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Form PTO-1594 (Rev. 10/02) OMB No. 0651-002

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

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

1. Name of conveying party(ies):

4-28-03

Xplore Technologies Corp.

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

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

3. Nature of conveyance:

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

Execution Date: 11/05/02

2. Name and address of receiving party(ies)

Name: Phoenix Enterprises, LLC

Internal Address: Mr. Philip S. Sassower, 12th Floor

Street Address: 135 East 57 Street

City: New York State: NY Zip: 10022

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

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)

B. Trademark Registration No.(s) 2,259,808; 2,220,909; 2,361,809; 2,357,146

Additional number(s) attached Yes No

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

Name: Frank J. DeRosa, Esq.

Internal Address: Brown Raysman Millstein Felder & Steiner, LLP

Street Address: 900 Third Avenue

City: New York State: Ny Zip: 10022

6. Total number of applications and registrations involved:

4

7. Total fee (37 CFR 3.41) \$ 160.00

- Enclosed, Authorized to be charged to deposit account

8. Deposit account number:

02-4270

04/30/2003 TDIAZ1 00000181 024270 2259808 01 FC 8521 160.00 CH

DO NOT USE THIS SPACE

9. Signature.

Frank J. DeRosa, Atty. Reg. No. 26,543 Name of Person Signing

Signature

4-23-03 Date

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

24

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

TRADEMARK REEL: 002722 FRAME: 0216

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (“**Security Agreement**” or “**Agreement**”), dated as of November 5, 2002 between XPLORE TECHNOLOGIES CORPORATION OF AMERICA (“**Grantor**”), a Delaware corporation and wholly-owned subsidiary of Xplore Technologies Corp. (“**Xplore**”), and PHOENIX ENTERPRISES LLC, a Delaware limited liability company (“**Phoenix**” or, the “**Secured Party**”) for the benefit of the Lenders listed on Schedule 1 attached hereto.

WHEREAS, pursuant to terms of the Debenture Purchase Agreement dated as of the date hereof (as amended, restated, consolidated, supplemented or otherwise modified from time to time, the “**Debenture Purchase Agreement**”), by and among Xplore, Phoenix and the other Lenders, the Lenders have agreed to make the Loan to Xplore upon, and subject to, the terms and conditions set forth therein (capitalized terms used herein and not defined herein having the meanings assigned to such terms in the Debenture Purchase Agreement);

WHEREAS, as an inducement to the Lenders to enter into the Debenture Purchase Agreement, the Grantor is entering into this Security Agreement to secure the obligations of Grantor under the guaranty made as of the date hereof by Grantor in favor of the Lenders (the “**Guaranty**”); and

WHEREAS, it is a condition precedent to the obligations of the Lenders to make the Loans under the Debenture Purchase Agreement that Grantor grant the security interests to the Secured Party for the benefit of the Lenders as provided in, and execute and deliver, this Security Agreement to the Secured Party to secure its obligations under the Guaranty.

NOW, THEREFORE, in consideration of the premises herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Debenture Purchase Agreement. The following additional terms, as used herein, have the following respective meanings:

“Accounts” means all “accounts,” as defined in the UCC, of the Grantor, now owned or hereafter acquired by the Grantor.

“Collateral” has the meaning set forth in Section 3(a).

“Collateral Records” means books, records, ledger cards, files, correspondence, customer lists, blueprints, technical specifications, manuals, computer software, computer printouts, tapes, disks and related data processing software and similar items that at any time evidence or contain information relating to any of the Collateral or are otherwise necessary or helpful in the collection thereof or realization thereupon.

“Collateral Support” means all property (real or personal) assigned, hypothecated or otherwise securing any Collateral and shall include any security agreement or other agreement granting a lien or security interest in such real or personal property.

“Commercial Tort Claims” means all **“commercial tort claims,”** as defined in the UCC of the Grantor, now owned or hereafter acquired by the Grantor.

“Copyright License” means any agreement now or hereafter in existence granting to the Grantor, or pursuant to which the Grantor has granted to any other Person, any right to use, copy, reproduce, distribute, prepare derivative works, display or publish any records or other materials on which a Copyright is in existence or may come into existence.

“Copyrights” means all of the following: (i) all copyrights under the laws of the United States or any other country (whether or not the underlying works of authorship have been published), all registrations and recordings thereof, all intellectual property rights to works of authorship (whether or not published), and all applications for copyrights under the laws of the United States or any other country, including, without limitation, registrations, recordings and applications 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 any political subdivision thereof, (ii) all reissues, renewals and extensions thereof, (iii) all claims for, and rights to sue for, past or future infringements of any of the foregoing, and (iv) all income, royalties, damages and payments now or hereafter due or payable with respect to any of the foregoing, including, without limitation, damages and payments for past or future infringements thereof.

“Deposit Accounts” shall mean all **“deposit accounts,”** as defined in the UCC, of the Grantor, and shall include, without limiting the foregoing, any demand, time, savings, passbook or similar account maintained by the Grantor with any bank, savings and loan association, credit union or like organization, and all money, cash and cash equivalents of the Grantor, whether or not deposited in any such deposit account, and all certificates and instruments, if any, from time to time representing, evidencing or deposited into such accounts.

“Documents” means all **“documents,”** as defined in the UCC, of the Grantor, and shall include, without limiting the foregoing, all receipts covering, evidencing or representing goods, now owned or hereafter acquired, by the Grantor.

“Equipment” means all **“equipment,”** as defined in the UCC, now owned or hereafter acquired by the Grantor, and shall include, without limiting the foregoing, (i) all machinery, manufacturing equipment, data processing equipment, computers, office equipment, furnishings, furniture, appliances, fixtures and tools (in each case, regardless of whether characterized as equipment under the UCC), (ii) all accessions or additions thereto, all parts thereof, whether or not at any time of determination incorporated or installed therein or attached thereto, and all replacements therefor, wherever located, now or hereafter existing, including any fixtures, and (iii) all motor vehicles, trucks, and trailers.

“General Intangibles” means all **“general intangibles,”** as defined in the UCC, now owned or hereafter acquired by the Grantor, and shall include, without limiting the foregoing (except to the extent otherwise included under the definition of “Accounts”), (i) all Payment

Intangibles, (ii) all obligations or indebtedness owing to the Grantor (other than Accounts) from whatever source arising, (iii) all Copyright Licenses, Copyrights, Patent Licenses, Patents, Trademark Licenses, Trademarks, Trade Secret Licenses, Trade Secrets, rights in intellectual property, goodwill, trade names, service marks, trade secrets, permits and licenses, (iv) all rights or claims in respect of refunds for taxes paid and (v) all rights in respect of any pension plan or similar arrangement maintained for employees of any member of the Grantor.

“Goods” means all “goods,” as defined in the UCC, of the Grantor, now owned or hereafter acquired by the Grantor.

“Indemnitee” means each of the Lenders, their affiliates and their respective officers, partners, directors, trustees, employees, agents.

“Instruments” means all “instruments,” “chattel paper,” “electronic chattel paper,” “tangible chattel paper,” “letters of credit” and “promissory notes,” each as defined in the UCC, in favor of any of the Grantor, and shall include, without limiting the foregoing, any such instruments, chattel paper or letters of credit evidencing, representing, arising from or existing in respect of, relating to, securing or otherwise supporting the payment of, any of the Accounts, including (but not limited to) promissory notes, drafts, bills of exchange and trade acceptances, now owned or hereafter acquired by the Grantor.

“Inventory” means all “inventory,” as defined in the UCC, now owned or hereafter acquired by the Grantor, wherever located, and shall include, without limiting the foregoing, all raw materials and other materials and supplies, work-in-process and finished goods and any products made or processed therefrom and all substances, if any, commingled therewith or added thereto.

“Insurance” means (i) all insurance policies covering any or all of the Collateral (regardless of whether the Secured Party is a loss payee thereof) and (ii) any key man life insurance policies.

“Intellectual Property” means, collectively, the Copyrights, the Copyright Licenses, the Patents, the Patent Licenses, the Trademarks, the Trademark Licenses, the Trade Secrets and the Trade Secret Licenses.

“Investment Property” shall mean and include all of the Grantor’s “investment property,” as defined in the UCC, and shall include, without limiting the foregoing, all of the Grantor’s other securities (whether certificated or uncertificated), security entitlements, financial assets, securities accounts, commodity contracts, and commodity accounts, as each such term is defined in the UCC, including all substitutions and additions thereto, all dividends, distributions and sums distributable or payable from, upon, or in respect of such property, and all rights and privileges incident to such property.

“Lien” means any lien, mortgage, pledge, Security Interest, charge or encumbrance of any kind, whether voluntary or involuntary (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any Security Interest).

“Patent License” means any agreement now or hereafter in existence granting to the Grantor, or pursuant to which the Grantor has granted to any other Person, any right with respect to any Patent or any invention now or hereafter in existence, whether patentable or not, whether a patent or application for patent is in existence on such invention or not, and whether a patent or application for patent on such invention may come into existence.

“Patents” means all the following: (i) all letters patent and design letters patent of the United States or any other country and all applications for letters patent and design letters patent of the United States or any other country, including, without limitation, 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, (ii) all reissues, divisions, continuations, continuations-in-part, renewals and extensions thereof, (iii) all claims for, and rights to sue for, past or future infringements of any of the foregoing and (iv) all income, royalties, damages and payments now or hereafter due or payable with respect to any of the foregoing, including, without limitation, damages and payments for past or future infringements thereof.

“Payment Intangible” has the meaning specified in the UCC.

“Permitted Liens” means (i) Liens for purchase money or capital lease obligations; provided, that, any such Lien encumbers only the asset so purchased or acquired; (ii) Liens arising from filing UCC financing statements regarding capital leases; (iii) Liens for taxes, fees, assessments or other governmental charges or levies, either not delinquent or being contested in good faith by appropriate proceedings and for which the Grantor maintains adequate reserves in accordance with generally accepted accounting principals; (iv) Liens incurred in connection with the extension, renewal or refinancing of the indebtedness secured by Liens described in clauses (i) through (iii) above; (v) Liens arising from judgments, decrees or attachments in circumstances not constituting an Event of Default as defined in the Debenture Purchase Agreement; (vi) Liens of carriers, warehousemen, mechanics, materialmen, vendors and landlords incurred in the ordinary course of business for sums not overdue or being contested in good faith; (vii) deposits under workers’ compensation, unemployment insurance and social security laws or to secure the performance of bids, tenders, contracts (other than for the repayment or borrowed money) or leases, or to secure statutory obligations of surety or appeal bonds or to secure indemnity or performance arising in the ordinary course of business; (viii) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods; and (ix) liens in favor of the Senior Secured Lender.

“Person” means an individual, a corporation, a limited liability company, a partnership, a limited partnership, a limited liability partnership, an association, a joint-stock company, a trust, an unincorporated organization, any other entity, or a government or subdivision thereof.

“Proceeds” shall have the meaning set forth in the UCC, and shall include, without limiting the foregoing, all proceeds of, and all other profits, products, rentals or receipts, in whatever form, arising from the collection, sale, lease, exchange, assignment, licensing or other disposition of, or other realization upon, Collateral, including, without limitation, all claims of the Grantor against third parties for loss of, damage to or destruction of, or for proceeds payable under, or unearned premiums with respect to, policies of insurance in respect of, any Collateral,

and any condemnation or requisition payments with respect to any Collateral, in each case whether now existing or hereafter arising.

“Receivables” means all rights to payment, whether or not earned by performance, for goods or other property sold, leased, licensed, assigned or otherwise disposed of, or services rendered or to be rendered, including, without limitation all such rights constituting or evidenced by any Account, Instrument, General Intangible or Investment Property, together with all of the Grantor’s rights, if any, in any goods or other property giving rise to such right to payment and all Collateral Support and Supporting Obligations related thereto and all Receivables Records.

“Receivables Records” means (i) all original copies of all documents, instruments or other writings or electronic records or other Records evidencing the Receivables, (ii) all books, correspondence, credit or other files, Records, ledger sheets or cards, invoice, and other papers relating to Receivables including, without limitation, all tape, cards, computer tapes, computer discs, computer runs, record keeping systems and other papers and documents relating to the Receivables, whether in the possession or under the control of the Grantor or any computer bureau or agent from time to time acting for the Grantor or otherwise, (iii) all evidences of the filing of financing statements and the registration of other instruments in connection therewith, and amendments, supplements or other modifications thereto, notices to other creditors or secured parties, and certificates, acknowledgments, or other writings, including, without limitation, lien search reports, from filing or other registration officers, (iv) all credit information, reports and memoranda relating thereto and (v) all other written or non-written forms of information related in any way to the foregoing or any Receivable.

“Record” has the meaning specified in the UCC.

“Secured Obligations” means the payment and performance of and by Grantor of all obligations and all liabilities of every nature of the Grantor now or hereafter existing under or arising out of or in connection with this Agreement, the Guaranty, and the other documents entered into by Grantor in connection therewith, together with all extensions or renewals thereof, whether for principal, interest (including without limitation interest that, but for the filing of a petition in bankruptcy with respect to the Grantor, would accrue on such obligations, whether or not a claim is allowed against the Grantor for such interest in the related bankruptcy proceeding), fees, reasonable expenses, indemnities or otherwise, whether voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from the Secured Party as a preference, fraudulent transfer or otherwise, all reasonable attorneys' fees and other reasonable expenses incurred by the Secured Party in collecting, realizing, and foreclosing on any of the Pledged Collateral or otherwise exercising any of its rights or remedies hereunder, and all obligations of every nature of Grantor now or hereafter existing under this Agreement.

“Security Interests” means the security interests granted pursuant to Section 3, as well as all other security interests created or assigned as additional security for the Secured Obligations pursuant to the provisions of this Agreement.

“Software” means all “software,” as defined in the UCC, of the Grantor.

“Supporting Obligations” means all “supporting obligations” as defined in the UCC.

“Trademark License” means any agreement now or hereafter in existence granting to the Grantor, or pursuant to which the Grantor has granted to any other Person, any right to use any Trademark.

“Trademarks” means all of the following: (i) all trademarks, trade names, corporate names, Grantor names, business names, fictitious business names, trade styles, service marks, logos, brand names, trade dress, prints and labels on which any of the foregoing have appeared or appear, package and other designs, and any other source or business identifiers, and general intangibles of like nature, and the rights in any of the foregoing which arise under applicable law, (ii) the goodwill of the business symbolized thereby or associated with each of them, (iii) all registrations and applications in connection therewith, including, without limitation, registrations 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, (iv) all reissues, extensions and renewals thereof, (v) all claims for, and rights to sue for, past or future infringements of any of the foregoing and (vi) all income, royalties, damages and payments now or hereafter due or payable with respect to any of the foregoing, including, without limitation, damages and payments for past or future infringements thereof.

“Trade Secret Licenses” means any and all agreements providing for the granting of any right in or to Trade Secrets (whether the Grantor is a licensee or licensor thereunder).

“Trade Secrets” means all trade secrets and all other confidential or proprietary information and know-how now or hereafter owned or used in, or contemplated at any time for use in, the business of the Grantor (all of the foregoing being collectively called a “Trade Secret”), whether or not such Trade Secret has been reduced to a writing or other tangible form, including all documents and things embodying, incorporating, or referring in any way to such Trade Secret, the right to sue for past, present and future infringement of any Trade Secret, and all proceeds of the foregoing, including, without limitation, licenses, royalties, income, payments, claims, damages, and proceeds of suit.

“UCC” means the Uniform Commercial Code as in effect on the date hereof in the State of Delaware, and as the same may be amended or revised from time to time; provided that if by reason of mandatory provisions of law, the perfection or the effect of perfection or non-perfection of the Security Interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of Delaware, “UCC” means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection.

SECTION 2. Representations and Warranties. The Grantor hereby represents and warrants as follows:

(a) The Grantor has good and marketable title to all of the Collateral, free and clear of any Liens other than the Permitted Liens and the Security Interests created hereunder.

(b) The Grantor has not performed any acts which would prevent the Secured Party from enforcing any of the terms of this Agreement or which would limit the Secured Party in any such enforcement. Other than financing statements or other similar or equivalent documents or instruments with respect to the Security Interests and Permitted Liens, no financing statement, mortgage, security agreement or similar or equivalent document or instrument covering all or any part of the Collateral is on file or of record in any jurisdiction in which such filing or recording would be effective to perfect a lien on such Collateral. No Collateral is in the possession of any Person (other than the Grantor) asserting any claim thereto or security interest therein, except that the Secured Party or its designee may have possession of Collateral as contemplated hereby.

(c) The Security Interests constitute valid security interests under the UCC securing the Secured Obligations to the extent that a security interest may be created in the Collateral under the UCC.

(d) Upon the filing of UCC financing statements naming Grantor as "debtor," naming the Secured Party as "secured party" and describing the Collateral, the security interests in the Collateral granted to the Secured Party will, to the extent a security interest in the Collateral may be perfected by filing UCC financing statements constitute perfected security interests therein prior to all other Liens (other than those Liens whose senior priority is expressly permitted by the Debenture Purchase Agreement).

SECTION 3. The Security Interests; Priorities.

(a) In order to secure the full and punctual payment of the Secured Obligations in accordance with the terms thereof, and to secure the performance of all of the obligations of the Grantor hereunder and under the Debenture Purchase Agreement, the Grantor hereby grants, conveys, pledges and assigns to the Secured Party, for its own benefit and for the pro rata benefit of the Lenders, their successors and assigns, a continuing security interest in and to all right, title and interest of the Grantor in and to the following property, whether now owned or existing or hereafter acquired or arising and regardless of where located (all being collectively referred to as the "Collateral"):

- (i) all Accounts;
- (ii) all Insurance;
- (iii) all Intellectual Property;
- (iv) all Inventory;
- (v) all General Intangibles;
- (vi) all Documents;
- (vii) all Instruments;
- (viii) all Equipment;

- (ix) all Investment Property;
- (x) Receivables and Receivable Records;
- (xi) Commercial Tort Claims;
- (xii) all Deposit Accounts;
- (xiii) all Software;
- (xiv) all Goods;
- (xv) to the extent not otherwise included above, all Collateral Records, Collateral Support and Supporting Obligations relating to any of the foregoing; and
- (xvi) to the extent not otherwise included above, all Proceeds of, attachments or accessions to, or substitutions for, all or any of the Collateral described in clauses (i) through (xv) hereof.

(b) The Security Interests are granted as security only and shall not subject the Secured Party to, or transfer or in any way affect or modify, any obligation or liability of the Grantor with respect to any of the Collateral or any transaction in connection therewith.

(c) The Security Interests granted pursuant to this Agreement is and shall, with respect to all Collateral, be a first priority lien and security interest subject to Permitted Liens.

(d) For avoidance of doubt it is expressly understood and agreed that, to the extent the UCC is revised subsequent to the date hereof such that the definition of any of the foregoing terms included in the description of Collateral is changed, the parties hereto desire that any property which is included in such changed definitions which would not otherwise be included in the foregoing grant on the date hereof be included in such grant immediately upon the effective date of such revision, it being the intention of the Grantor that the description of Collateral set forth above be construed to include the broadest possible range of assets (except as specifically excluded by subsection (e) below). Notwithstanding the immediately preceding sentence, the foregoing grant is intended to apply immediately on the date hereof to all Collateral to the fullest extent permitted by applicable law regardless of whether any particular item of Collateral is currently subject to the UCC.

(e) Notwithstanding anything herein to the contrary, in no event shall the Collateral include, and the Grantor shall not be deemed to have granted a security interest in, any of the Grantor's right, title or interest in any Intellectual Property if the grant of such security interest shall constitute or result in the abandonment, invalidation or rendering unenforceable any right, title or interest of the Grantor therein; provided, that the Grantor agrees to use all reasonable efforts to obtain all requisite consent to enable the Grantor to provide a security interest in such asset and, in any event, immediately upon the ineffectiveness, lapse or termination of any such provision, the Collateral shall include, and the Grantor shall be deemed

to have granted a security interest in, all such rights and interests as if such provision had never been in effect.

(f) Notwithstanding (a) the date, manner or order of perfection of the Security Interests, (b) the provisions of the UCC or any other applicable law or decisions, (c) the provisions of any contract between any Secured Party, on the one hand, or the Grantor or any affiliate thereof, on the other hand and (d) whether the any agent or bailee holds possession of any part or all of the Collateral, the Security Interests of the Lenders in the Collateral shall rank equally and without priority and, at any time of determination, each Lender shall share therein and in the proceeds thereof pro rata according to the Secured Obligations owed to such Lender as at such time of determination.

Without limiting the foregoing, the Secured Party is hereby authorized to file one or more financing statements, continuation statements or other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the Security Interest, naming the Grantor as debtor and the Secured Party as secured party. The Grantor agrees at all times to keep in all material respects accurate and complete accounting records with respect to the Collateral, including, but not limited to, a record of all payments and proceeds received.

SECTION 4. Further Assurances; Covenants. (a) The Grantor will not establish or change (A) the location of its respective chief executive office or its chief place of business, or (B) the location where it keeps or holds any Collateral or records relating thereto from their current location unless the Grantor shall have given the Secured Party no less than forty-five (45) days prior written notice thereof. The Grantor shall not, in any event, change the location of any Collateral if such change would cause the Security Interests in such Collateral to lapse or cease to be perfected.

- (i) Grantor will not change its name, identity, corporate structure or state or jurisdiction of organization in any manner unless it shall have given the Secured Party no less than forty-five (45) days prior written notice thereof.
- (ii) Grantor will not produce, use or permit any Collateral to be used unlawfully or in violation of any provision of this Agreement or any applicable statute, regulation or ordinance or any policy of insurance covering Collateral.

(b) The Grantor shall, from time to time, at the Grantor's expense, execute and deliver, any statement, assignment, instrument, document, agreement or other paper, financing or continuation statements under the UCC and agreements governed by the laws of any foreign jurisdiction that from time to time may be reasonably requested by any Secured Party to allow such Secured Party to create, preserve, upgrade in rank (to the extent required hereby), perfect, confirm or validate the Security Interests or to enable any Secured Party to obtain the full benefits of this Agreement, or to enable any Secured Party to exercise and enforce, or facilitate the exercise and enforcement of any of its rights, powers and remedies hereunder with respect to any of the Collateral. The Grantor hereby expressly authorizes the Secured Party to execute and file financing statements or continuation statements without the Grantor's signatures appearing thereon, and to include in any financing statement filed thereby descriptions of the

Collateral that are worded more broadly than the descriptions contained herein, including, without limitation, the following description: "all of Grantor's assets now owned or hereafter acquired." The Grantor agrees that a carbon, photographic or other reproduction of this Agreement or of a financing statement is sufficient as a financing statement. The Grantor shall pay the reasonable costs of, or incidental to, any recording or filing of any financing or continuation statements concerning the Collateral.

(c) If any Collateral is at any time in the possession or control of any warehouseman, bailee or any of the Grantor's agents or processors, the Grantor shall, upon the request of the Secured Party, notify such warehouseman, bailee, agent or processor of the Security Interests created hereby and instruct such Person to hold all such Collateral for the account of the Secured Party subject to the instructions of the Secured Party, having made the request, and subject to any Permitted Liens.

(d) The Grantor shall keep full and accurate books and records relating to the Collateral, and stamp or otherwise mark such books and records in such manner as the Secured Party may reasonably request in order to reflect the Security Interests. The Grantor shall provide the Secured Party with reasonable access to such books and records during normal business hours upon reasonable notice. The Secured Party may examine such records and make photocopies or otherwise take extracts from such records. The Grantor agrees to render to the Secured Party, at the Grantor's expense, such clerical and other assistance as may be reasonably requested with regard to the exercise of its rights pursuant to this subsection (d).

(e) Subject to the terms and provisions of any Permitted Liens, the Grantor shall, after an Event of Default has occurred and is continuing, upon the written request of the Secured Party, immediately deliver and pledge each Instrument constituting Collateral to the Secured Party, (other than checks and drafts constituting payments in respect of Accounts), in each case appropriately endorsed to the Secured Party. Subject to the terms and provisions of any Permitted Liens, all certificates or instruments representing or evidencing Investment Property (other than Investment Property held by a securities intermediary, a commodities intermediary or another financial intermediary) shall be delivered to and held by or on behalf of the Secured Party, pursuant hereto and shall be in suitable form for transfer by delivery, duly endorsed or accompanied by undated duly executed instruments of transfer or assignment in blank, with signatures appropriately guaranteed, as appropriate, and accompanied in each case by any required transfer tax stamps, all in form and substance satisfactory to the Secured Party. Subject to the terms and provisions of any Permitted Liens, with respect to any Investment Property held by a securities intermediary, commodity intermediary or other financial intermediary of any kind, the Grantor shall execute and deliver, and shall cause any such intermediary to execute and deliver, a securities control agreement among the Grantor, the Secured Party, and such intermediary which provides, among other things, for the intermediary's agreement that it will comply with such entitlement orders, and apply any value distributed on account of any Investment Property maintained in an account with such intermediary, as directed by the Secured Party without further consent by the Grantor. Subject to the terms and provisions of Permitted Liens, the Secured Party, shall have the right, at any time in its discretion and without notice to the Grantor after the occurrence and during the continuance of an Event of Default, to cause any or all of the Investment Property to be transferred of record into the name of the Secured Party, or its nominee.

(f) The Grantor shall use commercially reasonable efforts to cause to be collected from its account Grantor, as and when due, any and all amounts owed or owing under or on account of each Account constituting Collateral (including, without limitation, Accounts which are delinquent, such Accounts to be collected in accordance with lawful collection procedures) and to apply forthwith upon receipt thereof all such amounts as are so collected to the outstanding balance of such Account. Unless an Event of Default has occurred and is continuing and the Secured Party is exercising its rights hereunder to collect Accounts, the Grantor may allow, in the ordinary course of business, as adjustments to amounts owing under its respective Accounts constituting Collateral (i) an extension or renewal of the time or times of payment, or settlement for less than the total unpaid balance, which Grantor finds appropriate in accordance with sound business judgment and (ii) a refund or credit due as a result of returned or damaged merchandise or deficient service, all in accordance with Grantor's ordinary course of business consistent with its historical collection practices. The costs and expenses (including, without limitation, reasonable attorney's fees) of collection, whether incurred by the Grantor or the Secured Party, shall be borne by the Grantor.

(g) Upon the occurrence and during the continuance of any Event of Default, upon the written request of the Secured Party, the Grantor shall promptly notify the account Grantor in respect of any Account or Instrument constituting Collateral that such Collateral has been assigned to the Secured Party, hereunder, and that any payments due or to become due in respect of such Collateral are to be made directly to the Secured Party, or its designees.

(h) Subject to the terms and provisions of any Permitted Liens, the Grantor shall (i) as soon as practicable after the date hereof, in the case of Equipment now owned constituting goods in which a security interest is perfected by a notation on the certificate of title or similar evidence of the ownership of such goods (unless such security interest may otherwise be perfected and is so perfected), and (ii) within ten (10) days of acquiring any other similar Equipment, in each case, having a value in excess of \$200,000 deliver to the Secured Party, any and all certificates of title, applications for title or similar evidence of ownership of such Equipment and shall cause the Secured Party to be named as lienholder on any such certificate of title or other evidence of ownership. The Grantor shall promptly inform the Secured Party of any additions to or deletions from such Equipment in excess of \$200,000. The Grantor shall take reasonable efforts to ensure that any items of Equipment shall not become a fixture to real estate.

(i) The Grantor shall, upon written request, provide to the Secured Party all information and evidence any of them may reasonably request concerning the Collateral, and in particular the Accounts, to enable the Secured Party to enforce the provisions of this Agreement.

(j) If the Grantor or any officer of the Grantor obtains knowledge thereof, it shall promptly notify the Secured Party in writing of any event that may materially and adversely affect the value of any material portion of the Collateral or any portion thereof, the ability of the Grantor or the Secured Party to dispose of the Collateral or any portion thereof, or the rights and remedies of the Secured Party in relation thereto, including, without limitation, the levy of any legal process against the Collateral or any portion thereof.

(k) The Grantor shall not take or permit any action which could impair the Secured Party's rights in the Collateral. The Grantor shall defend the right, title and interest of

the Secured Party in and to any of the Collateral against the claims and demands of all other persons.

SECTION 5. General Authority. The Grantor hereby irrevocably appoints the Secured Party, as its true and lawful attorney, with full power of substitution, in the name of the Grantor for the sole use and benefit of the Secured Party, but at the Grantor's expense, to the extent permitted by law to exercise, at any time and from time to time while an Event of Default has occurred and is continuing, all or any of the following powers with respect to all or any of the Collateral:

(a) to demand, sue for, collect, receive and give acquittance for any and all monies due or to become due thereon or by virtue thereof,

(b) to settle, compromise, compound, prosecute or defend any action or proceeding with respect thereto,

(c) to sell, transfer, assign or otherwise deal in or with the same or the proceeds or avails thereof, as fully and effectually as if the Secured Party were the absolute owner thereof, and

(d) to extend the time of payment of any or all thereof and to make any allowance and other adjustments with reference thereto; provided that the Secured Party shall give the Grantor not less than ten (10) Business Days' prior written notice of the time and place of any sale or other intended disposition of any of the Collateral, except any Collateral which is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market. To the extent permitted by law, the Grantor agrees that such notice constitutes "reasonable notification" within the meaning of any applicable sections of the UCC.

SECTION 6. Remedies Upon Event of Default.

(a) If any Event of Default (as such term is defined in the Debenture Purchase Agreement) has occurred and is continuing, the Secured Party, may exercise all rights of a secured party under the UCC (whether or not in effect in the jurisdiction where such rights are exercised) and, in addition, the Secured Party, may at the request of holders of at least 51% of the outstanding principal amount of the Debentures, without being required to give any notice, except as herein provided or as may be required by mandatory provisions of law, sell the Collateral or any part thereof at public or private sale, for cash, upon credit or for future delivery, and at such price or prices as the Secured Party, may, in its sole discretion, deem satisfactory. Any Secured Party may be the purchaser of any or all of the Collateral so sold at any public sale (or, if the Collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations, at any private sale) and thereafter hold the same, absolutely, free from any right or claim of whatsoever kind. The Grantor shall execute and deliver such documents and take such other action as the Secured Party, reasonably deems necessary or advisable in order that any such sale may be made in compliance with law. Upon any such sale, the Secured Party, shall have the right to deliver, assign and transfer to the purchaser thereof the Collateral so sold. Each purchaser at any such sale shall hold the Collateral so sold to it absolutely, free from any claim or right of whatsoever kind, including any equity or

right of redemption of the Grantor which may be waived, and the Grantor, to the extent permitted by law, hereby specifically waives all rights of redemption, stay or appraisal which it has or may have under any law now existing or hereafter adopted. The notice (if any) of such sale required by Section 6 shall (1) in case of a public sale, state the time and place fixed for such sale, and (2) in the case of a private sale, state the day after which such sale may be consummated. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Secured Party, may fix in the notice of such sale. At any such sale the Collateral may be sold in one lot as an entirety or in separate parcels, as the Secured Party, may determine. The Secured Party shall not be obligated to make any such sale pursuant to any such notice. The Secured Party, may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the same may be so adjourned. In case of any sale of all or any part of the Collateral on credit or for future delivery, the Collateral so sold may be retained by the Secured Party, until the selling price is paid by the purchaser thereof, but the Secured Party shall not incur any liability in case of the failure of such purchaser to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may again be sold upon like notice. The Secured Party, instead of exercising the power of sale herein conferred upon them, may proceed by a suit or suits at law or in equity to foreclose the Security Interests and sell the Collateral, or any portion thereof, under a judgment or decree of a court or courts of competent jurisdiction.

(b) For the purpose of enforcing any and all rights and remedies under this Agreement, the Secured Party, may (i) require the Grantor to, and the Grantor agrees that it will, at its expense and upon the request of the Secured Party, forthwith assemble all or any part of the Collateral as directed by the Secured Party and make it available at a place designated by the Secured Party which is, in the opinion of the Secured Party, reasonably convenient to the Secured Party and the Grantor, whether at the premises of the Grantor or otherwise, (ii) to the extent permitted by applicable law, enter, with or without process of law and without breach of the peace, any premise where any of the Collateral is or may be located, and without charge or liability to it seize and remove such Collateral from such premises, (iii) have reasonable access to and use the Grantor's books and records relating to the Collateral and (iv) prior to the disposition of the Collateral, store or transfer it without charge in or by means of any storage or transportation facility owned or leased by the Grantor, process, repair or recondition it or otherwise prepare it for disposition in any manner and to the extent the Secured Party, reasonably deems appropriate and, in connection with such preparation and disposition, use without charge any copyright, trademark, trade name, patent or technical process used by the Grantor.

(c) Without limiting the generality of the foregoing, if any Event of Default has occurred and is continuing,

(i) The Secured Party, may license, or sublicense, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any Copyrights, Patents or Trademarks included in the Collateral 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;

- (ii) The Secured Party, may (without assuming any obligations or liability thereunder), at any time and from time to time, in its sole discretion, enforce (and shall have the exclusive right to enforce) against any licensee or sublicensee all rights and remedies of the Grantor in, to and under any Copyright Licenses, Patent Licenses or Trademark Licenses included in the Collateral and take or refrain from taking any action under any thereof, and the Grantor hereby releases the Secured Party, and agrees to hold the Secured Party free and harmless from and against any claims and expenses arising out of, any lawful action so taken or omitted to be taken with respect thereto; and
- (iii) upon request by the Secured Party, the Grantor will execute and deliver to the Secured Party a power of attorney, in form and substance satisfactory to the Secured Party, for the implementation of any lease, assignment, license, sublicense, grant of option, sale or other disposition of a Copyright, Patent or Trademark included in the Collateral or any action related thereto that is permitted hereunder. In the event of any such disposition pursuant to this Section, the Grantor shall supply its know-how and expertise relating to the manufacture and sale of the products bearing Trademarks or the products or services made or rendered in connection with Patents, and its customer lists and other records relating to such Patents or Trademarks and to the distribution of said products, to the Secured Party.

SECTION 7. Application of Proceeds. Upon the occurrence and during the continuance of an Event of Default, the proceeds of any sale of, or other realization upon, all or any part of the Collateral shall be applied by the holder of any such proceeds pro rata among each Lender (based upon the aggregate dollar amount of the remaining outstanding balance under the Debenture(s) held by each Holder), in the following order of priority: first to the payment of late fees, if any, on the Debentures, second, to the payment of interest on the principal of the Debentures and any other payments or fees and expenses payable in respect thereof and third to the payment of principal on the Debentures.

SECTION 8. Indemnity and Expenses.

(a) The Grantor agrees to defend, indemnify and hold harmless each Indemnitee against 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 that may be payable or determined to be payable with respect to any of the Collateral, (ii) with respect to, or resulting from, any delay in complying with any law, rule, regulation or order of any governmental authority applicable to any of the Collateral or (iii) in connection with any transactions contemplated by this Agreement; except to the extent such claims, losses or liabilities result from such Indemnitee's gross negligence or willful misconduct. The obligations of the Grantor pursuant to this subsection (a) shall survive the termination of this Agreement and the discharge of the Grantor's other obligations under this Agreement and the Debentures.

(b) In the event that the Grantor fails to comply with the provisions of the Guaranty or this Agreement, such that the value of any Collateral or the validity, perfection, rank or value of any Security Interest is thereby diminished or potentially diminished or put at risk, the Secured Party, (i) may deliver written notice of such non-compliance to the Grantor requesting that the Grantor cure such non-compliance, and (ii) if within five (5) Business Days after delivery of such notice the Grantor has failed to cure such non-compliance, the Secured Party, may, but shall not be required to, effect such compliance on behalf of the Grantor, and the Grantor shall be required to reimburse the Secured Party for any or all of the reasonable costs thereof on demand. All reasonable insurance expenses and all expenses of protecting, storing, warehousing, appraising, insuring, handling, maintaining and shipping the Collateral, any and all excise, property, sales, and use taxes imposed by any state, federal, or local authority on any of the Collateral, or in respect of periodic appraisals and inspections of the Collateral to the extent the same may reasonably be requested by the Secured Party, from time to time, or in respect of the sale or other disposition thereof, shall be borne and paid by the Grantor; and if the Grantor fails to promptly pay any portion thereof when due, the Secured Party, may, at its option, but shall not be required to, pay the same and charge the Grantor's account therefor, and the Grantor agrees to reimburse the Secured Party, therefor on demand. All reasonable sums so paid or incurred by the Secured Party for any of the foregoing and any and all other sums for which the Grantor may become liable hereunder and all costs and expenses (including attorneys' fees, legal expenses and court costs) reasonably incurred by the Secured Party, in enforcing or protecting the Security Interests or any of its rights or remedies under this Agreement, shall, together with interest thereon for each day until paid at the rate of 10% per annum, be additional Secured Obligations hereunder.

SECTION 9. Termination of Security Interests; Release of Collateral.

(a) This Agreement shall create continuing Security Interests in the Collateral and shall remain in full force and effect until the payment in full of all Secured Obligations, be binding upon the Grantor, its successors and assigns, and inure, together with the rights and remedies of the Secured Party hereunder, to the benefit of the Secured Party and its successors, transferees and assigns. Without limiting the generality of the foregoing, but subject to the terms of the Debenture Purchase Agreement, each Lender may assign or otherwise transfer any Debenture(s) held by it to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to the Secured Party herein or otherwise. Upon the payment in full of all Secured Obligations, the Security Interests granted hereby shall terminate hereunder and of record and all rights to the Collateral shall revert to the Grantor.

(b) Upon any such termination of the Security Interests or release of Collateral, the Secured Party will, at the expense of the Grantor, execute and deliver to the Grantor such documents as the Grantor shall reasonably request to evidence the termination of the Security Interests or the release of such Collateral, as the case may be.

SECTION 10. Notices. All notices, approvals, requests, demands and other communications hereunder shall be given in accordance with Section 9.9 of the respective Debenture Purchase Agreement.

SECTION 11. Waivers, Non-exclusive Remedies. No failure on the part of any Secured Party to exercise, and no delay in exercising and no course of dealing with respect to, any right under this Agreement or the Debenture Purchase Agreement shall operate as a waiver thereof, nor shall any single or partial exercise by any Secured Party of any right under this Agreement or the Debenture Purchase Agreement preclude any other or further exercise thereof or the exercise of any other right. The rights in this Agreement and the Debenture Purchase Agreement are cumulative and are not exclusive of any other remedies provided by law.

SECTION 12. Successors and Assigns. This Agreement is for the benefit of each Lender and its successors and assigns, and in the event of an assignment of all or any of the Secured Obligations, the rights hereunder, to the extent applicable to the indebtedness so assigned, may be transferred with such indebtedness. This Agreement shall be binding on the Grantor and its respective successors and assigns and the rights of the Grantor hereunder shall inure to the benefit of the Grantor's respective successors and permitted assigns.

SECTION 13. Changes in Writing. Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated orally, but only in writing signed by the Grantor and each of the Secured Party.

SECTION 14. Severability. If any provision hereof is invalid and unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (i) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Secured Party, in order to carry out the intentions of the parties hereto as nearly as may be possible; and (ii) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

SECTION 15. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

SECTION 16. Governing Law; Jurisdiction; Consent to Service of Process. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, excluding that body of law relating to conflicts of law. Any suit, action, proceeding or litigation arising out of or relating to this Agreement or the Debenture Purchase Agreement shall be brought and prosecuted in such federal or state court or courts located within the State of New York as provided by law. The parties hereby irrevocably and unconditionally consent to the jurisdiction of each such court or courts located within the State of New York and to service of process by registered or certified mail, return receipt requested, or by any other manner provided by applicable law, and hereby irrevocably and unconditionally waive any right to claim that any suit, action, proceeding or litigation so commenced has been commenced in an inconvenient forum.

SECTION 17. Entire Agreement. This Agreement, and the documents referred to herein constitute the entire agreement between the parties hereto pertaining to the subject matter hereof, and any and all other written or oral agreements existing between the parties hereto concerning such subject matter are expressly canceled.

IN WITNESS WHEREOF, the Grantor and the Secured Party have caused this Agreement to be duly executed and delivered by their respective officers therunto duly authorized as of the date first written above.

XPLORE TECHNOLOGIES CORPORATION OF AMERICA, Grantor

By _____
Name
Title

PHOENIX ENTERPRISES LLC, Secured Party

By *Philip S. Sower*
Name *Philip S. Sower*
Title *CEO*

IN WITNESS WHEREOF, the Grantor and the Secured Party have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

XPLORE TECHNOLOGIES CORPORATION OF AMERICA, Grantor

By [Signature]
Name D. M. [unclear]
Title CEO

PHOENIX ENTERPRISES LLC, Secured Party

By _____
Name
Title

Schedule 5.1 (z)

Intellectual Property

Patent & Technology Summary

Patent #	Type	Description	Inventors	Grant Date	Life
6,028,765	US	Removable Hand Grips For A Portable Pen Based Computer	Swindler/Groh	Feb 22/00	20 years
2,367,773	CDN	Removable Hand Grips For A Portable Pen Based Computer	Sutton/Swindler/Groh/ Perley/Clifton	July 2/02	20 years
6,101,087	US	Portable Pen Based Computer and Auxiliary Unit For Use With A Vehicular Docking Station	Sutton/Swindler/Groh/ Perley/Clifton	Aug 8/00	20 years
6,426,872 B1	US	Portable Pen Based Computer with Vehicular Docking Station	Sutton/Swindler/Groh/ Perley/Clifton	July 30/02	20 years
Published CA Application 2,239,846	CDN	Portable Pen Based Computer With Removable Hand Grips With Vehicular Docking Station	Sutton/Swindler/Clifton/ Groh/Perley		
J.S. 2002/0078291 Published Application	US	Portable Pen Based Computer With Vehicular Docking Station	Sutton/Swindler/Clifton/ Groh/Perley		

United States Trademark Registrations

Mark	Listed Owner	Class	Reg. No.	Reg. Date
XPLORE TECHNOLOGIES & Design	Xplore Technologies Corporation of America	"Computer hardware, namely, modular, ruggedized, mobile pen/touch computer capable of wireless and connectivity expansion" in Class 9	2,259,808	07/06/1999
GENESYS & Design	Xplore Technologies Corporation of America	"Computer hardware, namely, modular, ruggedized, mobile pen/touch computer capable of wireless and connectivity expansion" in Class 9	2,220,909	01/26/1999
RAMLINE	Ramline Mobile Computers, Inc.	"Computers and computer hardware" in Class 9	2,361,809	06/27/2000
FRISBEE	Ramline Mobile Computers, Inc.	"Computers and computer hardware" in Class 9	2,357,146	06/13/2000

Canadian Trademark Registrations

Mark	Listed Owner	Class	Reg. No.	Reg. Date
XPLORE TECHNOLOGIES & Design	Xplore Technologies Corporation of America	"Computer hardware, namely, modular, ruggedized, mobile pen/touch computer capable of wireless and connectivity expansion" in Class 9	TMA525452	March 22, 2000 Application based on U.S. priority
GENESYS & Design	Xplore Technologies Corporation of America	"Computer hardware, namely, modular, ruggedized, mobile pen/touch computer capable of wireless and connectivity expansion" in Class 9	TMA525417	March 22, 2000 Application based on U.S. priority

Schedule 3.1

Permitted Encumbrances

U.C.C. Filings

Jurisdiction	Secured Party	Registration No.	Date	Other
District of Columbia	NONE	NONE	NONE	NONE
State of Delaware	Royal Bank of Canada	10416334	May 7, 2001	Collateral: Chattel Paper and Proceeds Inventory and Proceeds Equipment and Proceeds Machinery and Proceeds Fixtures and Proceeds Vehicles and Proceeds Accounts and Proceeds
State of Illinois	NONE	NONE	NONE	NONE
State of Texas	AT&T Capital Corporation, Instrument & D ATA Services	9800113611	June 5, 1998 at 0356 expires June 5, 2002	Not applicable
	Xetel Corporation	9800197527	Oct. 2, 1998 at 0315 expires Oct 2, 2003	Term: #0100604418 filed Jan. 16, 2001, Film # 2124470
	Xetel Corporation	9800197528	Oct. 2, 1998 at 0315 expires Oct. 2, 2003	Term: #0100624098 filed Mar. 2, 2001 Film # 2124472
	Xetel Corporation	9800197529	Oct. 2, 1998 at 0315 expires Oct. 2, 2003	Term: #0100608375 filed Jan. 25, 2001 Film # 2124474

	Royal Bank of Canada	0100046863	Mar. 12, 2001 at 0800 expires Mar. 12, 2006	Not applicable
	Fidelity Leasing Inc.	0100061992	Apr. 2, 2001 at 0900 expires Apr. 2, 2006	Not applicable

Personal Property Security Registrations in Ontario:

Secured Party	Registration No.	File No.	Collateral
OE Financial Services Inc.	19990823 1445 1146 5026 (4 years)	854208261	Equipment Description: Canon equipment and accessories
National Leasing Group Inc. L# 2076619	20000605 1714 6005 0125 (4 years)	862515522	Equipment
Royal Bank of Canada	20000621 1811 1531 4247 (5 years)	863071362	Inventory Equipment Accounts Others Motor Vehicle
Royal Bank of Canada	20000814 1740 1531 9761 (5 years)	864746838	Accounts Other