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07-22-2002



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TRADEMARKS ONLY

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

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

Hardinge Inc. f/k/a Hardinge Brothers, Inc.

04-16-02

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

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

3. Nature of conveyance:

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

Execution Date: 4/05/02

2. Name and address of receiving party(ies)

Name: KeyBank National Association

Internal Address: Mr. Albert White

Street Address: 1200 Bausch & Lomb Place

City: Rochester State: NY Zip: 14604

- 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)

See Schedule A (attached hereto)

B. Trademark Registration No.(s)

See Schedule B (attached hereto)

Additional number(s) attached Yes No

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

Name: Boylan, Brown, Code, Vigdor & Wilson, LLP
Internal Address: Devin L. Palmer, Esq.

Street Address: 2400 Chase Square

City: Rochester State: NY Zip: 14604

6. Total number of applications and registrations involved:

39

7. Total fee (37 CFR 3.41): \$ 990.00

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number:

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

DO NOT USE THIS SPACE

9. Statement and signature.

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

Devin L. Palmer
Name of Person Signing

Signature

April 8, 2002
Date

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

53

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

TRADEMARK
REEL: 002546 FRAME: 0074

SCHEDULE A

to

RECORDATION FORM COVER SHEET

Hardinge Inc. f/k/a Hardinge Brothers, Inc. (Conveying Party)
KeyBank National Association (Receiving Party)

Dated April 5, 2002

TRADEMARKS APPLICATIONS

Serial Number

76339490

76165657

76345949

75634382

75652345

75501399

SCHEDULE B

to

RECORDATION FORM COVER SHEET

**Hardinge Inc. f/k/a Hardinge Brothers, Inc. (Conveying Party)
KeyBank National Association (Receiving Party)**

Dated April 5, 2002

TRADEMARKS

<u>Serial Number</u>	<u>Registration Number</u>
76167588	2492633
75731597	2451904
75501398	2356062
75376187	2207179
75368632	2207121
75368631	2231733
75086875	2209431
75079009	2289167
75075356	2263899
75028199	2015567
74490861	1921498
74289208	1848983
74261255	1782411
73831955	1616425
73797279	1569282

73775760	1553488
73740907	1534250
73639684	1451786
73575864	1407385
73541047	1418936
73401351	1261488
73389600	1262844
73379432	1259831
73379222	1250969
73350813	1227337
73315539	1212164
73255277	1164398
73138219	1151472
73123324	1089575
73024104	1062090
71673446	609528
71647775	589432
71541930	514077

4/16/02

05-01-2002



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

RE

TRADEMARK

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

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- Individual(s), Association, General Partnership, Limited Partnership, Corporation-State, 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: 04/05/02

2. Name and address of receiving party(ies)

Name: KeyBank National Association

Internal Address: Mr. Albert White

Street Address: 1200 Baush & Lomb Place

City: Rochester State: NY Zip: 14604

- 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) See Schedule A (attached hereto)

B. Trademark Registration No.(s) See Schedule B (attached hereto)

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04/30/2002 DBYRNE 00000172 76339490

01 FC:481 Devin L. Palmer 40.00 OP 02 FC:482 950.00 OP Name of Person Signing

Signature

April 8, 2002

Date

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73138219	1151472
73123324	1089575
73024104	1062090
71673446	609528
71647775	589432
71541930	514077

SECURITY AGREEMENT

THIS SECURITY AGREEMENT, dated as of April 5, 2002 (this "Agreement"), is made by and between **HARDINGE INC. (f/k/a HARDINGE BROTHERS, INC.)**, a New York corporation (herein referred to as the "Debtor"), having an office at One Hardinge Drive, Elmira, New York 14902 and **KEYBANK NATIONAL ASSOCIATION**, a national banking association, having an office at 1200 Bausch & Lomb Place, Rochester, New York 14604 (the "Lender").

WHEREAS, the Debtor and the Lender have heretofore entered into that certain Term Loan Agreement, dated as of March 20, 2001 (the "Original Loan Agreement"), which was amended pursuant to (i) that certain First Amendment to Term Loan Agreement, dated as of October 1, 2001 (the "First Amendment"), and (ii) that certain Second Amendment to Term Loan Agreement, dated as of March 20, 2002 (the "Second Amendment") and are entering into a certain Third Amendment to Term Loan Agreement as of even date herewith (the "Third Amendment") (the Original Loan Agreement, the First Amendment, the Second Amendment and the Third Amendment, as the same may, from time to time, be amended, modified, supplemented or restated, hereinafter being collectively referred to as the "Loan Agreement"), pursuant to which the Lender has agreed to make a term loan in the principal amount of \$23,000,000 (the "Loan") to the Debtor (capitalized terms not defined herein shall have the meaning given thereto in the Loan Agreement); and

WHEREAS, it is a condition precedent to the obligations of the Lender to make the Loan under the Loan Agreement that the Debtor shall have executed and delivered this Agreement to the Lender;

NOW, THEREFORE, to induce the Lender to make the loans provided for in the Loan Agreement and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Debtor agrees with the Lender as follows:

1. DEFINITIONS. All capitalized words and terms used in this Agreement shall have the meanings as set forth in the following sections, and where not otherwise defined herein shall be deemed to have the meanings as accorded to them in the New York Uniform Commercial Code, as the same may hereafter be amended (the "UCC"), including, without limitation, Section 9-102 of the UCC.

1.1 "**Banks**" shall mean collectively the 1996 Banks and the 1997 Banks.

1.2. "**Chase**" shall mean JPMorgan Chase Bank, f/k/a The Chase Manhattan Bank, as Agent.

1.3 "**Chase Liabilities**" shall mean any and all indebtedness, obligations and liabilities of the Debtor to Chase and/or any of the Banks and also to others to the extent of their participations granted to or interests therein created or acquired for them by the Banks or Chase, arising under (i) the 1996 Credit Agreement, and (ii) the 1997 Credit Agreement, and (iii) certain credit facilities made available by Chase to the Debtor for foreign exchange, letters of credit and derivative products and the documents executed in connection therewith now or hereafter existing.

1.4. "**Collateral**" shall mean, collectively, all of the following personal property of the Debtor, whether now or hereafter existing or now owned or hereafter acquired and wherever located, of every kind and description, tangible or intangible:

(a) All (i) Accounts, (ii) Deposit Accounts held by the Lender, Chase or any of the Banks, (iii) contract rights, (iv) Instruments (including, without limitation, all Customer Notes), (v) Documents, (vi) Chattel Paper (including, without limitation, Tangible Chattel Paper), (vii) Electronic Chattel Paper, (viii) Goods (excluding fixtures but including, without limitation, Inventory, machinery and Equipment), (ix) Letter-of-Credit Rights, (x) Stock, (xi) security agreements, (xii) general intangibles and other rights, including, without limitation, Trademarks, Patents, copyrights, copyrighted material, licenses, franchises, rights under licensing and franchising agreements, computer software programs, plans and specification, patterns, molds, manuals and technical material and know-how of every kind and character, whether secured or unsecured, now existing or hereafter created, of the Debtor, and (xiii) any and all other property of the Debtor (or any affiliate or subsidiary of the Debtor) of any kind or character, tangible or intangible, that is now or may at any time hereafter be given by the Debtor (or any affiliate or subsidiary of the Debtor) to Chase or any of the Banks as security, in whole or in part, for the repayment of any of the Chase Liabilities;

(b) All of the right, title and interest of the Debtor in and to the property represented by or securing any of the property and items described in subparagraph (a) of this Section 1.4.;

(c) All rights of the Debtor as an unpaid vendor or lienor, including stoppage in transit, replevin and reclamation;

(d) All additional amounts due to the Debtor from any customer, irrespective of whether such additional amounts have been specifically assigned to the Lender;

(e) All guaranties, mortgages on personal property, leases or other agreements on property securing or relating to any of the items referred to in subparagraph (a) of this Section 1.4, or acquired for the purpose of securing and enforcing any of such items;

(f) All moneys, including without limitation, Investment Property, Securities and other property and the proceeds thereof, now or hereafter held or received by, or in transit to the Lender from or for the Debtor, whether for safekeeping, pledge, custody, transmission, collection or otherwise, and all claims of the Debtor against the Lender at any time existing in connection with the foregoing;

(g) All books and records relating to or referring to any of the foregoing, including without limitation, all books, records, ledger cards and other property and general intangibles at any time evidencing or relating to receivables;

(h) All insurance policies held by the Debtor or naming the Debtor as loss payees (including, without limitation, casualty insurance, property insurance and business interruption insurance) and all such insurance policies entered into after the date hereof; and

(i) All Proceeds (including, without limitation, Cash Proceeds, Non-Cash Proceeds, insurance or otherwise) of any of the foregoing in whatever form, including, without limitation, any claims against third parties for loss or damage to or destruction of any or all of the

foregoing and cash, Negotiable Instruments and other Instruments for the payment of money, or other Documents.

1.5. "**Credit Agreement**" shall mean, collectively, the 1996 Credit Agreement and the 1997 Credit Agreement.

1.6. "**Customer Notes**" shall mean any and all notes and other instruments in favor of the Debtor for the payment of obligations of customers of the Debtor for goods or services provided by the Debtor in the ordinary course of the Debtor's business whether now existing or hereafter obtained, including, without limitation, certain notes as indicated on Schedule E attached hereto and made a part hereof.

1.7. "**Intercreditor Agreement**" shall mean that certain Intercreditor Agreement, dated as of even date herewith, by and among the Lender, Chase and the Borrower, as the same may be amended from time to time.

1.8. "**Liabilities**" shall mean any and all indebtedness, obligations and liabilities of the Debtor to the Lender of every kind and also to others to the extent of their participations granted to or interests therein created or acquired for them by the Lender, now or hereafter existing, arising directly between the Debtor and the Lender or acquired outright, conditionally, as a participation or as collateral security from another by the Lender, absolute or contingent, joint and/or several, secured or unsecured, due or not due (including without limitation, any and all costs and attorney's fees incurred by the Lender in the collection, whether by suit or by any other means of any of the Liabilities hereunder), contractual or tortious, liquidated or unliquidated, arising by operation of law or otherwise, direct or indirect, and arising out of the Loan Agreement as well as any obligations due from the Debtor under any foreign exchange exposure of the Lender, any obligations due from the Debtor under any derivative exposure of the Lender (including without limitation any interest rate swap or other rate protection or hedge agreement or mechanism, and the face amount of any outstanding letters of credit in connection with the Loan under the Loan Agreement.

1.9. "**1996 Banks**" shall mean the banks signatory to the 1996 Credit Agreement and each other financial institution which from time to time becomes a party thereto (and each individually being a "1996 Bank").

1.10. "**1996 Credit Agreement**" shall mean that certain Credit Agreement, dated as of February 28, 1996, among the Debtor, Chase and the 1996 Banks, as most recently amended by Amendment Number Five, dated as of the date of this Agreement, and as the same may be further amended from time to time.

1.11. "**1997 Banks**" shall mean the banks signatory to the 1997 Credit Agreement and each other financial institution which from time to time becomes a party thereto (and each individually being a "1997 Bank").

1.12. "**1997 Credit Agreement**" shall mean that certain Credit Agreement, dated as of _____, 1997, by and among the Debtor, Chase and the 1997 Banks, as most recently amended by Amendment Number Four dated as of the date of this Agreement.

1.13. "**Obligor**" means the Debtor or any maker, drawer, acceptor, indorser, guarantor, surety, accommodation party or other person liable upon or for any of the Liabilities or the Collateral.

1.14. "**Patents**" shall mean (i) all letters patent of the United States, all right, title and interest therein and thereto, and all registrations and recordings thereof, including, without limitation, applications, registrations and recordings in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any political subdivision thereof, all whether now owned or hereafter acquired by Debtor, in each case, including, without limitation, those letters patent and applications which are described in Schedule B annexed hereto and made a part hereof, whether issued to or filed by the Debtor or to or by another and subsequently assigned to the Debtor; (ii) all patent infringement claims against third parties; (iii) all inventions used by the Debtor in the Debtor's business, including, without limitation, all of the inventions described in Schedule B hereto; (iv) all continuations, continuations-in-part, divisions, renewals, extensions, substitutions, and reissuances, patent applications and patentable inventions in the United States (v) all rights to income, profits, royalties, damages, licenses or other rights related to the patents, applications or inventions, including the right to sue for past, present or future infringement; (vi) all other rights and goodwill relating to the patents, applications or inventions; and (viii) all proceeds, products, supporting obligations and accessions of and to any thereof whether existing then or in the future and wherever located.

1.15. "**Permitted Purpose**" shall mean the sale of one (1) or more Customer Notes at fair market value to a bonafide third party or the use of such Customer Notes for substitutions in conjunction with such sales or any prior sales.

1.16. "**Stock**" shall mean the shares or units of stock or other evidence of equity interests of and in each of the entities listed on Schedule C annexed hereto and made a part hereof, which such shares or units constitute no more than sixty six and two thirds percent (66 2/3%) of the issued and outstanding shares or other ownership interests of each such entity or of the voting power of all classes of such equity interests entitled to vote of each such entity, and (i) all stock of any Subsidiary formed under the laws of the United States or any State thereof, which at any time has assets (tangible or intangible), (ii) such other or additional property at any time and from time to time distributed in respect of or in exchange therefore, including any stock options or rights received, (iii) all securities hereafter delivered to the Lender or Chase in substitution for or in addition to the foregoing, together with all certificates and instruments representing any such securities, all rights, powers and principles arising therefrom and all dividends, cash, securities, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the such shares or units and in all Proceeds of all of the foregoing, together with appropriate undated stock powers duly executed in blank, including, but not limited to any such stock powers delivered by the Debtor to, and held pursuant to the Intercreditor Agreement, by Chase.

1.17. "**Trademarks**" shall mean (i) all trademarks, trade names, trade styles, service marks, prints and labels on which said trademarks, trade names, trade styles and service marks have appeared or appear, designs, and general intangibles of like nature, now existing or hereafter adopted or acquired, all right, title and interest therein and thereto, and all registrations and recordings

thereof, including, without limitation, applications, registrations, certificates of registration (and similar documents) and recordings in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof, or any political subdivision thereof, whether issued or pending all whether now owned or hereafter acquired by Debtor, in each case, and whether issued to or filed by the Debtor or to or by another and subsequently assigned to the Debtor, including, without limitation, those which are described in Schedule D annexed hereto and made a part hereof, and (ii) all continuations, continuations-in-part, divisions, renewals, extensions, substitutions, and reissuances thereof and all licenses thereof; (iii) all goodwill of the business symbolized by each of the trademarks or with the use of each such trademark and each license; (iv) all customer lists and other records relating to the distribution of products bearing the Trademarks and each of the registrations described in Schedule D; and (v) all proceeds of the foregoing in any form, including, without limitation, any claim by the undersigned against third parties for past, present or future infringement or dilution of any of the foregoing, or for injury to the goodwill associated with any of the foregoing, and including the supporting obligations, proceeds and accessions of and to any thereof.

2. **SECURITY INTEREST.** As security for the prompt and unconditional payment of the Liabilities, the Debtor hereby grants, pledges, assigns, hypothecates, transfers, and delivers to Lender a security interest in, a general lien upon and/or right of set-off against the Collateral.

3. **COVENANTS OF THE DEBTOR**

3.1. **Payment of the Liabilities.** The Debtor shall pay, cause to be paid, or otherwise satisfy all Liabilities when the same shall become due by acceleration or otherwise.

3.2. **Maintenance of Collateral.** The Debtor shall continually take such steps necessary and prudent to protect the interest of the Lender in and to the Collateral, including but not limited to the following:

3.2.1. The Debtor shall maintain the collateral in good condition and repair and not commit or permit damage, waste or destruction to such Collateral. Debtor shall not permit (i) the Collateral consisting of Goods to be used in such a manner that would violate any insurance policy or warranty covering the Collateral or that would violate any applicable law of any governmental authority (including any environmental law) now or hereafter in effect; (ii) the Collateral consisting of Goods to become fixtures on any real property (unless appropriate financing statements have been filed in all states and localities as required under the Uniform Commercial Code or similar statutes of the jurisdictions in which the same is located and the Lender has been provided with acceptable landlord and mortgagee waivers) or become an accession to any goods not included in the Collateral; or (iii) any Goods included in the Collateral to be placed in any warehouse that may issue a negotiable document with regard to such Goods.

3.2.2. The Debtor shall deliver and pledge to the Lender, indorsed and/or accompanied by such instruments of assignment and transfer in such form and substance as the Lender may request, any and all Instruments, Documents and/or Chattel Paper as the Lender may specify in its demand.

3.2.3. The Debtor shall give, execute, deliver, file and/or record any notice, statement, Instrument, Document, agreement or other papers that may be necessary or desirable, or that the Lender may request, in order to create, preserve, perfect, or validate any security interest granted pursuant hereto or to enable the Lender to exercise and enforce its rights hereunder or with respect to such security interest.

3.2.4. The Debtor shall keep and stamp or otherwise mark any and all Documents and Chattel Paper and its individual books and records relating to Inventory, Accounts and contract rights in such manner as Lender may reasonably require.

3.2.5. The Debtor shall provide all information in form and substance satisfactory to the Lender, that the Lender shall from time to time request to (i) identify the nature, extent, value, age and location of any of the Collateral, or (ii) identify any Account Debtor or other party obligated with respect to any Chattel Paper, Electronic Chattel Paper, general intangible, Instrument, Investment Property, Document or Deposit Account included in the Collateral.

3.2.6 The Debtor shall permit representatives of the Lender at any time to inspect its Inventory and Goods and to inspect and make abstracts from the Debtor's books and records pertaining to Inventory, Goods, Accounts, contract rights, Chattel Paper, Electronic Chattel Paper, Instruments and Documents.

3.2.7. The Debtor shall obtain the Lender's written consent prior to any change of name, address, legal entity status, location of books and records or location of any of the Collateral (except for a change in location of any Goods affected in the ordinary course of Debtor's business). The right is expressly granted to the Lender, at its discretion, to notify warehousemen or any other persons in possession of Collateral of the Lender's security interest therein and to file one or more financing statements under the Uniform Commercial Code executed by the Lender alone naming the Debtor as debtor and the Lender as secured party and indicating therein the types or describing the items of Collateral herein specified. A photographic or other reproduction of this Security Agreement shall be sufficient as a financing statement. Without the prior written consent of the Lender the Debtor will not file or authorize or permit to be filed in any jurisdiction any such financing or like statement in which the Lender is not named as the sole secured party, excepting solely, however, Chase with respect to the Credit Agreement to the extent permitted pursuant to the Intercreditor Agreement. With respect to the Collateral, or any part thereof, which at any time shall come into the possession or custody or under the control of the Lender or any of its agents, associates or correspondents, for any purpose, the right is expressly granted to the Lender, at its discretion, to transfer to or register in the name of itself or its nominee any of the Collateral; to exchange any of the Collateral for other property upon any reorganization, recapitalization or other readjustment and in connection therewith to deposit any of the Collateral with any committee or depository upon such terms as it may determine; to notify any Account Debtor or obligor on an Instrument to make payment to the Lender; and to exercise or cause its nominee to exercise all or any powers with respect to the Collateral with same force and effect as an absolute owner thereof; all without notice (except such notice as may be required by applicable law and cannot be waived) and without liability

except to account for property actually received by it. Without limiting the generality of the foregoing, payments, distributions and/or dividends, in securities, property or cash, including without limitation dividends representing Stock or liquidating dividends or a distribution or return of capital upon or in respect of the Collateral or any part thereof or resulting from any split-up, revision or reclassification of the Collateral or any part thereof or received in exchange for the Collateral or any part thereof as a result of a merger, consolidation or otherwise, shall be paid directly to and retained by the Lender and held by it until applied as herein provided, as additional collateral security pledged under and subject to the terms hereof. The Lender shall be deemed to have possession of any of the Collateral in transit to or set apart for it or any of its agents, associates, or correspondents.

3.2.8. The Debtor shall perform all acts and execute all documents, including, without limitation, assignments for security in form suitable for filing with the United States Patent and Trademark Office, substantially in the forms of Exhibits 1, 2 and 3 hereof, respectively, reasonably requested by the Lender at any time to evidence, perfect, maintain, record and enforce the Lender's interest in the Collateral or otherwise in furtherance of the provisions of this Agreement, and the Debtor hereby authorizes the Lender to execute and file one or more financing statements (and similar documents) or copies thereof or of this Security Agreement with respect to the Collateral signed only by the Lender.

3.2.9. Except to the extent that the Lender, upon prior written notice of the Debtor, shall consent (which consent shall not unreasonably be withheld), the Debtor (either itself or through licensees) will continue to use the Trademarks in a manner reasonably likely to maintain the Trademarks in full force free from any claim of abandonment for nonuse and the Debtor will not (and will not permit any licensee thereof to) knowingly do any act or knowingly omit to do any act whereby any Trademark is reasonably likely to become invalidated.

3.2.10. Except to the extent that the Lender, upon prior written notice by the Debtor, shall consent, which consent shall not unreasonably be withheld, the Debtor will not knowingly do any act, or omit to do any act, whereby the Patents are reasonably likely to become abandoned or dedicated and shall notify the Lender immediately if it knows of any reason or has reason to know that any application or registration is reasonably likely to become abandoned or dedicated. The Debtor will mark or cause to be marked all articles, devices and machines made or sold by it, covered by Patents with the word "Patent" and the number of any such Patent, or such other notices required by applicable law, excepting any internal parts of any equipment or machinery not otherwise visible during its operation, and excepting those circumstances when such marking would damage the part or impair its ability to function for its intended purpose.

3.2.11. The Debtor shall prosecute, preserve, maintain, defend the validity of and renew the Trademarks and Patents and any licenses for the full term allowed by law, including, but not limited to, commencement of legal action for injunctive relief and damages, and in turn to defend the Trademarks and Patents and any licenses from claims of infringement by practicing the invention, or patent invalidity (provided that the Lender, if the Lender finds it necessary or desirable, may prosecute others for infringement and may join the Debtor as party-plaintiffs). The Debtor shall

provide Lender periodic reports informing it of the status of any new patents and patent applications, and patent issuances, of office actions by the United States Patent and Trademark Office, and of any actions taken to preserve and protect any Trademarks, Patents or and any licenses, as well as provide written reports upon request informing the Lender of the status of such Collateral. The Debtor shall notify the Lender of (i) any suit for infringement brought against the Debtor with respect to any of the Patents or Trademarks and in each instance shall promptly furnish the Lender copies of all documents in connection with any such suit, (ii) any application for reissue of any Patents and of any interference or other proceedings involving any of the Collateral, and (iii) if the Trademarks are registered, notice of such fact in the manner prescribed by Section 1111 of Title 15 of the United States Code, or by state law, if applicable.

3.2.12. In no event shall the Debtor, either itself or through any agent, employee, licensee or designee, file an application for the registration of any Patent or Trademark with the United States Patent and Trademark Office or any similar office or agency in any other state or any political subdivision thereof, unless it will promptly inform the Lender, and, upon request of the Lender, execute and deliver any and all assignments, agreements, instruments, documents and papers as the Lender may request to evidence the Lender's interest in such Patent or Trademark and the goodwill and general intangibles of the Debtor relating thereto or represented thereby and the Debtor hereby constitutes the Lender its attorney-in-fact to execute and file all such writings for the foregoing purposes (only at such times as an Event of Default exists), all acts of such attorney being hereby ratified and confirmed; such power being coupled with an interest is irrevocable until the Liabilities are paid in full.

3.2.13. The Debtor shall take all reasonably necessary steps in any proceeding before the United States Patent and Trademark Office or any similar office or agency in any political subdivision thereof, to maintain each application and registration of the Trademarks and Patents, including, without limitation, filing of renewals, affidavits of use, affidavits of incontestability and opposition, interference and cancellation proceedings (except to the extent that dedication, abandonment or invalidation is permitted under paragraphs 3.2.8 and 3.2.9 hereof).

3.2.14. The Debtor shall cooperate with the Lender in obtaining control of Collateral consisting of Deposit Accounts or Electronic Chattel Paper, including, without limitation, entering into one or more control agreements or assignments as the Lender may request.

3.2.15. The Debtor will defend the Collateral against all claims and demands of third parties at any time claiming the same or any interest therein, except buyers of inventory in the ordinary course of the Debtor's business and Chase as a secured party pursuant to the Intercreditor Agreement.

3.2.16. The Debtor will deliver to the Lender, as requested by the Lender, but in any event at least quarterly, an updated Schedule E reflecting all outstanding Customer Notes and the original of any such Customer Note not previously delivered either to the Lender or to Chase in accordance with the Intercreditor Agreement.

3.2.17. The Debtor will not assign, sell (except in the ordinary course of business), mortgage, lease, transfer, pledge, hypothecate, grant a security interest in or lien upon, encumber, or otherwise dispose of any of the Collateral, except as expressly permitted herein or in any other Loan Documents.

4. **INSURANCE.** The Debtor shall keep insured all Collateral which is tangible property for full replacement cost with such coverage as the Lender may approve, at the Debtor's expense, and, upon the Lender's request, the policies shall be duly endorsed in the Lender's favor as loss payee (and, for so long as the Chase Liabilities remain outstanding, also in favor of Chase as loss payee, as their interests may appear) and delivered to the Lender. If the Debtor shall default in this regard, the Lender shall have the right to insure and charge the cost to the Debtor. The Lender assumes no risk or responsibility in connection with the payment or nonpayment of losses, the Lender's only responsibility being to credit the Debtor with any insurance payment received on account of losses. In the event of any default under this Agreement, the Lender shall have power of attorney to cancel, assign or surrender any insurance policy or policies and to collect the return premiums due thereon and to apply the proceeds thereof to the Liabilities secured hereby. The Debtor will immediately notify the Lender in writing of any damage to or loss of any of the Collateral which is tangible property.

5. **COLLECTION AND DISPOSITION.** The Lender at its reasonable discretion may, whether any of the Liabilities be due, in its name or in the name of the Debtor or otherwise, demand, sue for, collect or receive any money or property at any time payable or receivable on account of or in exchange for, or make any compromise or settlement deemed desirable with respect to, any of the Collateral, but shall be under no obligation to do so, or the Lender may extend the time of payment, arrange for payment in installments, or otherwise modify the terms of, or release, any of the Collateral, without thereby incurring responsibility to, or discharging or otherwise affecting any liability of, the Debtor. The Lender shall not be required to take any steps necessary to preserve any rights against prior parties to any of the Collateral. The Lender may use or operate any of the Collateral for the purpose of preserving the Collateral or its value in the manner and to the extent the Lender deems appropriate, but the Lender shall be under no obligation to do so.

Upon default hereunder or in connection with any of the Liabilities (whether such default be that of the Debtor or of any other party obligated thereon), the Debtor shall, at the request of the Lender, assemble the Collateral, or any portion thereof, at such place or places as the Lender designates in its request, and, to the extent permitted by applicable law, the Lender shall have the right, with or without legal process and with or without prior notice or demand, to take possession of the Collateral or any part thereof and to enter any premises for the purpose of taking possession thereof. The Lender shall have all of the rights and remedies with respect to the Collateral of a Secured Party under the Uniform Commercial Code (whether or not such Code is in effect in the jurisdiction where the rights and remedies are asserted).

In addition, with respect to the Collateral, or any part thereof, which shall then be or shall thereafter come into the possession or custody of the Lender or any of its agents, associates or correspondents, the Lender may sell or cause to be sold at any location selected by it and reasonable

under the circumstances, in one or more sales or parcels, at such price as the Lender may deem best, and for cash or on credit or for future delivery, without assumption of any credit risk, all or any of the Collateral, at any broker's board or at public or private sale, in any reasonable manner permissible under the Uniform Commercial Code (except that, to the extent permitted thereunder, the Debtor hereby waives the requirements of said Code), and the Lender or anyone else may be the purchaser of any or all of the Collateral so sold and thereafter hold the same absolutely, free from any claim or right of whatsoever kind, including any equity or redemption, of the Debtor, any such demand, notice or right and equity being hereby expressly waived and released. The Debtor will pay to the Lender all reasonable expenses (including reasonable legal fees and legal expenses incurred by the Lender) of, or incidental to, the enforcement of any of the provisions hereof or of any of the Liabilities, or any actual or attempted sale, or any exchange, enforcement, collection, compromise or settlement of any of the Collateral or receipt of the proceeds thereof, by litigation or otherwise, including expense of insurance; and all such expenses shall be Liabilities secured by this Agreement.

The Lender, at any time, at its option, may apply the net cash receipts from the Collateral to the payment of principal of and/or interest on any of the Liabilities, whether or not then due, making proper rebate of interest or discount. Notwithstanding that the Lender, whether in its own behalf and/or on behalf of another or others, may continue to hold Collateral, or any portion thereof, and regardless of the value thereof, the Debtor shall be and remain liable for the payment in full, principal and interest, of any balance of the Liabilities and expenses at any time unpaid. The Lender may exercise its rights with respect to the Collateral, or any portion thereof, without resorting to or regard to other collateral or sources of reimbursement for the Liabilities.

In addition, upon the occurrence of an Event of Default, upon ten (10) days' notice from the Lender, the Debtor shall not make any use of the Patents or the Trademarks or any mark similar thereto for any purpose, except to the extent necessary to maintain each registration and the Debtor's ownership interest therein. The Lender may, at any time and from time to time, upon ten (10) days' prior written notice to the Debtor, license, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any of the Patents or Trademarks, throughout the world for such term or terms, on such conditions, and in such manner, as the Lender shall in its sole discretion determine. The Lender may (without assuming any obligations or liability thereunder), at any time, enforce (and shall have the exclusive right to enforce) against any licensee or sublicensee all rights and remedies of the Debtor in, to and under any one or more license agreements with respect to the Collateral, and take or refrain from taking any action under any thereof, and the Debtor hereby releases the Lender from, and agrees to hold the Lender free and harmless from and against, any claims arising out of, any action taken or omitted to be taken with respect to any such license agreement (except as a result of the Lender's gross negligence or willful misconduct). In addition to the foregoing, in order to implement the assignment, sale or other disposal of any Patents or Trademarks, the Lender may, pursuant to the authority granted in the Powers of Attorney described in Section 7 hereof (such authority becoming effective on the occurrence and continuation of an Event of Default), execute and deliver on behalf of the Debtor, one or more instruments of assignment of Patents or Trademarks (or any application or registration thereof), in form suitable for filing, recording or registration in any country. The Debtor agrees to pay when due all reasonable costs incurred in any such transfer of the Patents or Trademarks, including any taxes, fees and reasonable attorneys' fees, and all such costs shall be added to the Obligations. Nothing herein

contained shall be construed as requiring the Lender to take any such action at any time.

6. **SPECIAL PROVISIONS CONCERNING STOCK AND INVESTMENT PROPERTY.**

With respect to any Stock and/or Investment Securities, the Debtor authorizes the Lender to transfer them into the Lender's name or the name of any nominee. So long as no Event of Default occurs, the Lender will mail the undersigned all communications and proxies addressed to the Lender within a reasonable time. After the occurrence of an Event of Default, the Lender shall not be required to send the Debtor further communications, and any proxies issued by the Debtor shall be invalid. The Lender shall then have the right, but not the obligation, to vote in person or by proxy without any direction from the Debtor. For so long as the Intercreditor Agreement shall remain in effect, the Lender agrees not to exercise its rights and powers hereunder in favor of Chase acting on the Lender's behalf (as well as its own and that of the Banks) pursuant to the Intercreditor Agreement; provided, however, that at such time, if any, as the Intercreditor Agreement is no longer in effect, the Lender shall have the right to exercise the rights and powers granted under this paragraph.

In addition, so long as no Event of Default has occurred, the Debtor shall have the right to receive all cash income from the Stock and Investment Property. If the Lender receives any cash income before the occurrence of an Event of Default, the Lender agrees to turn it over to the Debtor.

Once an Event of Default has occurred, the Debtor will no longer be entitled to receive any cash income and if the Debtor does receive any, the Debtor agrees without demand to turn it over to the Lender. The Lender may apply the net cash payments to the Liabilities but the Lender shall account for it and pay to the Debtor any cash which remains on hand after the Liabilities are satisfied.

Nothing contained in this Agreement shall be deemed to require the Lender to vote any Stock, exercise any conversion rights, or notify the Debtor of any maturities, calls, conversions or other similar matters concerning any of the Stock or any Investment Property, except for forwarding to the Debtor those communications which are addressed to the Debtor, or act upon any request the Debtor may send to the Lender.

Whether or not an Event of Default has occurred hereunder, the Debtor authorizes the Lender to receive and hold as additional collateral any non-cash increases in or profits or distributions, or dividends on any of the Stock or Investment Property, and (ii) surrender any of the Stock or Investment Property and receive any payment or distribution upon redemption, dissolution or liquidation of the issuer thereof. If the Debtor receives any of the payment or distributions described in this paragraph, the Debtor agrees to turn them over to the Lender.

7. **SPECIAL PROVISIONS CONCERNING CUSTOMER NOTES.** From time to time, provided no Event of Default has occurred hereunder, the Lender shall, upon written request by the Debtor therefore, release from its security interest one or more Customer Notes for a Permitted Purpose within five (5) business days after receipt of such request and, if any such Notes are in its possession, release to the Debtor such original Customer Note at such time.

In addition, so long as no Event of Default has occurred, the Debtor shall have the right to receive all cash income from the Customer Notes. If the Lender receives any cash income before the

occurrence of an Event of Default, the Lender agrees to turn it over to the Debtor. Once an Event of Default has occurred, the Debtor will no longer be entitled to receive any cash income and if the Debtor does receive any, the Debtor agrees without demand to turn it over to the Lender. The Lender may apply the net cash payments to the Liabilities but the Lender shall account for it and pay to the Debtor any cash which remains on hand after the Liabilities are satisfied.

Debtor agrees to deliver to Lender, within fifteen (15) days from the end of each calendar month, upon its receipt thereof, any additional Customer Notes in which Debtor acquires rights after the date hereof and agrees to deliver to the Lender, as requested by the Lender, but in any event at least quarterly, an updated Schedule A reflecting all outstanding Customer Notes.

Nothing contained in this Agreement shall be deemed to require the Lender to collect any debt, exercise any conversion rights, take any steps to preserve rights against prior parties, or notify the Debtor of any maturities, calls, conversions or other similar matters concerning any of the Customer Notes, except for forwarding to the Debtor those communications which are addressed to the Debtor, or act upon any request the Debtor may send to the Lender.

Whether or not an Event of Default has occurred hereunder, the Debtor authorizes the Lender to (i) receive and hold as additional collateral any non-cash increases in or profits or distributions, or dividends on any of the Customer Notes. If the Debtor receives any of the payment or distributions described in this paragraph, the Debtor agrees to turn them over to the Lender.

Upon the occurrence of an Event of Default, the Debtor authorizes the Lender to surrender any of the Customer Notes and receive any payment or distribution upon redemption, dissolution or liquidation of the issuer thereof. If the Debtor receives any of the payment or distributions described in this paragraph, the Debtor agrees to turn them over to the Lender.

8. REPRESENTATIONS AND WARRANTIES. The Debtor represents and warrants to the Lender for so long as any part of the Liabilities remains unpaid that:

8.1. Its full and exactly accurate legal name is as set forth at the beginning of this Agreement, it is a business corporation, duly organized under the laws of the State of New York, in good standing, its federal employer identification number is 16-0470200, the chief executive office of the Debtor, the material books and records relating to the Collateral and the Collateral are located at the addresses or other locations set forth in Schedule F attached hereto and made a part hereof, and the Debtor will not change any of the foregoing, without sixty (60) days' prior written notice to the Lender, accompanied by all requisite Uniform Commercial Code amendments duly completed and executed necessary in order to continue the lien or security interest on and in the Collateral. The Debtor has the power and authority to transact the business in which it is engaged and is duly licensed or qualified and in good standing in each jurisdiction in which the conduct of its business or ownership of property requires such licensing or such qualifications.

8.2. It has the right, power and authority to execute and deliver this Agreement, to grant the liens and security interests in and to the Collateral herein, and to perform its obligations hereunder and has taken all necessary action to authorize such execution, delivery and performance, including, but not limited to, all necessary director and/or shareholder approval.

8.3. Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its organizational documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any material contractual restriction binding on or materially affecting it or any of its assets.

8.4. To the best of Debtor's knowledge, all governmental and other consents that are required to have been obtained by it with respect to this Agreement have been obtained and are in full force and effect and all conditions of any such consents have been complied with.

8.5. Its obligations under this Agreement constitute its legal, valid and binding obligations, enforceable in accordance with its terms except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency or other similar laws affecting creditors' rights generally.

8.6. All financial statements and related information furnished and to be furnished to the Lender from time to time by the Debtor are true and complete and fairly present the financial or other information stated therein as at such dates or for the periods covered thereby.

8.7. There is no pending or threatened claim, audit, investigation, action or other legal proceeding or judgment or order of any court, agency or other governmental authority or arbitrator which involves the Debtor or any of the Collateral and which might have a material adverse effect upon the Collateral, the Debtor, its business, operations, affairs or condition (financial or otherwise), or threaten the validity of this Agreement or any related document or action.

8.8. The Debtor has the sole, full and clear title to the Trademarks shown on Schedule D hereto, in the United States for the goods and services covered by the registrations thereof and such registrations are valid and subsisting and in full force and effect.

8.9. The Debtor has the sole, full and clear title to each of the Patents shown on Schedule B hereto, and the registrations thereof are valid and subsisting and in full force and effect. None of the Patents has been abandoned or dedicated.

8.10. As of this date hereof, the Debtor has no other Patents or Trademarks registered in, or the subject of pending applications in, the United States Patent and Trademark Office or any similar office or agency in any state or any political subdivision thereof other than those described in Schedules B and D hereto.

8.11 Each document representing the Stock is genuine and the Debtor has the sole, full and clear title to the Stock.

8.12 Schedule C attached hereto and made a part hereof sets forth all of the Debtor's European and Canadian subsidiaries as of the date hereof.

8.13 Each document representing the Customer Notes is genuine and the Debtor has the sole, full and clear title to the Customer Notes.

8.14 Schedule E sets forth all of the Customer Notes which have not otherwise been released by the Lender (or, for so long as the Intercreditor Agreement is in effect, by Chase) as set forth in this Agreement.

8.15. There has been no material adverse change in the financial condition of the Debtor since the last such financial statements or information.

9. **POWER OF ATTORNEY**. Concurrently with the execution and delivery hereof, Debtor is executing and delivering to the Lender, in the form of Exhibit 4 hereto, one (1) original Power of Attorney for the implementation of the assignment, sale or other disposal of the Trademarks and Patents from and after the occurrence of an Event of Default pursuant Section 5 hereof and Debtor hereby releases the Lender from any claims, causes of action and demands at any time arising out of or with respect to any actions taken or omitted to be taken by the Lender under the powers of attorney granted herein other than actions taken or omitted to be taken through the gross negligence or willful misconduct of the Lender.

10. **DEFAULT**. If any of the following events of default shall occur (each an "Event of Default"):

10.1. An Event of Default shall occur under the Loan Agreement;

10.2. The Debtor shall default in the performance of any of its other agreements herein which shall not be fully cured within twenty (20) days following notice thereof by Lender; or

10.3. Any materially adverse change in any of the Collateral occurs in the reasonable judgment of the Lender.

THEN, unless and to the extent that the Lender shall otherwise elect, all of the Liabilities shall become and be due and payable forthwith. THE RIGHTS OF THE LENDER SET FORTH IMMEDIATELY ABOVE ARE WITHOUT LIMITATION OF, AND IN ADDITION TO, ANY OTHER RIGHT OF THE LENDER UNDER ANY OTHER DOCUMENT EVIDENCING, SECURING OR EXECUTED AND DELIVERED IN CONNECTION WITH THE LIABILITIES (INCLUDING BUT NOT LIMITED TO ANY RIGHT OF ACCELERATION OF PAYMENT PURSUANT TO THE PROVISIONS THEREOF OR ANY RIGHT OF THE LENDER TO MAKE DEMAND FOR PAYMENT THEREUNDER WITHOUT REFERENCE TO ANY PARTICULAR CONDITION OR EVENT).

11. **SETOFF.** In the event that any amount becomes due and payable hereunder and the Lender shall have demanded payment thereof from the Debtor, in addition to all other rights and remedies, the Lender (including subsidiaries and each and every affiliate) is hereby irrevocably authorized, without prior notice to the Debtor, to set off any balances held for the account of or any other liability owing by the Lender or any such affiliate to the Debtor at any of the Lender's (or such subsidiary's or affiliate's) offices, in Dollars or any other currency, against any of the obligations of the Debtor to the Lender, as the Lender may elect.

12. **NOTICES.** All notices, requests, demands or other communications to or upon the Debtor or the Lender shall be in writing and shall be deemed to be delivered upon receipt if delivered by hand or overnight courier or five days after mailing to the address (a) of the Debtor set forth below the Debtor's execution of this Agreement, (b) of the Lender set forth below the Lender's execution of this Agreement, or (c) of the Debtor or the Lender at such other address as the Debtor or the Lender shall specify to the other in writing.

13. **ENTIRE AGREEMENT, AMENDMENT AND WAIVER.** This Agreement constitutes the entire agreement between the Debtor and the Lender in respect of the subject matter hereof and may be amended only by a writing signed on behalf of each party and shall be effective only to the extent set forth in that writing. No delay by the Lender in exercising any power or right hereunder shall operate as a waiver thereof or of any other power or right; nor shall any single or partial exercise of any power or right preclude other or future exercise thereof, or the exercise of any other power or right hereunder.

14. **GENERAL WAIVERS.** The Debtor hereby waive(s) presentment, notice of dishonor and protest of all instruments included in or evidencing the Liabilities or the Collateral and any and all other notices and demands whatsoever, whether or not relating to such instruments (the "Secured Documents"). The Debtor waives all demands, notices and protests of every kind which are not expressly required under this Agreement which are permitted by law to be waived, and which would, if not waived, impair the Lender's enforcement of this Agreement or release any Collateral from the Lender's security interest hereunder. By way of example, but not in limitation of the Lender's rights under this Agreement, the Lender does not have to give the Debtor notice of any of the following:

- (a) notice of acceptance of this Agreement;
- (b) notice of loans made, credit extended, Collateral received or delivered;
- (c) any Event of Default (except as otherwise expressly provided herein);
- (d) any action which the Lender does or does not take regarding the Debtor or any other person or any other collateral securing the Liabilities (except as otherwise expressly provided herein);
- (e) except as otherwise provided herein, enforcement of this Agreement against the Collateral; or
- (f) any other action taken in reliance on this Agreement.

The Debtor waives all rules of suretyship law and any other law whatsoever which is legally permitted to be waived and which would, if not waived, impair the Lender's enforcement of its security interests. By way of example, but not in limitation of the Lender's rights under this Agreement, the Lender may do any of the following without notice to the Debtor except to the extent that notice to the Debtor is required under another Secured Document or in each case in which the agreement of such Debtor is required because such Debtor is a principal party to a Liability and, as a matter of contract, the agreement of such Debtor is required:

- (a) change, renew or extend the time for repayment of all or any part of the Liabilities;
- (b) change the rate of interest or any other provisions with respect to all or any part of the Liabilities;
- (c) release, surrender, sell or otherwise dispose of any money or property which is in Lender's possession as collateral security for the Liabilities;
- (d) fail to perfect any security interest in any Collateral;
- (e) release or discharge any party liable to the Lender in whole or in part for the Liabilities, or accept any additional parties or guarantors;
- (f) delay or refrain from exercising any of the Lender's rights;
- (g) settle or compromise any and all claims pertaining to the Liabilities and the Collateral; and
- (h) apply any money or property of the Debtor or that of any other party liable to the Lender for any part of the Liabilities in any order you choose.

THE DEBTOR HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES (TO THE FULL EXTENT PERMITTED BY APPLICABLE LAW) ANY RIGHT TO A TRIAL BY JURY OF ANY DISPUTE ARISING UNDER OR RELATING TO THIS AGREEMENT, AND AGREES THAT ANY SUCH DISPUTE SHALL, AT THE LENDER'S OPTION, BE TRIED BEFORE A JUDGE SITTING WITHOUT A JURY.

IN ADDITION, THE DEBTOR WAIVES THE RIGHT TO INTERPOSE ANY DEFENSE BASED UPON ANY STATUTE OF LIMITATIONS OR ANY CLAIM OF DELAY BY THE LENDER AND ANY SET-OFF OR COUNTERCLAIM OF ANY NATURE OR DESCRIPTION.

15. RIGHTS CUMULATIVE. The rights, powers and remedies granted to the Lender herein shall be cumulative and in addition to any rights, powers and remedies to which the Lender may be entitled either by operation of law or pursuant to any other document or instrument delivered or from time to time to be delivered to the Lender in connection with any of the Liabilities.

16. GOVERNING LAW: JURISDICITON. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard or reference to its conflict of laws principles. The Debtor consent(s) to the nonexclusive jurisdiction and venue of the state or federal courts located in such state. In the event of a dispute hereunder, suit may, at the Lender's option, be brought against the Debtor in such courts or in any jurisdiction where the Debtor

or any of its assets may be located. Service of process by the Lender in connection with any dispute shall be binding on the Debtor if sent to the Debtor by registered mail at the address(es) specified below or to such further address(es) as the Debtor may specify to the Lender in writing pursuant to this Agreement.

17. **ASSIGNMENT.** The Lender may assign, transfer and/or deliver to any transferee of any of the Liabilities any or all of the Collateral, and thereafter shall be fully discharged from all responsibility with respect to the Collateral so assigned, transferred and/or delivered. Such transferee shall be vested with all the powers and rights of the Lender hereunder with respect to such Collateral, but the Lender shall retain all rights and powers hereby given with respect to any of the Collateral not so assigned, transferred or delivered.

18. **WAIVER OF PRESENTATION, ETC.** The Debtor hereby waive(s) presentment, notice of dishonor and protest of all instruments included in or evidencing the Liabilities or the Collateral and any and all other notices and demands whatsoever, whether or not relating to such instruments.

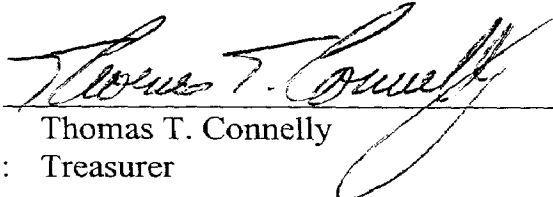
19. **MISCELLANEOUS.** All provisions hereof regarding the Liabilities or Collateral of the Debtor shall apply to any Liability or any Collateral of the Debtor. The Lender shall act for itself and its affiliates as collateral agent hereunder. This Agreement shall be binding upon the assigns or successors of the Debtor; shall constitute a continuing agreement, applying to all existing as well as future transactions between the Lender and the Debtor that shall be at any time closed.

20. **INTERCREDITOR AGREEMENT.** This Agreement is subject to the terms and conditions of the Intercreditor Agreement. Reference is made to such Agreement with respect to the relative rights and priorities of the Lender and Chase in and to the Collateral. In the event of any conflict between the express terms and conditions of this Agreement and the express terms and conditions of the Intercreditor Agreement, the Intercreditor Agreement shall govern. This paragraph shall in no way benefit the Debtor or any successor or assign of the Debtor, including, without limitation, a debtor in possession or any trustee for the estate created by the commencement of an "Insolvency or Liquidation Proceeding" (as such term is defined in the Intercreditor Agreement).

21. **EXECUTION OF SECURITY AGREEMENT BY KELLENBERGER.** L. Kellenberger & Co. AG ("Kellenberger"), duly formed and organized, validly existing and in good standing under the laws of Switzerland, and being a wholly-owned subsidiary of the Debtor, is executing and delivering this Security Agreement for the purpose of effecting the grant under Section 2 of this Agreement of a security interest in and to those Patents described in Schedule B annexed hereto and made a part hereof, issued to or filed by it or to or by another and subsequently assigned to it (the "Kellenberger Patents"). All references to the Debtor in the representations, warranties, covenants and conditions of this Agreement, in so far as they may relate to the Patents constituting the Kellenberger Patents, shall be deemed to mean and refer to Kellenberger, its successor and assigns.

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have caused this Security Agreement to be duly executed and delivered as of the date first above written.

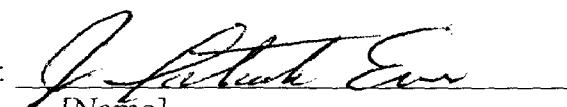
HARDINGE INC.
(f/k/a **HARDINGE BROTHERS, INC.**),

By: 
Thomas T. Connelly
Title: Treasurer

Address for Notices:
Hardinge Inc.
One Hardinge Drive
Elmira, New York 14902
Attn: Treasurer
Telephone: (607) 734-2281
Telecopier: (607) 734-5517

with a copy to:
Sayles & Evans
One West Church Street
Elmira, New York 14901
Attn: J. Philip Hunter, Esq.
Telephone: (607) 734-2271
Telecopier: (607) 734-1754

L. KELLENBERGER & CO. AG

By: 
[Name]
Title: CHAIRMAN

Address for Notices:

Heiligkreuzstrasse 28
Postfach, CH-9009
St. Gallen, Switzerland
Attn: _____
Telephone: 01141712429111
Telecopier: 01141712429222

KEYBANK NATIONAL ASSOCIATION

By: 
Albert G. White, III
Title: Senior Vice President

Address for Notices:
1200 Bausch & Lomb Plaza
Rochester, New York 14604
Attn: Albert G. White III
Senior Vice President, Corporate
Banking and Finance Group
Telephone: (716) 238-4143
Telecopier: (716) 238-4142

with a copy to:
Boylan, Brown, Code, Vigdor & Wilson,
LLP
2400 The Lender Square
Rochester, New York 14604
Attn: Corporate Banking Group
Telephone: (716) 232-5300
Telecopier: (716) 232-3528

Dated April 5, 2002

ASSIGNMENT FOR SECURITY

(TRADEMARKS)

WHEREAS, HARDINGE INC., a New York corporation (herein referred to as "Assignor"), has adopted, used and is using the trademarks listed on the annexed Schedule 1-A, which trademarks are registered in the United States Patent and Trademark Office (the "Trademarks");

WHEREAS, Assignor is obligated to KeyBank National Association, a national banking association, as Lender (herein referred to as "Assignee"), and has entered into a Security Agreement, dated as of April 5, 2002 (the "Agreement") in favor of Assignee; and

WHEREAS, pursuant to the Agreement, Assignor has assigned to Assignee and granted to Assignee a security interest in, and mortgage on, all right, title and interest of Assignor in and to the Trademarks, together with the goodwill of the business symbolized by the Trademarks and the applications and registrations, and all proceeds thereof, including, without limitation, any and all causes of action which may exist by reason of infringement thereof (the "Collateral"), to secure the payment, performance and observance of the Obligations, as defined in the Agreement;

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, Assignor does hereby further assign unto Assignee and grant to Assignee a security interest in, and mortgage on, the Collateral to secure the prompt payment, performance and observance of the Obligations.

Assignor does hereby further acknowledge and affirm that the rights and remedies of Assignee with respect to the assignment of, security interest in and mortgage on the Collateral made and granted hereby are more fully set forth in the Agreement, the terms and provisions of which are hereby incorporated herein by reference as if fully set forth herein.

IN WITNESS WHEREOF, Assignor has caused this Assignment to be duly executed by its officer thereunto duly authorized as of the 5th day of April, 2002.

HARDINGE INC.

(f/k/a **HARDINGE BROTHERS, INC.**),

By: *Thomas T. Connelly*
Name: Thomas T. Connelly
Title: Treasurer

STATE OF NEW YORK

COUNTY OF ~~MONROE~~ *Chemung*

On this *4th* day of April, 2002, before me personally came Thomas T. Connelly, to me known, who, being by me duly sworn, did depose and say that he resides at Elmira, New York, that he is the Treasurer of Hardinge Inc., the corporation described in and which executed the above instrument, and that he/she executed the same by order of the Board of Directors of said corporation.

Joyce M. McKay
Signature of Notary

JOYCE M. MCKAY
Notary Public, State Of New York
CHEMUNG COUNTY #4978334
Commission Expires March 4, 20 *03*

SCHEDULE 1-A

to

SECURITY AGREEMENT









Dated April 5, 2002

TRADEMARKS

<u>Serial Number</u>	<u>Reg. No.</u>	<u>Word Mark</u>	<u>Live/Dead</u>
76339490		TRIUMPH	Live
76165657		(Step-up design)	Live
76345949		LEADER BY DESIGN	Live
76167588	2492633	KEL-VISTA	Live
75634382		(Chuck/W-H Design)	Live
75731597	2451904	QUEST	Live
75652345		SUPER-PRECISION2	Live
75501399		ACCEL	Live
75501398	2356062	TWINTURN	Live
75501397		HARDMILLING	Dead
75376187	2207179	KEL-VARIA	Live
75368632	2207121	KEL-VISION	Live
75368631	2231733	KELLENBERGER	Live
75086875	2209431	COBRA	Live
75079009	2289167	SUPER-PRECISION	Live
75075356	2263899	SURE-GRIP	Live
75028199	2015567	CONQUEST	Live
74490861	1921498	SURE-GRIP	Live
74424847		(Tool-Room Lathe Design)	Dead
74420703		ULTRA-PRECISION	Dead
74289208	1848983	AUTOLOAD	Live
74269550		VERSA-FLEX	Dead
74261255	1782411	HQC	Live
73213329	1144756	DEAD-LENGTH	Dead
73831955	1616425	HARCRETE	Live
73797279	1569282	CONQUEST	Live
73775760	1553488	HAR-MATIC	Live
73740907	1534250	HARDINGE	Live
73685703	1509966	IMPACT SERVICES	
		IMAGERY-MEDIA-	
		PRODUCTION-AUDIO/	
		VIDEO COMMUNICATIONS	
		TRAINING	Dead

TRADEMARK

REEL: 002546 FRAME: 0103

73648865	1460645	HARDINGE CHNC II+ SUPER PRECISION	Dead
73648864	1460644	HARDINGE CHNC I PRECISION	Dead
73639684	1451786	CHNC	Live
73575864	1407385	HARDINGE CHNC II SUPER PRECISION	Live
73541047	1418936	TFB	Live
73518329	1361448	PTM 4000	Dead
73506283	1338814	DSM-A	Dead
73485576	1369807	THRU-HOLE	Dead
73444314	1296085	TUTOR/TURN	Dead
73401351	1261488	HSL FIVE-NINE	Live
73389600	1262844	DV FIVE-NINE	Live
73379432	1259831	DSM FIVE-NINE	Live
73379307	1262844	DO THE HARDINGE SLANT	Dead
73379222	1250969	HLV	Live
73377847	1250966	HXL	Dead
73350813	1227337	SUPERSLANT	Live
73315539	1212164	A "TOOLMAKER'S DREAM"	Live
73255277	1164398	CHNC	Live
73196437		DOVETAIL BED	Dead
73191944		HLV	Dead
73188161	1139400	AHC	Dead
73157878	1100041	HNC	Dead
73148813	1104208	HF	Dead
73138219	1151472	PERFORMANCE HAS ESTABLISHED LEADERSHIP FOR HARDINGE	Live
73123324	1089575	VARI-GRIP	Live
73024104	1062090	SUPER-PRECISION	Live
72396339	944609	LENSMASTER	Dead
72360071	926778	CAARACT	Dead
72057954	679205	CASCADE	Dead
			
			
71541930	514077	HARDINGE (name)	Live
71400459	358544	ELECTRIC EAR	Dead
71061263	97768	PATROL	Dead
71061262	86587	ALERT	Dead

SECURITY AGREEMENT

by and between

HARDINGE INC.

and

KEYBANK NATIONAL ASSOCIATION

Dated as of April 5, 2002