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10-17-2002

Docket No.:

022460.46928

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To the Honorable Commissioner of Patents and Trademarks, U.S. Patent and Trademark Office, Washington, DC 20503. 10/15/02 Attached original documents or copy thereof.

1. Name of conveying party(ies):

Polyvulc USA, Inc.

10/15/02

- Individual(s)
- General Partnership
- Corporation-State Mississippi
- Other

- Association
- Limited Partnership

Additional names(s) of conveying party(ies) Yes No

3. Nature of conveyance:

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

Execution Date: September 26, 2002

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

Name: AmSouth Bank

Internal Address: 210 East Capital Street

Street Address: 210 East Capital Street

City: Jackson State: MS ZIP: 39201

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

If assignee is not domiciled in the United States, a domestic designation is Yes N
(Designations must be a separate document from Additional name(s) & address(es) Yes N

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

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

2217995

Additional numbers Yes No

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

Name: Grady M. Garrison

Internal Address:

Butler, Snow, O'Mara, Stevens & Cannada PLLC

Street Address: P.O. Box 171443

City: Memphis State: TN ZIP: 38187

6. Total number of applications and registrations involved:.....

1

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

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number:

50-0858

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.

Grady M. Garrison

Name of Person Signing

Signature

10/17/02

Date

Total number of pages including cover sheet, attachments, and

16

TRADEMARK

REEL: 002600 FRAME: 0084



SECURITY AGREEMENT (GENERAL)

THIS AGREEMENT is executed on September 26, 2002, by POLYVULC USA, INC.

party (the "Lender").

, (the "Borrower"), in favor of AmSouth Bank, as secured

Recital

The Borrower and the Lender have agreed that the Borrower shall grant a security interest and other rights in and to the Property (as hereinafter defined) to the Lender in order to secure the Obligations described herein.

Agreement

NOW, THEREFORE, in consideration of the foregoing Recitals, and to induce the Lender to extend Credit to the Borrower under the Loan Documents, the Borrower agrees with the Lender as follows:

ARTICLE 1

Rules of Construction and Definitions

SECTION 1.1 Rules of Construction. For the purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires: (a) Words of masculine, feminine or neuter gender include the correlative words of other genders. Singular terms include the plural as well as the singular, and vice versa. (b) All references herein to designated "Articles," "Sections" and other subdivisions or to lettered Exhibits are to the designated Articles, Sections and subdivisions hereof and the Exhibits annexed hereto unless expressly otherwise designated in context. All Article, Section, other subdivision and Exhibit captions herein are used for reference only and do not limit or describe the scope or intent of, or in any way affect, this Agreement. (c) The terms "include," "including," and similar terms shall be construed as if followed by the phrase "without being limited to." (d) The terms "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section, other subdivision or Exhibit. (e) All Recitals set forth in, and all Exhibits to, this Agreement are hereby incorporated in this Agreement by reference. (f) No inference in favor of or against any party shall be drawn from the fact that such party or such party's counsel has drafted any portion hereof. (g) All references in this Agreement to a separate instrument are to such separate instrument as the same may be amended or supplemented from time to time pursuant to the applicable provisions hereof.

SECTION 1.2 Definitions. As used in this Agreement, the following terms are defined as follows:

(a) Unless otherwise defined herein, terms used in this Agreement that are defined in Article 9 of the Uniform Commercial Code (the "UCC") have the meanings defined for them therein. (b) **Account Debtor** includes any buyer or lessee of Inventory from the Borrower, any customer for whom services are rendered or materials furnished by the Borrower, any other person obligated to the Borrower on an Account, and all "account debtors" as defined in Article 9 of the UCC. (c) **Accounts** means any and all rights of the Borrower to the payment of money, whether or not evidenced by an instrument or chattel paper (tangible or electronic) or letter-of-credit and whether or not earned by performance, including a right to payment for goods sold, leased, or licensed or for services rendered by the Borrower and a right to any amount payable under a Contract or a monetary obligation, and all "accounts" as defined in Article 9 of the UCC. (d) **Business Day** means any day, excluding Saturday and Sunday, on which the Lender's main office is open to the public for carrying on substantially all of its banking business. (e) **Contracts** means all Leases, licenses, requisitions, purchase orders, documents, instruments, letters-of-credit, and chattel paper tangible or electronic of the Borrower, including any of the same that relate to any Equipment, Fixtures, Inventory, General Intangibles or other property described in the granting clauses set out in Article 2, or secure any Accounts, or in connection with which Accounts exist or may be created. (f) **Credit** means, individually and collectively, all loans, forbearances, renewals, extensions, advances, disbursements and other extensions of credit now or hereafter made by the Lender to or for the account of the Borrower under the Loan Documents. (g) **Default Rate** means a rate of interest equal to two (2) percentage points per annum in excess of the highest rate of interest otherwise applicable to any of the Obligations or the highest rate of interest allowed under applicable law, whichever is less. (h) **Deposit Accounts** means all bank accounts and other deposit accounts and lock boxes of the Borrower, including any of the same established for the benefit of the Lender and all "deposit accounts" as defined in Article 9 of the UCC. (i) **Equipment** means all of the Borrower's equipment, machinery, furniture, furnishings, vehicles, tools, spare parts, materials, supplies, store fixtures, leasehold improvements, all other goods (including embedded software to the extent provided for in Article 9 of the UCC) of every kind and nature (other than Inventory and Fixtures). (j) **Event of Default** is defined in Section 6.1. An Event of Default "exists" if the same has occurred and is continuing. (k) **Fixtures** means all goods that become so related to particular real estate that an interest in them arises under real estate law. (l) **General Intangibles** means all choses in action, things in action, causes of action and other assignable intangible property of the Borrower of every kind and nature (other than Accounts and Contracts), including corporate, partnership, limited liability company and other business records, good will, inventions, designs, patents, patent applications, trademarks, trade names, trade secrets, service marks, logos, copyrights, copyright applications, registrations, software, licenses, payment intangibles (to the extent not included in Accounts), permits, franchises, tax refund claims, insurance policies and rights thereunder (including any refunds and returned premiums) and any collateral, guaranty, letter-of-credit or other security held by or granted to the Borrower to secure payment of Accounts and Contracts and all "general intangibles" as defined in Article 9 of the UCC. (m) **Governmental Authority** means any national, state, county, municipal or other government, domestic or foreign, and any agency, authority, department, commission, bureau, board, court or other instrumentality thereof. (n) **Governmental Requirements** means all laws, rules, regulations, ordinances, judgments, decrees, codes, orders, injunctions, notices and demand letters of any Governmental Authority. (o) **Inventory** means all goods, merchandise and other personal property held by the Borrower for sale or lease or license or furnished or to be furnished by the Borrower under contracts of service or otherwise, raw materials, parts, finished goods, work-in-process, scrap inventory and supplies and materials used or consumed, or to be used or consumed, in the Borrower's present or any future business, and all such property returned to or repossessed or stopped in transit by the Borrower, whether in transit or in the constructive, actual or exclusive possession of the Borrower or of the Lender or held by the Borrower or any other person for the Lender's account and wherever the same may be located, including all such property that may now or hereafter be located on the premises of the Borrower or upon any leased location or upon the premises of any carriers, forwarding agents, warehousemen, vendors, selling agents, processors or third parties, and all "inventory" as defined in Article 9 of the UCC. (p) **Investment Property** means all of the Borrower's certificated and uncertificated securities, securities accounts and security entitlements, commodity accounts and commodity contracts, and all "investment property" as defined in Article 8 and 9 of the UCC. (q) **Leases** means (1) all leases and use agreements of personal property entered into by the Borrower as lessor or with other persons as lessees, and all rights of the Borrower under such leases and agreements, including the right to receive and collect all rents and other moneys (including security deposits) at any time payable under such leases and agreements, whether paid or accruing before or after the filing of any petition by or against the Borrower under the United States Bankruptcy Code; and (2) all leases and use agreements of personal property entered into by the Borrower as lessee with other persons as lessor, and all rights, titles and interests of the Borrower thereunder, including the leasehold interest of the Borrower in such property and all options to purchase such property or to extend any such lease or agreement. (r) **Lien** means any mortgage, pledge, assignment, charge, encumbrance, lien, security title, security interest or other preferential arrangement. (s) **Loan Documents** means this Agreement and any note, other security agreement, guaranty agreement, mortgage and all other documents or instruments now or hereafter executed or delivered in connection with the transactions contemplated hereby or thereby. (t) **Obligations** means (1) the payment and performance of all indebtedness, obligations and liabilities of the Borrower to the Lender (including obligations of performance) of every kind whatsoever, arising directly between the Borrower and the Lender or acquired outright, as a participation or as collateral security from another person by the Lender, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter incurred, contracted or arising, joint or several, liquidated or unliquidated, regardless of how or when they arise (including those arising after the filing of a petition by or against the Borrower under the Bankruptcy Code, even if such obligations do not accrue because of the automatic stay under the Bankruptcy Code or otherwise) or by what agreement or instrument they may be evidenced or whether they are evidenced by agreement or instrument, and whether incurred as maker, endorser, surety, guarantor, general partner, drawer, tort-feasor, account party with respect to a letter-of-credit, indemnitor or otherwise; (2) the observance and performance by the Borrower of all of the provisions of the Loan Documents; (3) the payment of all sums advanced in the future, if any, and all sums paid by the Lender in exercising any of its rights, powers or remedies under the Loan Documents or this Agreement (including all sums expended to perfect, preserve, continue, amend and maintain the Property, as hereinafter defined, all sums expended for the Borrower's benefit, and all sums expended on attorneys' fees), and all interest (including post-bankruptcy petition interest, as aforesaid) on such sums provided for herein or therein; and (4) all renewals, extensions, modifications and amendments of any of the foregoing, whether or not any renewal, extension, modification or amendment agreement is executed in connection therewith. (u) **Obligor** means the Borrower, each of other person, if any, executing any security agreement, mortgage, pledge or other instrument granting a Lien to the Lender to secure the obligations as a grantor, (if the Borrower is a partnership) any general partner thereof, and any other maker, endorser, surety, guarantor or other person now or hereafter liable for the payment or performance, in whole or in part, of any of the Obligations. (v) **Permitted Encumbrance** means any Liens and other matters affecting title to the Property that are described in Exhibit C. (w) **Person** (whether or not capitalized) includes natural persons, sole proprietorships, corporations, trusts, unincorporated organizations, associations, companies, institutions, entities, joint ventures, partnerships, limited liability companies and Governmental Authorities. (x) **Property** is defined in Article 2. (y) **Tangible Property** means all Equipment, Fixtures, Inventory, and other tangible personal property of the Borrower. **General Intangibles** shall include the patents and trademarks described in Exhibit B hereto.

**ARTICLE 2
Security Agreement**

SECTION 2.1 Granting Clauses. As security for the Obligations, the Borrower hereby grants to the Lender security title to and a continuing security interest in, and assigns, transfers, conveys, pledges and sets over to the Lender all of the Borrower's right, title and interest in, to and under the following property, whether now owned or hereafter acquired by the Borrower, and whether now existing or hereafter incurred, created, arising or entered into (collectively, the "Property")

(a) all Equipment, Fixtures, Inventory and other Tangible Property of the Borrower, and any and all accessions and additions thereto, any substitutions and replacements thereof, and all attachments and improvements placed upon or used in connection therewith, or any part thereof; (b) all Accounts, Contracts and General Intangibles of the Borrower; (c) all of the Borrower's rights as an unpaid vendor or lienor, including stoppage in transit, replevin, detinue and reclamation; (d) all moneys of the Borrower, all Deposit Accounts of the Borrower in which such moneys may at any time be on deposit or held, all Investments or securities of the Borrower in which such moneys may at any time be invested and all certificates, instruments and documents of the Borrower from time to time representing or evidencing any such moneys; (e) all Investment Property of the Borrower; (f) any other property of the Borrower now or hereafter held by the Lender or by others for the Lender's account; (g) all rights, interest, dividends, proceeds, products, rents, royalties, issues and profits of any of the property described in the foregoing granting clauses, whether the product of sale, lease, license, exchange or other disposition of the Property, paid or accruing before or after the filing of any petition by or against the Borrower under the United States Bankruptcy Code, and all instruments delivered to the Lender in substitution for or in addition to any such property; and (h) all supporting obligations; and (i) all books, documents, files, ledgers and records (whether on computer or otherwise) covering or otherwise related to any of the property described in the foregoing granting clauses. No submission by the Borrower to the Lender of a schedule or other particular identification of Property shall be necessary to vest in the Lender the Liens contemplated by this Agreement in each and every item of Property of the Borrower now existing or hereafter acquired, incurred, created, arising or entered into, but rather such Liens shall vest in the Lender immediately upon the acquisition, creation, incurring or arising of, or entering into, any such item of Property without the necessity for any other or further action by the Borrower or by the Lender. The Borrower shall take such steps and observe such formalities as the Lender may request from time to time to create and maintain in favor of the Lender the Liens contemplated by this Agreement in all of the Property, whether now owned or hereafter acquired by the Borrower, and whether now existing or hereafter incurred, created, arising or entered into.

**ARTICLE 3
Representations and Warranties**

SECTION 3.1 General Representations and Warranties. The Borrower represents and warrants to the Lender as follows: (a) The Borrower is the owner of the Property and has power to transfer the Property and has a good right to grant to the Lender the Liens contemplated by this Agreement; the Property is free and clear of all Liens other than Permitted Encumbrances; and the Borrower hereby warrants and will forever defend the title to the Property unto the Lender, its successors and assigns, against the claims of all persons whomsoever, whether lawful or unlawful, except those claiming under Permitted Encumbrances. (b) The addresses of (1) each of the Borrower's places of business, (2) the Borrower's chief executive office, (3) the office where the Borrower keeps the Borrower's records concerning Accounts, (4) the Borrower's registered agent, and (5) each location where the Borrower keeps any Tangible Property, are correctly and completely set forth on Exhibit B. No change has occurred in such address(es) in the five years immediately preceding the execution of this Agreement. (c) The Borrower's legal name is as set forth in the first paragraph of this Agreement. (d) The Borrower's state of incorporation or registration (if the Borrower was created by such state filing) is the state identified in Exhibit B or in the certificate of the Borrower's legal name and location delivered to the Lender at the execution of this Agreement.

SECTION 3.2 Account Representations and Warranties. The Borrower represents and warrants to the Lender as follows as to each and every Account, whether now existing or acquired, created or arising from time to time hereafter, unless the Borrower discloses in writing therein that the Borrower does not make any such representation or warranty to the Lender with respect to such Account: (a) The Account is an original, genuine, bona fide and legally binding obligation, enforceable in accordance with its terms. (b) The Account is not subject to any claim of reduction, counterclaim, set-off or recoupment, or any claim for credits, allowances or adjustments by the Account Debtor, and the same has not been disputed or dishonored by the Account Debtor. (c) The aggregate amount shown as the balance due on the Account on the Borrower's books and in any documents delivered to the Lender is validly owing under the Account and is not contingent for any reason; and, to the best of the Borrower's knowledge, there are no facts or occurrences that in any way impair the validity or collectibility thereof or reduce the amount payable thereunder. (d) No agreement under which any deduction or discount may be claimed by the Account Debtor has been made other than any customary discounts for prompt payment previously disclosed in writing to the Lender. (e) All statements made by the Borrower about the Account in any documents furnished to the Lender by the Borrower are true and correct, and the Lender may rely on such statements and representations in determining the eligibility and collateral value of the Account. (f) The Account does not arise out of a Contract that forbids the assignment of the Account to the Lender or makes such assignment void or unenforceable. (g) The Account arose in the ordinary course of the Borrower's business from a bona fide outright sale of goods, or from the performance of services, by the Borrower under a valid Contract, and the goods have been shipped or delivered, the services have been performed or the Contract has otherwise been consummated in accordance with the related Contract. (h) Any goods or services giving rise to the Account are as represented to the Account Debtor, and no warranties have been made with respect to any goods or services covered by the Account except such as appear on the face of the related Contract. (i) The Account Debtor has not returned or refused any goods giving rise to the Account. (j) No notice of any of the following has been received with respect to any Account Debtor: (1) the death of the Account Debtor, or of any partner thereof (if a partnership); (2) the dissolution, termination or business failure of the Account Debtor; (3) the ceasing or suspension of the Account Debtor's business; (4) the filing of any petition by or against the Account Debtor for any relief under the United States Bankruptcy Code; (5) the making by the Account Debtor of an assignment for the benefit of creditors; (6) the calling of a meeting by any of the creditors of the Account Debtor to consider the Account Debtor's financial condition; (7) the Account Debtor's becoming insolvent or attempting to secure a general extension from the Account Debtor's creditors; (8) the appointment of a receiver, trustee, liquidator or custodian of all or any part of the Account Debtor's assets; or (9) any other fact that reflects adversely on the general creditworthiness and financial condition of the Account Debtor. (k) The Account is not evidenced by a judgment and is not evidenced or secured by an instrument, document or chattel paper (tangible or electronic) unless the original thereof (or each of them if more than one) has been endorsed or assigned and delivered to the Lender.

SECTION 3.3 Inventory Representations and Warranties. The Borrower represents and warrants to the Lender as follows as to each and every item of Inventory, whether now existing or hereafter created or acquired, unless the Borrower discloses therein that the Borrower does not make any such representation or warranty with respect to such item of Inventory: (a) All statements made by the Borrower about the Inventory in any documents furnished to the Lender by the Borrower are true and correct, and the Lender may rely on such statements and representations in determining the eligibility and collateral value of the Inventory; (b) all Inventory is located on premises identified on Exhibit B or is in transit to Account Debtors in the ordinary course of business and is so identified on the relevant Schedule of Inventory; and (c) no Inventory is now stored with a consignee, bailee, warehouseman or similar party

**ARTICLE 4
Certain Covenants and Agreements
Concerning Accounts and Inventory**

SECTION 4.1 General. (a) Without the Lender's prior written consent, the Borrower shall not permit any extensions, compromises or settlements of, or any changes or modifications to, any Accounts or any related Contracts or supporting obligations. (b) The Borrower shall promptly inform the Lender in writing of any material delay or default in the Borrower's performance of any of the Borrower's obligations to any Account Debtor, any assertion of any material claims, offsets or counterclaims by any Account Debtor, any material adverse information relating to the financial condition of any Account Debtor, or any other material adverse change in any of the Borrower's representations and warranties regarding Accounts and Inventory under this Agreement. (c) If any Account arises out of a Contract with the United States of America, or any department, agency, subdivision or instrumentality thereof, the Borrower shall promptly notify the Lender thereof in writing and execute any instruments and take any other action required or requested by the Lender to perfect the Lender's security interest in such Account under the provisions of the Federal Assignment of Claims Act. (d) The Borrower shall not store any Inventory with a bailee, warehouseman or similar party without the Lender's prior written consent, and if the Lender gives such consent, the Borrower shall concurrently therewith cause any such bailee, warehouseman or similar party to issue and deliver to the Lender, in form and substance acceptable to the Lender, warehouse receipts therefor in the Lender's name and an acknowledgment from such bailee, warehouseman or similar party indicating that such person is holding such Property for the benefit of the Lender.

SECTION 4.2 Collection of Accounts; Segregation of Proceeds; etc. (a) Until an Event of Default exists, or until such earlier time as the Lender shall exercise any of its rights under Section 4.3, the Borrower will, at the Borrower's sole expense, collect from the Account Debtors all amounts due on Accounts and Contracts when they shall become due; and upon any default by any Account Debtor, the Borrower shall have the authority, at the Borrower's sole expense, to repossess any goods covered by any Account or Contract in accordance with the terms thereof and applicable law and to take such other action with respect to any such Account, Contract and goods as the Borrower may deem advisable. Upon request by the Lender all remittances received by the Borrower as proceeds of Property shall be (1) held in trust for the Lender separate and apart from, and not commingled with, any property of the Borrower, (2) kept capable of identification as the property of the Lender, and (3) delivered daily (or at such other intervals as may be mutually agreed upon in writing) to the Lender in the identical form received, with appropriate endorsements, and accompanied by a report prepared by the Borrower in such form as the Lender may require. (b) Promptly upon the Lender's request, the Borrower shall: (1) give written notice of the Lender's Liens on the Accounts and

Contracts to the Account Debtors in such form and at such times as the Lender may require; (2) open and maintain at the Borrower's expense a lock box with the Lender for the receipt of all remittances with respect to Property and execute a lock box agreement satisfactory to the Lender governing such lock box; and (3) notify the Account Debtors to make payments on the Accounts and Contracts directly to the Lender or to said lock box. All items received by the Lender shall be, at the option of the Lender, credited to the Obligations in accordance with Section 5.8, or held until finally collected in a collateral reserve account established with the Lender. Funds in the collateral reserve account shall not be subject to withdrawal by the Borrower, but at all times shall be subject to the control of the Lender, and may be applied against the Obligations from time to time at the sole discretion of the Lender.

SECTION 4.3 Attorney-in-Fact. The Borrower hereby constitutes and appoints the Lender, or any other person whom the Lender may designate, as the Borrower's attorney-in-fact, at the Borrower's sole cost and expense, to exercise (a) at any time (without notice to the Borrower and irrespective of whether any Event of Default exists) all or any of the following powers, and (b) at any time an Event of Default exists, all or any of the powers set forth in Section 7.4, all of which powers, being coupled with an interest, shall be irrevocable until this Agreement is terminated in accordance with Section 8.14: (1) to transmit to Account Debtors notice of the Lender's Liens on the Accounts and Contracts and to demand and receive from Account Debtors information concerning the Accounts and Contracts; (2) to notify Account Debtors to make payments or otherwise perform on the Accounts and Contracts directly to or for the benefit of the Lender or to a lock box designated by the Lender; (3) to take or to bring, in the name of the Lender or in the name of the Borrower, all steps, action, suits or proceedings deemed by the Lender necessary or desirable to effect collection of the Accounts and Contracts; (4) to enforce the obligations of Account Debtors or other persons obligated on Account Debtors' obligations; (5) to exercise the rights of the Borrower with respect to the obligations of Account Debtors or other persons obligated on Account Debtors' obligations to make payment or otherwise render performance to the Borrower; (6) to exercise the rights of the Borrower with respect to any collateral, property or supporting obligation securing or supporting the obligations of Account Debtors or other persons obligated on Account Debtors' obligations; (7) to receive, open and dispose of all mail addressed to the Borrower that is received by the Lender; (8) to receive, take, endorse, assign and deliver in the Lender's or the Borrower's name any instruments relating to Accounts and Contracts; and (9) to take any proceeds to which the Lender is entitled. All acts of such attorney-in-fact or designee taken pursuant to this Section 4.3 or Section 7.4 are hereby ratified and approved by the Borrower, and said attorney shall not be liable for any acts or omissions, nor for any error of judgment or mistake of fact or law.

SECTION 4.4 Collection Methods. The Borrower shall not institute any proceedings before any Governmental Authority for garnishment, attachment, repossession of property, detinue or make any attempt to repossess any goods covered by any Account or Contract except under the direction of competent legal counsel. The Borrower agrees to indemnify and hold the Lender harmless from any loss or liability of any kind that may be asserted against the Lender by virtue of any proceeding or repossession done or attempted by or on behalf of the Borrower or any actions that the Borrower may make to collect or enforce any Account or Contract or repossess any goods covered by any Account or Contract.

SECTION 4.5 Documentation Regarding Accounts and Contracts. The Borrower shall keep accurate and complete records of the Borrower's Accounts and Contracts and shall promptly deliver to the Lender from time to time on request (a) a detailed aged trial balance ("Schedule of Accounts"), in form and substance acceptable to the Lender, of all then-existing Accounts, (b) the original copy of all Contracts and other documents evidencing or relating to the Accounts so scheduled, (c) such other information relating to the then-existing Accounts and Contracts as the Lender shall reasonably request, and (d) formal written assignments or schedules specifically describing the Accounts and Contracts and confirming the Lender's Liens thereon.

SECTION 4.6 Verification of Accounts and Contracts. Any of the Lender's officers, employees or agents shall have the right at any time in the Lender's name or in the name of the Borrower, to verify with any Account Debtor the validity or amount of, or any other matter relating to, any Accounts and Contracts by mail, telephone, fax or otherwise.

SECTION 4.7 Documentation Regarding Inventory. The Borrower shall keep accurate and complete records of the Inventory, and shall promptly furnish to the Lender from time to time on request (a) a current Schedule of Inventory ("Schedule of Inventory"), in form and substance satisfactory to the Lender, based upon such inventory accounting practices as are satisfactory to the Lender, and (b) the original copy of all documents related to such Inventory. Such Schedule of Inventory shall provide the Lender with such information as the Lender shall request.

ARTICLE 5

Other Covenants and Agreements

SECTION 5.1 General. The Borrower covenants and agrees with the Lender as follows: (a) The Borrower shall not add to or change any of the locations set forth in Exhibit B or, except for the sale of Inventory in the ordinary course of business, remove any Tangible Property other than motor vehicles (or in the case of any motor vehicle change the place at which it is principally garaged) from the locations specified therein in Exhibit B, without the Lender's prior written consent. (b) The Borrower shall not alter or change its legal name without the prior written consent of the Lender. (c) The Borrower shall not change the state of its incorporation or registration (if the Borrower was created by such state filing) without the prior written consent of the Lender. (d) The Borrower shall not alter or change its legal form or status (corporate, partnership or otherwise) without the prior written consent of the Lender. (e) The Borrower shall not merge, in one transaction or a series of related transactions, into or consolidate with any other entity without the prior written consent of the Lender. (f) The Borrower shall notify the Lender in writing of any requested changes to any of the matters specified in Sections 5.1(a), (b), (c), (d) or (e) at least 60 days prior to the date of the proposed change and shall furnish the Lender with any information requested by the Lender in considering the proposed change. (g) The Borrower is and shall remain the owner of all of the locations described in Section 5.1(a) except any leased locations described in Exhibit B. The Borrower shall promptly deliver to the Lender a written waiver or subordination (in form and substance satisfactory to the Lender) of any Lien with respect to the Property that any owner might have. (h) The Borrower shall not allow any of the Property that is not a Fixture to become affixed to any real estate other than that, if any, shown as being owned by the Borrower in Exhibit A without the prior written consent of the Lender. If at any time any of the Tangible Property should, notwithstanding the foregoing, be affixed to any other real estate, the security interest of the Lender under this Agreement shall nevertheless attach to and include such Tangible Property. The Borrower shall promptly furnish to the Lender a description of any such real estate and the names of the record owners thereof, authorize the Lender to file such additional financing statements and other documents as the Lender may require, obtain from the owners of such real estate and the holders of any Liens thereon such Lien waivers, subordination agreements and other documents as the Lender may request, and shall take such other actions as the Lender may deem necessary or desirable to preserve and perfect the Lender's security interest in such Tangible Property as a first priority perfected security interest. (i) The Borrower will not, without the prior written consent of the Lender, (1) sell, lease, license, transfer, convey or otherwise dispose of any of the Property, except for Permitted Encumbrances, (2) pledge or grant any security interest in any of the Property to any person, except for Permitted Encumbrances, (3) permit any Lien to attach to any of the Property or any levy to be made thereon or any financing statement to be on file with respect to any of the Property, except those related to Permitted Encumbrances, or (4) permit any default or violation to occur under any agreement, covenant or restriction included in Permitted Encumbrances. The Borrower authorizes the Lender to perfect, preserve, continue, amend and maintain the Lender's interest in the Property by whatever actions the Lender in its sole discretion deems appropriate under the UCC or applicable law. The Borrower shall assist and cooperate with the Lender taking such actions and shall pay all costs and expenses incurred by the Lender in taking such actions. Such actions may include (1) the filing by the Lender of financing statements describing the Property; (2) the Lender's taking possession of the Property; (3) obtaining an acknowledgment from a person in possession of any of the Property that such person is holding the Property for the benefit of the Lender; (4) the Lender's obtaining control of the Property consisting of Deposit Accounts, Investment Property, letter-of-credit rights, and electronic chattel paper; or (5) the Lender's placing a legend on chattel paper (tangible or electronic) that gives notice of the Lender's security interest in chattel paper (tangible or electronic). (k) The Borrower shall place a legend in form and substance acceptable to the Lender that gives notice of the Lender's security interest in chattel paper (tangible or electronic) on all chattel paper (tangible or electronic) currently existing or acquired or created in the future by the Borrower. (l) The Lender may correct any patent errors in this Agreement or any financing statements or other documents executed in connection herewith. (m) The Borrower shall inform the Lender in writing of any material adverse change in any of the representations and warranties of the Borrower under this Agreement, promptly after the Borrower shall learn of such change. (n) The Borrower shall furnish to the Lender from time to time statements and schedules further identifying and describing the Property and such other reports in connection with the Property as the Lender may reasonably request, all in reasonable detail. (o) The Borrower shall keep and maintain at the Borrower's own cost and expense complete records of the Property, including a record of all payments received and all credits granted with respect to the Property and all other dealings with the Property. Upon request of the Lender, the Borrower shall make proper entries in such records disclosing the assignment of the Property to the Lender and shall segregate and mark such records with the Lender's name in a manner satisfactory to the Lender. If an Event of Default exists, the Borrower shall deliver such records to the Lender on demand. (p) The Borrower shall promptly deliver to the Lender the certificates of title for any motor vehicles now or hereafter included in the Property that are subject to the title laws of any jurisdiction and shall join with the Lender in executing any documents and taking any actions necessary or desirable in the Lender's opinion to perfect the Lender's Liens in such vehicles. The Lender may retain possession of such certificates of title until this Agreement is terminated in accordance with Section 8.14. (q) The Borrower shall not file a release, amendment, partial release, or termination statement with respect to any of the Property without the Lender's prior written consent.

SECTION 5.2 Taxes and Assessments. The Borrower shall pay when due all taxes, assessments and other charges levied or assessed against any of the Property, and all other claims that are or may become Liens against any of the Property, and should default be made in the payment of same, the Lender, at its option, may pay them.

SECTION 5.3 Insurance and Risk of Loss. (a) The Borrower shall keep the Tangible Property insured in such amounts, with such companies and against such risks as may be satisfactory to the Lender. All such policies shall name the Lender as an additional loss payee and shall contain an agreement by the insurer that they shall not be canceled without at least 30 days prior written notice to the Lender. The Borrower shall cause duplicate originals of such insurance policies to be deposited with the Lender. If requested by the Lender, the Borrower shall, at least 10 days prior to the due date, furnish to the Lender evidence of the payment of the premiums due on such policies. (b) The Borrower hereby assigns to the Lender each policy of insurance covering any of the Property, including all rights to receive the proceeds and returned premiums of such insurance. With respect to all such insurance policies, the Lender is hereby authorized, but not required, on behalf of the Borrower, to collect for, adjust and compromise any losses and to apply, at its option, the loss proceeds (less expenses of collection) to the Obligations, in any order and whether due or not, or to the repair, replacement or restoration of the Property, or to remit the same to the Borrower; but any such application or remittance shall not cure or waive any default by the Borrower and shall not operate to abate, satisfy or release any of the Obligations. If any insurance proceeds are received by the Borrower, the Borrower shall promptly apply such proceeds to the repair, replacement or restoration of the Property unless the Borrower receives contrary directions from the Lender. (c) In case of a sale pursuant to the default provisions hereof, or any conveyance of all or any part of the Property in extinguishment of the Obligations, the proceeds of all such insurance policies and the proceeds thereof and unearned premiums with respect thereto shall pass to and vest in the purchaser of the Property. (d) The risk of loss or damage to the Property is on the Borrower whether or not the Property is held by or controlled by the Lender.

SECTION 5.4 Care of Tangible Property; Notice of Loss, etc. The Borrower shall: (a) at all times maintain the Tangible Property in as good condition as it is now in, reasonable wear and tear alone excepted; (b) not use the Tangible Property, or permit it to be used, in violation of any Governmental Requirement; and (c) notify the Lender immediately in writing of any event causing material loss or depreciation in value of any of the Property and of the amount thereof (other than ordinary wear and tear).

SECTION 5.5 Filing Fees and Taxes. The Borrower agrees, to the extent permitted by law, to pay all recording and filing fees, revenue stamps, taxes and other expenses and charges payable in connection with the execution and delivery of the Loan Documents, and the recording, filing, satisfaction, continuation and release thereof.

SECTION 5.6 Use of Tangible Property. The Borrower agrees (a) to comply with the terms of any lease covering the premises on which any Tangible Property is located and all Governmental Requirements concerning such premises or the conduct of business thereon; (b) not to conceal or abandon the Tangible Property; and (c) not to lease or hire any of the Tangible Property to any person or permit the same to be leased or used for hire except pursuant to Permitted Encumbrances.

SECTION 5.7 Contracts. (a) The Borrower shall perform all of the Borrower's obligations under each Contract in accordance with its terms and shall not commit or permit any default on the part of the Borrower thereunder. The Borrower shall not (1) cancel or terminate any material Contract or consent to or accept any cancellation or termination thereof; (2) modify any material Contract or give any consent, waiver or approval thereunder; (3) waive any default under any material Contract; or (4) take any other action in connection with any material Contract that would impair the value of the interests of the Borrower thereunder or the interests of the Lender under this Agreement. (b) The Borrower will either deliver to the Lender all executed original copies of the Contracts or mark them with a legend satisfactory to the Lender identifying the Lender's Lien thereon. (c) The Borrower shall notify the Lender promptly in writing of any matters affecting the value, enforceability or collectibility of any of the Contracts, including material defaults, delays in performance, disputes, offsets, defenses, counterclaims, returns and rejections and all reclaimed or repossessed property.

SECTION 5.8 Application of Payments and Collections. The Borrower irrevocably waives the right to direct the application of any payments and collections at any time or times hereafter received by the Lender from or on behalf of the Borrower, and the Borrower irrevocably agrees that the Lender shall have the continuing exclusive right to apply and reapply any and all such payments and collections received at any time or times hereafter by the Lender or its agent against the Obligations, in such order and in such proportions as the Lender may deem advisable, whether due or not, and notwithstanding any entry by the Lender upon its books and records.

SECTION 5.9 Instruments, Documents and Tangible Chattel Paper. Immediately upon the Borrower's receipt of any Property that consists of or is evidenced or secured by an agreement, instrument, document or tangible chattel paper, the Borrower shall deliver each original thereof to the Lender, together with appropriate endorsements and assignments in form and substance acceptable to the Lender. The Borrower also authorizes the Lender to file financing statements describing such Property.

SECTION 5.10 Deposit Accounts, Investment Property, Letter-of-Credit Rights and Electronic Chattel Paper. The Borrower hereby grants to the Lender control of any of the Borrower's Deposit Accounts, investment Property, letter-of-credit rights and electronic chattel paper, and the Borrower shall take all actions requested by the Lender that the Lender deems in its sole discretion advisable to establish the Lender's control over such Property, including obtaining the execution of control agreements by the holder of such accounts or Property. The Borrower also authorizes the Lender to file financing statements describing such Property.

SECTION 5.11 Visitation. The Borrower shall permit representatives of the Lender from time to time (a) to visit and inspect the Property, all records related thereto, the premises upon which any Property is located, and any of the other offices and properties of the Borrower; (b) to inspect and examine the Property and to inspect, audit, check and make abstracts from the books, records, orders, receipts, correspondence and other data relating to the Property or to any transactions between the Borrower and the Lender; (c) to discuss the affairs, finances and accounts of the Borrower with and be advised as to the same by the officers thereof, if a corporation, or if not by other responsible persons; and (d) to verify the amount, quantity, value and condition of, or any other matter relating to, the Property, all at such times and intervals as the Lender may desire. The Borrower hereby irrevocably authorizes and instructs any accountants acting for the Borrower to give the Lender any information the Lender may request regarding the financial affairs of the Borrower and to furnish the Lender with copies of any documents in their possession related thereto.

SECTION 5.12 Further Assurances. At the Borrower's cost and expense, upon request of the Lender, the Borrower shall duly execute and deliver, or cause to be duly executed and delivered, to the Lender such further instruments and do and cause to be done such further acts as may be reasonably necessary or proper in the opinion of the Lender or its counsel to perfect, preserve and protect the validity and priority of the Liens of the Lender in the Property and to carry out more effectively the provisions and purposes of this Agreement.

SECTION 5.13 Use and Operation. Whenever any of the Property is in the possession or control of the Lender, whether for perfection, enforcement or otherwise, the Borrower agrees to the Lender's unrestricted use and operation of the Property. The Borrower waives any rights it may have to require the Lender to keep all nonfungible Property segregated or separately identifiable and agrees that the Lender may commingle any and all of the Property (fungible or otherwise) with its own without any liability to the Borrower for so doing.

SECTION 5.14 Certifications of the Borrower. At least annually, the Borrower shall give the Lender a certification, in written or other record form, attesting that the Borrower has not sold any of the Property unless expressly permitted by this Agreement and has not changed any of the following without the prior written consent of the Lender: (a) the Borrower's legal name; (b) the state of the Borrower's incorporation or registration (if the Borrower was created by such state filing) (c) the Borrower's chief executive office; (d) the Borrower's principal place of business.

ARTICLE 8

Events of Default

SECTION 8.1 Events of Default. The occurrence of any of the following events shall constitute an event of default (an "Event of Default") under this Agreement (whatever the reason for such event and whether or not it shall be voluntary or involuntary or be effected by operation of law or pursuant to any Governmental Requirement):

- (a) any representation or warranty made in this Agreement or in any of the other Loan Documents shall prove to be false or misleading in any material respect as of the time made; or
- (b) any warranty, representation, financial statement, report, schedule, certificate, statement or other document heretofore, now or hereafter made or furnished to the Lender by or on behalf of the Borrower shall prove to be false or misleading in any material respect; or
- (c) default shall be made in the payment when due of any of the Obligations, or any portion of them, as and when due and payable; or
- (d) default shall be made in the due observance or performance of any covenant, condition or agreement on the part of the Borrower to be observed or performed pursuant to the terms of this Agreement; or
- (e) any default or event of default, as therein defined, shall occur under any of the other Loan Documents (after giving effect to any applicable notice, grace or cure period specified therein); or
- (f) the occurrence of any event which will or could result in the acceleration of the maturity of any indebtedness of the Borrower (other than the Obligations) or the failure to pay any such indebtedness when due; or
- (g) any Obligor shall (1) apply for or consent to the appointment of a receiver, trustee, liquidator or other custodian of such Obligor or any of such Obligor's properties or assets (including the Property); (2) fail or admit in writing such Obligor's inability to pay such Obligor's debts generally as they become due; (3) make a general assignment for the benefit of creditors; (4) suffer or permit an order for relief to be entered against such Obligor in any proceeding under the federal Bankruptcy Code, or (5) file a voluntary

petition in bankruptcy, or a petition or an answer seeking an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against such Obligor in any proceeding under any such law or statute, or if corporate or partnership action shall be taken by any Obligor for the purpose of effecting any of the foregoing; or

(h) a petition shall be filed, without the application, approval or consent of any Obligor in any court of competent jurisdiction, seeking bankruptcy, reorganization, rearrangement, dissolution or liquidation of such Obligor or of all or a substantial part of the properties or assets of such Obligor, or seeking any other relief under any law or statute of the type referred to in Section 6.1 (g) (5) against such Obligor, or the appointment of a receiver, trustee, liquidator or other custodian of such Obligor or of all or a substantial part of the properties or assets of such Obligor, and such petition shall not have been stayed or dismissed within 30 days after the filing thereof; or

(i) the insolvency, dissolution, liquidation, suspension of business or death of the Borrower or of any Obligor, or of any of the Borrower's or such Obligor's principal officers (if a corporation), or managers or managing members (if a limited liability company) or general partners (if a partnership); or

(j) any writ of execution, attachment, sequestration, or garnishment shall be issued against the assets of any Obligor; or

(k) any final judgment for the payment of money in excess of an aggregate of \$310,000.00 shall be rendered against any Obligor and the same shall remain undischarged for a period of 30 days during which execution shall not be effectively stayed; or

(l) any guarantor of any of the Obligations shall default in the due observance or performance of any covenant, condition or agreement on such guarantor's part to be observed or performed under such guarantor's guaranty agreement (after giving effect to any applicable notice, grace or cure period specified therein) or shall terminate or attempt to terminate such guarantor's guaranty agreement.

(m) if the Lender's security interest in the Property is not prior to all other security interests except the Permitted Encumbrances; or

(n) the Lender shall in good faith deem itself insecure for any reason whatsoever.

ARTICLE 7 Remedies

SECTION 7.1 Certain Rights of Lender After Default. If an Event of Default exists under Section 6.1(g) or 6.1(h), all of the Obligations shall automatically become immediately due and payable. If any other Event of Default exists that does not already result in the automatic acceleration of the Obligations under another Loan Document, the Lender shall have, in addition to any other rights under this Agreement or under applicable law, the right, without notice to the Borrower (or with notice to the Borrower if notice is required and cannot be waived under applicable law), to take any or all of the following actions at the same or different times: (a) The Lender may declare any or all of the Obligations to be immediately due and payable. (b) The Lender may charge, set-off and otherwise apply all or any part of the Obligations against the Deposit Accounts, or any part thereof, and may instruct any holder of any of the Deposit Accounts to pay the balance of such Deposit Accounts to or for the benefit of the Lender. (c) The Lender may exercise any rights the Lender may have under any control agreements relating to the Property. (d) The Lender may exercise any rights, powers and remedies of the Borrower in connection with any Contract or otherwise in respect of the Property, including any rights of the Borrower to demand or otherwise require payment of any amount under, or performance of any provision of, any Contract, and to modify, amend, terminate, replace, settle or compromise any Contract or any sum payable thereunder. (e) The Lender may (1) notify Account Debtors that Accounts and Contracts have been assigned to the Lender, demand and receive information from Account Debtors with respect to Accounts and Contracts, forward invoices to Account Debtors directing them to make payments to the Lender, collect all Accounts and Contracts in the Lender's or the Borrower's name and take control of any cash or non-cash proceeds of Property; (2) enforce payment of any Accounts and Contracts, prosecute any action or proceeding with respect to Accounts and Contracts, extend the time of payment of Accounts and Contracts, make allowances and adjustments with respect to Accounts and Contracts and issue credits against Accounts and Contracts, all in the name of the Lender or the Borrower; (3) settle, compromise, extend, renew, release, terminate or discharge, in whole or in part, any Account or Contract or deal with the same as the Lender may deem advisable; and (4) require the Borrower to open all mail only in the presence of a representative of the Lender, who may take therefrom any remittance on any of the Property. (f) The Lender may (1) enter upon the premises of the Borrower or any other place where any Property is located, and through self-help and without judicial process, without first obtaining a final judgment or giving the Borrower notice and opportunity for a hearing and without any obligation to pay rent, remove the Property therefrom to the premises of the Lender or its agent for such time as the Lender may desire to collect or liquidate the Property; (2) render any Equipment unusable; (3) require the Borrower to assemble the Tangible Property and make it available to the Lender at the Borrower's premises or any other place selected by the Lender, and to make available to the Lender all of the Borrower's premises and facilities for the purpose of the Lender's taking possession of, removing or putting the Tangible Property in salable form; (4) use, and permit the Lender or any purchaser of any of the Property from the Lender to use, without charge, the Borrower's labels, General Intangibles and advertising matter or any property of a similar nature, as it pertains to or is included in the Property, in advertising, preparing for sale and selling any Property, and in finishing the manufacture, processing, fabrication, packaging and delivery of the Inventory; and the Borrower's rights under all licenses, franchise agreements and other General Intangibles shall inure to the Lender's benefit; and (5) dispose of the Property while the Property is situated on the Borrower's premises. (g) The Lender, without demand of performance or other demand, advertisement or notice of any kind (to the extent permitted by law) of a proposed disposition of the Property, which may be given in the manner specified in Section 8.1 to or upon the Borrower or any other person (all of which demands, advertisements and notices are hereby expressly waived, to the extent permitted by law), may forthwith collect, receive, appropriate, repossess and realize upon all or any part of the Property, and may forthwith sell, lease, assign, give options to purchase, or sell or otherwise dispose of and deliver all or any part of the Property (or contract to do so), in one or more parcels at public or private sale or sales, at any exchange, broker's board or at any of the Lender's offices or elsewhere at such prices as the Lender may deem best, for cash or on credit or for future delivery without assumption of any credit risk. To the extent permitted by law, the Property shall be sold free of any right of redemption, which right of redemption the Borrower hereby waives and releases. To the extent permitted by applicable law, the Borrower waives all claims, damages, and demands against the Lender arising out of the repossession, retention or sale of the Property. (h) The Lender may exercise, in addition to all other rights which it has under this Agreement or other applicable law, all of the rights and remedies of a secured party upon default under the UCC.

SECTION 7.2 Repossession of the Property; Care and Custody of the Property; etc. (a) The Borrower shall give the Lender written notice in the manner set forth in Section 8.1 within 24 hours of the date of repossession if the Borrower alleges that any other property of the Borrower was left on or in the repossessed Property at the time of repossession; and such notice shall be an express condition precedent to any action for loss or damages in connection therewith. After receiving any such notice the Lender will have a reasonable time to notify the Borrower as to where the Borrower can collect such property. (b) The Borrower irrevocably invites the Lender and its agents to enter upon any premises on which any of the Property is now or hereafter located for all purposes related to the Property, including repossession thereof, and consents to any such entry and repossession. Any such entry by the Lender or its agents shall not be a trespass upon such premises, and any such repossession shall not constitute conversion of any Property. The Borrower agrees to indemnify and hold the Lender harmless against, and hereby releases the Lender from, any actions, claims, costs, liabilities or expenses arising directly or indirectly from any entry upon such premises and any repossession of any Property. (c) If the Lender shall repossess any Property at a time when no Event of Default exists and the repossessed Property is thereafter returned to the Borrower, the damages therefor, if any, shall not exceed the fair rental value of the repossessed Property for the time it was in the Lender's possession. (d) The Lender shall be deemed to have exercised reasonable care in the custody and preservation of any Property in its possession if it takes such reasonable actions for that purpose as the Borrower shall request in writing, but the Lender shall have sole power to determine whether such actions are reasonable. Any omission to do any act not requested by the Borrower shall not be deemed a failure to exercise reasonable care.

SECTION 7.3 Application of Proceeds. Unless prohibited by applicable law, the Lender shall have the continuing exclusive right to apply and reapply the proceeds, including cash and noncash proceeds (sales on credit or notes and otherwise) resulting from the exercise of any of the rights, powers and remedies of the Lender under this Agreement, against the Obligations, in such order and in such proportions as the Lender may deem advisable. All expenses incurred in securing the possession of Property, moving, storing, repairing or finishing the manufacture of Property, and preparing the same for sale, become part of the Obligations secured hereby. The Borrower and all other Obligors shall remain liable to the Lender for any deficiency.

SECTION 7.4 Attorney-in-Fact After Default. At any time when an Event of Default exists, the Lender or any other person serving as the Borrower's attorney-in-fact under Section 4.3 shall have the following powers (exercisable concurrently with or in addition to the powers granted to the Lender in Section 4.3): (a) to sell or assign any of the Property upon such terms, for such amounts and at such times as the Lender deems advisable and to execute any bills of sale or assignments in the name of the Borrower in relation thereto; (b) to take control, in any manner, of any item of payment on, or proceeds of the Property; (c) to use the information recorded on or contained in any data processing equipment and computer hardware and software relating to the Property to which the Borrower has access; (d) to settle, adjust, compromise, extend, renew, discharge, terminate or release the Property in whole or in part; (e) settle, adjust or compromise any legal proceedings brought to collect the Property; (f) to prepare, file and sign the Borrower's name on any proof of claim in bankruptcy or similar document against any Account Debtor; (g) to prepare, file and sign the Borrower's name on any notice of Lien, assignment or satisfaction or termination of Lien or similar document in connection with the Property; (h) to sign, authenticate or endorse the name of the Borrower upon any chattel paper (tangible or electronic), document, instrument, invoice or similar document or agreement relating to the Property; (i) to use the Borrower's stationary and to sign the name of the Borrower to verifications of the Accounts and Contracts and notices thereof to Account Debtors; (j) to notify postal authorities to change the Borrower's mailing address to an address designated by the Lender for receipt of payments on Accounts and Contracts; (k) to enter into contracts or agreements for the processing, fabrication, packaging and delivery of Inventory as said attorney-in-fact or designee or the Lender may from time to time deem appropriate and charge the Borrower's account for any reasonable costs thereby incurred; (l) to receive all cash dividends otherwise payable to the Borrower; (m) to endorse and transfer Investment Property into the Lender's name or the name of its nominee and to cause new certificates to be issued in the name of the Lender or of such nominee; (n) to vote all or any part of the Investment Property; (o) to exercise all of the Borrower's other rights, powers and remedies with respect to the Property; and (p) to do all acts and things necessary, in the Lender's sole judgment, to carry out the purposes of this Agreement or to fulfill the Borrower's obligations hereunder.

SECTION 7.5 No Obligation to Pursue Others. The Borrower agrees that the Lender has no obligation to attempt to satisfy the Obligations by collecting them from any other person liable for them and the Lender may release, modify or waive any collateral provided by any other person to secure any of the Obligations, all without affecting the Lender's rights against the Borrower. The Borrower waives any right it may have to require the Lender to pursue any other person for any of the Obligations, and that each of the Obligations may be enforced against the Borrower without the necessity of joining any other Obligor, any other holders of Liens in any Property or any other person, as a party.

SECTION 7.6 Compliance with Other Laws. The Lender may comply with any applicable state or federal law requirements in connection with a disposition of the Property and such compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Property.

SECTION 7.7 Warranties of Title. The Lender may in its sole discretion disclaim any warranties of title or the like in the sale or other disposition of the Property. Such disclaimer will not be considered adversely to affect the commercial reasonableness of any sale of the Property.

SECTION 7.8 Remedies Cumulative. The rights, powers and remedies of the Lender under this Agreement are cumulative and not exclusive of any other rights, powers or remedies now or hereafter existing at law or in equity.

ARTICLE 8 Miscellaneous

SECTION 8.1 Notices. Any notice shall be conclusively deemed to have been received by a party hereto and be effective on the day on which delivered or sent by teletype or facsimile transmission to such party at the address set forth below (or at such other address or teletype or facsimile number as such party shall specify to the other parties in writing), or if sent by overnight courier for overnight delivery, on the next Business Day after the day on which sent, or if sent by registered or certified mail, on the third Business Day after the day on which mailed, addressed to such party at said address:

AmSouth Bank
210 EAST CAPITOL STREET
JACKSON, MS 39201

Ten days written notice mailed to the Borrower at the Borrower's address set out below shall constitute reasonable notification to the Borrower where notification is required by law.

SECTION 8.2 Expenses. The Borrower shall promptly on demand pay all costs and expenses, including reasonable attorneys' fees incurred by the Lender in connection with (a) the negotiation, preparation and review of this Agreement (whether or not the transactions contemplated by this Agreement shall be consummated), (b) the enforcement of this Agreement, (c) the custody and preservation of the Property, (d) the protection or perfection of the Lender's rights and interests under this Agreement in the Property, (e) the exercise by or on behalf of the Lender of any of its rights, powers or remedies under this Agreement and (f) the prosecution or defense of any action or proceeding by or against the Lender, the Borrower, any other Obligor, any Account Debtor, or any one or more of them, concerning any matter related to this Agreement, any of the Property, or any of the Obligations. All such amounts shall bear interest from the date demand is made at the Default Rate and shall be included in the Obligations secured hereby. The Borrower's obligations under this Section shall survive the payment in full of the Obligations and the termination of this Agreement.

SECTION 8.3 Heirs, Successors and Assigns. Whenever in this Agreement any party hereto is referred to, such reference shall be deemed to include the heirs, successors and assigns of such party or any other person who becomes bound by this Agreement as a debtor, except that the Borrower may not assign or transfer this Agreement without the prior written consent of the Lender, and all covenants and agreements of the Borrower contained in this Agreement shall bind the Borrower's heirs, successors and assigns or any other person who becomes bound by this Agreement as a debtor and shall inure to the benefit of the successors and assigns of the Lender.

SECTION 8.4 Assignment by Lender. The Lender may assign its rights and interests under this Agreement. If an assignment is made by the Lender, the Borrower (or its heirs, successors and assigns or any other person who becomes bound by this Agreement as a debtor) shall render performance under this Agreement to such assignee, and the Borrower (or its heirs, successors and assigns or any other person who becomes bound by this Agreement as a debtor) hereby waives and will not assert against the assignee any claims, defenses, or setoffs which the Borrower could assert against the Lender except defenses that cannot be waived.

SECTION 8.5 Joint and Several Liability. If the Borrower is comprised of more than one person, all of the Borrower's representations, warranties, covenants and agreements under this Agreement shall be joint and several and shall be binding on and enforceable against either, any or all of the persons comprising the Borrower. If any one or more of the persons comprising the Borrower is in default, the Lender may exercise its remedies on default against all of the person comprising the Borrower.

SECTION 8.6 Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Mississippi and Title 9 of the United States Code, except to the extent that the UCC provides for the application of the law of another state.

SECTION 8.7 Separability Clause. If any provision of the Loan Documents shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 8.8 No Oral Agreements. This Agreement is the final expression of the agreement between the parties hereto, and this Agreement may not be contradicted by evidence of any prior oral agreement between such parties. All previous oral agreements between the parties hereto have been incorporated into this Agreement and the other Loan Documents, and there is no unwritten oral agreement between the parties hereto in existence.

SECTION 8.9 Waiver and Election. The exercise by the Lender of any option given under this Agreement shall not constitute a waiver of the right to exercise any other option. No failure or delay on the part of the Lender in exercising any right, power or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any further exercise thereof or the exercise of any other right, power or remedy. No modification, termination or waiver of any provisions of the Loan Documents, nor consent to any departure by the Borrower therefrom, shall be effective unless in writing and signed by an authorized officer of the Lender, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances.

SECTION 8.10 No Obligations of Lender; Indemnification. The Lender does not by virtue of this Agreement or any of the transactions contemplated by the Loan Documents assume any duties, liabilities or obligations with respect to any of the Property unless expressly assumed by the Lender under a separate agreement in writing, and this Agreement shall not be deemed to confer on the Lender any duties or obligations that would make the Lender directly or derivatively liable for any person's negligent, reckless or willful conduct. The Borrower agrees to indemnify and hold the Lender harmless against and with respect to any damage, claim, action, loss, cost, expense, liability, penalty or interest (including attorney's fees) and all costs and expenses of all actions, suits, proceedings, demands, assessments, claims and judgments directly or indirectly resulting from, occurring in connection with, or arising out of: (a) any inaccurate representation made by the Borrower or any Obligor in this Agreement or any other Loan Document; (b) any breach of any of the warranties or obligations of the Borrower or any Obligor under this Agreement or any other Loan Document; and (c) the Property, or the Liens of the Lender thereon. The provisions of this Section shall survive the payment of the Obligations in full and the termination, satisfaction, release (in whole or in part) and foreclosure of this Agreement.

SECTION 8.11 Advances by the Lender. If the Borrower shall fail to comply with any of the provisions of this Agreement, the Lender may (but shall not be required to) make advances to perform the same, and where necessary enter any premises where any Property is located for the purpose of performing the Borrower's obligations under any such provision. The Borrower agrees to repay all such sums advanced upon demand, with interest from the date such advances are made at the Default Rate, and all sums so advanced with interest shall be a part of the Obligations. The making of any such advances shall not be construed as a waiver by the Lender of any Event of Default resulting from the Borrower's failure to pay such amounts.

SECTION 8.12 Rights, Liens and Obligations Absolute. All rights of the Lender hereunder, all Liens granted to the Lender hereunder, and all obligations of the Borrower hereunder, shall be absolute and unconditional and shall not be affected by (a) any lack of validity or enforceability as to any other person or any of the Loan

Documents, (b) any change in the time, manner or place of payment of, or any other term of the Obligations, (c) any amendment or waiver of any of the provisions of the Loan Documents as to any other person, and (d) any exchange, release or non-perfection of any other collateral or any release, termination or waiver of any guaranty, for any of the Obligations.

SECTION 8.13 Borrower Liable on Contracts. Notwithstanding anything in this Agreement to the contrary (a) the Borrower shall remain liable under the Contracts to perform all of the Borrower's duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Lender of any rights hereunder shall not release the Borrower from any of the Borrower's obligations under the Contracts, and (c) the Lender shall not have any obligation or liability under the Contracts by reason of this Agreement or the receipt by the Lender of any payment hereunder, nor shall the Lender be obligated to perform any of the obligations of the Borrower under the Contracts, to take any action to collect, file and enforce any claim for payment assigned to the Lender hereunder, or to make any inquiry as to the nature or sufficiency of any payment received by it or the adequacy of any performance by any party.

SECTION 8.14 Termination. This Agreement and the Lender's Liens in the Property hereunder will not be terminated until one of the Lender's officers signs a written termination agreement. Except as otherwise expressly provided for in this Agreement, no termination of this Agreement shall in any way affect or impair the representations, warranties, agreements or other obligations of the Borrower or the rights, powers and remedies of the Lender under this Agreement with respect to any transaction or event occurring prior to such termination, all of which shall survive such termination. Even if all of the Obligations outstanding at any one time should be paid in full, this Agreement will continue to secure any Obligations that might later be owed the Lender until such written termination agreement has been executed by the Lender. In no event shall the Lender be obligated to terminate its Liens under this Agreement or return or release any of the Property to the Borrower (a) until the payment in full of all Obligations then outstanding, (b) if the Lender is obligated to extend Credit to the Borrower, (c) if any contingent obligation of the Borrower to the Lender remains outstanding or (d) until the expiration of any period for avoiding or setting aside any payment to Lender under bankruptcy or insolvency laws.

SECTION 8.15 Reinstatement. This Agreement, the obligations of the Borrower hereunder, and the Liens, rights, powers and remedies of the Lender hereunder, shall continue to be effective, or be automatically reinstated, as the case may be, if at any time any amount applied to the payment of any of the Obligations is rescinded or must otherwise be restored or returned to the Borrower, any Obligor, or any other person (or paid to the creditors of any of them, or to any custodian, receiver, trustee or other officer with similar powers with respect to any of them, or with respect to any part of their property) upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower, any Obligor or any such person, or upon or as a result of the appointment of a custodian, receiver, trustee or other officer with respect to any of them, or with respect to any part of their property, or otherwise, all as though such payment had not been made.

SECTION 8.16 Arbitration. Any controversy, claim, dispute or issue related to or arising from (A) the interpretation, negotiation, execution, assignment, administration, repayment, modification, or extension of this Agreement or the Credit; (B) any charge or cost incurred under this Agreement or the Credit; (C) the collection of any amounts due under this Agreement or any assignment thereof; (D) any alleged tort related to or arising out of this Agreement or the Credit; or (E) any breach of any provision of this Agreement, shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association (the "AAA Rules"). Any disagreement as to whether a particular dispute or claim is subject to arbitration under this paragraph shall be decided by arbitration in accordance with the provisions of this paragraph. Commencement of litigation by any person entitled to demand arbitration under this paragraph shall not waive any right that person has to demand arbitration with respect to any counterclaim or other claim that may be made against that person, whether in, relating to, or arising out of such litigation, or otherwise. The Expedited Procedures of the AAA Rules shall apply in any dispute where the aggregate of all claims and the aggregate of all counterclaims each is in an amount less than \$500,000. Judgment upon any award rendered by the arbitrator(s) in any such arbitration may be entered in any Court having jurisdiction thereof. Any demand for arbitration under this Agreement shall be made no later than the date when any judicial action upon the same matter would be barred under any applicable statute of limitations. Any dispute as to whether the statute of limitations bars the arbitration of such matter shall be decided by arbitration in accordance with the provisions of this paragraph. The locale of any arbitration proceedings under this Agreement shall be in Jackson, Mississippi, or such other location as is mutually acceptable to all parties. The arbitrator(s) in any such arbitration shall establish such reasonable procedures as may be necessary for the reasonable exchange of information between the parties prior to such arbitration. Any arbitration under this paragraph shall be on an individual basis between the parties to this Agreement only and shall not be commenced as a member or representative of or on behalf of a class of persons, it being the intention of the parties that there shall be no class action arbitrations under this Agreement. All parties to this Agreement specifically acknowledge and agree that this Agreement evidences a "transaction involving commerce" under the Federal Arbitration Act, and each party to this Agreement hereby waives and relinquishes any right to claim otherwise.

Neither anything contained in the preceding paragraph nor the exercise of any right to arbitrate shall limit the right of any part (1) foreclose against any real or personal property collateral by the exercise of the power of sale under any mortgage, deed of trust, security deed, security agreement, pledge agreement or any other document or instrument creating a security interest in such property or under applicable law; (2) exercise any self help remedies such as set off or repossession; or (3) obtain provisional or ancillary remedies such as replevin, injunctive relief, attachment, or appointment of a receiver from a court having jurisdiction, before, during or after the pendency of any arbitration proceeding. This arbitration provision shall not be interpreted to require that any such remedies be stayed, abated or otherwise suspended pending any arbitration or request for arbitration. The exercise of a remedy shall not waive the Borrower's or the Lender's right to resort to arbitration.

IN WITNESS WHEREOF, the undersigned has executed this Agreement under seal on the day and year first above written.

ATTEST:
BY: _____ (SEAL)
ITS _____
BY: _____ (SEAL)
ITS _____
BY: _____ (SEAL)
ITS _____

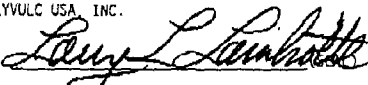
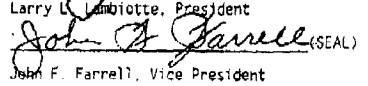
POLYVULC USA, INC.
BY:  (SEAL)
Larry L. Lambiotte, President
BY:  (SEAL)
John F. Farrell, Vice President
BY: _____ (SEAL)

EXHIBIT A

(Description of Real Estate on Which Fixtures Are Located)

EXHIBIT "A"

All of Lots Sixty-seven (67), Sixty-eight (68), Sixty-nine (69) and Seventy (70) as shown on plat designated "Vicksburg Harbor Industrial Subdivision Part 1" prepared by E. B. Cavallo, Civil Engineer, in June, 1961, which said plat hereby referred to, is recorded in Plat Book 1 at Page 23 of the Land Records in the office of the Clerk of the Chancery Court of said Warren County, together with and including the lands lying and being situated between the West line of Lot 70 and the East line of Lot 67 both extended southerly from the South line of said lots a distance of Three Hundred Ninety-one (391) Feet to a line parallel with the South line of said lots.

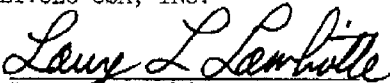
Less and Except:

Commencing at the Northeast corner of Lot 67 of the Vicksburg Harbor Industrial Subdivision, a plat of which is recorded in Plat Book 1 at Page 23 (also at Plat Cabinet A, Slot 14-D) of the Land Records of Warren County, Mississippi and run thence along the East line of said Lot 67, South 04 degrees 57 minutes 45 seconds West, 890.00 feet to an iron pin at the Southeast corner of said Lot 67; thence continuing along the Southerly projection of the East line of said Lot 67, South 04 degrees 57 minutes 45 seconds West 391.00 feet; thence South 80 degrees 48 minutes 45 seconds West, 9.28 feet; thence along a line that is parallel with and 9.00 feet West of the East line of said Lot 67, North 04 degrees 57 minutes 45 seconds East, 393.27 feet to a point on the South line of said Lot 67; thence continuing along said line that is parallel with and 9.00 feet West of the East line of said Lot 67, North 04 degrees 57 minutes 45 seconds East, 685.00 feet to an iron pin; thence parallel with the North line of said Lot 67, North 85 degrees 02 minutes 15 seconds West, 36.00 feet to an iron pin; thence parallel with the East line of said Lot 67, North 04 degrees 57 minutes 45 seconds East, 205.00 feet to a point on the North line of said Lot 67; thence along the North line of said Lot 67, South 85 degrees 02 minutes 15 seconds East, 45.00 feet to the POINT OF BEGINNING and containing 0.434 Acres, more or less, and being a Part of Lot 67 of the Vicksburg Harbor Industrial Subdivision and Part of Section 3, Township 16 North, Range 3 East, Warren County, Mississippi.

SIGNED FOR IDENTIFICATION PURPOSES

POLYVULC USA, INC.

By


Larry J. Lambiotte

By



John F. Farrell

EXHIBIT B
(ADDRESSES)

1. Address(es) of the Borrower's place(s) of business and chief executive office (if the Borrower has more than one place of business):

1645 HAINING ROAD
VICKSBURG MS 39183

2. Address(es) where the Borrower keeps the Borrower's records concerning Accounts:

1645 HAINING ROAD
VICKSBURG MS 391839036

3. Address(es) of property owned by the Borrower on which any Tangible Property is or will be located:

1645 Haining Road
Vicksburg, MS 39183

4. Address(es) of the Borrower's registered agent:

209 South Lamar Street, Suite 100
P.O. Box 22949
Jackson, MS 39225-2949

5. Address(es) of property not owned by the Borrower on which any Tangible Property is or will be located:

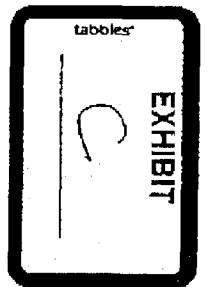
2845 Meter Road
Jackson, MS 39204

6. Federal trademarks and patents:

United States Patent No. 5,961,093 (support pad for air conditioning condenser unit or the like)

United States Trademark Registration No. 2,217,995 (Black Pad)

EXHIBIT C
(Permitted Encumbrances)



Permitted Liens

Debtor	Secured Party	Jurisdiction/Filing Date	Collateral
Poly Vule USA Inc. 645 Haining Road Jackson, MS 39283	Toyota Motor Credit Corp. P. O. Box 3457 Torrance, CA 90510	Mississippi Secretary of State 1440501 6-16-00 Chancery Clerk of Warren County 17273 6-16-00	one new Toyota forklift model #42-FGCU15, serial #67880
Poly Vule USA, Inc. 645 Haining Road Vicksburg, MS 39180	Toyota Motor Credit Corp. 2015 West 195th Street FS-27 Torrance, CA 90510	Mississippi Secretary of State 1148425 10-9-97 Chancery Clerk of Warren County 98502 10-9-97	one new forklift model #6FGU25, serial #63206
Polyvule USA Inc. 645 Haining Road Vicksburg, MS 39180	Toyota Motor Credit Corp. P. O. Box 3457 Torrance, CA 90157	Mississippi Secretary of State 1487570 12-27-00 Chancery Clerk of Warren County 18653 12-22-00	one new Toyota forklift model #7FGU25, serial #66513

Debtor	Secured Party	Jurisdiction/Filing Date	Collateral
Polyvule USA, Inc. 1645 Haining Road Vicksburg, MS 39183-9036	First Continental Leasing, a division of BancorpSouth Bank P. O. Box 15097 Hattiesburg, MS 39404	Mississippi Secretary of State 1417132 3-30-00 Chancery Clerk of Warren County 16628 3-31-00	one Van Dorn Demag Injection Moulding Machine, model #1430CA400, serial #0104 located at 1645 Haining Road, Vicksburg, MS (lease dated March 27, 2000)
Polyvule USA, Inc. 1645 Haining Road Vicksburg, MS 39183-9036	First Continental Leasing, a division of BancorpSouth Bank P. O. Box 15097 Hattiesburg, MS 39404	Mississippi Secretary of State 1417131 3-30-00 Chancery Clerk of Warren County 16627 3-31-00	all schedules and equipment contained in Master Lease #6039, dated March 27, 2000, between the Debtor and the Secured Party
Polyvule USA, Inc. 1645 Haining Road Vicksburg, MS 39180	Mississippi Department of Economic and Community Development P. O. Box 849 Jackson, MS 39205	Mississippi Secretary of State 1295980 2-22-99 Chancery Clerk of Warren County 13158 2-19-99	all items of machinery, equipment, fixtures and other personal property acquired with the loan proceeds, including all substitutions, replacements and proceeds thereof which are acquired or to be acquired by the Debtor with the proceeds of the loan together with CNC Milling Machine Master 2600 with direct outlet #50 Cat Taper, Virtual Gibbs v5.0 Milling Package v.503 and rebuilt ARMI Cracker Mill, serial #9940

Debtor	Secured Party	Jurisdiction/Filing Date	Collateral
Polyvule USA, Inc. 1645 Haining Road Vicksburg, MS 39183-9036	AmSouth Bank 210 East Capitol Street Jackson, MS 39201	Mississippi Secretary of State 200201594571 9-11-02	all equipment, any and all accessions and additions, any repair parts, substitutions and replacements all attachments and improvements; all books, records, general intangibles, proceeds and products of any of the foregoing
PolyVule USA, Inc. 1645 Haining Road Vicksburg, MS 39180	Mississippi Department of Economic and Community Development P. O. Box 849 Jackson, MS 39205	Chancery Clerk of Warren County 94963 11-1-96	all machinery, equipment, fixtures and other personal property, including all substitutions, replacements, fixtures and proceeds acquired with the proceeds of the loan including reclaimerator, Mattinson surface grinder, lab line grinder, Cincinnati milling machine, Herbold granulator, carbon steel storage tanks, two forklifts, two injection molders, stainless steel putva sizer, shop press, Rainville lab grinder and rotary screw air compressor
Falco Lime, Inc. 1645 Haining Road Vicksburg, MS 39180	Bank of the West 201 North Civic Drive #360B Walnut Creek, CA 94596	Chancery Clerk of Warren County 18014 2-26-01	specific equipment listed on Exhibit A attached to the financing statement

Debtor	Secured Party	Jurisdiction/Filing Date	Collateral
PolyVule USA, Inc. 1645 Haining Road Vicksburg, MS 39183-9036	First Continental Leasing, a division of BancorpSouth Bank P. O. Box 15097 Hattiesburg, MS 39404	Chancery Clerk of Warren County 19803 6-29-01	specific equipment listed on Exhibit A attached to the financing statement covering a lease; equipment is located at 1645 Haining Road, Vicksburg, Mississippi

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