

03-06-2003

Form PTO-1594 (Rev. 10/02)

3-5-03

RECORDATION TRADEM



DEPARTMENT OF COMMERCE
Patent and Trademark Office

OMB No. 0651-0027 (exp. 6/30/2005)

102382635

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):

Wagner Engineering, LLC
(f/k/a Zero Roll Suspension, LLC)

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

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

3. Nature of conveyance:

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

Execution Date: January 16, 2003

2. Name and address of receiving party(ies)

Name: Connecticut Innovations, Incorporated

Internal Address: _____
Address: _____

Street Address: 999 West Street

City: Rocky Hill State: CT Zip: 06067

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

781066369

B. Trademark Registration No.(s)

2494774; 2525629

Additional number(s) attached Yes No

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

Name: Gregg J. Lallier

Internal Address: _____

Updike, Kelly & Spellacy, P.C.

Street Address: One Century Tower

265 Church Street, 10th Floor

City: New Haven State: CT Zip: 06510

6. Total number of applications and registrations involved: _____

3

7. Total fee (37 CFR 3.41).....\$ 90.00

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number: _____

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

DO NOT USE THIS SPACE

9. Statement and signature.

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

Gregg J. Lallier
Name of Person Signing

Signature

2/26/03
Date

Total number of pages including cover sheet, attachments, and document: 21

03/06/2003 ECOOPER 00000019 78066369

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

01 FC:0521 40.00 0P
02 FC:0522 50.00 0P

TRADEMARK
REEL: 002684 FRAME: 0488

SECURITY AGREEMENT

This SECURITY AGREEMENT is made as of January 16, 2003 between CONNECTICUT INNOVATIONS, INCORPORATED, a Connecticut corporation with an office located at 999 West Street, Rocky Hill, Connecticut 06067 (the "Secured Party") and WAGNER ENGINEERING LLC, a Connecticut limited liability company with an office located at c/o Connecticut Innovations, Incorporated, 999 West Street, Rocky Hill, Connecticut 06067 (the "Debtor").

WITNESSETH:

WHEREAS, pursuant to the terms of a certain Note Purchase Agreement of even date herewith among the Debtor and the Secured Party (the "Purchase Agreement"), the Secured Party has agreed to purchase from Debtor a Note (as defined in the Purchase Agreement); and

WHEREAS, it is a condition precedent to the obligation of the Secured Party to purchase the Note and otherwise extend loans to the Debtor, that Debtor shall have executed and delivered this Security Agreement;

NOW, THEREFORE, in consideration of the premises and to induce the Secured Party to enter into the Purchase Agreement and otherwise extend loans to the Debtor pursuant to the Note, Debtor hereby agrees with the Secured Party as follows:

1. Defined Terms.

(a) Unless otherwise defined herein, terms, which are defined in the Note and Purchase Agreement and used herein, are so used and defined.

(b) The following terms shall have the following meanings:

"Accounts" means any "accounts" (as defined by the Code) relating to any of the Collateral.

"Accessions" has the meaning set forth for such term in the Code.

"Article 9" means Article 9 of the Code as in effect on and after October 1, 2001, the effective date of Public Act No. 01-132 of the State of Connecticut.

"Chattel Paper" has the meaning set forth for such term in the Code.

"Code" means the Uniform Commercial Code as from time to time in effect in the State of Connecticut, including, specifically, Article 9.

"Collateral" has the meaning assigned to it in Section 2 of this Security Agreement.

"Collateral Disclosure List" means Schedule I attached hereto and made a part hereof.

“Contracts” means the separate contracts relating to the sale, lease, license or other disposition of any of the Collateral, including without limitation any Licenses, between the Debtor and third parties, as the same may from time to time be amended, supplemented or otherwise modified, including, without limitation, (a) all rights of the Debtor to receive moneys due and to become due to it thereunder or in connection therewith, (b) all rights of the Debtor to damages arising out of, or for, breach or default in respect thereof and (c) all rights of the Debtor to perform and to exercise all remedies thereunder; but excluding any contracts, the assignment or hypothecation of which, for collateral purposes, would result in a default or require, or cause, a forfeiture or permit a revocation of material rights under such contract.

“Copyrights” means (a) all copyrights of the United States or any other country, including, without limitation, any thereof referred to in the Collateral Disclosure List; (b) all copyright registrations filed in the United States or in any other country, including, without limitation, any thereof referred to in the Collateral Disclosure List; (c) all Debtor’s copyrights for Derivative Works of those copyrights referred to in the Collateral Disclosure List; and (d) all Proceeds thereof.

“Copyright License” means all agreements, whether written or oral, providing for the grant by Debtor of any right to use any Copyright, and all Proceeds thereof.

“Derivative Work” or **“Derivative Works”** has the meaning set forth in Section 101 of the U.S. Copyright Act (17 U.S.C. § 101) for “derivative work”.

“General Intangibles” has the meaning set forth for such term in the Code.

“Governmental Authority” means any Federal, state, local or foreign court, commission or tribunal, or governmental, administrative or regulatory agency, department, authority, instrumentality or other body.

“Instrument” has the meaning set forth for such term in the Code.

“License” or **“Licenses”** means, individually or collectively, any agreement, whether written or oral, providing for the grant by Debtor of any right to use any Collateral, including without limitation any Patent License, Trademark License, Copyright License and/or Software License.

“Material Adverse Effect” means (i) a material adverse effect upon the business, operations, properties, assets or condition (financial or otherwise) of Debtor and its subsidiaries, taken as a whole or (ii) a material adverse effect on the ability of Debtor to perform its obligations under this Security Agreement or any Other Document or the ability of any Secured Party to enforce or collect any of the Obligations. In determining whether any individual event would result in a Material Adverse Effect, notwithstanding that such event does not of itself have such an effect, a Material Adverse Effect shall be deemed to have occurred if the cumulative effect of such event and all other then existing events would result in a Material Adverse Effect.

"Obligations" means Obligations of Debtor to the Secured Party under the Note.

"Other Documents" means the Purchase Agreement, the Note and the Agreements (as defined by the Note).

"Patents" means (a) all letters patent of the United States and all reissues and extensions thereof; (b) all applications for letters patent of the United States and all divisions, continuations and continuations-in-part thereof or any other country, including, without limitation, any thereof referred to in the Collateral Disclosure List; and (c) all Proceeds thereof.

"Patent License" means all agreements, whether written or oral, providing for the grant by Debtor of any right to manufacture, use or sell any invention covered by a Patent, including, without limitation, any thereof referred to in the Collateral Disclosure List, and all Proceeds thereof.

"Person" means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture or other entity of whatever nature, whether public or private.

"Proceeds" has the meaning set forth for such term in the Code.

"Requirement of Law" means any requirement of law, rule, regulation or guideline of any Governmental Authority.

"Security Agreement" means this Security Agreement, as amended, supplemented, restated or otherwise modified from time to time.

"Software" means (a) all the "software" (as such term is defined by Article 9) of the Debtor now existing or hereafter created or acquired, any and all Copyrights or Patents relating thereto (whether or not registered in the United States Copyright Office, United States Patent and Trademark Office or in any similar office or agency of the United States or any other country), all Source Code and object code associated therewith and all documentation, manuals and know-how in connection therewith, including, without limitation, any Software referred to in the Collateral Disclosure List, (b) all upgrades or versions thereof, and (c) all Proceeds thereof.

"Software License" means any agreement, written or oral, providing for the grant by Debtor of any right to use any Software, including, without limitation, any Software License referred to in the Collateral Disclosure List, and all Proceeds thereof.

"Source Code" means all source code and all updates, releases and/or new versions of the Software.

"Trademarks" means (a) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers and the goodwill associated therewith, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith,

whether registered 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 or otherwise, including, without limitation, any thereof referred to in the Collateral Disclosure List; (b) all renewals thereof; and (c) all Proceeds thereof, including the goodwill of the business connected with the use of and symbolized by the Trademarks.

“Trademark License” means any agreement, written or oral, providing for the grant by Debtor of any right to use any Trademark, including, without limitation, any thereof referred to in the Collateral Disclosure List and all Proceeds thereof.

2. **Grant of Security Interest.**

As collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Obligations, Debtor hereby grants to the Secured Party a security interest in all of the following items now owned or at any time hereafter acquired by Debtor or in which Debtor now has or at any time in the future may acquire any right, title or interest, wherever located or situated and however defined or classified under the Code (the **“Collateral”**):

- (i) all Accounts;
- (ii) all Contracts;
- (iii) all Copyrights;
- (iv) all Copyright Licenses;
- (v) all General Intangibles;
- (vi) all Licenses;
- (vii) all Patents;
- (viii) all Patent Licenses;
- (ix) all Software;
- (x) all Software Licenses;
- (xi) all Trademarks;
- (xii) all Trademark Licenses; and
- (xiii) to the extent not otherwise included, all Proceeds, all Accessions and additions thereto and all substitutions and replacements therefore and products of any and all of the foregoing.

3. Rights of Secured Party; Limitations on Secured Party's Obligations.

(a) Debtor Remains Liable under Contracts and Accounts. Anything herein to the contrary notwithstanding, Debtor shall remain liable under each of the Accounts and Contracts to observe and perform all the material conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise to each such Account and in accordance with and pursuant to the terms and provisions of each such Contract. The Secured Party shall not have any obligation or liability under any Account (or any agreement giving rise thereto) or under any Contract by reason of or arising out of this Security Agreement or the receipt by the Secured Party of any payment relating to such Account or Contract pursuant hereto, nor shall the Secured Party be obligated in any manner to perform any of the obligations of Debtor under or pursuant to any Account (or any agreement giving rise thereto) or under or pursuant to any Contract, to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party under any Account (or any agreement giving rise thereto) or under any Contract, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

(b) Notice to Account Debtors and Contracting Parties. Upon the request of the Secured Party at any time after the occurrence and during the continuance of an Event of Default, Debtor shall notify account debtors on the Accounts and parties to the Contracts that the Accounts and the Contracts have been assigned to the to the Secured Party and that payments in respect thereof shall be made directly to the Secured Party. The Secured Party may in its own name or in the name of others communicate with account debtors on the Accounts and parties to the Contracts to verify with them to its satisfaction the existence, amount and terms of any Accounts or Contracts.

(c) Analysis of Accounts. The Secured Party shall have the right, at its own expense, to make test verifications of the Accounts in any manner and through any medium that it reasonably considers advisable, and Debtor shall furnish all such assistance and information as the Secured Party may reasonably require in connection therewith, provided that the making of the foregoing test verifications shall be at the expense of Debtor if and only if an Event of Default shall have occurred and be continuing. At any time after the occurrence and during the continuance of an Event of Default, Debtor, at its sole expense, shall cause its independent public accountants or others selected by Debtor and satisfactory to the Secured Party to furnish to the Secured Party reports showing reconciliations, aging and test verifications of, and trial balances for, the Accounts.

(d) Collections on Accounts. The Secured Party hereby authorizes Debtor to collect the Accounts subject to the Secured Party's direction and control, and the Secured Party may curtail or terminate said authority upon the occurrence and during the continuance of an Event of Default. If required by the Secured Party upon the occurrence and during the continuance of an Event of Default, any payments of Accounts, when collected by Debtor, shall be forthwith (and, in any event, within two (2) business days) deposited by Debtor in the exact form received, duly endorsed by Debtor to the Secured Party if required, in a special collateral account maintained by

the Secured Party, subject to withdrawal by the Secured Party only, as hereinafter provided, and, until so turned over, shall be held by Debtor in trust for the Secured Party, segregated from other funds of Debtor. Each deposit of any such Proceeds shall be accompanied by a report identifying in reasonable detail the nature and source of the payments included in the deposit. All Proceeds constituting collections of Accounts while held by the Secured Party (or by Debtor in trust for the Secured Party) shall continue to be collateral security for all of the Obligations and shall not constitute payment thereof until applied as hereinafter provided. If an Event of Default shall have occurred and be continuing, at any time at the Secured Party's election, the Secured Party shall apply all or any part of the funds on deposit in said special collateral account on account of the Obligations, and any part of such funds which the Secured Party elects not so to apply and deems not required as collateral security for the Obligations shall be paid over from time to time by the Secured Party to Debtor or to whomsoever may be lawfully entitled to receive the same. At the Secured Party's request during the continuance of an Event of Default, Debtor shall deliver to the Secured Party all original and other documents evidencing, and relating to, the agreements and transactions which gave rise to the Accounts, including, without limitation, all original orders, invoices and shipping receipts.

4. Representations and Warranties. The Debtor hereby represents and warrants that:

(a) Title; No Other Encumbrances. Except for the encumbrance granted to the Secured Party pursuant to this Security Agreement, Debtor owns each item of the Collateral free and clear of any and all encumbrances or claims of others. No security agreement, financing statement or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except such as may have been filed in favor of the Secured Party holding a permitted encumbrance.

(b) Perfected First Priority Encumbrances. The encumbrances granted pursuant to this Security Agreement constitute perfected encumbrances on the Collateral in favor of the Secured Party, which are prior to all other encumbrances on the Collateral created by Debtor and in existence on the date hereof and which are enforceable as such against all creditors of and purchasers from Debtor.

(c) Accounts. The amount represented by Debtor to the Secured Party from time to time as owing by each account debtor or by all account debtors in respect of the Accounts will at such time be the correct amount actually owing by such account debtor or debtors thereunder in all material respects. No amount payable to Debtor under or in connection with any Account is evidenced by any Instrument or Chattel Paper (other than Contracts constituting Chattel Paper), which has not been delivered to the Secured Party.

(d) Contracts. No consent of any party (other than Debtor) to any Contract, or any other contract or agreement, is required, or purports to be required, in connection with the execution, delivery and performance of this Security Agreement other than consents which the failure of which to obtain will not, when taken together, not have a Material Adverse Effect. Each Contract is in full force and effect and constitutes a valid and legally enforceable obligation of the parties thereto, except as enforceability may be limited by bankruptcy, insolvency,

reorganization, moratorium or similar laws affecting the enforcement of creditor's rights generally other than consents which the failure of which to obtain will not, when taken together, have a Material Adverse Effect. No consent or authorization of, filing with or other act by or in respect of any Governmental Authority is required in connection with the execution, delivery, performance, validity or enforceability of any of the Contracts by any party thereto other than those which have been duly obtained, made or performed, are in full force and effect and do not subject the scope of any such Contract to any material adverse limitation, either specific or general in nature. Neither Debtor nor (to the best of Debtor's knowledge) any other party to any Contract is in default in a manner that could reasonably be expected to have a Material Adverse Effect on the value of all such Contracts as Collateral. The Debtor has fully performed all its current obligations under each Contract. The right, title and interest of Debtor in, to and under each Contract are not subject to any defense, offset, counterclaim or claim which in the aggregate could reasonably be expected to have a Material Adverse Effect. No amount payable to Debtor under or in connection with any Contract is evidenced by any Instrument or Chattel Paper, other than Contracts constituting Chattel Paper, which has not been delivered to the Secured Party.

(e) Chief Executive Office/Jurisdiction. The Debtor's chief executive office, chief place of business and jurisdiction of incorporation or organization is set forth in the Collateral Disclosure List.

(f) Patents, Copyrights, Software and Trademarks. All Patents, Patent Licenses, Trademarks, Trademark Licenses, Software, Software Licenses, Copyrights and Copyright Licenses owned by Debtor in its own name as of the date hereof are listed on the Collateral Disclosure List. To the best of Debtor's knowledge, each Patent, Copyright, Software and Trademark is valid, subsisting, unexpired, enforceable and has not been abandoned. Except as set forth in the Collateral Disclosure List, none of such Patents, Copyrights, Software and Trademarks is the subject of any licensing or franchise agreement. No holding, decision or judgment has been rendered by any Governmental Authority which would limit, cancel or question the validity of any Patent, Copyright, Software or Trademark. No action or proceeding is pending (i) seeking to limit, cancel or question the validity of any Patent, Copyright, Software or Trademark, or (ii) which, if adversely determined, could reasonably be expected to have a material adverse effect on the Debtor's business.

(g) Governmental Obligors. None of the obligors on any Accounts, and none of the parties to any Contracts, is a Governmental Authority with respect to which the Federal Assignment of Claims Act is applicable.

5. Covenants. The Debtor covenants and agrees with the Secured Party that, from and after the date of this Security Agreement until the Obligations are paid in full and the Note terminated:

(a) Further Documentation. At any time and from time to time, upon the written request of the Secured Party, and at the sole expense of Debtor, Debtor will promptly and duly execute and deliver such further instruments and documents and take such further action as the Secured Party may reasonably request for the purpose of obtaining or preserving the full benefits

of this Security Agreement and of the rights and powers herein granted, including, without limitation, the filing of any financing or continuation statements under the Code in effect in any jurisdiction with respect to the encumbrances created hereby. The Debtor also hereby authorizes the Secured Party to file any such financing or continuation statement without the signature of Debtor to the extent permitted by applicable law solely with respect to the Collateral. A carbon, photographic or other reproduction of this Security Agreement shall be sufficient as a financing statement for filing in any jurisdiction.

(b) Indemnification. The Debtor agrees to pay, and to save the Secured Party harmless from, any and all liabilities, costs and expenses (including, without limitation, legal fees and expenses) (i) with respect to, or resulting from, any delay in paying, any and all excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral, (ii) with respect to, or resulting from, any delay not caused by the Secured Party in complying with any Requirement of Law applicable to any of the Collateral or (iii) in connection with any of the transactions contemplated by this Security Agreement. In any suit, proceeding or action brought by the Secured Party under any Account or Contract for any sum owing thereunder, or to enforce any provisions of any Account or Contract, Debtor will save, indemnify and keep the Secured Party harmless from and against all expense, loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment or reduction or liability whatsoever of the account debtor or obligor thereunder, arising out of a breach by Debtor of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such account debtor or obligor or its successors from Debtor.

(c) Maintenance of Records. The Debtor will keep and maintain at its own cost and expense satisfactory and complete records of the Collateral, including, without limitation, a record of all payments received and all credits granted with respect to the Accounts. The Debtor will mark its books and records pertaining to the Collateral to evidence this Security Agreement and the security interests granted hereby. For the Secured Party's further security, the Secured Party shall have a security interest in all of Debtor's books and records pertaining to the Collateral, and Debtor shall turn over any such books and records to the Secured Party or to its representatives during normal business hours at the request of the Secured Party.

(d) Compliance with Laws, etc. The Debtor will comply in all material respects with all Requirements of Law applicable to the Collateral or any part thereof or to the operation of Debtor's business; provided, however, that Debtor may contest any Requirement of Law in any reasonable manner which shall not, in the sole opinion of the Secured Party, adversely affect the Secured Party's rights or the priority of its encumbrances on the Collateral.

(e) Compliance with Terms of Contracts, etc. The Debtor will perform and comply in all material respects with all its obligations under the Contracts and all its other contractual obligations relating to the Collateral except where such nonperformance and noncompliance could not reasonably be expected to have a Material Adverse Effect.

(f) Payment of Obligations. The Debtor will pay promptly when due all taxes, assessments and governmental charges or levies imposed upon the Collateral or in respect of its income or profits therefrom, as well as all claims of any kind (including, without limitation,

claims for labor, materials and supplies) against or with respect to the Collateral, except that no such charge need be paid if (i) the validity thereof is being contested in good faith by appropriate proceedings, (ii) such proceedings do not involve any material danger of the sale, forfeiture or loss of any of the Collateral or any interest therein and (iii) such charge is adequately reserved against on Debtor's books in accordance with GAAP.

(g) Limitation on Encumbrances on Collateral. The Debtor will not create, incur or permit to exist, will defend the Collateral against, and will take such other action as is necessary to remove, any encumbrance or claim on or to the Collateral, other than the encumbrances created hereby, and will defend the right, title and interest of the Secured Party in and to any of the Collateral against the claims and demands of all Persons whomsoever.

(h) Limitations on Dispositions of Collateral. Debtor will not sell, transfer, lease or otherwise dispose of any of the Collateral, or attempt, offer or contract to do so except for (i) so long as no Event of Default has occurred and is continuing, the grant of non-exclusive Licenses in the ordinary course of business and (ii) so long as no Event of Default has occurred and is continuing, the disposition in the ordinary course of business of property not material to the conduct of its business or as otherwise permitted by prior written consent of the Secured Party.

(i) Limitations on Modifications, Waivers, Extensions of Contracts and Agreements Giving Rise to Accounts. Debtor will not (i) amend, modify, terminate or waive any provision of any Contract or any agreement giving rise to an account in any manner which could reasonably be expected to have a Material Adverse Effect on the value of such Contracts or Accounts as Collateral when examined in the aggregate, (ii) fail to exercise promptly and diligently its material right under each Contract and each agreement giving rise to an Account (other than any right of termination) where such failure could have a Material Adverse Effect on the value of such Contracts or Accounts when examined in the aggregate or (iii) fail to deliver to the Secured Party, following its request therefor, a copy of each material demand, notice or document received by it relating in any way to any Contract or any material agreement giving rise to an Account.

(j) Further Identification of Collateral. The Debtor will furnish to the Secured Party from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Secured Party may reasonably request, all in reasonable detail.

(k) Notices. The Debtor will advise and give notice to the Secured Party promptly, in reasonable detail, (i) of any encumbrance (other than encumbrances created hereby) on, or claim asserted against, any of the Collateral and (ii) of the occurrence of any other event which could reasonably be expected to have a material adverse effect on the aggregate value of the Collateral or on the encumbrances created hereunder.

(l) Changes in Locations, Name, etc. The Debtor will not (i) change the location of its chief executive office, chief place of business or jurisdiction of incorporation or organization from that specified in the Collateral Disclosure List or remove its books and records from such location or (ii) change its name, identity or structure to such an extent that any financing

statement filed by the Secured Party in connection with this Security Agreement would become seriously misleading or faulty under Article 9, unless it shall have given the Secured Party at least thirty (30) days prior written notice thereof.

(m) Patents, Copyrights, Software and Trademarks.

(i) Unless otherwise agreed in writing by Secured Party prior to the occurrence of any of the following events, Debtor (either itself or through licensees) will, except with respect to any Trademark that Debtor shall reasonably determine is of negligible economic value to it, (A) continue to use each Trademark on each and every trademark class of goods applicable to its current line as reflected in its current catalogs, brochures and price lists in order to maintain such Trademark in full force free from any claim of abandonment for non-use, (B) maintain as in the past, on a best efforts basis, the quality of products and services offered under such Trademark, (C) with respect to a registered Trademark, employ such Trademark with the appropriate notice of registration, (D) not adopt or use any mark which is confusingly similar or a colorable imitation of such Trademark unless the Secured Party shall obtain a perfected security interest in such mark pursuant to this Security Agreement, and (E) not (and not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby any Trademark may become invalidated.

(ii) The Debtor will not, except with respect to any Patent, including any Software which is the subject of a Patent, that Debtor shall reasonably determine is of negligible economic value to it, do any act, or omit to do any act, whereby any Patent may become abandoned or dedicated.

(iii) The Debtor will notify the Secured Party immediately if it knows, or has reason to know, that any application or registration relating to any Patent, Copyright, Software or Trademark may become abandoned or dedicated, or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office or any court or tribunal in any country) regarding Debtor's ownership of any Patent, Copyright, Software or Trademark or its right to register the same or to keep and maintain the same.

(iv) Whenever Debtor, either by itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Patent, Software or Trademark with the United States Patent and Trademark Office or any Copyright or Software with the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, Debtor shall report such filing to the Secured Party within five (5) Business Days after the last day of the fiscal quarter in which such filing occurs.

(v) The Debtor shall execute and deliver any and all agreements, instruments, documents, and papers as the Secured Party may request to evidence the Secured Party's security interest in any Patent, Copyright, Software or Trademark and the goodwill of Debtor relating thereto or represented thereby, and Debtor hereby constitutes the Secured Party its attorney-in-fact to execute and file all such writings for the foregoing purposes, all acts of such attorney

being hereby ratified and confirmed; such power being coupled with an interest is irrevocable until the Obligations are paid in full.

(vi) The Debtor will take all reasonable and necessary steps, including, without limitation, in any proceeding before the United States Patent and Trademark Office, or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue each application (and to obtain the relevant registration) and to maintain each registration of any registered Patents, Copyrights, Software or Trademarks, including, without limitation, filing of applications for renewal, affidavits of use and affidavits of incontestability.

(vii) In the event that any material Patent, Copyright, Software or Trademark included in the Collateral is infringed, misappropriated or diluted by a third party, Debtor shall promptly notify the Secured Party after it learns thereof and shall, unless Debtor shall reasonably determine that such Patent, Copyright, Software or Trademark is of negligible economic value to Debtor, promptly sue for infringement, misappropriation or dilution, to seek injunctive relief where appropriate and to recover any and all damages for such infringement, misappropriation or dilution, or take such other actions as Debtor shall reasonably deem appropriate under the circumstances to protect such Patent, Copyright, Software or Trademark.

6. Secured Party's Appointment as Attorney-in-Fact.

(a) Powers. The Debtor hereby irrevocably constitutes and appoints the Secured Party and any officer of Secured Party thereof with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of Debtor and in the name of Debtor or in its own name, from time to time in the Secured Party's discretion, for the purpose of carrying out the terms of this Security Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Security Agreement, and, without limiting the generality of the foregoing, Debtor hereby gives the Secured Party the power and right, on behalf of Debtor, without notice to or assent by Debtor, to do the following: to pay or discharge taxes and encumbrances levied or placed on the Collateral, to effect any repairs or any insurance called for by the terms of this Security Agreement and to pay all or any part of the premiums therefor and the costs thereof; and upon the occurrence and during the continuance of any Event of Default, (i) to direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Secured Party or as the Secured Party shall direct; (ii) to ask or demand for, collect, receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (iii) to sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (iv) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any thereof and to enforce any other right in respect of any Collateral; (v) to defend any suit, action or proceeding brought against Debtor with respect to any Collateral; (vi) to settle, compromise or adjust any suit, action or proceeding described in clause (v) above and, in connection therewith, to give such discharges or releases as the Secured Party may deem appropriate; (vii) to assign any Patent, Copyright, Software or

Trademark (along with the goodwill of the business to which any such Trademark pertains), throughout the world for such term or terms, on such conditions, and in such manner, as the Secured Party shall in its sole discretion determine; and (viii) generally, to sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Secured Party were the absolute owner thereof for all purposes, and to do, at the Secured Party's option and Debtor's expense, at any time, or from time to time, all acts and things which the Secured Party deems necessary to protect, preserve or realize upon the Collateral and the Secured Party's encumbrances thereon and to effect the intent of this Security Agreement, all as fully and effectively as Debtor might do. The Debtor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

(b) Other Powers. The Debtor also authorizes the Secured Party, at any time and from time to time, to execute, in connection with the sale provided for in Section 8 hereof, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

(c) No Duty on Secured Party's Part. The powers conferred on the Secured Party hereunder are solely to protect Secured Party's interests in the Collateral and shall not impose any duty upon the Secured Party to exercise any such powers. The Secured Party shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its officers, directors, employees or agents shall be responsible to Debtor for any act or failure to act hereunder, except for its own gross negligence or willful misconduct.

7. Performance by Secured Party of Debtor's Obligations. If Debtor fails to perform or comply with any of its agreements contained herein and the Secured Party, as provided for by the terms of this Security Agreement, shall itself perform or comply, or otherwise cause performance or compliance, with such agreement, the reasonable expenses of the Secured Party incurred in connection with such performance or compliance, together with interest thereon at a rate per annum equal to 12%, shall be payable by Debtor to the Secured Party on demand and shall constitute Obligations secured hereby.

8. Remedies. If an Event of Default shall occur and be continuing, the Secured Party may exercise, in addition to all other rights and remedies granted to it in this Security Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the Code. Without limiting the generality of the foregoing, the Secured Party, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon Debtor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Secured Party or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit

risk. The Secured Party shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in Debtor, which right or equity is hereby waived or released. The Debtor further agrees, at the Secured Party's request, to assemble the Collateral and make it available to the Secured Party at places, which the Secured Party shall reasonably select, whether at Debtor's premises or elsewhere. The Secured Party shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Secured Party hereunder, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Obligations, in such order as the Secured Party may elect, and only after such application and after the payment by the Secured Party of any other amount required by any provision of law, including, without limitation, any section of the Code, need the Secured Party account for the surplus, if any, to Debtor. To the extent permitted by applicable law, Debtor waives all claims, damages and demands it may acquire against the Secured Party arising out of the exercise by the Secured Party of any of its rights hereunder. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least ten (10) days before such sale or other disposition. The Debtor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the obligations and the fees and disbursements of any attorneys employed by the Secured Party to collect such deficiency.

9. **Limitation on Duties Regarding Preservation of Collateral.** The Secured Party's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under any section of the Code or otherwise, shall be to deal with it in the same manner as the Secured Party deals with similar property for its own account. Neither the Secured Party nor any of its directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon all or any part of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of Debtor or otherwise.

10. **Powers coupled with an Interest.** All authorizations and agencies herein contained with respect to the Collateral are irrevocable and powers coupled with an interest.

11. **Severability.** Any provision of this Security Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

12. **Paragraph Headings.** The paragraph headings used in this Security Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

13. **No Waiver; Cumulative Remedies.** The Secured Party shall not, by any act (except by a written instrument), delay, indulgence, omission or otherwise, be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of the Secured Party, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Secured Party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy that the Secured Party would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any rights or remedies provided by law.

14. **Waivers and Amendments; Successors and Assigns, Governing Law.** The terms and provisions of this Security Agreement may be waived, amended, supplemented or otherwise modified in accordance with the provisions of Section 7.8 of the Purchase Agreement. This Security Agreement shall be binding upon the successors and assigns of Debtor and shall inure to the benefit of the Secured Party and its successors and assigns. This Security Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of Connecticut without regard to its conflicts of laws principles.

15. **Notices.** Notices hereunder shall be given to the Debtor and the Secured Party in the manner set forth in the Note and at the address set forth in the preamble hereof.

16. **Termination.** Upon the payment and the performance of the Obligations in full, this Security Agreement shall terminate and the Secured Party shall deliver any release of the encumbrances created under this Security Agreement that Debtor may reasonably request.

[intentionally left blank - signature page follows]

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

WAGNER ENGINEERING LLC

By: J. Todd Wagner
Name: J. Todd Wagner
Title: Chief Technology Officer

**CONNECTICUT INNOVATIONS,
INCORPORATED**

By: Arnold B. Brandyberry
Name:
Title: Arnold B. Brandyberry
Executive Vice President & C.O.O.

Schedule I

Collateral Disclosure List

SCHEDULE 1 TO COLLATERAL DISCLOSURE LIST

Places of Business

The following describes each present place of business of the Debtor:

In care of: Connecticut Innovations, Incorporated

999 West Street

Rocky Hill, Connecticut 06067

89 North Plains Road

Wallingford, Connecticut

SCHEDULE 2 TO COLLATERAL DISCLOSURE LIST

Location of Office; Mailing Address; Jurisdiction

- (1) The following is the location of the office at which the records of the Debtor are kept:

**In care of: Connecticut Innovations, Incorporated
999 West Street
Rocky Hill, Connecticut 06067**

- (2) The following is the mailing address of the Debtor to be inserted on Financing Statements covering the Collateral:

**In care of: Connecticut Innovations, Incorporated
999 West Street
Rocky Hill, Connecticut 06067**

- (3) The following is the jurisdiction of organization or incorporation of the Debtor:

Debtor is a Connecticut limited liability company

SCHEDULE 3 TO COLLATERAL DISCLOSURE LIST

Patents, Software, Trademarks, Copyrights, Franchises, Etc.

(1) The following are all Patents, and all Patent Licenses and other agreements to use the patents of others, held by the Debtor:

1. U.S. PATENT NO. 6,173,978 ISSUED JANUARY 16, 2001
2. INTERNATIONAL PATENT APPLICATION NUMBER PCT/US99/20682
3. TWO PROVISIONAL APPLICATIONS FOR UPGRADED PATENTS AS TO THE ABOVE PATENTS
4. ONE PATENT APPLICATION CURRENTLY BEING WRITTEN
5. SEE CANNONDALE LICENSE REFERENCED BELOW.

(2) The following are all Trademarks, and all Trademark Licenses and other agreements to use the trademarks and servicemarks of others, held by the Debtor:

1. ZERO ROLL SUSPENSION
2. ZRS
3. LINK-X STABILITY SYSTEM

(3) The following are all Copyrights, and all Copyright Licenses and other agreements to use materials copyrighted by others, held by the Debtor:

None

(4) The following are all Contracts between the Debtor and others:

1. Lease for 89 North Plains Road, Wallingford, Connecticut (for garage space) @ \$500/month.
2. Contract on Use dated September 2, 2000 by and between Wagner Engineering, LLC and Micro Compact Car smart GmbH (previously transferred to the Company). This Contract on Use is currently in dispute. The vehicle associated with this Contract on Use will likely be destroyed.
3. Non-Disclosure Agreement dated February 23, 2000 by and between Wagner Engineering, LLC and Micro Compact Car smart GmbH (previously transferred to the Company).
4. In addition to the foregoing, Wagner Engineering, LLC is subject to a Confidentiality Agreement dated November 18, 1999 with Michelin North America, Inc. pursuant to which the Company has agreed, during the term thereof (two (2) years unless earlier terminated by mutual agreement), not to solicit or engage in discussions with other tire manufacturers.

5. Contract between the Debtor, as Licensor, and Cannondale Corporation, a Delaware corporation having its office and principal place of business at 16 Trowbridge Drive, Bethel, Connecticut 06801, licensing (a) U.S. Patent No. 6,173,978 issued January 16, 2001; (b) any division or continuation-in-whole thereof; (c) all reissues, continuations or extensions thereof; (d) any patent applications filed in any foreign country which correspond thereto and any foreign patents issued thereon; and (e) any Improvement Patents as defined therein, for use in Sport ATVs.

6. Consulting Agreement between the Debtor and Mr. William LaVelle for consulting services in the automotive industry, @ \$600 per diem.

7. Agency Agreement between the Debtor and Mr. Denton ("Bud") Butler to raise capital in consideration of payment of 7-1/2% of capital raised.

8. Legal services agreement between the Debtor and Pullman & Comley, LLC, for legal services when requested by the Debtor.

(5) The following are all Software, and all Software Licenses and other agreements to use software by others, held by the Debtor:

None, other than typical non-exclusive business, engineering, and accounting software licenses.

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