

10-22-2002



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Form 10-1574 (Rev. 03/01) OMB No. 0651-0027 (exp. 5/31/2002)

RECORDATION FORM COVER SHEET TRADEMARKS ONLY

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

Tab settings

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

1. Name of conveying party(ies):

Klocwork Solutions, Inc.

10/15/02

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

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

3. Nature of conveyance:

- Assignment Merger Security Agreement Change of Name Other

Execution Date: October 8, 2002

2. Name and address of receiving party(ies)

Name: Regout Private Equity Fund III, L.P.

Internal Address: c/o Regout Capital Management, Inc.

Street Address: 500 Nyala Farm Road

City: Westport State: CT Zip: 06880

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

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

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

A. Trademark Application No.(s)

76360589

B. Trademark Registration No.(s)

Additional number(s) attached Yes No

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

Name: Stanton J. Iovenworth, Esq.

Internal Address:

Street Address: Dewey Ballantine LLP

1301 Avenue of the Americas

City: New York State: NY Zip: 10019

6. Total number of applications and registrations involved:

1

7. Total fee (37 CFR 3.41): \$10.00

- Enclosed Authorized to be charged to deposit account

8. Deposit account number:

N/A

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

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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.

Stanton J. Iovenworth

Name of Person Signing

[Signature]

Signature

10/15/02

Date

26

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

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

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KLOCWORK SOLUTIONS, INC.

SECURITY AGREEMENT

SECURITY AGREEMENT dated as of October 8, 2002 ("Security Agreement"), among KLOCWORK SOLUTIONS, INC., a Delaware corporation ("Borrower" or "Grantor"), the entities listed under the caption "LENDERS" on the signature pages hereto (the "Lenders") and PEQUOT PRIVATE EQUITY FUND III, L.P., a Delaware limited partnership, as collateral agent for the Lenders (in such capacity, the "Collateral Agent").

PRELIMINARY STATEMENTS.

1. The Borrower, certain lenders signatory thereto and the Collateral Agent are parties to a Note Purchase Agreement, dated as of October 8, 2002 (as modified and supplemented and in effect from time to time, the "Note Purchase Agreement"), which provides for, subject to the terms and conditions thereof, loans to be made by the Lenders to the Borrower in an aggregate principal amount of up to \$1,300,000.00 and for additional loans from time to time (the "Loans") all of which shall be evidenced by secured convertible promissory notes of the Borrower (the "Notes").

2. The Subsidiary Guarantor will receive direct and indirect benefits by reason of the availability of the Loans extended pursuant to the Note Purchase Agreement.

3. It is a condition precedent to the obligations of the Lenders under the Notes that Klocwork Solutions Corporation, an Ontario corporation wholly-owned by the Borrower (the "Subsidiary Guarantor") execute and deliver that certain Guaranty, dated as of the date hereof, by and among the Lenders and the Subsidiary Guarantor (the "Guaranty").

4. It is a condition precedent to the obligation of the Lenders to provide the Loans to Borrower as provided in the Note Purchase Agreement that Borrower shall have granted the security interest contemplated by this Security Agreement to secure the Loans (including any additional Loans that may be made from time to time) by the Lenders to the Borrower pursuant to an amendment to the Note Purchase Agreement or otherwise.

5. The Borrower is also executing, in its capacity as parent to the Subsidiary Guarantor, a General Security Agreement, dated as of the date hereof, by and among the Borrower, the Subsidiary Guarantor, the Collateral Agent and the Lenders (the "Canadian Security Agreement") for the purpose of ensuring that the Canadian Security Agreement is in compliance with Ontario law, it being understood that in the event of any conflict between this Agreement and the Canadian Security Agreement, the provisions of

this Agreement shall be controlling with respect to the respective rights and remedies of the Borrower, the Collateral Agent and the Lenders with respect to the Collateral as defined herein.

NOW, THEREFORE, in consideration of the premises hereof and in order to induce each Lender to provide the Loans to Borrower as provided in the Note Purchase Agreement, the Grantor hereby agrees as follows:

SECTION 1. Grant of Security. The Grantor hereby grants to the Collateral Agent, as agent for the Lenders and for the ratable benefit of each Lender, a security interest in and lien on all of the Grantor's right, title and interest in and to all of the Grantor's assets, including but not limited to all of the following, whether now owned or hereafter acquired or existing (the "Collateral"):

(a) All machinery, furnishings, fixtures, service vehicles, supplies and other equipment, together with all attachments, components, parts and accessories installed thereon or affixed thereto, wherever located ("Equipment");

(b) All goods held or leased by the Grantor as lessor or held for sale or lease or to be furnished under contracts of service, and all additions, substitutions and replacements thereof, wherever located, together with all goods and materials used or usable in manufacturing, processing, packaging or shipping same, in all stages of production, from raw materials through work-in-process to finished goods ("Inventory");

(c) All other goods, of any nature whatsoever;

(d) All (i) (A) rights to payment for goods sold or services rendered by the Grantor, including all accounts arising from sales or rendition of services made under any of the Grantor's trade names or styles or through any of the Grantor's divisions, regardless of how such right is evidenced, whether secured or unsecured (and whether or not specifically listed on schedules furnished to the Lenders) ("Accounts Receivable"), and (B) other accounts, (ii) unpaid seller's rights (including rights of rescission, replevin, reclamation and stoppage in transit) relating to the foregoing or arising therefrom, (iii) rights to any goods represented by any of the foregoing, including rights to returned or repossessed goods, (iv) reserves and credit balances arising under any of the foregoing, (v) guarantees, letters of credit, collateral or other supporting obligations supporting or securing any of the foregoing and (vi) insurance policies or rights relating to any of the foregoing (collectively, including Accounts Receivable, the "Accounts");

(e) All (i) instruments, (ii) documents, (iii) contract rights, (iv) chattel paper, (v) letters of credit, (vi) letter-of-credit rights, (vii) claims and causes of action against any other individual, corporation, limited liability company, partnership, trust or unincorporated organization (each, a "Person"), however arising, and (viii) general intangibles, whether or not for the payment of money, including, but not limited to, all (A) rights to tax refunds or other payments of every kind or nature, including rights to the payment of letters of credit; (B) copyrights, rights in or licenses of copyrights and marks subject to copyright protection, in whole or in part, and all renewals or extensions of any

of the foregoing including, without limitation, the copyright applications, registrations or recordings in the United States Copyright Office or in any similar office or agency of the United States, any state thereof or any other country or political subdivision thereof, as set forth on Schedule II hereto (the "Copyrights"); (C) trade names, trademarks, service marks, trade styles, designs, logos, indicia, corporate names, company names and fictitious business names, in each case, together with all associated goodwill including, without limitation, the trademark applications, registrations or 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 other country or political subdivision thereof, as set forth on Schedule II hereto (the "Trademarks"); (D) (i) patents now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, including, without limitation, those listed on Schedule II hereto together with all the rights, benefits and privileges derived therefrom, (ii) all design and utility patents, utility models and registered designs (including all reissues, divisions, continuations, continuations-in-part, reexaminations and extensions thereof), and (iii) all proceeds of the foregoing (the "Patents"); (E) computer programs and all intellectual property rights therein (other than such programs and rights in which, by their terms enforceable under applicable law, no security interest may be granted); and (F) other proprietary information;

(f) All investment property, including, without limitation, all securities and capital stock or other interests in any other Person whether certificated or uncertificated; all warrants, options and other rights to acquire securities, capital stock or other interests in any other Person; all securities entitlements; and all securities accounts, together with all financial assets credited thereto;

(g) All cash and cash equivalents, including, without limitation, money, demand deposit accounts and other deposit accounts;

(h) All governmental approvals, licenses, franchises and authorizations, to the maximum extent permitted by applicable law;

(i) All property and interests in property of the Grantor now or hereafter coming into the actual possession, custody or control of the Lenders in any way and for any purpose (whether for safekeeping, deposit, custody, pledge, transmission, collection or otherwise);

(j) All books and records;

(k) All other property and interests in property of the Grantor constituting personal property; and

(l) All accessions and additions to, substitutions for, and replacements, products and proceeds of any of the foregoing (including, without limitation, proceeds

that constitute property of the types described in clauses (a) through (k) of this Section 1, and, to the extent not otherwise included, all (i) payments under insurance (whether or not the Collateral Agent or any Lender is the loss payee thereof), or any indemnity, warranty, guaranty or letter of credit, payable by reason of loss or damage to or otherwise with respect to any of the foregoing, and (ii) any and all supporting obligations in respect of any of the foregoing).

SECTION 2. Security for Obligations. This Security Agreement and the Collateral secure the prompt and complete payment and performance when due of (i) the outstanding principal and interest of the Borrower on the Loans pursuant to the Notes held by the Lenders, (ii) all other obligations of the Borrower under the Note Purchase Agreements and the Notes and of the Subsidiary Guarantor under the Guaranty, and (iii) all obligations of Borrower to the Collateral Agent hereunder (collectively, the "Secured Obligations").

SECTION 3. Grantor Remains Liable. Anything herein to the contrary notwithstanding, (a) the Grantor shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Security Agreement had not been executed, (b) the exercise by the Collateral Agent of any of the rights hereunder shall not release the Grantor from any of its duties or obligations under the contracts and agreements included in the Collateral, and (c) the Collateral Agent shall not have any obligation or liability under the contracts and agreements included in the Collateral by reason of this Security Agreement, nor shall the Collateral Agent be obligated to perform any of the obligations or duties of the Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

SECTION 4. Representations and Warranties. The Grantor represents and warrants to the Collateral Agent as follows:

(a) The Grantor is duly incorporated and a validly existing corporation under the laws of the jurisdiction in which it was incorporated and is not organized under the laws of any other jurisdiction, and is qualified to do business and in good standing in all other states and jurisdictions in which the failure to be so qualified and in good standing would have a material adverse effect on the businesses, assets, properties, operations, results of operations, condition (financial or otherwise) or prospects of the Grantor (such an effect, a "Material Adverse Effect") or a material adverse effect on the ability of the Grantor to enforce the collection of Accounts Receivable due from customers residing in such locations. The Grantor's State of Delaware organizational identification number is 3341342.

(b) All of the Equipment and Inventory (i) were acquired in the ordinary course of business and (ii) are located at the places specified in Schedule I hereto. The principal place of business and chief executive office of the Grantor and the office where the Grantor keeps its records concerning Accounts Receivable and other Collateral are located at the address specified in Schedule I hereto. All originals of all chattel paper

which evidence Accounts Receivable have been delivered to the Collateral Agent. None of the Accounts Receivable is evidenced by a promissory note or other instrument.

(c) The Grantor owns the Collateral free and clear of any Lien (as defined below), except for the security interest created by this Security Agreement and the security interests created under the Personal Property Security Act (Ontario) reflected on Schedule IV of that certain General Security Agreement, dated as of the date hereof, by and among the Grantor, the Subsidiary Guarantor, the Collateral Agent and the Lenders. No effective financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any recording office, except for financing statements filed in favor of the Collateral Agent relating to this Security Agreement, and (ii) security interests in purchase-money collateral (as such term is defined in §9-103 of the Uniform Commercial Code ("UCC")) securing a purchase-money obligation incurred to finance the acquisition of such purchase-money collateral. For purposes of this Agreement, "Lien" means any mortgage, deed of trust, pledge, security interest, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), preference or other security agreement or preferential arrangement, charge or encumbrance of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the UCC or comparable law of any jurisdiction to evidence any of the foregoing), except for reasonable security interests in purchase-money collateral (as such term is defined in §9-103 of the UCC) to the extent such security interests secure purchase-money obligations to finance acquisitions of such purchase-money collateral.

(d) The Grantor does not conduct business under any name or trade name other than its proper corporate name, which is the name set forth in the preamble hereto.

(e) The Grantor has exclusive possession and control of the Equipment and Inventory.

(f) Schedule II sets forth a complete and correct list of all Patents, Trademarks and Registered Copyrights owned or applied for by the Grantor on the date hereof. The Grantor has the right to use all Patents, Trademarks, and Copyrights and all computer programs and other rights, free from materially burdensome restrictions, which are necessary for the operation of its business as presently conducted. There is not pending or, to the knowledge of the Grantor, threatened, any claim or litigation against or affecting the Grantor contesting the validity of any of the Patents, Trademarks or Copyrights or computer program or other right.

(g) This Security Agreement creates a valid first priority Lien in the Collateral, securing the payment of the Secured Obligations. All other actions legally necessary to perfect and protect such security interest have been duly taken, except those actions described in Section 5(f), which shall be completed no later than the close of business on the tenth day following the Closing or within such other time period as may

be required by the Personal Property Securities Act (Ontario) (the "PPSA") or other applicable law.

(h) No authorization, approval or other action by, and no notice to or filing with, any governmental or regulatory agency or authority is required either (1) for the grant by the Grantor of the security interest granted hereby or for the execution, delivery or performance of this Security Agreement by the Grantor or (2) other than such filings as may be required to be made with the United States Patent and Trademark Office, United States Copyright Office or with the Canadian federal and provincial governmental authorities, for the perfection of such security interest or the exercise by the Collateral Agent of its respective rights and remedies hereunder.

(i) All existing commercial tort claims owned by the Grantor are set forth and described in Schedule III hereto.

SECTION 5. Further Assurances.

(a) The Grantor agrees that from time to time, at the expense of the Grantor, the Grantor will promptly execute or otherwise authenticate and deliver all further instruments, documents and other records and take all further action, that may be necessary or desirable, or that the Collateral Agent may request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable the Collateral Agent to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, the Grantor will: (1) mark conspicuously each document and agreement included in the Collateral and, at the request of the Collateral Agent, each of its records pertaining to the Collateral with a legend, in form and substance satisfactory to the Collateral Agent, indicating that such Collateral is subject to the security interest granted hereby; (2) if any Account Receivable shall be evidenced by a promissory note or other instrument or chattel paper deliver such to the Collateral Agent duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Collateral Agent; and (3) authenticate (if necessary) and file such financing or continuation statements, or amendments thereto, and such other instruments, notices or other records, as may be legally necessary, or as the Collateral Agent may request, in order to perfect and preserve the security interest granted or purported to be granted hereby.

(b) The Grantor hereby authorizes the Collateral Agent to file one or more financing or continuation statements or similar instruments, and amendments thereto, relative to all or any part of the Collateral without the signature of the Grantor where permitted by law. A carbon, photographic or other reproduction of this Security Agreement or any financing statement or similar instrument covering the Collateral or any part thereof shall be sufficient as a financing statement or similar instrument where permitted by law.

(c) The Grantor will furnish to the Collateral Agent from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Collateral Agent may request, all in reasonable detail. Without limiting the generality of the foregoing: (i) the Grantor shall,

from time to time, execute and deliver to the Collateral Agent, in such form and manner as the Collateral Agent may reasonably require, solely for the Collateral Agent's convenience in maintaining records of the Collateral, such confirmatory schedules of Accounts Receivable, and such other appropriate reports designating, identifying and describing the Accounts Receivable, as the Collateral Agent may reasonably request; and (ii) if any commercial tort claim should hereafter arise ("Additional Tort Claim"), the Grantor shall promptly advise the Collateral Agent in writing, supplementing Schedule III hereto, which supplement shall constitute a grant by the Grantor to the Collateral Agent of a security interest therein, on the terms, and subject to the conditions, set forth in the Security Agreement, and the Grantor's authorization to file, or to amend, such financing statements or similar instruments as the Collateral Agent may deem necessary or advisable to perfect its security interest in such Additional Tort Claim. In addition, upon the Collateral Agent's request, the Grantor shall provide the Collateral Agent with copies of agreements with, or purchase orders from, the Grantor's customers, of invoices to customers and proof of shipment or delivery and such other documentation and information relating to the Accounts Receivable and other Collateral as the Collateral Agent may from time to time reasonably request to the extent the Grantor maintains such documentation in the ordinary course of its business. Failure to provide the Collateral Agent with any of the foregoing shall in no way affect, diminish, modify or otherwise limit the Lien granted herein. The Grantor hereby authorizes the Collateral Agent to regard its printed name or rubber stamp signature on assignment schedules or invoices as the equivalent of a manual signature by an authorized officer or agent of the Grantor.

(d) The Grantor will defend the Collateral against all claims and demands of all persons (other than the Collateral Agent) claiming an interest therein. The Grantor will pay promptly when due all property and other taxes, assessments and governmental charges or levies imposed upon, and all claims (including claims for labor, materials and supplies) against, the Collateral, except to the extent where there is a good faith contest to the validity thereof. In connection with any such good faith contest the Grantor will, at the request of the Collateral Agent, promptly provide a bond, cash deposit or other security reasonably satisfactory to protect the security interest of the Collateral Agent should such good faith contest be unsuccessful.

(e) The Grantor hereby agrees that if the Grantor creates or acquires an entity or entities in which the Grantor holds a majority ownership or voting interest (a "Subsidiary"), the Grantor shall cause each such Subsidiary to duly execute and deliver to the Collateral Agent a guaranty in a form reasonably satisfactory to the Lenders which guarantees the Secured Obligations of the Grantor.

(f) The Grantor will, no later than the close of business on the tenth day following Closing, file a financing statement or any similar instruments as may be required to be filed under the PPSA with respect to the security interest granted hereby or within such offices and within such time periods promulgated thereunder, as applicable, each of which shall be, in form and substance, acceptable to the Collateral Agent and file such other instruments as may be required to be made with the United States Patent and Trademark Office, United States Copyright Office or with the Canadian Intellectual

Property Office or other Canadian federal and provincial governmental authorities, for the perfection of the security interest granted hereby.

SECTION 6. As to Equipment, Inventory and Trademarks. The Grantor shall:

(a) Keep the Equipment and Inventory (other than Inventory sold in the ordinary course of business) at the places therefor specified in Schedule I hereto or, upon 30 days' prior written notice to the Collateral Agent, at such other places in jurisdictions where all action required by Section 5 shall have been taken with respect to the Equipment and Inventory;

(b) Cause the Equipment necessary for the conduct of its business to be maintained and preserved in the same condition, repair and working order as when new, ordinary wear and tear excepted, and shall forthwith, or in the case of any loss or damage to any of the Equipment as quickly as practicable after the occurrence thereof, make or cause to be made all repairs, replacements, and other improvements in connection therewith which are necessary or desirable to such end;

(c) Permit the Collateral Agent or any agent thereof to have access to the Inventory and Equipment for purposes of inspection during normal business hours and upon reasonable notice to the Grantor;

(d) Promptly notify the Collateral Agent in writing of any material loss or damage to the Inventory or Equipment;

(e) Not sell, assign, lease, mortgage, transfer or otherwise dispose of any interest in the Inventory or Equipment, except in the ordinary course of business;

(f) Not use or permit the Inventory or Equipment to be used for any unlawful purpose or in violation of any law or for hire;

(g) Except for collateral securing a purchase-money obligation incurred in compliance with §9-103 of the UCC, not permit the Equipment to become a part of or to be affixed to any real property of any person;

(h) Advise the Collateral Agent of all Trademarks, Patents and Copyrights or applications for or registration of the same, created or obtained by the Grantor on or after the date of this Security Agreement; and

(i) Take all reasonable steps to maintain and enforce the Trademarks, Patents and Copyrights material to the conduct of its business, including but not limited to (1) payment of all fees, (2) prosecuting infringers if failure to do so would materially and adversely affect the business of the Grantor and (3) diligently pursuing any application or registration material to the business of the Grantor.

SECTION 7. Insurance. (a) The Grantor shall, at its own expense, maintain insurance with respect to the Equipment and Inventory in such amounts, against

such risks, in such form and with such insurers, as shall be satisfactory to the Collateral Agent from time to time. Each policy for: (1) liability insurance shall provide for all losses to be paid on behalf of the Collateral Agent and the Grantor as their respective interests may appear; and (2) property damage insurance shall provide for all losses to be paid directly to the Collateral Agent. Each such policy shall in addition: (i) name the Collateral Agent as insured party thereunder (without any representation or warranty by or obligation upon the Collateral Agent) as its interests may appear; (ii) contain the agreement by the insurer that any loss thereunder shall be payable to the Collateral Agent notwithstanding any action, inaction or breach of representation and warranty by the Grantor; (iii) provide that there shall be no recourse against the Collateral Agent or any Lender for payment of premiums or other amounts with respect thereto; and (iv) provide that at least thirty (30) days' prior written notice of amendment to, cancellation of or lapse shall be given to the Collateral Agent by the insurer. The Grantor shall, if so requested by the Collateral Agent, deliver to the Collateral Agent original or duplicate policies of such insurance and, as often as the Collateral Agent may request, a report of a reputable insurance broker with respect to such insurance. Further, the Grantor shall, at the request of the Collateral Agent, duly execute and deliver instruments of assignment of such insurance policies to comply with the requirements of Section 5 and cause the respective insurers to acknowledge notice of such assignment.

(b) Reimbursement under any liability insurance maintained by the Grantor pursuant to this Section 7 may be paid directly to the person who shall have incurred liability covered by such insurance. In case of any loss involving damage to Equipment or Inventory when subsection (c) of this Section 7 is not applicable, the Grantor shall make or cause to be made the necessary repairs to or replacements of such Equipment or Inventory, and any proceeds of insurance maintained by the Grantor pursuant to this Section 7 shall be paid to the Grantor as reimbursement for the costs of such repairs or replacements.

(c) Upon the occurrence of any Default (as defined in the Notes) all insurance payments in respect of such Equipment or Inventory shall be paid to the Collateral Agent and applied to payment of the amounts due under the Notes and the Note Purchase Agreements and hereunder.

SECTION 8. As to Accounts Receivable. (a) The Grantor shall keep its principal place of business and chief executive office and the office where it keeps its records concerning the Accounts Receivable, at the location therefor specified in Schedule I hereto or, upon 30 days' prior written notice to the Collateral Agent, at such other locations in a jurisdiction where all action required by Section 5 shall have been taken with respect to Accounts Receivable. The Grantor will hold and preserve such records and will permit representatives of the Collateral Agent to inspect and make abstracts from such records. The Grantor will not change its name or jurisdiction of incorporation, or its corporate structure, or merge with or into any other Person, or become domesticated under the laws of any other jurisdiction without giving prior notice to the Collateral Agent.

(b) Except as otherwise provided in this subsection (b), the Grantor shall continue to collect, at its own expense, all amounts due or to become due to the Grantor under the Accounts Receivable. In connection with such collections, the Grantor may take (and, at the Collateral Agent's discretion, shall take) such action as the Grantor or the Collateral Agent may deem necessary or advisable to enforce collection of the Accounts Receivable; provided, however, that the Collateral Agent shall have the right at any time, upon the occurrence and during the continuance of a Default upon written notice to the Grantor of its intention to do so, to notify the account debtors or obligors under any Accounts Receivable of the assignment of such Accounts Receivable to the Collateral Agent and to direct such account debtors or obligors to make payment of all amounts due or to become due to the Grantor thereunder directly to the Collateral Agent and, upon such notification and at the expense of the Grantor, to enforce collection of any such Accounts Receivable, and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as the Grantor might have done. After receipt by the Grantor of the notice from the Collateral Agent referred to in the proviso to the preceding sentence and as long as there is a Default, (1) all amounts and proceeds (including instruments) received by the Grantor in respect of the Accounts Receivable shall be received in trust for the benefit of the Collateral Agent hereunder, shall be segregated from other funds of the Grantor and shall be forthwith paid over to the Collateral Agent in the same form as so received (with any necessary endorsement) to be held as cash collateral, or be applied as provided by Section 15(b), as determined by the Collateral Agent, and (2) the Grantor shall not adjust, settle or compromise the amount or payment of any Receivable, or release wholly or partly any account debtor or obligor thereof, or allow any credit or discount thereon, other than any discount allowed for prompt payment.

SECTION 9. Transfer and Other Liens. The Grantor shall not:

(a) Sell, assign (by operation of law or otherwise) or otherwise dispose of any of the Collateral, except in the ordinary course of business; or

(b) Except for purchase money financing in the ordinary course of business, create or suffer to exist any Lien upon or with respect to any of the Collateral to secure debt of any person.

SECTION 10. Notes Equally and Ratably Secured. The Loans shall be equally and ratably secured pursuant to the terms of this Security Agreement. The Grantor shall not make any offer to purchase or otherwise pay any Lender without making the same offer to each Lender.

SECTION 11. Appointment of Collateral Agent by Lenders.

(a) Each of the Lenders hereby appoints and authorizes Pequot Private Equity Fund III, L.P. to act as collateral agent under this Security Agreement with such powers as are specifically delegated to the Collateral Agent by the terms of this Security Agreement, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the

Collateral Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Security Agreement, the Note Purchase Agreement or any other related document or otherwise exist against the Collateral Agent.

(b) The Collateral Agent (which term shall include its affiliates and its own and its affiliates' officers, directors, employees and agents) shall not be responsible to the Lenders for (i) any statements, representations or warranties contained in the Note Purchase Agreements, the Notes or the Security Agreement or for the failure by the Grantor or any other party to perform its obligations hereunder or thereunder and shall not by reason of this Security Agreement or the Note Purchase Agreements be a trustee for any Lender, (ii) any action taken or omitted to be taken by it hereunder or under this Security Agreement, the Note Purchase Agreements or under any other document or instrument referred to or provided for herein or therein or in connection herewith or therewith, except for its own gross negligence or willful misconduct or (iii) any recitals, statements, representations or warranties made by the Grantor or any officer or official of the Grantor or any other party contained in this Security Agreement, the Note Purchase Agreements or any other related document, or in any certificate or other document or instrument referred to or provided for in, or received by any of them under, this Security Agreement, the Note Purchase Agreement or any other related document, or for the value, legality, validity, effectiveness, genuineness, enforceability or sufficiency of this Security Agreement, the Note Purchase Agreements or any other related document or any other document or instrument referred to or provided for herein or therein, for the perfection or priority of any lien security for the Loans or for any failure by the Grantor to perform any of its obligations hereunder or thereunder. The Collateral Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Security Agreement, the Note Purchase Agreement or any other related document or any other document or instrument referred to or provided for herein or therein, or to inspect the properties, books or records of the Grantor.

(c) The Collateral Agent may employ agents and attorneys-in-fact and shall not be responsible, except as to money or securities received by it or its authorized agents, for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care.

(d) The Collateral Agent shall be entitled to rely, and shall be fully protected in relying upon any promissory note, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper person(s), organization(s) or entity or entities and upon advice and statements of legal counsel (including, without limitation, counsel to the Grantor), independent accountants and other experts selected by the Collateral Agent. The Collateral Agent may deem and treat the payee of any promissory note as the owner thereof for all purposes unless a written notice of assignment or transfer thereof shall have been filed with the Collateral Agent. The Collateral Agent shall be fully justified in

failing or refusing to take any action under this Security Agreement, the Note Purchase Agreement or any other related document or any other document or instrument referred to or provided for herein or therein unless it shall first receive such advice or concurrence of a majority of the Lenders (the "Required Lenders") as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Collateral Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Security Agreement, the Note Purchase Agreement or any other related document or any other document or instrument referred to or provided for herein or therein in accordance with request of the Required Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Loans.

(e) The Collateral Agent shall not be deemed to have knowledge or notice of the occurrence of any Default hereunder unless the Collateral Agent has received notice from a Lender or a Grantor referring to this Security Agreement, describing such Default and stating that such notice is a "notice of default". In the event that the Collateral Agent receives such a notice, the Collateral Agent shall give notice thereof to the Lenders. The Collateral Agent shall take such action with respect to such Default as shall be reasonably directed by the Required Lenders; provided that unless and until the Collateral Agent shall have received such directions, the Collateral Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default as it shall deem advisable in the best interests of the Lenders.

(f) Each Lender expressly acknowledges that neither the Collateral Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates have made any representations or warranties to it and that no act by the Collateral Agent hereafter taken, including any review of the affairs of the Grantor or any affiliate of the Grantor, shall be deemed to constitute any representation or warranty by the Collateral Agent to any Lender. Each Lender represents to the Collateral Agent that it has, independently and without reliance upon the Collateral Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Grantor and its affiliates and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it shall, independently and without reliance upon the Collateral Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Security Agreement, the Note Purchase Agreement or any other related document and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Grantor and its affiliates. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Collateral Agent hereunder, the Collateral Agent shall have no duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of the Grantor or any affiliate of

the Grantor which may come into the possession of the Collateral Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

(g) The Collateral Agent may amend this Security Agreement with the prior written consent of the Lenders holding a majority of aggregate outstanding principal amount of the Loans; provided, that, without the prior written consent of each Lender, the Collateral Agent may not release any Collateral or otherwise terminate any Lien under this Security Agreement except with respect to Collateral sold or disposed of by the Grantor pursuant to Section 6(e) herein.

(h) The Lenders agree to indemnify the Collateral Agent in its capacity as such (to the extent not reimbursed by the Grantor and without limiting the obligation of the Grantor to do so), ratably in accordance with the aggregate principal amount of the Loans held by the Lenders for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever that may be imposed on, incurred by or asserted against the Collateral Agent in its capacity as such (including by any Lender) arising out of or by reason of any investigation in or in any way relating to or arising out of this Security Agreement or the Note Purchase Agreements, provided, that no Lender shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the party to be indemnified. The agreements in this Section 11(h) shall survive the payment of the Loans and all other amounts payable hereunder.

(i) The Collateral Agent and its affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Grantor as though the Collateral Agent were not the Collateral Agent. With respect to its Loans made or renewed by it the Collateral Agent shall have the same rights and powers under this Agreement, the Note Purchase Agreement and any related document as any Lender and may exercise the same as though it were not the Collateral Agent, and the terms "Lender" and "Lenders" shall include the Collateral Agent in its individual capacity.

(j) The Collateral Agent may resign as Collateral Agent upon 30 days' notice to the Lenders and the Grantor. If the Collateral Agent shall resign as Collateral Agent under this Agreement, then the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders, which successor agent shall (unless a Default as described in the Notes with respect to the Grantor shall have occurred and be continuing) be approved by the Grantor (which approval shall not be unreasonably withheld or delayed), whereupon such successor agent shall succeed to the rights, powers and duties of the Collateral Agent, and the term "Collateral Agent" shall mean such successor agent effective upon such appointment and approval, and the former Collateral Agent's rights, powers and duties as Collateral Agent shall be terminated, without any other or further act or deed on the part of such former Collateral Agent or any of the parties to this Security Agreement or any holders of the Loans. If no successor agent has accepted appointment as Collateral Agent by the date that is 30 days following a retiring Collateral Agent's notice of resignation, the retiring Collateral Agent's resignation shall nevertheless thereupon become effective and the Lenders shall assume and perform all of the duties of the Collateral Agent hereunder until such time, if any, as the Lenders

appoint a successor agent as provided for above. After any retiring Collateral Agent's resignation as Collateral Agent, the provisions of this Section 11 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Collateral Agent under this Security Agreement, the Note Purchase Agreement and any other related documents.

SECTION 12. Collateral Agent Appointed Grantor's Attorney-in-Fact.

The Grantor hereby irrevocably appoints the Collateral Agent as the Grantor's attorney-in-fact, with full authority in the place and stead of the Grantor and in the name of the Grantor, the Collateral Agent or otherwise, to, after the occurrence and during the continuance of a Default, take any action and to execute any instrument which the Collateral Agent may deem necessary or advisable to accomplish the purposes of this Security Agreement, including, without limitation:

(a) to obtain and adjust insurance required to be paid to the Collateral Agent pursuant to Section 7;

(b) to ask, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral;

(c) to receive, endorse, assign, and collect any and all checks, notes, drafts and other negotiable and non-negotiable instruments, documents and chattel paper, in connection with clause (a) or (b) above, and the Grantor waives notice of presentment, protest and non-payment of any instrument, document or chattel paper so endorsed or assigned;

(d) to file any claims or take any action or institute any proceedings which the Collateral Agent may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of the Collateral Agent with respect to any of the Collateral;

(e) to sell, transfer, assign or otherwise deal in or with the Collateral or the proceeds or avails thereof, as full and effectually as if the Collateral Agent were the absolute owner thereof;

(f) to perform or cause the performance of any obligation of the Grantor hereunder;

(g) to receive, open and dispose of all mail addressed to the Grantor and to notify postal authorities to change the address for delivery thereof to such address as the Collateral Agent may designate; and

(h) to transmit to customers indebted on Accounts notice of the Collateral Agent's interest therein and to notify customers indebted on Accounts to make payment directly to the Collateral Agent for the Grantor's account.

The Grantor hereby ratifies and approves all acts, other than those which result from the Collateral Agent's gross negligence or willful misconduct, of the

Collateral Agent, as its attorney in-fact, pursuant to this Section 12, and the Collateral Agent, as its attorney in-fact, will not be liable for any acts of commission or omission, nor for any error of judgment or mistake of fact or law other than those which result from the Collateral Agent's gross negligence or willful misconduct. This power, being coupled with an interest, is irrevocable so long as this Security Agreement remains in effect.

Borrower also authorizes the Collateral Agent, at any time after the occurrence and during the continuance of a Default, to communicate in its own name with any party to any contract, agreement or instrument included in the Collateral with regard to the assignment of such contract, agreement or instrument and other matters relating thereto.

SECTION 13. Collateral Agent May Perform. If the Grantor fails to perform any agreement contained herein, the Collateral Agent may itself perform, or cause performance of, such agreement, and the expenses of the Collateral Agent incurred in connection therewith shall be payable by the Grantor under Section 16(b).

SECTION 14. The Collateral Agent's Duties. The powers conferred on the Collateral Agent hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Collateral Agent shall not have any duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral.

SECTION 15. Remedies. If any Default shall have occurred, then during the continuance of such Default:

(a) The Collateral Agent has the right, upon written notice to the Grantor of its intention to do so, to notify the account debtors or obligors under any Accounts Receivable of the collateral assignment of such Accounts Receivable to Collateral Agent and to direct such account debtors or obligors to make payment of all amounts due or to become due to the Grantor thereunder directly to Collateral Agent and, upon such notification and at the expense of the Grantor, to enforce collection of any such Accounts Receivable, and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as the Grantor might have done. After receipt by the Grantor of the notice from Collateral Agent referred to in the immediately preceding sentence, (1) all amounts and proceeds (including instruments) received by the Grantor in respect of the Accounts Receivable shall be received in trust for the benefit of Collateral Agent hereunder, shall be segregated from other funds of the Grantor and shall be forthwith paid over to Collateral Agent in the same form as so received (with any necessary endorsement) to be held as Collateral, or be applied as provided by this Section, as determined by Collateral Agent, and (2) the Grantor shall not adjust, settle or compromise the amount or payment of any such Receivable, or release wholly or partly any account debtor or obligor thereof, or allow any credit or discount thereon, other than any discount allowed for prompt payment.

(b) The Collateral Agent may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a Collateral Agent on default under the UCC (whether or not the UCC applies to the affected Collateral) or the PPSA and also may (i) require the Grantor to, and the Grantor hereby agrees that it will, at its expense and upon the request of the Collateral Agent forthwith, assemble all or part of the Collateral as directed by the Collateral Agent and make it available to the Collateral Agent at a place to be designated by the Collateral Agent which is reasonably convenient to both parties and (ii) enter the premises where any of the Collateral is located and take and carry away the same, by any of its representatives, with or without legal process, to Collateral Agent's place of storage, and (iii) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of the Collateral Agent's offices or elsewhere, for cash, on credit or for future delivery and upon such other terms as the Collateral Agent may deem commercially reasonable. The Grantor agrees that, to the extent notice of sale shall be required by law, at least ten (10) days' notice to the Grantor of the time and place of any public or private sale is to be made shall constitute reasonable notification. The Collateral Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Collateral Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place it was so adjourned.

(c) All cash proceeds received by the Collateral Agent in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of the Collateral Agent, be held by the Collateral Agent as collateral for, and/or then or at any time thereafter applied (after payment of any amounts payable to the Collateral Agent pursuant to Section 16) to the payment in full of the Secured Obligations, in each case equally and ratably in accordance with the respective amounts thereof then due and owing or as the Lenders holding the same may otherwise agree. Any surplus of such cash or cash proceeds held by the Collateral Agent and remaining after payment in full of all the Secured Obligations to the Collateral Agent shall be paid over to the Grantor. If the proceeds of the sale of the Collateral are insufficient to pay all of the Secured Obligations, the Grantor agrees to pay upon demand any deficiency to the Collateral Agent.

(d) The Collateral Agent may use (and is hereby granted a license to use), in connection with any assembly, preparation for disposition or disposition of the Collateral, any of the Trademarks, Copyrights, Patents, technical processes, trade names, service marks or trade styles and other intellectual property used by the Grantor, without payment or additional compensation therefor.

(e) The Grantor recognizes that the Collateral Agent may be unable to effect a public sale of all or part of the Collateral consisting of investment property by reason of certain prohibitions contained in applicable securities laws as now or hereafter in effect, unless registration or qualification, as the case may be, is accomplished. The Grantor acknowledges that the Collateral Agent may resort to one or more private sales to a single purchaser or a restricted group of purchasers who will be obliged to agree,

among other things, to acquire such investment property for their own account, for investment and not with a view to the distribution or resale thereof. The Grantor agrees that private sales may be at prices and other terms less favorable to the Grantor than if such investment property were sold at a public sale and that the Collateral Agent shall have no obligation to delay the sale of any such portion of the Collateral for the period of time necessary to permit the issuer of such investment property to register or qualify such investment property, even if such issuer would, or should, proceed to register or qualify such investment property for public sale. The Grantor agrees that private sales made under the foregoing circumstances shall be deemed to have been made in a "commercially reasonable" manner.

SECTION 16. Indemnity and Expenses.

(a) The Grantor agrees to indemnify and defend the Collateral Agent from and against any and all claims, losses and liabilities growing out of or resulting from this Security Agreement (including, without limitation, enforcement of this Security Agreement), except claims, losses or liabilities resulting from the Collateral Agent's gross negligence or willful misconduct.

(b) The Grantor will upon demand pay to the Collateral Agent the amount of any and all reasonable expenses, including the fees and out of pocket disbursements of its counsel and of any experts and agents, which the Collateral Agent may incur in connection with (1) the negotiation or preparation of, or closing under, and the perfection of (including any filing or recording fees) any and all Liens contemplated by this Security Agreement, the Note Purchase Agreement and any other related documents, (2) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any of the Collateral, and (3) the interpretation, performance or enforcement of any of the rights of the Collateral Agent. Without limiting in any manner the generality of the foregoing, the Grantor will pay all reasonable out-of-pocket costs and expenses of the Collateral Agent or any Lender upon failure by the Grantor to perform or observe any of the provisions of the Note Purchase Agreement, the Notes or this Agreement or upon demand in connection with the bankruptcy or other insolvency proceeding involving the Grantor or its stockholders; in each case, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Collateral Agent or any Lender and of any consultants or expert witnesses retained by the Collateral Agent or any Lender, with respect to any aspect of the Secured Obligations or otherwise relating to the transactions contemplated hereby. All amounts payable by the Grantor under this Section 16(b) shall be paid together with interest thereon, from the date incurred by the Collateral Agent or the relevant Lender until paid, calculated on the basis of a year of 360 days and for the actual number of days elapsed, at the highest rate of interest then applicable to any of the Secured Obligations. The Collateral Agent shall not be liable to the Grantor for damages as a result of delays, temporary withdrawals of the Equipment from service or other causes other than those caused by the Collateral Agent's gross negligence or willful misconduct.

SECTION 17. Amendments; Etc. No amendment or waiver of any provision of this Security Agreement nor consent to any departure by the Grantor

herefrom shall in any event be effective unless the same shall be in writing and signed by the Collateral Agent (with the consent of the Lenders as specified in Section 11 hereof), and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 18. Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be (i) mailed by registered or certified mail, postage prepaid, (ii) delivered by reliable overnight courier service, or (iii) otherwise delivered by hand or by messenger, addressed, if to the Collateral Agent, to:

Pequot Private Equity Fund III, L.P.,
500 Nyala Farm Road,
Westport, Connecticut 06880,
Attention: Aryeh Davis and Amber Tencic

or at such other address as the Collateral Agent shall have furnished to Grantor in writing; if to the Grantor:

KLOCwork Solutions, Inc.
One Chrysalis Way, 4th Floor
Ottawa, ON K2G 6PG
Attention: Jim Ablett, Chief Financial Officer,

with a copy to:

Pequot Capital Management, Inc.
500 Nyala Farm Road,
Westport, Connecticut 06880,
Attention: Aryeh Davis and Amber Tencic

or at such other address as it shall have furnished to the Collateral Agent in writing, or if to the Subsidiary Guarantor:

KLOCwork Solutions Corporation
One Chrysalis Way, 4th Floor
Ottawa, ON K2G 6PG
Attention: Jim Ablett, Chief Financial Officer,

with a copy to:

Pequot Capital Management, Inc.
500 Nyala Farm Road,
Westport, Connecticut 06880,
Attention: Aryeh Davis and Amber Tencic

or at such other address as it shall have furnished to the Collateral Agent in writing. All such notices and communications shall be effective upon receipt.

SECTION 19. Continuing Security Interest; Transfer of Note. This Security Agreement shall create a continuing security interest in the Collateral and shall (1) remain in full force and effect until payment in full of the Secured Obligations, (2) be binding upon the Grantor and its successors and assigns, the Lenders and the Collateral Agent in accordance with and to the extent of its terms, and (3) inure to the benefit of the Collateral Agent, the Lenders and each of their respective successors and assigns. Without limiting the generality of the foregoing clause (3), the Collateral Agent may resign and a successor agent may become vested with the rights, powers and duties of the Collateral Agent pursuant to Section 11(j). Upon the payment in full of the Secured Obligations, the security interest granted hereby shall automatically terminate and all rights to the Collateral shall revert to the Grantor. Upon any such termination, the Collateral Agent will, at the Grantor's expense, execute and deliver to the Grantor such documents as the Grantor shall reasonably request to evidence such termination.

SECTION 20. Governing Law; Terms. This Security Agreement shall be governed by and construed in accordance with the laws of the State of New York, except to the extent that the validity or perfection of the security interest hereunder, or remedies hereunder, in respect of any particular Collateral are governed by the laws of a jurisdiction other than the State of New York. Unless otherwise defined herein, in the Notes or in the respective Note Purchase Agreements, terms used in Article 9, as in effect on the date hereof, of the UCC in the State of New York are used herein as therein defined.

SECTION 21. Third-Party Pledge. Each of the waivers, consents and authorizations of the Subsidiary Guarantor set forth in the Guaranty shall apply with full force and effect to the obligations of the Subsidiary Guarantor hereunder, as if set forth herein in full and expressly applying hereto.

SECTION 22. Miscellaneous. This Security Agreement is in addition to and not in limitation of any other rights and remedies the Collateral Agent may have by virtue of any other instrument or agreement heretofore, contemporaneously herewith or hereafter executed by the Grantor or by law or otherwise. If any provision of this Security Agreement is contrary to applicable law, such provision shall be deemed ineffective without invalidating the remaining provisions hereof. If and to the extent that applicable Law confers any rights in addition to any of the provisions of this Security Agreement, the affected provision shall be considered amended to conform thereto. The Collateral Agent shall not by any act, delay, omission or otherwise be deemed to have waived any of its rights or remedies hereunder. A waiver by the Collateral Agent of any right or remedy hereunder on any one occasion, shall not be construed as a bar to or waiver of any such right or remedy which the Collateral Agent would have had on any future occasion nor shall the Collateral Agent be liable for exercising or failing to exercise any such right or remedy. The Grantor shall not be permitted to transfer their respective obligations hereunder without the prior written consent of the Collateral Agent. This Security Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and the parties hereto may execute this Security Agreement by signing any such counterpart.

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

SECURING PARTIES:

KLOCWORK SOLUTIONS, INC.

By: 

Name: Eric Goodwin

Title: CEO

Security Agreement

TRADEMARK
REEL: 002602 FRAME: 0731

COLLATERAL AGENT:

PEQUOT PRIVATE EQUITY FUND III, L.P. as
Collateral Agent

By: Pequot Capital Management, Inc.,
its Investment Manager

By: Kevin E. O'Brien
Kevin E. O'Brien, General Counsel

LENDERS:

PEQUOT PRIVATE EQUITY FUND III, L.P.

By: Pequot Capital Management, Inc.,
its Investment Manager

By: Kevin E. O'Brien
Kevin E. O'Brien, General Counsel

Security Agreement

PEQUOT VENTURE PARTNERS II, L.P.

By:Pequot Capital Management, Inc.,
its Investment Manager

By: Kevin E. O'Brien
Kevin E. O'Brien, General Counsel

PEQUOT OFFSHORE PRIVATE EQUITY PARTNERS
III, L.P.

By:Pequot Capital Management, Inc.,
its Investment Manager

By: Kevin E. O'Brien
Kevin E. O'Brien, General Counsel

PVP II KLOCWORK CON NOTE GRANTOR TRUST

By:Pequot Capital Management, Inc.,
its Trustee

By: Kevin E. O'Brien
Kevin E. O'Brien, General Counsel

Security Agreement

TRADEMARK
REEL: 002602 FRAME: 0733

SCHEDULE I
to Security Agreement

Place of Business and Locations of Collateral

Chief Place of Business
and Chief Executive Office:

One Chrysalis Way, 4th Floor
Ottawa, ON K2G 6P9 CANADA

Locations of Equipment:

None

Locations of Inventory:

None

Location of Records Evidencing
Accounts Receivable and other Collateral:

One Chrysalis Way, 4th Floor
Ottawa, ON K2G 6P9 CANADA

SCHEDULE II
to Security Agreement

Patents and Trade-Marks

Patents:

Patent Title:	Country of Filing:	Patent or Application No.	Date of Issue/Filing:
Method and Apparatus for Identifying Indirect Messaging Relationships Between Software Entities	USA	6,205,576	Issued: March 20, 2001
Method and Apparatus for Identifying Dynamic Structure and Indirect Messaging Relationships Between Processes	USA	6,233,729	Issued: May 15, 2001
Method and Apparatus for Pattern-Based Flowcharting of Source Code	USA	6,346,945	Issued: February 12, 2002
Apparatus and Method for Tracking Software Development	USA	09/712,202	Filed: November 15, 2000

Trade-Marks

Trade-Mark	Country	Application No.:	Application Date:
KLOCWORK	Canada	1110037	July 20, 2001
KLOCWORK	USA	76/360589	January 18, 2002
KLOCWORK	EP	1110037	January 18, 2002
K Design	Canada	1110036	July 20, 2001
KLOC	Canada	1141401	May 21, 2002

SCHEDULE III
to Security Agreement

Existing Commercial Tort Claims

None.

NY1 664197v6

RECORDED: 10/15/2002

TRADEMARK
REEL: 002602 FRAME: 0736