California Uniform Commercial Code; all at Secured Party's sole option and as Secured Party in its sole discretion may deem advisable. Grantors will, at Secured Party's request, assemble the Collateral and make it available to Secured Party at places which Secured Party may reasonably designate, whether at the premises of Grantors or elsewhere, and will make available to Secured Party, free of cost, all premises, equipment and facilities of Grantors for the purpose of Secured Party's taking possession of the Collateral or storing same or removing or putting the Collateral in salable form or selling or disposing of same.

Upon the occurrence and during the continuance of an Event of Default, Secured Party also shall have the right, without notice or demand, either in person, by agent or by a receiver to be appointed by a court (and Grantors hereby expressly consent upon the occurrence and during the continuance of an Event of Default to the appointment of such a receiver), and without regard to the adequacy of any security for the Secured Obligations, to take possession of the Collateral or any part thereof and to collect and receive the rents, issues, profits, income and proceeds thereof. Taking possession of the Collateral shall not cure or waive any Event of Default or notice thereof or invalidate any act done pursuant to such notice. The rights, remedies and powers of any receiver appointed by a court shall be as ordered by said court.

Any public or private sale or other disposition of the Collateral may be held at any office of Administrative Agent, or at Grantors' places of business, or at any other place permitted by applicable Law, and without the necessity of the Collateral's being within the view of prospective purchasers on the date of sale. Secured Party may direct the order and manner of sale of the Collateral, or portions thereof, as it in its sole and absolute discretion may determine, and Grantors expressly waive any right to direct the order and manner of sale of any Collateral. Secured Party or any Person on Secured Party's behalf may bid and purchase at any such sale or other disposition. The net cash proceeds resulting from the collection, liquidation, sale, lease or other disposition of the Collateral shall be applied, first, to the expenses (including reasonable attorneys' fees and disbursements) of retaking, holding, storing, processing and preparing for sale or lease, selling, leasing, collecting, liquidating and the like, and then to the satisfaction of the Secured Obligations in such order as shall be

determined by Secured Party in its sole and absolute discretion. Grantors and any other Person then obligated therefor shall pay to Secured Party on demand any deficiency with regard thereto which may remain after such sale, disposition, collection or liquidation of the Collateral.

Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Secured Party will send or otherwise make available to the Borrower, as agent for Grantors and each of them, reasonable notice of the time and place of any public sale thereof or of the time on or after which any private sale thereof is to be made. The requirement of sending reasonable notice conclusively shall be met if such notice is mailed, first class mail, postage prepaid, to the Borrower at its address set forth in the Credit Agreement, or delivered or otherwise sent to the Borrower, at least five (5) days before the date of the sale. Each Grantor other than the Borrower hereby irrevocably appoints the Borrower as its agent for the purpose of receiving notice of sale hereunder, and agrees that such Grantor conclusively shall be deemed to have received notice of sale when notice of sale has been given to the Borrower. Each Grantor expressly waives any right to receive notice of any public or private sale of any Collateral or other security for the Secured Obligations except as expressly provided for in this paragraph.

With respect to any Collateral consisting of securities, partnership interests, joint venture interests, Investments or the like, and whether or not any of such Collateral has been effectively registered under the Securities Act of 1933, as amended, or other applicable Laws, Secured Party may, in its sole and absolute discretion, sell all or any part of such Collateral at private sale in such manner and under such circumstances as Secured Party may deem necessary or advisable in order that the sale may be lawfully conducted. Without limiting the foregoing, Secured Party may (i) approach and negotiate with a limited number of potential purchasers, and (ii) restrict the prospective bidders or purchasers to persons who will represent and agree that they are purchasing such Collateral for their own account for investment and not with a view to the distribution or resale thereof. In the event that any such Collateral is sold at private sale, Grantors agree that if such Collateral is sold for a price which Secured Party in good faith believes to be reasonable under the circumstances then existing, then (a) the sale shall be deemed to be commercially reasonable in all respects, (b) Grantors shall not be entitled to a credit against the Secured Obligations in an amount in excess of the purchase price, and (c) Secured Party shall not incur any liability or responsibility to Grantors in connection therewith, notwithstanding the possibility that a substantially higher price might have been realized at a public sale. Grantors recognize that a ready market may not exist for such Collateral if it is not regularly traded on a recognized securities exchange, and that a sale by Secured Party of any such Collateral for an amount substantially less than a pro rata share of the fair market value of the issuer's assets minus liabilities may be commercially reasonable in view of the difficulties that may be encountered in attempting to sell a large amount of such Collateral or Collateral that is privately traded.

Upon the occurrence and during the continuance of an Event of Default, Secured Party may use any of the Trademarks for the sale of goods, completion of work in process, or rendering of services in connection with enforcing any security interest granted to Secured Party by Grantors. Secured Party may grant such license or licenses relating to the Trademark Collateral for such term or terms, on such conditions and in such manner, as

Secured Party shall, in its sole discretion, deem appropriate. Such license or licenses may be general, special, or otherwise, and may be granted on an exclusive or nonexclusive basis throughout all or part of the United States of America, its territories and possessions, and all foreign countries. If connection with any such license or any sale or other disposition of the Trademark Collateral (or any part thereof), the applicable Grantors shall supply to Secured Party, or Secured Party's designee, such Grantors' knowledge and expertise relating to the manufacture and sale of the products and services bearing the Trademarks and Grantors' customer lists and other records relating to the Trademarks and the distribution thereof.

Upon consummation of any sale of Collateral hereunder, Secured Party shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Collateral so sold. Each such purchaser at any such sale shall hold the Collateral so sold absolutely free from any claim or right upon the part of any Grantor or any other Person, and each Grantor hereby waives (to the extent permitted by applicable Laws) all rights of redemption, stay and appraisal which it now has or may at any time in the future have under any rule of Law or statute now existing or hereafter enacted. If the sale of all or any part of the Collateral is made on credit or for future delivery, Secured Party shall not be required to apply any portion of the sale price to the Secured Obligations until such amount actually is received by Secured Party, and any Collateral so sold may be retained by Secured Party until the sale price is paid in full by the purchaser or purchasers thereof. Secured Party shall not incur any liability in case any such purchaser or purchasers shall fail to pay for the Collateral so sold, and, in case of any such failure, the Collateral may be sold again.

11. Voting Rights; Dividends; etc. With respect to any Collateral consisting of securities, partnership interests, joint venture interests, Investments or the like (referred to collectively and individually in this Section 11 and in Section 12 as the "Investment Collateral"), so long as no Event of Default occurs and remains continuing:

(a) Voting Rights. Grantors shall be entitled to exercise any and all voting and other consensual rights pertaining to the Investment Collateral, or any part thereof, for any purpose not inconsistent with the terms of this Agreement, the Credit Agreement, or the other Loan Documents; provided, however, that Grantors shall not exercise, or shall refrain from exercising, any such right if it would result in a Default.

(b) Dividend and Distribution Rights. Except as otherwise provided in any Loan Document, Grantors shall be entitled to receive and to retain and use any and all dividends or distributions paid in respect of the Investment Collateral; provided, however, that, any and all such dividends or distributions received in the form of capital stock, certificated securities, warrants, options or rights to acquire capital stock or certificated securities forthwith shall be, and the certificates representing such capital stock or certificated securities, if any, forthwith shall be delivered to the Administrative Agent for the benefit of Secured Party to hold as pledged Collateral and shall, if received by any Grantor, be received in trust for the benefit of Secured Party, be segregated from the other Property of such Grantor, and forthwith be delivered to the Administrative Agent for the benefit of Secured Party as pledged Collateral in the same form as so received (with any necessary endorsements).

12. Rights During Event of Default. With respect to any Investment Collateral, so long as an Event of Default has occurred and is continuing:

(a) Voting, Dividend, and Distribution Rights. At the option of Secured Party, all rights of Grantors to exercise the voting and other consensual rights which they would otherwise be entitled to exercise pursuant to Section 11.1 above, and to receive the dividends and distributions which they would otherwise be authorized to receive and retain pursuant to Section 11.2 above, shall cease, and all such rights thereupon shall become vested in Secured Party which thereupon shall have the sole right to exercise such voting and other consensual rights and to receive and to hold as pledged Collateral such dividends and distributions.

(b) Dividends and Distributions Held in Trust. All dividends and other distributions which are received by Grantors contrary to the provisions of this Agreement shall be received in trust for the benefit of Secured Party, shall be segregated from other funds of Grantors, and forthwith shall be paid over to Secured Party as pledged Collateral in the same form as so received (with any necessary endorsements).

(c) Irrevocable Proxy. Each Grantor does hereby revoke all previous proxies with regard to the Investment Collateral and appoint Secured Party as its proxyholder to attend and vote at any and all meetings of the shareholders or other equity holders of the Persons that issued the Investment Collateral and any adjournments thereof, held on or after the date of the giving of this proxy and prior to the termination of this proxy, and to execute any and all written consents of shareholders or other equity holders of such Persons executed on or after the date of the giving of this proxy and prior to the termination of this proxy, with the same effect as if such Grantor had personally attended the meetings or had personally voted its shares or other interests or had personally signed the written consents; provided, however, that the proxyholder shall have rights hereunder only upon the occurrence and during the continuance of an Event of Default. Each Grantor hereby authorizes Secured Party to substitute another Person as the proxyholder and, upon the occurrence and during the continuance of any Event of Default, hereby authorizes the proxyholder to file this proxy and any substitution instrument with the secretary or other appropriate official of the appropriate Person. This proxy is coupled with an interest and is irrevocable until such time as all Secured Obligations have been paid and performed in full.

13. Attorney-in-Fact. Each Grantor hereby irrevocably nominates and appoints Secured Party as its attorney-in-fact for the following purposes: (a) to do all acts and things which Secured Party may deem necessary or advisable to perfect and continue perfected the security interests created by this Agreement and, upon the occurrence and during the continuance of an Event of Default, to preserve, process, develop, maintain and protect the Collateral; (b) upon the occurrence and during the continuance of an Event of Default, to do any and every act which any Grantor is obligated to do under this Agreement, at the expense of the Grantor so obligated and without any obligation to do so; (c) prepare, sign, file and/or record, for any Grantor, in the name of the appropriate Grantor, any financing statement, application for registration, or like paper, and to take any other action deemed by Secured Party necessary or desirable in order to perfect or maintain perfected the security interests granted hereby; and (d) upon the occurrence and during the continuance of an Event

of Default, to execute any and all papers and instruments and do all other things necessary or desirable to preserve and protect the Collateral and to protect Secured Party's security interests therein; provided, however, that Secured Party shall be under no obligation whatsoever to take any of the foregoing actions, and if Secured Party so acts, it shall have no liability or responsibility for any such action taken with respect thereto.

14. Costs and Expenses. Each Grantor agrees to pay to Secured Party all costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements) incurred by Secured Party in the enforcement or attempted enforcement of this Agreement, whether or not an action is filed in connection therewith, and in connection with any waiver or amendment of any term or provision hereof. All advances, charges, costs and expenses, including reasonable attorneys' fees and disbursements, incurred or paid by Secured Party in exercising any right, privilege, power or remedy conferred by this Agreement (including, without limitation, the right to perform any obligation of any Grantor under the Loan Documents), or in the enforcement or attempted enforcement thereof, shall be secured hereby and shall become a part of the Secured Obligations and shall be paid to Secured Party by each Grantor, immediately upon demand, together with interest thereon at the rate(s) provided for under the Credit Agreement.

15. Statute of Limitations and Other Laws. Until the Secured Obligations shall have been paid and performed in full, the power of sale and all other rights, privileges, powers and remedies granted to Secured Party hereunder shall continue to exist and may be exercised by Secured Party at any time and from time to time irrespective of the fact that any of the Secured Obligations may have become barred by any statute of limitations. Each Grantor expressly waives the benefit of any and all statutes of limitation, and any and all Laws providing for exemption of property from execution or for valuation and appraisal upon foreclosure, to the maximum extent permitted by applicable Law.

16. Other Agreements. Nothing herein shall in any way modify or limit the effect of terms or conditions set forth in any other security or other agreement executed by any Grantor or in connection with the Secured Obligations, but each and every term and condition hereof shall be in addition thereto. All provisions contained in the Credit Agreement or any other Loan Document that apply to Loan Documents generally are fully applicable to this Agreement and are incorporated herein by this reference as though set forth herein in full.

17. Waivers and Consents. Each Grantor acknowledges that the Liens created or granted herein will or may secure obligations of Persons other than such Grantor and, in full recognition of that fact, each Grantor consents and agrees that Secured Party may, at any time and from time to time, in accordance with the terms of the Loan Documents, without notice or demand, and without affecting the enforceability or security hereof: (a) supplement, modify, amend, extend, renew, accelerate or otherwise change the time for payment or the terms of the Secured Obligations or any part thereof, including any increase or decrease of the rate(s) of interest thereon; (b) supplement, modify, amend or waive, or enter into or give any agreement, approval or consent with respect to, the Secured Obligations or any part thereof, or any of the Loan Documents or any additional security or guaranties, or any condition, covenant, default, remedy, right, representation or term thereof or thereunder;

(c) accept new or additional instruments, documents or agreements in exchange for or relative to any of the Loan Documents or the Secured Obligations or any part thereof; (d) accept partial payments on the Secured Obligations; (e) receive and hold additional security or guaranties for the Secured Obligations or any part thereof; (f) release, reconvey, terminate, waive, abandon, fail to perfect, subordinate, exchange, substitute, transfer and/or enforce any security or guaranties, and apply any security and direct the order or manner of sale thereof as Secured Party in its sole and absolute discretion may determine; (g) release any Person from any personal liability with respect to the Secured Obligations or any part thereof; (h) settle, release on terms satisfactory to Secured Party or by operation of applicable Laws or otherwise liquidate or enforce any Secured Obligations and any security or guaranty in any manner, consent to the transfer of any security and bid and purchase at any sale; and/or (i) consent to the merger, change or any other restructuring or termination of the corporate or other existence of Borrower or any other Person, and correspondingly restructure the Secured Obligations, and any such merger, change, restructuring or termination shall not affect the liability of any Grantor or the continuing existence of any Lien hereunder, under any other Loan Document to which any Grantor is a party or the enforceability hereof or thereof with respect to all or any part of the Secured Obligations.

Upon the occurrence and during the continuance of any Event of Default, Secured Party may enforce this Agreement independently as to each Grantor and independently of any other remedy or security Secured Party at any time may have or hold in connection with the Secured Obligations, and it shall not be necessary for Secured Party to marshal assets in favor of any Grantor or any other Person or to proceed upon or against and/or exhaust any other security or remedy before proceeding to enforce this Agreement. Each Grantor expressly waives any right to require Secured Party to marshal assets in favor of any Grantor or any other Person or to proceed against any other Grantor or any Collateral provided by any other Grantor, and agrees that Secured Party may proceed against Grantors and/or the Collateral in such order as it shall determine in its sole and absolute discretion. Secured Party may file a separate action or actions against any Grantor, whether action is brought or prosecuted with respect to any other security or against any other Person, or whether any other Person is joined in any such action or actions. Each Grantor agrees that Secured Party and Borrower and any Affiliate of Borrower may deal with each other in connection with the Secured Obligations or otherwise, or alter any contracts or agreements now or hereafter existing between any of them, in any manner whatsoever, all without in any way altering or affecting the security of this Agreement. Secured Party's rights hereunder shall be reinstated and revived, and the enforceability of this Agreement shall continue, with respect to any amount at any time paid on account of the Secured Obligations which thereafter shall be required to be restored or returned by Secured Party upon the bankruptcy, insolvency or reorganization of any Grantor or otherwise, all as though such amount had not been paid. The Liens created or granted herein and the enforceability of this Agreement at all times shall remain effective to secure the full amount of all the Secured Obligations even though the Secured Obligations, including any part thereof or any other security or guaranty therefor, may be or hereafter may become invalid or otherwise unenforceable as against Borrower or any other Person and whether or not Borrower or any other Person shall have any personal liability with respect thereto. Each Grantor other than Borrower expressly waives any and all defenses now or hereafter arising or asserted by reason of (a) any disability or other defense of Borrower or any other Person with respect to the Secured Obligations, (b) the

unenforceability or invalidity of any security or guaranty for the Secured Obligations or the lack of perfection or continuing perfection or failure of priority of any security for the Secured Obligations, (c) the cessation for any cause whatsoever of the liability of Borrower or any other Person (other than by reason of the full payment and performance of all Secured Obligations), (d) any failure of Secured Party to marshal assets in favor of any Grantor or any other Person, (e) except as otherwise provided in this Agreement, any failure of Secured Party to give notice of sale or other disposition of Collateral to any Grantor or any other Person or any defect in any notice that may be given in connection with any sale or disposition of Collateral, (f) except as otherwise provided in this Agreement, any failure of Secured Party to comply with applicable Laws in connection with the sale or other disposition of any Collateral or other security for any Secured Obligation, including, without limitation, any failure of Secured Party to conduct a commercially reasonable sale or other disposition of any Collateral or other security for any Secured Obligation, (g) any act or omission of Secured Party or others that directly or indirectly results in or aids the discharge or release of Borrower or any other Person or the Secured Obligations or any other security or guaranty therefor by operation of Law or otherwise, (h) any Law which provides that the obligation of a surety or guarantor must neither be larger in amount nor in other respects more burdensome than that of the principal or which reduces a surety's or guarantor's obligation in proportion to the principal obligation, (i) any failure of Secured Party to file or enforce a claim in any bankruptcy or other proceeding with respect to any Person, (j) the election by Secured Party, in any bankruptcy proceeding of any Person, of the application or non-application of Section 1111(b)(2) of the United States Bankruptcy Code, (k) any extension of credit or the grant of any Lien under Section 364 of the United States Bankruptcy Code, (l) any use of cash collateral under Section 363 of the United States Bankruptcy Code, (m) any agreement or stipulation with respect to the provision of adequate protection in any bankruptcy proceeding of any Person, (n) the avoidance of any Lien in favor of Secured Party for any reason, (o) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, liquidation or dissolution proceeding commenced by or against any Person, including any discharge of, or bar or stay against collecting, all or any of the Secured Obligations (or any interest thereon) in or as a result of any such proceeding, (p) to the extent permitted, the benefits of any form of one-action rule under any applicable Law, or (q) any action taken by Secured Party that is authorized by this Section 17 or any other provision of any Loan Document. Until such time, if any, as all of the Secured Obligations have been paid and performed in full and no portion of any Commitment remains in effect, no Grantor shall have any right of subrogation, contribution, reimbursement or indemnity, and each Grantor expressly waives any right to enforce any remedy that Secured Party now has or hereafter may have against any other Person and waives the benefit of, or any right to participate in, any Collateral now or hereafter held by Secured Party. Each Grantor waives all rights and defenses arising out of an election of remedies by Secured Party, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for the Secured Obligations has destroyed such Grantor's rights of subrogation and reimbursement against the principal. Each Grantor expressly waives all setoffs and counterclaims and all presentments, demands for payment or performance, notices of nonpayment or nonperformance, protests, notices of protest, notices of dishonor and all other notices or demands of any kind or nature whatsoever with respect to the Secured Obligations, and all notices of acceptance of this Agreement or of the existence, creation or incurring of new or additional Secured Obligations.

18. Condition of Borrower. Each Grantor represents and warrants to Secured Party that such Grantor has established adequate means of obtaining from Borrower, on a continuing basis, financial and other information pertaining to the businesses, operations and condition (financial and otherwise) of Borrower and its Properties, and each Grantor now is and hereafter will be completely familiar with the businesses, operations and condition (financial and otherwise) of Borrower and its Properties. Each Grantor hereby expressly waives and relinquishes any duty on the part of Secured Party (should any such duty exist) to disclose to such Grantor any matter, fact or thing related to the businesses, operations or condition (financial or otherwise) of Borrower or its Properties, whether now known or hereafter known by Secured Party during the life of this Agreement. With respect to any of the Secured Obligations, Secured Party need not inquire into the powers of Borrower or the officers or employees acting or purporting to act on its behalf, and all Secured Obligations made or created in good faith reliance upon the professed exercise of such powers shall be secured hereby.

19. Liens on Real Property. In the event that all or any part of the Secured Obligations at any time are secured by any one or more deeds of trust or mortgages or other instruments creating or granting Liens on any interests in real Property, each Grantor authorizes Secured Party, upon the occurrence of and during the continuance of any Event of Default, at its sole option, without notice or demand and without affecting any Obligations of any Grantor, the enforceability of this Agreement, or the validity or enforceability of any Liens of Secured Party on any Collateral, to foreclose any or all of such deeds of trust or mortgages or other instruments by judicial or nonjudicial sale. Each Grantor other than Borrower expressly waives any defenses to the enforcement of this Agreement or any Liens created or granted hereby or to the recovery by Secured Party against Borrower or any guarantor or any other Person liable therefor of any deficiency after a judicial or nonjudicial foreclosure or sale, even though such a foreclosure or sale may impair the subrogation rights of Grantors and may preclude Grantors from obtaining reimbursement or contribution from any other Person. Each Guarantor expressly waives any defenses or benefits that may be derived from California Code of Civil Procedure § § 580a, 580b, 580d or 726, or comparable provisions of the laws of any other jurisdiction and all other suretyship defenses it otherwise might or would have under California law or other applicable law. Each Grantor other than Borrower expressly waives any right to receive notice of any judicial or nonjudicial foreclosure or sale of any real Property or interest therein subject to any such deeds of trust or mortgages or other instruments and any Grantor's failure to receive any such notice shall not impair or affect such Grantor's Obligations hereunder or the enforceability of this Agreement or any Liens created or granted hereby.

20. Waiver of Rights of Subrogation. Notwithstanding anything to the contrary elsewhere contained herein or in any other Loan Document to which any Grantor is a party, Grantors hereby waive with respect to Borrower and its successors and assigns (including any surety) and any other Person, any and all rights at Law or in equity to subrogation, to reimbursement, to exoneration, to contribution, to setoff or to any other rights that could accrue to a surety against a principal, to a guarantor against a maker or obligor, to an accommodation party against the party accommodated, or to a holder or transferee against a maker and which Grantors may have or hereafter acquire against Borrower or any other Person in connection with or as a result of Grantors' execution, delivery and/or performance

of this Agreement or any other Loan Document to which any Grantor is a party. Grantors agree that they shall not have or assert any such rights against Borrower or any other Person or its successors and assigns or any other Person (including any surety) which is directly or indirectly a creditor of Borrower or any other Person or any surety for Borrower or any other Person, either directly or as an attempted setoff to any action commenced against Grantors by Borrower (as borrower or in any other capacity) or any other Person. Grantors hereby acknowledge and agree that this waiver is intended to benefit Secured Party and shall not limit or otherwise affect Grantors' liability hereunder, under any other Loan Document to which any Grantor is a party, or the enforceability hereof or thereof.

21. Waiver of Discharge. Without limiting the generality of the foregoing, each Grantor hereby waives discharge by waiving all defenses based on suretyship or impairment of collateral.

22. Understandings with Respect to Waivers and Consents. Grantors and each of them warrant and agree that each of the waivers and consents set forth herein are made after consultation with legal counsel and with full knowledge of their significance and consequences, with the understanding that events giving rise to any defense or right waived may diminish, destroy or otherwise adversely affect rights which Grantors otherwise may have against Borrower, other Grantors, Secured Party or others, or against Collateral, and that, under the circumstances, the waivers and consents herein given are reasonable and not contrary to public policy or Law. If any of the waivers or consents herein are determined to be contrary to any applicable Law or public policy, such waivers and consents shall be effective to the maximum extent permitted by Law.

23. Continuing Effect. This 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 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 Secured Obligations, or any part thereof, is, pursuant to applicable Law, rescinded or reduced in amount, or must otherwise be restored or returned by Administrative Agent or any Lender, 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 Secured Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

24. Additional Grantors. The initial Grantors hereunder shall be Borrower, Coastal Modular Buildings, Inc., a Delaware corporation, Trac Modular Manufacturing, Inc., an Arizona corporation, and Innovative Modular Structures, Inc., a Florida corporation. From time to time following the date of this Agreement, additional Subsidiaries of the Borrower may become parties hereto, as additional Grantors, by executing and delivering to the Administrative Agent an Instrument of Joinder substantially in the form of Exhibit A hereto, accompanied by such documentation as the Administrative Agent may require in connection therewith, wherein such additional Grantors agree to become a party hereto and to be bound hereby. Upon delivery of such Instrument of Joinder to and acceptance thereof by the

Administrative Agent, notice of which acceptance is hereby waived by Grantors, each such additional Grantor shall be as fully a party hereto as if such Grantor were an original signatory hereof. Each Grantor expressly agrees that its obligations hereunder and the Liens upon its Property granted herein shall not be affected or diminished by the addition or release of additional Grantors hereunder, nor by any election of Secured Party not to cause any Subsidiary of the Borrower to become an additional Grantor hereunder. This Agreement shall be fully effective as to any Grantor who is or becomes a party hereto regardless of whether any other Person becomes or fails to become or ceases to be a Grantor hereunder.

25. Release of Grantors. This Agreement and all obligations of Grantors hereunder shall terminate and all rights to the Collateral shall revert to the applicable Grantors when all Secured Obligations have been indefeasibly paid in full in cash or otherwise performed in full and when no portion of any Commitment remains outstanding. Upon such termination of Grantors' obligations hereunder, Secured Party shall return any pledged Collateral to Grantors, or to the Person or Persons legally entitled thereto, and shall endorse, execute, deliver, record and file all instruments and documents, and do all other acts and things, reasonably required for the return of the Collateral to Grantors, or to the Person or Persons legally entitled thereto, and to evidence or document the release of Secured Party's interests arising under this Agreement, all as reasonably requested by, and at the sole expense of, Grantors.

26. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which, taken together, shall constitute one and the same agreement.

27. Additional Powers and Authorization. The Administrative Agent has been appointed as the Administrative Agent hereunder pursuant to the Credit Agreement and shall be entitled to the benefits of the Credit Agreement and the other Loan Documents. Notwithstanding anything contained herein to the contrary, the Administrative Agent may employ agents, trustees, or attorneys-in-fact and may vest any of them with any Property (including, without limitation, any Collateral pledged hereunder), title, right or power deemed necessary for the purposes of such appointment.

28. **GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.**

29. **WAIVER OF JURY TRIAL.** EACH GRANTOR AND SECURED PARTY EXPRESSLY WAIVES THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED OR INCIDENTAL TO THIS AGREEMENT, THE CREDIT AGREEMENT, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR PARTIES, WHETHER NOW EXISTING OR HEREFTER ARISING AND WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. EACH GRANTOR AND SECURED PARTY AGREES THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION

SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY ARE WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT, THE CREDIT AGREEMENT OR THE OTHER LOAN DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT, THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS. ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

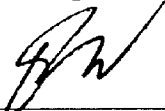
[THIS SPACE INTENTIONALLY LEFT BLANK
SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, each Grantor has executed this Agreement by its duly authorized officer as of the date first written above.

"Grantors"

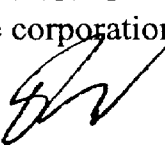
MODTECH HOLDINGS, INC.
a Delaware corporation

By:


Evan Gribben CEO
[Printed Name and Title]


COASTAL MODULAR BUILDINGS, INC.,
a Delaware corporation

By:


Evan Gribben CEO
[Printed Name and Title]

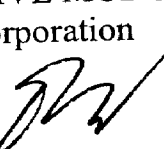
TRAC MODULAR MANUFACTURING, INC.,
an Arizona corporation

By:


Evan Gribben CEO
[Printed Name and Title]

INNOVATIVE MODULAR STRUCTURES, INC.,
a Florida corporation

By:

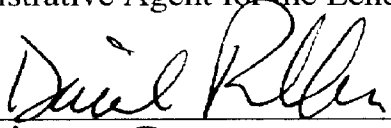

Evan Gribben CEO
[Printed Name and Title]

ACCEPTED AND AGREED
AS OF THE DATE FIRST
ABOVE WRITTEN:

"Secured Party"

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent for the Lenders

By:



Dan Pallares, VP

[Printed Name and Title]

SCHEDULE 1

Existing and Pending Trademarks

<u>Name of Mark</u>	<u>Status</u>	<u>Number</u>
Modtech	Pending	
United Modular	Active	75-866,600
United Modular Technology	Active	75-866,601

EXHIBIT A
TO
SECURITY AGREEMENT
INSTRUMENT OF JOINDER

THIS INSTRUMENT OF JOINDER ("Joinder") is executed as of

_____, _____, by _____, a _____ ("Joining Party"), and delivered to Wells Fargo Bank, National Association, as Administrative Agent ("Administrative Agent"), pursuant to the Security Agreement dated as of December 26, 2001 made by Modtech Holdings, Inc., a Delaware corporation ("Borrower"), Coastal Modular, Inc., a Delaware corporation, Trac Modular Manufacturing, Inc., an Arizona corporation, and Innovative Modular Structures, Inc., a Florida corporation, as initial Grantors, in favor of the Administrative Agent and the Lenders referred to below (as from time to time extended, renewed, supplemented, amended or otherwise modified, the "Security Agreement"). Terms used but not defined in this Joinder shall have the meanings defined for those terms in the Security Agreement.

RECITALS

A. The Security Agreement was made by the Grantors in favor of the Administrative Agent for the benefit of the Lenders that are parties to that certain Credit Agreement dated as of December 26, 2001, by and among the Borrower, the lenders that are parties thereto (the "Lenders"), and the Administrative Agent (as from time to time extended, renewed, supplemented, amended or otherwise modified, the "Credit Agreement").

B. Joining Party has become a Subsidiary of the Borrower, and as such is required pursuant to Section 5.11 of the Credit Agreement to become a Grantor under the terms and conditions of the Security Agreement.

C. Joining Party expects to realize direct and indirect benefits as a result of the availability to Borrower of the credit facilities under the Credit Agreement.

NOW THEREFORE, Joining Party agrees as follows:

AGREEMENT

1. By this Joinder, Joining Party becomes a "Grantor" under and pursuant to Section 24 of the Security Agreement. Joining Party agrees that, upon its execution hereof, it will become a Grantor under the Security Agreement with respect to all Secured Obligations, as further set forth therein, and will be bound by all terms, conditions, and duties applicable to a Grantor under the Security Agreement.

2. The effective date of this Joinder is _____, _____.

"Joining Party"

a _____

By: _____

[Printed Name and Title]

ACKNOWLEDGED:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent

By: _____

[Printed Name and Title]

EXHIBIT B
TO
SECURITY AGREEMENT

DEPOSIT ACCOUNT CONTROL AGREEMENT

This Deposit Account Control Agreement (this "Agreement") is entered into as of _____, 200_, among Modtech Holdings, Inc., a Delaware corporation ("Customer"), _____ ("Bank") and Wells Fargo Bank, National Association ("Secured Party"), as Administrative Agent for certain lenders (the "Lenders").

RECITALS

A. In order to secure certain obligations of Customer to Lenders, Customer has granted Secured Party a security interest in deposit account number(s) _____ maintained by Customer with Bank at the office indicated on the signature page below and any renewals, replacements, or rollovers thereof (regardless of the numbers of such account(s) or the office(s) at which such accounts are maintained), all funds heretofore or hereafter deposited into such account(s), any proceeds thereof (including without limitation any interest earned thereon), and any general intangibles and choses in action arising therefrom and related thereto (collectively, the "Account").

B. In connection therewith, Customer is requesting that Bank enter into this Agreement in order to perfect Secured Party's security interest in the Account by control.

AGREEMENT

1. Control of Account by Secured Party; Customer's Rights in Account

(a) Secured Party shall be entitled, at any time Secured Party is entitled to do so pursuant to separate agreements entered into between Secured Party and Customer (collectively, the "Credit Documents"), to give Bank instructions as to the withdrawal or disposition of funds from time to time credited to the Account, or as to any other matters relating to the Account, all without further consent of Customer. Bank shall, and is fully entitled to, rely upon any such instructions from Secured Party even if such instructions are contrary to any instructions or demands that Customer may give to Bank.

(b) Until Bank has received written instructions from Secured Party to the contrary (which Secured Party agrees shall not be delivered to Bank unless Secured Party is entitled to do so pursuant to the Credit Documents), Customer shall be entitled to present items drawn on or otherwise to withdraw or direct the disposition of funds from the Account; provided that Customer may not, without Secured Party's prior written consent, close the Account.

(c) The Secured Party's power under this Agreement to give Bank instructions as to the withdrawal or disposition of any funds from time to time credited to the

Account, or as to any other matters relating to the Account, includes, without limitation, the power to give stop payment orders for any items being presented to the Account for payment. Customer confirms that Bank should follow such instructions from Secured Party even if the result of following such instructions from Secured Party is that Bank dishonors items presented for payment from the Account. Customer further confirms that Bank will have no liability to Customer for the wrongful dishonor of such items in following such instructions from Secured Party.

2. Bank's Responsibility

(a) Bank shall have no duty to inquire or determine whether Customer's obligations to Lenders are in default or whether Secured Party is entitled, under any separate agreement between Secured Party and Customer, to give any instructions relating to the Account. Bank shall have no responsibility or liability to Secured Party for complying with any order or instruction, whether oral or written, concerning the Account, except to the extent such compliance would violate (i) paragraph 1(b) hereof, or (ii) written instructions or orders previously received from Secured Party, but only to the extent Bank had reasonable opportunity to act thereon. Bank shall not have any liability to Customer or Secured Party for losses or liabilities resulting from any failure to comply with instructions relating to the Account or delay in complying with such instructions if the failure or delay is due to circumstances beyond Bank's reasonable control. Without limiting the foregoing, in no event shall Bank have any liability for indirect, punitive, exemplary or consequential loss or damages, including without limitation lost profits, whether or not any claim for such loss or damages is based on tort or contract or Bank knew or should have known the likelihood of such damages in any circumstances.

(b) Bank may rely on notices and communications it believes in good faith to be genuine and given by the appropriate party.

3. Priority of Secured Party's Security Interest; Rights Reserved by Bank.

Bank agrees that all of its present and future rights against the Account are subordinate to Secured Party's security interest therein; provided, however, that Secured Party agrees that nothing herein subordinates or waives, and that Bank expressly reserves, all of its present and future rights (whether described as rights of setoff, banker's lien, chargeback or otherwise, and whether available to Bank under the law or under any other agreement between Bank and Customer concerning the Account, or otherwise) with respect to: (a) items deposited to the Account and returned unpaid, whether for insufficient funds or for any other reason, and without regard to the timeliness of return of any such item; (b) overdrafts on the Account; (c) automated clearing house entries; (d) claims of breach of the Uniform Commercial Code's transfer or presentment warranties made against Bank in connection with items deposited to the Account; and (e) Bank's usual and customary charges for services rendered in connection with the Account, to the extent that, in each case, Customer has not separately paid or reimbursed Bank therefor.

4. Statements. Upon written request made by Secured Party to Bank, in addition to the original deposit account statement for the Account which is provided to Customer, Bank will send a duplicate statement to Secured Party. Customer hereby

authorizes Bank to provide any additional information relating to the Account to Secured Party upon Secured Party's request without Customer's further consent.

5. Notice of Adverse Claims; Record of Security Interest

(a) Bank represents to Secured Party that Bank has not received notice of any lien, encumbrance or other claim to the Account from any other person and has not entered into, and covenants with Secured Party that it will not enter into, any agreement with any other person by which Bank is obligated to comply with instructions from such other person as to the disposition of funds from the Account or other dealings with the Account. To the extent that it gives notice to Customer, Bank will promptly notify Secured Party if any other person claims that it has a property interest in the Account.

(b) Bank further represents and warrants that it has taken such action as is necessary to reflect Secured Party's security interest in and lien upon the Account in Bank's internal books and records.

6. Returned Items. Customer and Secured Party understand and agree that Bank will pay returned items by debiting the Account. Customer agrees to pay the amount of any returned item immediately upon demand to the extent that there are not sufficient funds in the Account to cover such amount on the day of the debit. Secured Party agrees that Secured Party will pay any such amount that is not paid in full by Customer within 10 days after demand on Customer by Bank up to the amount of the proceeds received by Secured Party from the corresponding returned item. Bank agrees that any demand upon Secured Party for such amount shall be made within 60 days after Secured Party's receipt of such proceeds.

7. Costs; Indemnity

(a) Customer will be responsible for Bank's customary charges and for the repayment of any checks, drafts or other orders for the payment of funds deposited into the Account that are returned unpaid for any reason.

(b) Customer will indemnify Bank, its officers, directors, employees, and agents (each, an "Indemnitee") against claims, liabilities, and expenses arising out of this Agreement (including all reasonable and actual, out-of-pocket fees and costs incurred by Bank in complying with instructions or requests given by Secured Party hereunder, and including reasonable attorneys' fees and disbursements and the reasonable estimate of the allocated costs and expenses of in-house legal counsel), except to the extent the claims, liabilities, or expenses are caused by any Indemnitee's gross negligence or willful misconduct.

8. Termination; Survival

(a) Secured Party may terminate this Agreement by written notice to the Bank and Customer. Upon the satisfaction in full of all obligations (and termination of all commitments) under the Credit Documents, Secured Party shall use commercially reasonable efforts to provide prompt written notice thereof and of the termination of this Agreement to Bank. Bank may terminate this Agreement on 30 days' prior written notice to Secured Party and Customer. So long as the Account remains in existence, Customer may not terminate this

Agreement except with written consent of Secured Party [(which consent will not be unreasonably withheld)] and on 10 days' prior written notice to Secured Party and Bank.

(b) Sections 2, "Bank's Responsibility," 6, "Returned Items," and 7, "Costs; Indemnity," will survive termination of this Agreement.

9. Governing Law

(a) Bank represents and warrants to Secured Party that the account agreement between Bank and Customer relating to the establishment and general operation of the Account is governed by the laws of _____. Bank covenants that it will not, without Secured Party's prior written consent, amend that account agreement so that secured transactions relating to the Account are governed by the law of another jurisdiction.

(b) This Agreement will be governed by the internal law of California.

10. Entire Agreement. This Agreement is the entire agreement among the parties regarding the subject matter hereof and supersedes any prior agreements and contemporaneous oral agreements of the parties concerning its subject matter. This Agreement will control over any conflicting agreement between Bank and Customer.

11. Amendments. No amendment of, or waiver of a right under, this Agreement will be binding unless it is in writing and signed by Customer, Secured Party and Bank.

12. Severability. To the extent a provision of this Agreement is unenforceable, this Agreement will be construed as if the unenforceable provision were omitted.

13. Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of Bank, Secured Party and Customer and their respective successors and assigns.

14. Notices. A notice or other communication to a party under this Agreement will be in writing and will be sent to the party's address set forth below or to such other address as the party may notify the other parties and, except as otherwise expressly provided for herein, will be effective on receipt. To the extent that Bank is precluded from making demand or giving notice hereunder by reason of the commencement of a bankruptcy or similar proceeding, then such demand or notice shall be deemed to have been made or given at the commencement of such proceeding.

15. No Agency, Etc. Nothing contained in this Agreement shall create any agency, fiduciary, joint venture or partnership relationship between Customer, Secured Party and Bank.

16. Counterparts. This Agreement may be executed in counterparts, each of which shall be an original, and all of which shall constitute but one and the same instrument.

The foregoing is hereby acknowledged and agreed to, effective as of the last of the dates set forth below.

CUSTOMER:

MODTECH HOLDINGS, INC.

By: _____

Name: _____

Title: _____

Address: _____

Attention: _____

Facsimile: () _____

Telephone: () _____

Date: _____

SECURED PARTY:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent for the Lenders

By: _____

Name: _____

Title: _____

Address: _____

Attention: _____

Facsimile: () _____

Telephone: () _____

Date: _____

BANK:

By: _____

Name: _____

Title: _____

Address:

Attention: _____

Facsimile: _____

Telephone: _____

Date: _____

[Account Office:]

Attention: _____

Facsimile: _____

Telephone: _____