

10-22-2002

D #1

FORM PTO-1594 (modified)

RE



U.S. DEPARTMENT OF COMMERCE

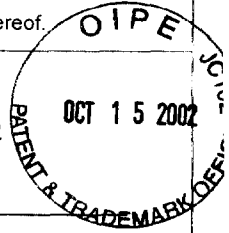
U.S. Patent and Trademark Office

(Rev. 03/01)

OMB No. 0651-0027 (exp. 5/31/2002)

102256523

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



1. Name of conveying party(ies): 10 MRD 10-15-02  
**STS Operating, Inc.**  
 Individual(s)       Association  
 General Partnership       Limited Partnership  
 Corporation-State: Delaware  
 Other: \_\_\_\_\_  
 Additional name(s) of conveying party(ies) attached?  Yes  No

2. Name and address of receiving party(ies):  
 Name: Foothill Capital Corporation  
 Internal Address: Suite 1500  
 Street Address: 1111 Santa Monica Boulevard  
 City: Los Angeles State: CA ZIP: 90025-3333  
 Individual(s) citizenship: \_\_\_\_\_  
 Association \_\_\_\_\_  
 General Partnership of: \_\_\_\_\_  
 Limited Partnership of: \_\_\_\_\_  
 Corporation-State: California  
 Other: \_\_\_\_\_  
 If assignee is not domiciled in the United States, a domestic representative designation is attached?  Yes  No  
 (Designations must be a separate document from Assignment)  
 Additional name(s) & address(es) attached?  Yes  No

3. Nature of conveyance:  
 Assignment       Merger  
 Security Agreement       Change of Name  
 Other: \_\_\_\_\_  
 Execution Date: September 28, 2001

4. Application number(s) or registration number(s):  
 A. Trademark Application No.(s)  
75/092,803  
 Additional numbers attached  Yes  No

B. Trademark Registration No.(s)  
 729,705    1,532,394    2,188,456  
 656,070    2,120,432

5. Name and address of party to whom correspondence concerning document should be mailed:  
 Name: Adam D. Resnick, Esq.  
 Internal Address: \_\_\_\_\_  
PIPER RUDNICK LLP  
 Street Address: 1200 Nineteenth Street, NW  
 City: Washington State: DC ZIP: 20036

6. Total number of applications and registrations involved: ..... 6  
 7. Total fee (37 C.F.R. § 3.41). . . . . \$ 165.00  
 Enclosed  
 Authorized to be charged to deposit account  
 8. Deposit account number:  
501150  
 (Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

9. Statement and signature.  
*To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.*  
Adam D. Resnick, Esq.      [Signature]      10/15/02  
 Name of Person Signing      Signature      Date

Total no. of pages incl. cover sheets, attachments, and document: 12

10/21/2002 STON11 00000199 75092803  
 01 FC:0521 40.00 OP  
 02 FC:0522 125.00 OP

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

TRADEMARK  
 REEL: 002603 FRAME: 0267

## TRADEMARK SECURITY AGREEMENT

THIS TRADEMARK SECURITY AGREEMENT (this "Agreement"), dated as of September 28, 2001, is made by and among STS Operating, Inc., a Delaware corporation ("Pledgor"), Foothill Capital Corporation, a California corporation, as the arranger and administrative agent (in such capacity, the "Agent") for the lenders (collectively, the "Lenders"), and the Lenders party to the Loan and Security Agreement referred to below, for the benefit of the Secured Parties (as hereinafter defined).

WHEREAS, the Pledgor, the Lenders and the Agent are parties to a Loan and Security Agreement, dated as of September 28, 2001 (as amended, modified, restated or supplemented from time to time, the "Loan Agreement"), providing for the availability of certain credit facilities to the Pledgor upon the terms and subject to the conditions set forth therein.

WHEREAS, it is a condition to the extension of credit to the Pledgor under the Loan Agreement that the Pledgor, shall have agreed, by executing and delivering this Agreement, to secure the payment in full of its obligations under the Loan Agreement and other documents executed in connection therewith. The Secured Parties are relying on this Agreement in their decision to extend credit to the Pledgor under the Loan Agreement, and would not enter into the Loan Agreement without the execution and delivery of this Agreement by the Pledgor.

**NOW, THEREFORE,** Pledgor, Lenders and Agent hereby agree as follows:

### SECTION 1 Definitions; Interpretation.

(a) Terms Defined in Loan Agreement. All capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings assigned to them in the Loan Agreement.

(b) Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Collateral" has the meaning set forth in Section 2.

"PTO" means the United States Patent and Trademark Office.

"Secured Parties" shall mean, collectively, the Lenders (including, without limitation, the Agent as issuer of Letters of Credit) and the Agent.

"UCC" means the Uniform Commercial Code as in effect in the State of Illinois.

(c) Terms Defined in UCC. Where applicable in the context of this Agreement and except as otherwise defined herein, terms used in this Agreement shall have the meanings assigned to them in the UCC.

(d) Construction. In this Agreement, the following rules of construction and interpretation shall be applicable: (i) no reference to "proceeds" in this Agreement authorizes any sale, transfer, or other disposition of any Collateral by Pledgor; (ii) "includes" and

“including” are not limiting; (iii) “or” is not exclusive; and (iv) “all” includes “any” and “any” includes “all.” To the extent not inconsistent with the foregoing, the rules of construction and interpretation applicable to the Loan Agreement shall also be applicable to this Agreement and are incorporated herein by this reference.

## SECTION 2 Security Interest.

(a) Grant of Security Interest. As security for the payment and performance of the Obligations, Pledgor hereby pledges and delivers to Agent, for the ratable benefit of the Secured Parties (based on the unpaid principal balance of the Obligations held by each Lender), and grants to the Agent, for the ratable benefit of the Secured Parties, a Lien upon and security interest in, and a mortgage upon, all of Pledgor’s right, title and interest in, to and under the following property, in each case whether now or hereafter existing or arising or in which Pledgor now has or hereafter owns, acquires or develops an interest and wherever located (collectively, the “Collateral”):

(i) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, service marks, certification marks, collective marks, logos, other source of business identifiers, prints and labels on which any of the foregoing have appeared or appear, designs and general intangibles of a like nature (all of the foregoing items in this clause (i) being collectively called a “Trademark”), now existing in the United States or Canada or hereafter adopted or acquired in the United States or Canada, whether currently in use or not, all registrations and recordings thereof and all applications in connection therewith, whether pending or in preparation for filing, including registrations, recordings and applications in the PTO or the Canadian Intellectual Property Office or in any office or agency of the United States of America or any State thereof or Canada or any other foreign country, including those referred to in Schedule A attached hereto;

(ii) all Trademark licenses and other agreements providing the Pledgor with the right to use any items of the type described in clause (i), including each Trademark license referred to in Schedule A attached hereto;

(iii) all of the goodwill of the business connected with the use of, and symbolized by the items described in clauses (i) and (ii);

(iv) the right to sue third parties for past, present and future infringements of any Collateral described in clause (i) and, to the extent applicable, clause (ii);

(v) all general intangibles and all intangible intellectual or other similar property of Pledgor of any kind or nature, associated with or arising out of any of the aforementioned properties and assets and not otherwise described above; and

(vi) all proceeds of, and rights associated with, the foregoing, including any claim by the Pledgor against third parties for past, present or future infringement or dilution of any Trademark, Trademark registration or Trademark license, including any Trademark, Trademark registration or Trademark license referred to in Schedule A attached hereto, or for any injury to the goodwill associated with the use of any such Trademark or for breach or enforcement of any Trademark license and, to the extent not otherwise included, all payments

under insurance (whether or not Agent is the loss payee thereof) or any indemnity, warranty or guaranty payable by reason of loss or damage to or otherwise with respect to the foregoing Collateral.

(b) Continuing Security Interest. Pledgor agrees that this Agreement shall create a continuing security interest in the Collateral which shall remain in effect until terminated in accordance with Section 11.

SECTION 3 Supplement to Loan Agreement. This Agreement has been granted in conjunction with the security interests granted to Agent under the Loan Agreement or other security documents referred to therein. The rights and remedies of Agent with respect to the security interests granted herein are without prejudice to, and are in addition to those set forth in the Loan Agreement or any other security documents referred to therein, all terms and provisions of which are incorporated herein by reference, including, but not limited to, Sections 2.4, 9.1, and 11.3 of the Loan Agreement, to the extent applicable.

SECTION 4 Representations and Warranties. Except as otherwise provided in the Loan Agreement, Pledgor represents and warrants to Agent that:

(a) a true and correct list of all of the existing Collateral consisting of trademarks, trademark registrations, trademark licenses or applications owned by Pledgor, in whole or in part, is set forth in Schedule A;

(b) its Collateral is subsisting and has not been adjudged invalid or unenforceable, in whole or in part in a manner which would have a Material Adverse Change;

(c) the Pledgor has the full right, power and authority to enter into this Agreement and to grant all of the right, title and interest herein granted;

(d) its execution, delivery and performance by the Pledgor of this Agreement does not and will not contravene any contractual restriction binding on or affecting the Pledgor or any of its properties;

(e) this Agreement has been duly executed and delivered by the Pledgor and is a legal, valid and binding obligation of the Pledgor enforceable against the Pledgor in accordance with its terms except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights;

(f) the Pledgor has not previously assigned, transferred, conveyed or otherwise encumbered such right, title and interest in the Collateral;

(g) there are no claims, judgments or settlements to be paid by such Company or pending claims or litigation relating to the Collateral;

(h) no effective security agreement, financing statement, equivalent security or lien instrument or continuation statement covering all or any part of its Collateral is on file or

of record in any public office, except such as may have been filed by the Pledgor pursuant to this Agreement or such as relate to other Permitted Liens; and

(i) this Agreement is effective to create a valid and continuing lien on and security interest in the Collateral in favor of the Agent for the ratable benefit of the Secured Parties that each rank first in priority other than in relation to Prior Claims. All action necessary or desirable to protect and create such security interest in each item of its Collateral has been duly taken.

SECTION 5 Further Acts. On a continuing basis, Pledgor shall make, execute, acknowledge and deliver, and file and record in the proper filing and recording places, all such instruments and documents, and take all such action as may be necessary or advisable or may be requested by Agent or the Lenders to carry out the intent and purposes of this Agreement, or for assuring, confirming or protecting the grant or perfection of the security interest granted or purported to be granted hereby, to ensure Pledgor's compliance with this Agreement or to enable Agent to exercise and enforce its rights and remedies hereunder with respect to the Collateral, including any documents for filing with the PTO, the Canadian Intellectual Property Office, or any applicable state office and any similar agency or office in Canada or elsewhere. Agent may record this Agreement, an abstract thereof, or any other document describing Agent's interest in the Collateral with the PTO, the Canadian Intellectual Property Office, and any similar agency or office in Canada or elsewhere, at the expense of Pledgor. In addition, Pledgor authorizes Agent to file financing statements describing the Collateral in any UCC filing office or similar offices in Canada or elsewhere deemed appropriate by Agent.

SECTION 6 Authorization to Supplement. If Pledgor shall obtain rights to any new trademarks, the provisions of this Agreement shall automatically apply thereto. Pledgor shall give prompt notice in writing to Agent with respect to any such new trademarks or renewal or extension of any trademark registration. Without limiting Pledgor's obligations under this Section 6, Pledgor authorizes Agent to modify this Agreement by amending Schedule A to include any such new trademark rights. Notwithstanding the foregoing, no failure to so modify this Agreement or amend Schedule A shall in any way affect, invalidate or detract from Agent's continuing security interest in all Collateral, whether or not listed on Schedule A.

SECTION 7 Binding Effect. This Agreement shall be binding upon, inure to the benefit of and be enforceable by Pledgor, Agent and their respective successors and assigns. Pledgor may not assign, transfer, hypothecate or otherwise convey its rights, benefits, obligations or duties hereunder except as specifically permitted by the Loan Agreement.

SECTION 8 Governing Law. This Agreement shall be governed by, and construed in accordance with, the law of the State of Illinois, except as required by mandatory provisions of law or to the extent the validity, perfection or priority of the security interests hereunder, or the remedies hereunder, in respect of any Collateral are governed by the law of a jurisdiction other than Illinois.

SECTION 9 Entire Agreement; Amendment. This Agreement and the Loan Agreement, together with the Schedules hereto and thereto, contains the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior drafts and

communications relating to such subject matter. Neither this Agreement nor any provision hereof may be modified, amended or waived except by the written agreement of the parties, as provided in the Loan Agreement. Notwithstanding the foregoing, Agent unilaterally may re-execute this Agreement or modify, amend or supplement the Schedules hereto as provided in Section 6 hereof. To the extent that any provision of this Agreement conflicts with any provision of the Loan Agreement, the provision giving Agent greater rights or remedies shall govern, it being understood that the purpose of this Agreement is to add to, and not detract from, the rights granted to Agent under the Loan Agreement.

SECTION 10 Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of this Agreement by facsimile shall be equally as effective as delivery of a manually executed counterpart. Any party hereto delivering a counterpart of this Agreement by facsimile shall also deliver a manually executed counterpart, but the failure to so deliver a manually executed counterpart shall not affect the validity, enforceability, or binding effect hereof.

SECTION 11 Termination. Upon termination of the Commitments and payment and satisfaction in full of all Obligations, the security interests created by this Agreement shall terminate and Agent, at the request and expense of Pledgor, shall promptly execute and deliver to Pledgor such documents and instruments reasonably requested by Pledgor as shall be necessary to evidence termination of all such security interests given by Pledgor to Agent hereunder, including cancellation of this Agreement by written notice from Agent to the PTO or the Canadian Intellectual Property Office, as applicable. The Agent shall have no liability whatsoever to any Secured Party as a result of any actions taken in accordance with this Section.

SECTION 12 No Inconsistent Requirements. Pledgor acknowledges that this Agreement and the other documents, agreements and instruments entered into or executed in connection herewith may contain covenants and other terms and provisions variously stated regarding the same or similar matters, and Pledgor agrees that all such covenants, terms and provisions are cumulative and all shall be performed and satisfied in accordance with their respective terms.

SECTION 13 Severability. If one or more provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect in any jurisdiction or with respect to any party, such invalidity, illegality or unenforceability in such jurisdiction or with respect to such party shall, to the fullest extent permitted by applicable law, not invalidate or render illegal or unenforceable any such provision in any other jurisdiction or with respect to any other party, or any other provisions of this Agreement.

SECTION 14 Notices. All notices and other communications hereunder shall be in writing and shall be mailed, sent or delivered in accordance with the Loan Agreement.

SECTION 15 The Agent.

(a) The Secured Parties, by their acceptance of the benefits of this Agreement, hereby irrevocably designate Foothill Capital Corporation, as Agent, to act as specified herein. Each Secured Party hereby irrevocably authorizes the Agent to take such action on its behalf under the provisions of this Agreement and any other instruments and agreements referred to herein or therein and to exercise such powers and to perform such duties hereunder and thereunder as are specifically delegated to or required of the Agent by the terms hereof or thereof and such other powers as are reasonably incidental thereto. The Agent may perform any of its duties hereunder by or through its authorized agents or employees.

(b) To the extent applicable, Section 16 of the Loan Agreement is hereby incorporated by reference.

SECTION 16 Power of Attorney. The Pledgor hereby appoints the Agent as the Pledgor's attorney-in-fact for the purpose of carrying out the provisions of this Agreement, protecting the interests of the Secured Parties, and taking any action and executing any instrument which the Agent may deem necessary or advisable to accomplish the purposes hereof. Without limiting the generality of the foregoing, the Agent shall have the right and power to execute endorsements, assignments or other instruments of conveyance or transfer with respect to all or any of the Collateral.


SECTION 17 Survival. All representations, warranties and agreements of the Pledgor contained in this Agreement shall survive the execution, delivery and performance of this Agreement until the termination of this Agreement pursuant to Section 11 hereof.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement,  
as of the date first above written.


PLEDGOR:

STS OPERATING, INC.,  
a Delaware corporation

By:   
Name:  
Title:


AGENT:

FOOTHILL CAPITAL CORPORATION,  
a California corporation

By:   
Name: STEPHEN CARL  
Title: V.P.

LENDERS:

FOOTHILL CAPITAL CORPORATION,  
a California corporation

By:   
Name: STEPHEN CARL  
Title: V.P.



SCHEDULE A  
to the Trademark Security Agreement

Trademarks of Pledgor

ACTIVATION (and design)



United States  
Application No. 75/092,803 (abandoned)

ACTIVATION (and design)



United States  
Registration No. 729,705

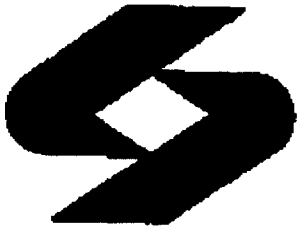
AIR-DRECO

United States  
Registration No. 656,070

AUROCANE

United States  
Registration No. 1,689,851 (canceled)

S (stylized)



United States  
Registration No. 1,532,394

**SUNSOURCE**

United States  
Registration No. 2,120,432

**SUNSOURCE INDUSTRIAL SERVICES**

Canada  
Registration No. TMA505774

Mexico  
Registration Nos. 620859, 618955

United States  
Registration No. 2,188,456

**J.N. FAUVER CO.**

Wisconsin  
Registered Trade Name

## Trademark Licenses of Pledgor

1. SMC Pneumatics, Inc. Partnering Distributor Agreement with J.N. Fauver Co. dated June 1, 1994 for certain counties in Southern California. The license, which is non-exclusive and non-transferable, is for limited rights to trademarks, trade names and symbols relating to SMC products.
2. SMC Pneumatics, Inc. Partnering Distributor Agreement with Activation dated November 29, 1993 for Alabama, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, and certain counties in Florida. The license, which is non-exclusive and non-transferable, is for limited rights to trademarks, trade names and symbols relating to SMC products.
3. SMC Pneumatics, Inc. Partnering Distributor Agreement with Walter Norris dated November 17, 1993 for certain parts of Illinois and Iowa. The license, which is non-exclusive and non-transferable, is for limited rights to trademarks, trade names and symbols relating to SMC products.
4. Norgren Distributor Agreement by and between IMI Norgren, Inc. and SunSource dated January 5, 2000 for certain counties in Illinois. The license, which is non-exclusive, revocable and non-transferable, is for limited rights to trademarks, trade names and symbols relating to Norgren products.
5. Norgren Distributor Agreement by and between IMI Norgren, Inc. and SunSource/Air-Dreco dated February 1, 1998 for Louisiana and Oklahoma, and certain counties in Texas and Mississippi. The license, which is non-exclusive, revocable and non-transferable, is for limited rights to trademarks, trade names and symbols relating to Norgren products.
6. NO Incorporated Distributorship Agreement with Fauver Company, Inc. dated June 1, 1996 for Michigan, West Virginia and Ohio, and parts of Wisconsin, Maryland, Pennsylvania, Indiana and Kentucky. The license, which is revocable, is for limited rights to trade names and trademarks relating to CUNO products.

Pending Trademark Applications of Pledgor

None.

A-4

3570511v2

**RECORDED: 10/15/2002**

**TRADEMARK  
REEL: 002603 FRAME: 0278**