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Form PTO-1594 (Rev. 03/01) OMB No. 0651-0027 (exp. 5/31/2002) Tab settings



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

102599014

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

1. Name of conveying party(ies): JONES STEPHENS CORP. [] Individual(s) [] Association [] General Partnership [] Limited Partnership [X] Corporation-State ALABAMA Other Additional name(s) of conveying party(ies) attached? [] Yes [X] No

2. Name and address of receiving party(ies) Name: UNION BANK OF CALIFORNIA, N.A., as administrative agent for the Lenders Internal Address: ATTN: DAVID G. LIGON Street Address: 445 SOUTH FIGUEROA STREET, 13th FLOOR City: LOS ANGELES State: CA Zip: 90071 [] Individual(s) citizenship [] Association [] General Partnership [] Limited Partnership [] Corporation-State [X] Other NATIONAL BANKING ASSOCIATION

3. Nature of conveyance: [] Assignment [] Merger [X] Security Agreement [] Change of Name Other Execution Date: NOVEMBER 4, 2003

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 [X] No

4. Application number(s) or registration number(s): A. Trademark Application No.(s) 76/536,969 76/509,838

B. Trademark Registration No.(s) 2,456,354 2,519,870 Additional number(s) attached [] Yes [X] No

5. Name and address of party to whom correspondence concerning document should be mailed: Name: WANSUN SONG, ESQ. Internal Address: PILLSBURY WINTHROP LLP Street Address: 725 SOUTH FIGUEROA STREET SUITE 2800 City: LOS ANGELES State: CA Zip: 90017-5406

6. Total number of applications and registrations involved: 4 7. Total fee (37 CFR 3.41) \$ 115.00 [X] Enclosed [] Authorized to be charged to deposit account 8. Deposit account number: 16-1805 (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. WANSUN SONG Name of Person Signing [Signature] Signature 11/5/03 Date

11/12/2003 EDOOPER 00000183 76536969 40.00 DP 75.00 DP

TRADEMARK REEL: 002862 FRAME: 0773

SECURITY AGREEMENT

SECURITY AGREEMENT ("Agreement") dated as of November 4, 2003 between Jones Stephens Corp., an Alabama corporation (the "Debtor") and Union Bank of California, N.A., as administrative agent (in such capacity, the "Secured Party") for the benefit of the "Agent" and the "Lenders" (as such terms are defined in the Credit Agreement referred to below).

WITNESSETH:

WHEREAS, the Debtor has entered into that certain Credit Agreement of even date herewith (the same, as it may be amended, restated, modified or supplemented and in effect from time to time, being herein referred to as the "Credit Agreement") among the Debtor, the Secured Party and the Lenders, providing for the Lenders to make available to the Debtor certain term and revolving credit facilities on the terms and conditions set forth therein; and

WHEREAS, to induce the Secured Party and the Lenders to enter into the Credit Agreement and make the Loans thereunder, the Debtor has agreed to pledge and grant a security interest in the Collateral (as hereinafter defined) as security for the Obligations;

NOW, THEREFORE, in consideration of the foregoing and for 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 without definition and defined in the Credit Agreement are used herein as defined therein. In addition, as used herein:

"Accounts" means any "account," as such term is defined in the Uniform Commercial Code, and, in any event, shall include, without limitation, "supporting obligations" as such term is defined in the Uniform Commercial Code and all Accounts as defined in the Credit Agreement.

"Chattel Paper" means any "chattel paper," as such term is defined in the Uniform Commercial Code.

"Collateral" shall have the meaning ascribed thereto in Section 3 hereof.

"Commercial Tort Claims" means "commercial tort claims", as such term is defined in the Uniform Commercial Code.

"Contracts" means all contracts, undertakings, or other agreements (other than rights evidenced by Chattel Paper, Documents or Instruments) in or under which the Debtor now or hereafter may have any right, title or interest, including, without limitation, with respect to an Account, any agreement relating to the terms of payment or the terms of performance thereof.

“Copyrights” means any copyrights, rights and interests in copyrights, works protectable by copyrights, copyright registrations and copyright applications, including, without limitation, the copyright registrations and applications listed on Schedule III attached hereto, and all renewals of any of the foregoing, all income, royalties, damages and payments now and hereafter due and/or payable under or with respect to any of the foregoing, including, without limitation, damages and payments for past, present and future infringements of any of the foregoing and the right to sue for past, present and future infringements of any of the foregoing.

“Deposit Accounts” means all “deposit accounts” as such term is defined in the Uniform Commercial Code, now or hereafter held in the name of the Debtor.

“Documents” means any “documents,” as such term is defined in the Uniform Commercial Code, and shall include, without limitation, all documents of title (as defined in the Uniform Commercial Code), bills of lading or other receipts evidencing or representing Inventory or Equipment.

“Equipment” means any “equipment,” as such term is defined in the Uniform Commercial Code and, in any event, shall include, Motor Vehicles.

“General Intangibles” means any “general intangibles,” as such term is defined in the Uniform Commercial Code, and, in any event, shall include, without limitation, all right, title and interest in or under any Contract, models, drawings, materials and records, claims, literary rights, goodwill, rights of performance, Copyrights, Trademarks, Patents, warranties, rights under insurance policies and rights of indemnification.

“Goods” means any “goods”, as such term is defined in the Uniform Commercial Code, including, without limitation, fixtures and embedded Software to the extent included in “goods” as defined in the Uniform Commercial Code.

“Instruments” means any “instrument,” as such term is defined in the Uniform Commercial Code, and shall include, without limitation, promissory notes, drafts, bills of exchange, trade acceptances, letters of credit, letter of credit rights (as defined in the Uniform Commercial Code) and Chattel Paper.

“Inventory” means any “inventory,” as such term is defined in the Uniform Commercial Code, and, in any event, shall include, without limitation, all Inventory as defined in the Credit Agreement.

“Investment Property” means any “investment property,” as such term is defined in the Uniform Commercial Code.

“Liabilities” shall mean, collectively, the Obligations (including, without limitation, regularly scheduled periodic payments under any Rate Contract between the Debtor and a Lender or an Affiliate of a Lender (or a Person who was a Lender or an Affiliate of a Lender at the time of execution of such Rate Contract) required pursuant to the Credit Agreement) and all obligations, liabilities and Indebtedness of the Debtor under or in respect of this Agreement.

“Motor Vehicles” shall mean motor vehicles, tractors, trailers and other like property, whether or not the title thereto is governed by a certificate of title or ownership.

“Patents” means any patents and patent applications, including, without limitation, the inventions and improvements described and claimed therein, all patentable inventions and those patents and patent applications listed on Schedule IV attached hereto, and the reissues, divisions, continuations, renewals, extensions and continuations-in-part of any of the foregoing, and all income, royalties, damages and payments now or hereafter due and/or payable under or with respect to any of the foregoing, including, without limitation, damages and payments for past, present and future infringements of any of the foregoing and the right to sue for past, present and future infringements of any of the foregoing.

“Proceeds” means “proceeds,” as such term is defined in the Uniform Commercial Code and, in any event, includes, without limitation, (a) any and all proceeds of any insurance, indemnity, warranty or guaranty payable with respect to any of the Collateral, (b) any and all payments (in any form whatsoever) made or due and payable from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental body, authority, bureau or agency (or any person acting under color of governmental authority), and (c) any and all other amounts from time to time paid or payable under, in respect of or in connection with any of the Collateral.

“Representative” means any Person acting as agent, representative or trustee on behalf of the Secured Party from time to time.

“Software” means all “software” as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by the Debtor, other than software embedded in any category of Goods, including, without limitation, all computer programs and all supporting information provided in connection with a transaction related to any program.

“Trademarks” means any trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos, other business identifiers, prints and labels on which any of the foregoing have appeared or appear, all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, the trademarks and applications listed in Schedule V attached hereto and renewals thereof, and all income, royalties, damages and payments now or hereafter due and/or payable under or with respect to any of the foregoing, including, without limitation, damages and payments for past, present and future infringements of any of the foregoing and the right to sue for past, present and future infringements of any of the foregoing.

“Uniform Commercial Code” shall mean the Uniform Commercial Code as in effect from time to time in the State of California; provided, that to the extent that the Uniform Commercial Code is used to define any term herein or in any Loan Document and such term is defined differently in different Articles or Divisions of the Uniform

Commercial Code, the definition of such term contained in Article or Division 9 shall govern.

Section 2. Representations, Warranties and Covenants of the Debtor. After giving effect to the Related Transactions, the Debtor represents and warrants to, and covenants with, the Secured Party, for the benefit of the Secured Party and the Lenders, as follows:

(a) the Debtor has rights in and the corporate power to transfer the Collateral in which it purports to grant a security interest pursuant to Section 3 hereof (subject, with respect to after acquired Collateral, to the Debtor's acquiring the same) and no Lien other than Permitted Liens exists or will exist upon such Collateral at any time;

(b) this Agreement is effective to create in favor of the Secured Party for the benefit of the Secured Party and the Lenders a valid security interest in and Lien upon all of the Debtor's right, title and interest in and to the Collateral, and, upon the filing of an appropriate Uniform Commercial Code financing statement in the jurisdiction listed on Schedule I attached hereto, such security interest will be duly perfected in all the Collateral (other than any Collateral that is not perfected by the filing of a Uniform Commercial Code financing statement), and upon delivery of the Instruments to the Secured Party or its Representative, duly endorsed by the Debtor or accompanied by appropriate instruments of transfer duly executed by the Debtor, the security interest in the Instruments will be duly perfected;

(c) all of the Equipment, Inventory and Goods are located at the places as specified on Schedule I attached hereto. Except as disclosed on Schedule I, none of the Collateral is in the possession of any bailee, warehousemen, processor or consignee. Schedule I discloses the Debtor's name as of the date hereof as it appears in official filings in the state of its incorporation, formation or organization, the type of entity of the Debtor (including corporation, partnership, limited partnership or limited liability company), organizational identification number issued by the Debtor's state of incorporation, formation or organization (or a statement that no such number has been issued), the Debtor's state of incorporation, formation or organization and the chief place of business, chief executive office and the office where the Debtor keeps its books and records. The Debtor has only one state of incorporation, formation or organization. The Debtor (including any Person acquired by the Debtor) does not do business and has not done business during the past five (5) years under any trade name or fictitious business name except as disclosed on Schedule II attached hereto;

(d) no Copyrights, Patents or Trademarks listed on Schedules III, IV and V, respectively, if any, that are material to the Debtor's business have been adjudged invalid or unenforceable or have been canceled, in whole or in part, or are not presently subsisting. To the Debtor's knowledge, each of such Copyrights, Patents and Trademarks that are material to the Debtor's business is valid and enforceable. The Debtor is the sole and exclusive owner of the entire and unencumbered right, title and interest in and to each of such Copyrights, Patents and Trademarks that are material to the Debtor's business, free and clear of any liens, charges and encumbrances, including without limitation licenses, shop rights and covenants by the Debtor not to sue third

persons, other than the Subordinated Lender Liens. The Debtor has adopted, used and is currently using, or has a current bona fide intention to use, all of such Trademarks and Copyrights. As of the Closing Date, the Debtor has no notice of any suits or actions commenced or threatened with reference to the Copyrights, Patents or Trademarks;

(e) the Debtor agrees to deliver to the Secured Party an updated Schedule I, II, III, IV and/or V within five (5) Business Days of any change thereto;

(f) all depository, securities and other accounts maintained by the Debtor are described on Schedule VI hereto, which description includes for each such account the name of the Debtor maintaining such account, the name, address and telephone and telecopy numbers of the financial institution or other institution at which such account is maintained, the account number and the account officer, if any, of such account. The Debtor shall not open any new accounts unless the Debtor shall have given the Secured Party ten (10) Business Days' prior written notice of its intention to open any such new accounts. Schedule VI also sets forth all letters of credit issued for the benefit of the Debtor and all of the Debtor's investment property; provided that, notwithstanding anything herein to the contrary, the parties hereto acknowledge and agree that Schedule VI shall not be required to list or identify the Debtor's Cash Equivalents. The Debtor has no chattel paper including electronic electronic chattel paper. The Debtor shall deliver to the Secured Party a revised version of Schedule VI showing any changes thereto within five (5) Business Days of any such change. The Debtor hereby authorizes the financial institutions or other institutions at which the Debtor maintains an account to provide the Secured Party with such information with respect to such account as the Secured Party from time to time reasonably may request, and the Debtor hereby consents to such information being provided to the Secured Party;

(g) as of the Closing Date, the Debtor does not own any Commercial Tort Claims in excess of \$50,000 individually or in the aggregate except for those disclosed on Schedule VII hereto; and

(h) no consent of any Person is required for the pledge by the Debtor of the Collateral that has not been obtained.

Section 3. Collateral. As collateral security for the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the Liabilities, the Debtor hereby assigns and pledges to the Secured Party for the benefit of the Secured Party, the Lenders and any Affiliate of a Lender that is party to a Rate Contract contemplated by Section 4.13 of the Credit Agreement, and grants to the Secured Party for the benefit of the Secured Party and the Lenders a Lien on and security interest in and to, all of the Debtor's right, title and interest in all personal property, whether now owned by the Debtor or hereafter acquired and whether now existing or hereafter coming into existence and wherever located (all being collectively referred to herein as "Collateral"), including, without limitation:

(a) the Instruments of the Debtor, together with all payments thereon or thereunder;

- (b) all Accounts;
- (c) all Inventory;
- (d) all General Intangibles (including payment intangibles (as defined in the Uniform Commercial Code) and Software);
- (e) all Equipment;
- (f) all Documents;
- (g) all Contracts;
- (h) all Goods;
- (i) all Investment Property;
- (j) all Deposit Accounts, including, without limitation, the balance from time to time in all bank accounts maintained by the Debtor;
- (k) Commercial Tort Claims specified on Schedule VII; and
- (l) all other tangible and intangible property of the Debtor, including, without limitation, all Proceeds, tort claims, products, accessions, rents, profits, income, benefits, substitutions, additions and replacements of and to any of the property of the Debtor described in the preceding clauses of this Section 3 (including, without limitation, any proceeds of insurance thereon, insurance claims and all rights, claims and benefits against any Person relating thereto), other rights to payments not otherwise included in the foregoing and all books, correspondence, files, records, invoices and other papers, including without limitation all tapes, cards, computer runs, computer programs, computer files and other papers, documents and records in the possession or under the control of the Debtor or any computer bureau or service company from time to time acting for the Debtor.

Notwithstanding anything herein to the contrary, in no event shall the security interest granted herein attach to, and the Collateral shall not include any license, contract or agreement to which the Debtor is a party to the extent that the collateral assignment thereof or the creation of a security interest therein would constitute a breach of the terms of such license, contract or agreement, or would permit any party to such agreement to terminate such license, contract or agreement, except the Collateral expressly shall include any Proceeds of any of the foregoing assets; provided that, any of the agreements excluded in accordance with the foregoing shall cease to be so excluded (x) to the extent such term is, or would be (in the case of after-acquired property or changes to applicable law), rendered ineffective under Sections 9-406, 9-407, 9-408 or 9-409 of the UCC of any relevant jurisdiction (or any successor provision) or any other applicable law (including the Bankruptcy Code) or principles of equity; or (y) if the Debtor has obtained all of the consents of the other parties to such license, contract or agreement necessary for the collateral assignment of, or creation of a security interest in, such license, contract or agreement; provided further, that immediately upon the ineffectiveness, lapse or termination of

any such term in any such license, contract or agreement, the Collateral shall include, and the Debtor shall be deemed to have granted a security interest in, all such rights and interests as if such provision had never been in effect.

Section 4. Covenants; Remedies. In furtherance of the grant of the pledge and security interest pursuant to Section 3 hereof, the Debtor hereby agrees with the Secured Party, for the benefit of the Secured Party and the Lenders, as follows:

4.1. Delivery and Other Perfection; Maintenance, etc.

(a) **Delivery of Instruments, Documents, Etc.** The Debtor shall deliver and pledge to the Secured Party or its Representative any and all Instruments, negotiable Documents, Chattel Paper and certificated securities (accompanied by stock powers executed in blank) duly endorsed and/or accompanied by such instruments of assignment and transfer executed by the Debtor in such form and substance as the Secured Party or its Representative may request; provided, that so long as no Event of Default shall have occurred and be continuing, the Debtor may retain for collection in the Ordinary Course of Business any Instruments, negotiable Documents and Chattel Paper received by the Debtor in the Ordinary Course of Business, and the Secured Party or its Representative shall, promptly upon request of the Debtor, make appropriate arrangements for making any other Instruments, negotiable Documents and Chattel Paper pledged by the Debtor available to the Debtor for purposes of presentation, collection or renewal (any such arrangement to be effected, to the extent deemed appropriate by the Secured Party or its Representative, against trust receipt or like document). If the Debtor retains possession of any Chattel Paper, negotiable Documents or Instruments pursuant to the terms hereof, such Chattel Paper, negotiable Documents and Instruments shall be marked with the following legend: "This writing and the obligations evidenced or secured hereby are subject to the security interest of Union Bank of California, N.A., as secured party, for the benefit of itself and certain Lenders."

(b) **Other Documents and Actions.** The Debtor shall give, execute, deliver, file and/or record any financing statement, notice, instrument, document, agreement or other papers that may be necessary or desirable (in the reasonable judgment of the Secured Party or its Representative) to create, preserve, perfect or validate the security interest granted pursuant hereto or to enable the Secured Party or its Representative to exercise and enforce the rights of the Secured Party hereunder with respect to such pledge and security interest, provided that notices to account debtors in respect of any Accounts or Instruments shall be subject to the provisions of clause (e) below. Notwithstanding the foregoing the Debtor hereby irrevocably authorizes the Secured Party at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto that (a) indicate the Collateral (i) as all assets of the Debtor or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the Uniform Commercial Code of the State of California or such jurisdiction, or (ii) as being of an equal or lesser scope or with greater detail, and (b) contain any other information required by part 5 of Article 9 of the Uniform Commercial Code of the State of California for the sufficiency or filing office acceptance of any financing statement or amendment,

including (i) whether the Debtor is an organization, the type of organization and any organization identification number issued to the Debtor, and (ii) in the case of a financing statement filed as a fixture filing or indicating Collateral as as-extracted collateral or timber to be cut, a sufficient description of real property to which the Collateral relates and the identity of the owner of such real property. The Debtor agrees to furnish any such information to the Secured Party promptly upon request. The Debtor also ratifies its authorization for the Secured Party to have filed in any Uniform Commercial Code jurisdiction any like initial financing statements or amendments thereto if filed prior to the date hereof.

(c) Books and Records. The Debtor shall maintain at its own cost and expense complete and accurate books and records of the Collateral, including, without limitation, a record of all payments received and all credits granted with respect to the Collateral and all other dealings with the Collateral. Upon the occurrence and during the continuation of any Event of Default, the Debtor shall deliver and turn over any such books and records (or true and correct copies thereof) to the Secured Party or its Representative at any time on demand. The Debtor shall permit any representative of the Secured Party to inspect such books and records at any time during reasonable business hours and will provide photocopies thereof at the Debtor's expense to the Secured Party upon request of the Secured Party.

(d) Motor Vehicles. The Debtor shall, promptly upon the request of the Secured Party or its Representative, cause the Secured Party to be listed as the lienholder on each certificate of title or ownership covering any items of Equipment, including Motor Vehicles.

(e) Notice to Account Debtors; Verification. (i) Upon the occurrence and during the continuance of any Event of Default (or if any rights of set-off (other than set-offs against an Account arising under the Contract giving rise to the same Account) or contra accounts may be asserted), upon request of the Secured Party or its Representative, the Debtor shall promptly notify (and the Debtor hereby authorizes the Secured Party and its Representative so to notify, without notice to the Debtor) each account debtor in respect of any Accounts or Instruments or other Persons obligated on the 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, and (ii) the Secured Party and its Representative shall have the right at any time or times to make direct verification with the account debtors or other Persons obligated on the Collateral of any and all of the Accounts or other such Collateral.

(f) Intellectual Property. The Debtor represents and warrants that the Copyrights, Patents and Trademarks listed on Schedules III, IV and V, respectively, constitute all of the registered Copyrights and all of the Patents and Trademarks now owned by the Debtor. If the Debtor shall (i) obtain rights to any new patentable inventions, any registered Copyrights or any Patents or Trademarks, or (ii) become entitled to the benefit of any registered Copyrights or any Patents or Trademarks or any improvement on any Patent, the provisions of this Agreement above shall automatically apply thereto and to the extent deemed material to the business of the Debtor, in its good

faith discretion, the Debtor shall give to the Secured Party prompt written notice thereof. The Debtor hereby authorizes the Secured Party to modify this Agreement by amending Schedules III, IV and V, as applicable, to include any such registered Copyrights or any such Patents and Trademarks. The Debtor shall have the duty (i) to prosecute diligently any patent, trademark, or service mark applications pending as of the date hereof or hereafter that are material to the Debtor's business, (ii) to make application on unpatented but patentable inventions and on trademarks, copyrights and service marks, as appropriate, that are material to the Debtor's business, (iii) to preserve and maintain all rights in the Copyrights, Patents and Trademarks, to the extent material to the operations of the business of the Debtor and (iv) to ensure that the Copyrights, Patents and Trademarks are and remain enforceable, to the extent material to the operations of the business of the Debtor. Any expenses incurred in connection with the Debtor's obligations under this Section 4.1(f) shall be borne by the Debtor. The Debtor shall not abandon any right to file a patent, trademark or service mark application, or abandon any pending patent, application or any other Copyright, Patent or Trademark that, in any case, are material to the Debtor's business, without the prior written consent of the Secured Party, which consent shall not be unreasonably withheld.

(g) Further Identification of Collateral. The Debtor will, when and as often as reasonably requested by the Secured Party or its Representative, furnish to the Secured Party or such Representative, statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Secured Party or its Representative may reasonably request, all in reasonable detail.

(h) Investment Property. The Debtor will take any and all actions required or requested by the Secured Party, from time to time, to (i) cause the Secured Party to obtain exclusive control of any Investment Property owned by the Debtor in a manner acceptable to the Secured Party and (ii) obtain from any issuers of Investment Property and such other Persons, for the benefit of the Secured Party, written confirmation of the Secured Party's control over such Investment Property. For purposes of this Section 4.1(h), the Secured Party shall have exclusive control of Investment Property if (i) such Investment Property consists of certificated securities and the Debtor delivers such certificated securities to the Secured Party (with appropriate endorsements if such certificated securities are in registered form); (ii) such Investment Property consists of uncertificated securities and either (x) the Debtor delivers such uncertificated securities to the Secured Party or (y) the issuer thereof agrees, pursuant to documentation in form and substance satisfactory to the Secured Party, that it will comply with instructions originated by the Secured Party without further consent by the Debtor; and (iii) such Investment Property consists of security entitlements and either (x) the Secured Party becomes the entitlement holder thereof or (y) the appropriate securities intermediary agrees, pursuant to documentation in form and substance reasonably satisfactory to the Secured Party, that it will comply with entitlement orders originated by the Secured Party without further consent by the Debtor.

(i) Compliance with Loan Documents. The Debtor shall comply with the provisions of the Loan Documents applicable thereto, including, without limitation,

maintenance of insurance, restrictions on dispositions, and providing the Secured Party and its representatives the right to inspections with respect to the Collateral.

(j) Commercial Tort Claims. The Debtor shall promptly notify the Secured Party of any Commercial Tort Claim acquired by it in excess of \$50,000 individually or in the aggregate. Unless otherwise consented to by the Secured Party, the Debtor shall enter into a supplement to this Agreement, granting to the Secured Party a Lien on and security interest in such Commercial Tort Claim.

4.2 Other Liens. The Debtor will not create, permit or suffer to exist, and will defend the Collateral against and take such other action as is necessary to remove, any Lien on the Collateral except Permitted Liens, and will defend the right, title and interest of the Secured Party in and to the Collateral and in and to all Proceeds thereof against the claims and demands of all Persons whatsoever, except Permitted Liens.

4.3 Preservation of Rights. Whether or not any Event of Default has occurred or is continuing, the Secured Party and its Representative may, but shall not be required to, take any steps the Secured Party or its Representative deems necessary or appropriate to preserve any Collateral or any rights against third parties to any of the Collateral, and the Debtor shall promptly pay, or reimburse the Secured Party for, all expenses incurred in connection therewith. Upon the occurrence and during the continuance of an Event of Default, the Secured Party and its Representatives may, but shall not be required to, obtain insurance of Collateral at any time when the Debtor has failed to do so.

4.4 Good Standing; Name Change; Location; Bailees.

(a) Not less frequently than once during each calendar quarter, the Debtor shall, unless the Secured Party shall otherwise consent, provide to the Secured Party a certificate of good standing from its state of incorporation, formation or organization.

(b) Without limiting the prohibition on mergers involving the Debtor contained in the Credit Agreement, the Debtor shall not (i) reincorporate or reorganize itself under the laws of any jurisdiction other than the jurisdiction in which it is incorporated or organized as of the date hereof without the prior written consent of the Secured Party, or (ii) otherwise change its name, identity or, except to the extent expressly permitted under the Credit Agreement, its corporate structure. The Debtor will notify the Secured Party promptly in writing prior to any change in the proposed use by the Debtor of any tradename or fictitious business name other than any such name set forth on Schedule II attached hereto.

(c) Except for the sale of Inventory in the ordinary course of business and except as expressly permitted in the Credit Agreement, the Debtor will keep the Collateral at the locations specified in Schedule I. The Debtor will give the Secured Party thirty (30) days prior written notice of any change in the Debtor's chief place of business or of any new location for any of the Collateral.

(d) If any Collateral is at any time in the possession or control of any warehousemen, bailee, consignee or processor, the Debtor shall, upon the request of the Secured Party or its Representative, notify such warehousemen, bailee, consignee or processor of the Lien and security interest created hereby and shall obtain a written acknowledgment from such Person in form and substance reasonably satisfactory to Secured Party whereby such Person acknowledges that it is holding such Collateral for the Secured Party's account subject to the Secured Party's instructions.

(e) The Debtor acknowledges that it is not authorized to file any financing statement or amendment or termination statement with respect to any financing statement filed pursuant hereto without the prior written consent of the Secured Party and agrees that it will not do so, and will not authorize others to do so, without the prior written consent of the Secured Party, subject to the Debtor's rights under Section 9-509(d)(2) to the Uniform Commercial Code.

(f) The Debtor shall not enter into any Contract that restricts or prohibits the grant to the Secured Party of a security interest in Accounts, Chattel Paper, Instruments or payment intangibles or the proceeds of the foregoing.

4.5 Bank Accounts.

(a) At the Secured Party's request, on or prior to the Closing Date, or at any time thereafter, the Secured Party and the Debtor shall enter into a bank agency agreement ("Control Agreement"), in a form specified by the Secured Party, with each financial institution with which the Debtor maintains from time to time any deposit accounts (general or special), which financial institutions are set forth on Schedule VI attached hereto. Pursuant to the Control Agreements and pursuant hereto, the Debtor grants and shall grant to the Secured Party a continuing lien upon, and security interest in, all such accounts and all funds at any time paid, deposited, credited or held in such accounts (whether for collection, provisionally or otherwise) or otherwise in the possession of such financial institutions, and each such financial institution shall act as the Secured Party's agent in connection therewith. Following the Closing Date, the Debtor shall not establish any deposit account with any financial institution unless prior thereto, at the request of the Secured Party, the Secured Party and the Debtor shall have entered into a Control Agreement with such financial institution.

(b) Upon the Secured Party's request following the occurrence and during the continuance of an Event of Default (or at any time after the occurrence of an Event of Default under Section 7.1(a) of the Credit Agreement), the Debtor shall establish lock-box or blocked accounts (collectively, "Blocked Accounts") in the Debtor's name with such banks as are acceptable to the Secured Party ("Collecting Banks"), subject to irrevocable instructions in a form specified by the Secured Party, to which the obligors of all Accounts shall directly remit all payments on Accounts and in which the Debtor will immediately deposit all cash payments for Inventory or other cash payments constituting proceeds of Collateral in the identical form in which such payment was made, whether by cash or check. In addition, the Secured Party may establish one or more depository accounts at each Collecting Bank or at a centrally located bank (collectively, the

“Depository Account”). From and after receipt by any Collecting Bank of written notice from the Secured Party to such Collecting Bank that an Event of Default has occurred and is continuing, all amounts held or deposited in the Blocked Accounts held by such Collecting Bank shall be transferred to the Depository Account. Subject to the foregoing, the Debtor hereby agrees that all payments received by the Secured Party or any Lender whether by cash, check, wire transfer or any other instrument, made to such Blocked Accounts or otherwise received by the Secured Party or any Lender and whether in respect of the Accounts or as proceeds of other Collateral or otherwise will be the sole and exclusive property of the Secured Party for the benefit of the Secured Party and the Lenders. The Debtor, and any of its Affiliates, employees, agents and other Persons acting for or in concert with the Debtor shall, acting as trustee for the Secured Party to the extent permitted by applicable law, receive, as the sole and exclusive property of the Secured Party, any moneys, checks, notes, drafts or other payments relating to and/or proceeds of Accounts or other Collateral which come into the possession or under the control of the Debtor or any Affiliates, employees, agent or other Persons acting for or in concert with the Debtor, and immediately upon receipt thereof, the Debtor or Persons shall deposit the same or cause the same to be deposited in kind, in a Blocked Account.

4.6 Events of Default, Etc. During the period during which an Event of Default shall have occurred and be continuing:

(a) the Debtor shall, at the request of the Secured Party or its Representative, assemble the Collateral and make it available to the Secured Party or its Representative at a place or places designated by the Secured Party or its Representative which are reasonably convenient to the Secured Party or its Representative, as applicable, and the Debtor;

(b) the Secured Party or its Representative may make any reasonable compromise or settlement deemed desirable with respect to any of the Collateral and may extend the time of payment, arrange for payment in installments, or otherwise modify the terms of, any of the Collateral;

(c) the Secured Party shall have all of the rights and remedies with respect to the Collateral of a secured party under the Uniform Commercial Code (whether or not said Uniform Commercial Code is in effect in the jurisdiction where the rights and remedies are asserted) and such additional rights and remedies to which a secured party is entitled under the laws in effect in any jurisdiction where any rights and remedies hereunder may be asserted, including, without limitation, the right, to the maximum extent permitted by law, to exercise all voting, consensual and other powers of ownership pertaining to the Collateral as if the Secured Party were the sole and absolute owner thereof (and the Debtor agrees to take all such action as may be appropriate to give effect to such right);

(d) the Secured Party or its Representative in their discretion may, in the name of the Secured Party or in the name of the Debtor or otherwise, demand, sue for, collect or receive any money or property at any time payable or receivable on account of or in exchange for any of the Collateral, but shall be under no obligation to do so;

(e) the Secured Party or its Representative may take immediate possession and occupancy of any premises owned, used or leased by the Debtor and exercise all other rights and remedies of an assignee which may be available to the Secured Party; and

(f) the Secured Party may, upon reasonable notice of the time and place (which requirement of reasonable notice shall conclusively be met if such notice is mailed, certified mail, postage prepaid, to the Debtor at its address set forth in the Credit Agreement, or delivered or otherwise sent to the Debtor, at least ten days before the date of the sale), with respect to the Collateral or any part thereof which shall then be or shall thereafter come into the possession, custody or control of the Secured Party or its Representative, sell, lease, license, assign or otherwise dispose of all or any part of such Collateral, at such place or places as the Secured Party deems best, and for cash or for credit or for future delivery (without thereby assuming any credit risk), at public or private sale, without demand of performance or notice of intention to effect any such disposition or of the time or place thereof (except such notice as is required above or by applicable statute and cannot be waived), and the Secured Party or anyone else may be the purchaser, lessee, licensee, assignee or recipient of any or all of the Collateral so disposed of at any public sale (or, to the extent permitted by law, at any private sale) and thereafter hold the same absolutely, free from any claim or right of whatsoever kind, including any right or equity of redemption (statutory or otherwise), of the Debtor, any such demand, notice and right or equity being hereby expressly waived and released. 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 sale may be so adjourned.

The proceeds of each collection, sale or other disposition under this Section 4.6 shall be applied in accordance with Section 4.9 hereof.

4.7 Deficiency. If the proceeds of sale, collection or other realization of or upon the Collateral are insufficient to cover the costs and expenses of such realization and the payment in full of the Liabilities, the Debtor shall remain liable for any deficiency to the extent permitted by applicable law and the Debtor hereby agrees to take such action as Agent may require to preserve such deficiency claim.

4.8 Private Sale. The Debtor recognizes that the Secured Party may be unable to effect a public sale of any or all of the Collateral consisting of securities by reason of certain prohibitions contained in the Securities Act of 1933, as amended (the "Act"), and applicable state securities laws, but may be compelled to resort to one or more private sales thereof to a restricted group of purchasers who will be obliged to agree, among other things, to acquire such Collateral for their own account for investment and not with a view to the distribution or resale thereof. The Debtor acknowledges and agrees that any such private sale may result in prices and other terms less favorable to the seller than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. The Secured Party shall be under no obligation to delay a sale of any of the Collateral to permit the Debtor to register such Collateral for public sale under the Act, or under applicable state securities laws, even if the Debtor would agree to do so. The

Secured Party shall not incur any liability as a result of the sale of any such Collateral, or any part thereof, at any private sale provided for in this Agreement conducted in a commercially reasonable manner, and the Debtor hereby waives any claims against the Secured Party arising by reason of the fact that the price at which the Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale or was less than the aggregate amount of the Liabilities, even if the Secured Party accepts the first offer received and does not offer the Collateral to more than one offeree.

The Debtor further agrees to do or cause to be done all such other acts and things as may be necessary to make such sale or sales of any portion or all of any such Collateral valid and binding and in compliance with any and all applicable laws, regulations, orders, writs, injunctions, decrees or awards of any and all courts, arbitrators or governmental instrumentalities, domestic or foreign, having jurisdiction over any such sale or sales, all at the Debtor's expense; provided that the Debtor shall be under no obligation to take any action to enable any or all of such Collateral to be registered under the provisions of the Act. The Debtor further agrees that a breach of any of the covenants contained in this Section 4.8 will cause irreparable injury to the Secured Party, that the Secured Party has no adequate remedy at law in respect of such breach and, as a consequence, agrees that each and every covenant contained in this Section 4.8 shall be specifically enforceable against the Debtor, and the Debtor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no Event of Default has occurred and is continuing.

4.9 Application of Proceeds. The proceeds of any collection, sale or other realization of all or any part of the Collateral, and any other cash at the time held by the Secured Party under this Agreement, shall be applied:

first, to payment of costs and expenses, including Attorney Costs, of the Secured Party payable or reimbursable by the Debtor under the Loan Documents;

second, to the payment of Attorney Costs of Lenders payable or reimbursable by the Debtor under the Loan Documents;

third, to payment of all accrued unpaid interest on the Liabilities (including, without limitation, regularly scheduled periodic payments under any Rate Contract between the Debtor and a Lender or an Affiliate of a Lender (or a Person who was a Lender or an Affiliate of a Lender at the time of execution of such Rate Contract) required pursuant to the Credit Agreement);

fourth, to payment of principal of the Obligations (including, without limitation, any termination payment under any Rate Contract between the Debtor and a Lender or an Affiliate of a Lender (or a Person who was a Lender or an Affiliate of a Lender at the time of execution of such Rate Contract) required pursuant to the Credit Agreement, and, if an Event of Default has occurred and is continuing, cash collateralization of Letter of Credit Participation Liability);

fifth, to the payment of fees owed to the Secured Party;

sixth, to payment of any other amounts constituting Obligations; and

seventh, any remainder shall be for the account of and paid to whoever may be lawfully entitled thereto.

In carrying out the foregoing, (i) amounts received shall be applied in the numerical order provided until exhausted prior to application to the next succeeding category; and (ii) each of the Lenders shall receive an amount equal to its pro rata share of amounts available to be applied pursuant to clauses second, fourth, fifth and sixth above.

4.10 Attorney-in-Fact. The Debtor hereby irrevocably constitutes and appoints the Secured Party, 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 the Debtor and in the name of the Debtor or in its own name, from time to time in the discretion of the Secured Party, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute and deliver any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, hereby gives the Secured Party the power and right, on behalf of the Debtor, without notice to or assent by the Debtor, to do the following upon the occurrence and during the continuance of any Event of Default:

(a) to ask, demand, collect, receive and give acquittance and receipts for any and all moneys due and to become due under any Collateral and, in the name of the Debtor or its own name or otherwise, to take possession of and endorse and collect any checks, drafts, notes, acceptances or other Instruments for the payment of moneys due under any Collateral and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Secured Party for the purpose of collecting any and all such moneys due under any Collateral whenever payable and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Secured Party for the purpose of collecting any and all such moneys due under any Collateral whenever payable;

(b) to pay or discharge charges or liens levied or placed on or threatened against the Collateral (other than the Permitted Liens), to effect any insurance called for by the terms of this Agreement or any other Loan Document and to pay all or any part of the premiums therefor;

(c) to direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due, and to become due thereunder, directly to the Secured Party or as the Secured Party shall direct, and to receive payment of and receipt for any and all moneys, claims and other amounts due, and to become due at any time, in respect of or arising out of any Collateral;

(d) to sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications and notices in connection with accounts and other Documents constituting or relating to the Collateral;

(e) 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 part thereof and to enforce any other right in respect of any Collateral;

(f) to defend any suit, action or proceeding brought against the Debtor with respect to any Collateral;

(g) to settle, compromise or adjust any suit, action or proceeding described above and, in connection therewith, to give such discharges or releases as the Secured Party may deem appropriate;

(h) to the extent that the Debtor's authorization given in Section 4.1(b) of this Agreement is not sufficient, to file such financing statements with respect to this Agreement, with or without the Debtor's signature, or to file a photocopy of this Agreement in substitution for a financing statement, as the Secured Party may deem appropriate, and to execute in the Debtor's name such financing statements and amendments thereto and continuation statements which may require the Debtor's signature; and

(i) generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Secured Party was the absolute owner thereof for all purposes, and to do, at the Secured Party's option and at the Debtor's expense, at any time, or from time to time, all acts and things which the Secured Party reasonably deems necessary to protect, preserve or realize upon the Collateral and the Secured Party's lien therein, in order to effect the intent of this Agreement, all as fully and effectively as the Debtor might do.

The Debtor hereby ratifies, to the extent permitted by law, all that such attorneys lawfully do or cause to be done by virtue hereof. The power of attorney granted hereunder is a power coupled with an interest and shall be irrevocable until the Liabilities are indefeasibly paid in full and all commitments to lend shall have terminated in accordance with the terms of the Credit Agreement.

The Debtor also authorizes the Secured Party, at any time from and after the occurrence and during the continuation of any Event of Default, (x) to communicate in its own name with any party to any Contract with regard to the assignment of the right, title and interest of the Debtor in and under the Contracts hereunder and other matters relating thereto and (y) to execute, in connection with any sale of Collateral provided for in Section 4.5 hereof, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

Upon the occurrence and during the continuance of an Event of Default, the Secured Party also shall have the right, without notice or demand, either in person, by agent or by a receiver to be appointed by a court in accordance with the provisions of applicable law (and the Debtor hereby expressly consents, to the fullest extent permitted by applicable law, upon the occurrence and during the continuance of an Event of Default to the appointment of such a receiver), and, to the extent permitted by applicable law, without regard to the adequacy of any

security for the Obligations, to operate the business of the Debtor, by, *inter alia*, taking possession of the Collateral or any part thereof and to collect and receive the rents, issues, profits, income and proceeds thereof, pending the exercise of any and all other rights and remedies available to the Secured Party under this Agreement and/or at law or in equity. The operation of the Debtor's business and the taking possession of the Collateral by the Secured Party shall not cure or waive any Event of Default or notice thereof or invalidate any act done pursuant to such notice. The rights, remedies and powers of any receiver appointed by a court shall be as ordered by said court.

4.11 Perfection. Prior to or concurrently with the execution and delivery of this Agreement, the Debtor shall:

(a) file such financing statements, assignments for security and other documents in such offices as may be necessary or as the Secured Party or the Representative may request to perfect the security interests granted by Section 3 of this Agreement;

(b) deliver to the Secured Party or its Representative the originals of all Instruments together with, in the case of Instruments constituting promissory notes, allonges attached thereto showing such promissory notes to be payable to the order of a blank payee; and

(c) at the Secured Party's request, deliver to the Secured Party or its Representative the originals of all Motor Vehicle titles, duly endorsed indicating the Secured Party's interest therein as lienholder.

4.12 Termination. This Agreement and the Liens and security interests granted hereunder shall not terminate until the termination of the Credit Agreement and the full and complete performance and indefeasible satisfaction of all the Liabilities (other than contingent indemnification obligations to the extent no claim giving rise thereto has been asserted), whereupon the Secured Party shall forthwith cause to be assigned, transferred and delivered, against receipt but without any recourse, warranty or representation whatsoever, any remaining Collateral to or on the order of the Debtor. The Secured Party shall also execute and deliver to the Debtor upon such termination such Uniform Commercial Code termination statements, certificates for terminating the liens on the Motor Vehicles (if any) and such other documentation as shall be reasonably requested by the Debtor to effect the termination and release of the Liens and security interests in favor of the Secured Party affecting the Collateral. Upon the consummation of a Disposition of specific items of Collateral by Debtor in accordance with and to the extent permitted under the terms of the Credit Agreement, the Secured Party shall execute and deliver to the Debtor such Uniform Commercial Code releases and such other documentation reasonably requested by the Debtor to effect the release of the Liens and security interests in favor of the Secured Party in such Collateral.

4.13 Further Assurances. (a) At any time and from time to time, upon the written request of the Secured Party or its Representative, and at the sole expense of the Debtor, the Debtor will promptly and duly execute and deliver any and all such further instruments, documents and agreements and take such further actions as the Secured Party or its Representative may

reasonably require in order for the Secured Party to obtain the full benefits of this Agreement and of the rights and powers herein granted in favor of the Secured Party, including, without limitation, using the Debtor's commercially reasonable efforts to secure all consents and approvals necessary or appropriate for the assignment to the Secured Party of any Collateral held by the Debtor or in which the Debtor has any rights not heretofore assigned, the filing of any financing or continuation statements under the Uniform Commercial Code with respect to the liens and security interests granted hereby, transferring Collateral to the Secured Party's possession (if a security interest in such Collateral can be perfected by possession), placing the interest of the Secured Party as lienholder on the certificate of title of any Motor Vehicle and using Debtor's commercially reasonable efforts to obtain waivers of liens from landlords and mortgagees. The Debtor also hereby authorizes the Secured Party and its Representative to file any such financing or continuation statement without the signature of the Debtor to the extent permitted by applicable law.

(b) Upon the request of the Secured Party, the Debtor shall procure insurers' acknowledgments of any assignments of key man life insurance policies which may be assigned to the Secured Party as additional security for the Liabilities (if any) and will take all such further action as required by any insurer or the Secured Party in connection with any such assignment.

4.14 Limitation on Duty of the Secured Party. The powers conferred on the Secured Party under this Agreement are solely to protect the Secured Party's interest in the Collateral and shall not impose any duty upon it 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 the Secured Party nor its Representative nor any of their respective officers, directors, employees or agents shall be responsible to the Debtor for any act or failure to act, except for gross negligence or willful misconduct. Without limiting the foregoing, the Secured Party and any Representative shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in their possession if such Collateral is accorded treatment substantially equivalent to that which the relevant Secured Party or any Representative, in its individual capacity, accords its own property consisting of the type of Collateral involved, it being understood and agreed that neither the Secured Party nor any Representative shall have any responsibility for taking any necessary steps (other than steps taken in accordance with the standard of care set forth above) to preserve rights against any Person with respect to any Collateral.

Also without limiting the generality of the foregoing, neither the Secured Party nor any Representative shall have any obligation or liability under any Contract or license by reason of or arising out of this Agreement or the granting to the Secured Party of a security interest therein or assignment thereof or the receipt by the Secured Party or any Representative of any payment relating to any Contract or license pursuant hereto, nor shall the Secured Party or any Representative be required or obligated in any manner to perform or fulfill any of the obligations of the Debtor under or pursuant to any Contract or license, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it or the sufficiency of any performance by any party under any Contract or license, or to present or file any claim, or to take any action to collect or enforce any performance or the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

Section 5. Miscellaneous.

5.1 No Waiver. No failure on the part of the Secured Party or any of its Representatives to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Secured Party or any of its Representatives of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The rights and remedies hereunder provided are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights and remedies provided by law.

5.2 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws and decisions of the State of California, without regard to the conflict of law principles thereof.

5.3 Notices. All notices, demands and requests that any party is required or elects to give to any other party shall be given in accordance with the provisions of the Credit Agreement.

5.4 Amendments, Etc. The terms of this Agreement may be waived, altered or amended only by an instrument in writing duly executed by the Debtor and the Secured Party. Any such amendment or waiver shall be binding upon the Secured Party and the Debtor and their respective successors and assigns.

5.5 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of each of the parties hereto, provided, that the Debtor shall not assign or transfer its rights hereunder without the prior written consent of the Secured Party.

5.6 Counterparts; Headings. This Agreement may be authenticated in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may authenticate this Agreement by signing any such counterpart. This Agreement may be authenticated by manual signature, facsimile or, if approved in writing by the Secured Party, electronic means, all of which shall be equally valid. The headings in this Agreement are for convenience of reference only and shall not alter or otherwise affect the meaning hereof.

5.7 Severability. If any provision hereof is invalid and unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (a) 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 and its Representative in order to carry out the intentions of the parties hereto as nearly as may be possible and (b) 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.

5.8 Other Loan Documents. This Agreement supplements the other Loan Documents and nothing in this Agreement shall be deemed to limit or supersede the rights granted to the Secured Party or the Lenders or their agent in any other Loan Document. In the event of any conflict between this Agreement and the Credit Agreement, the provisions of the Credit Agreement shall govern.

5.9 SUBMISSION TO JURISDICTION; WAIVER OF VENUE. (A) THE DEBTOR HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR CALIFORNIA STATE COURT SITTING IN LOS ANGELES IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE DEBTOR HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE SECURED PARTY TO BRING PROCEEDINGS AGAINST THE DEBTOR IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY THE DEBTOR AGAINST THE SECURED PARTY OR ANY LENDER OR ANY AFFILIATE THEREOF INVOLVING DIRECTLY OR INDIRECTLY ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO OR IN CONNECTION WITH THIS AGREEMENT SHALL BE BROUGHT ONLY IN A COURT IN LOS ANGELES, CALIFORNIA.

(B) THE DEBTOR DESIGNATES AND APPOINTS CT CORPORATION SYSTEM AND SUCH OTHER PERSONS AS MAY HEREAFTER BE SELECTED BY IT WHICH IRREVOCABLY AGREES IN WRITING TO SO SERVE AS ITS AGENT TO RECEIVE ON ITS BEHALF SERVICE OF ALL PROCESS IN ANY SUCH PROCEEDINGS IN ANY SUCH COURT, SUCH SERVICE BEING HEREBY ACKNOWLEDGED BY THE DEBTOR TO BE EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT. A COPY OF ANY SUCH PROCESS SO SERVED SHALL BE MAILED BY REGISTERED MAIL TO THE DEBTOR AT ITS ADDRESS PROVIDED IN THIS AGREEMENT EXCEPT THAT UNLESS OTHERWISE PROVIDED BY APPLICABLE LAW, ANY FAILURE TO MAIL SUCH COPY SHALL NOT AFFECT THE VALIDITY OF SERVICE OF PROCESS. IF ANY AGENT APPOINTED BY THE DEBTOR REFUSES TO ACCEPT SERVICE, THE DEBTOR HEREBY AGREES THAT SERVICE UPON IT BY MAIL SHALL CONSTITUTE SUFFICIENT NOTICE. NOTHING HEREIN SHALL AFFECT THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

5.10 WAIVER OF RIGHT TO TRIAL BY JURY. THE DEBTOR AND THE SECURED PARTY EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR PARTIES, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. THE DEBTOR AND THE SECURED PARTY EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN


PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR ANY PROVISION HEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

[remainder of page 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 day and year first above written.

DEBTOR:

JONES STEPHENS CORP., an Alabama corporation

By: 
Name: _____
Title: _____

SECURED PARTY:

UNION BANK OF CALIFORNIA, N.A., as Agent

By: _____
Name: _____
Title: _____

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

DEBTOR:

JONES STEPHENS CORP., an Alabama corporation

By: _____
Name: _____
Title: _____

SECURED PARTY:

UNION BANK OF CALIFORNIA, N.A., as Agent

By: David G. Egan
Name: _____
Title: _____

SCHEDULES FOR COMPANY SECURITY AGREEMENT

SCHEDULE I

Locations of Offices and Assets

Debtor: Jones Stephens Corp., an Alabama corporation

Organizational Identification No.: D/C 158-635

Debtor's Chief Executive Office, Books and Records are located at 3249 Moody Parkway, Moody, Alabama 35004.

Debtor's Principal Equipment, Inventory and Goods are located at 3249 Moody Parkway, Moody, Alabama 35004.

Debtor also has certain toolings and equipment and equipment at the locations described below:

- 1. The Company owns certain toolings located at Moon Signal Mfgs. Association's manufacturing locations in Taipei, Taiwan. Pursuant to the Letter of Guarantee of Moon Signal Mfgs. Association dated April 22, 2003, Moon Signal must immediately return all toolings owned by the Company upon a violation of the exclusive rights under the Letter of Guarantee.**
- 2. The Company owns certain toolings located at Princeton International's manufacturing locations in China and Taiwan. Pursuant to an oral agreement between Princeton International and the Company, Princeton International must immediately return all toolings owned by the Company upon a request by the Company.**
- 3. The Company owns certain toolings located at Nice Top's manufacturing locations in China and Taiwan. Pursuant to an oral agreement between Nice Top and the Company, Nice Top must immediately return all toolings owned by the Company upon a request by the Company.**
- 4. The Company owns certain toolings located at Affinity Custom Molding's manufacturing locations in Mendon, Michigan. Pursuant to an oral agreement between Affinity Custom Molding and the Company, Affinity Custom Molding must immediately return all toolings owned by the Company upon a request by the Company.**
- 5. The Company owns certain toolings located at Southeastern Rubber's manufacturing locations in Georgia. Pursuant to an oral agreement between Southeastern Rubber and the Company, Southeastern Rubber must immediately return all toolings owned by the Company upon a request by the Company.**

6. The Company owns certain tooling located with various other suppliers that, as of the Closing, do not exceed \$25,000.

Jurisdiction to File UCC Financing Statements: Alabama Secretary of State.

SCHEDULE II

Tradenames or Fictitious Business Names

Corporate name: Jones Stephens Corp. Jones Stephens Corp. has not registered its corporate name and while it may have certain common law rights to its use, Jones Stephens Corp. makes no representations relating to the use or continued right to use such name.

Below is a list of names used by Jones Stephens Corp. in connection with the sale of goods.

1. The trademarks set forth on Schedule V are incorporated herein by this reference.

SCHEDULE III

Copyrights

Jones Stephens Corp. possesses the copyrights in its marketing material, product brochures, and other written documentation that is routinely used in connection with the company's business operations.

Registrations and Applications:

Jones Stephens Corp. has not registered or applied to register its copyrights with any state, federal or foreign agency.

SCHEDULE IV

Patents

Patents Owned or Used by Jones Stephens Corp.

1. Jones Stephens Corp. is the record owner of Patent No. 5,937,450, titled "Method and Device for Attaching Fittings to Receptacle."
2. Jones Stephens Corp. is the record owner of Patent No. 6,092,245 titled "Toilet Operating Lever for Multiple Applications."

Patents Licensed to Jones Stephens Corp.

1. License Agreement between Jones Stephens Corp. and Rex Baker dated November 4, 1996, as amended. Pursuant to the terms of the agreement, Jones Stephens Corp. is granted an exclusive license to sell the Sewer Popper, Patent No. 5,209,257 Part S62-304.
2. Jones Stephens Corp. entered into an unwritten agreement with John Baker of H.B. Manufacturing to pay a royalty of eight percent (8%) of total sales of Sewer Relief Valve S62-100 and Sewer Relief Valve S62-101. Annual royalty payments in 2002 were approximately \$8,000.
3. Jones Stephens Corp. entered into an unwritten royalty agreement with J & S, LLC, an Alabama limited liability company, to pay \$1.50 for each plastic drain that is manufactured by a piece of tooling equipment owned by J & S, LLC. Jones Stephens has entered into an Agreement to Sell Tooling Equipment with J & S, LLC, which terminates the unwritten royalty agreement and governs the sale of the tooling equipment from J & S, LLC, to Jones Stephens Corp., promptly following the Closing.

SCHEDULE V

Trademarks

Trademarks and Service Marks Owned or Used by Jones Stephens Corp.

1. Jones Stephens Corp. is the record owner of the trademark "ULTRAFIT", United States Patent and Trademark Registration No. 2,456,354, issued May 29, 2001.
2. Jones Stephens Corp. is the record owner of the trademark "PLUMBEST", United States Patent and Trademark Registration No. 2,519,870, issued December 18, 2001.
3. Corporate name: Jones Stephens Corp. The Borrower has not registered its corporate name and while it may have certain common law rights to its use, the Borrower makes no representations relating to the use or continued right to use such name.
4. Jones Stephens Corp. filed an "intent-to-use" trademark application with the United States Patent and Trademark Office to register the trademark "JSC", serial No. 78/090327, on October 26, 2001. Proof of actual use was not timely filed. A replacement application serial No. 78/536969 was filed August 1, 2003, based on actual use, and is now pending.
5. Jones Stephens Corp. filed a pending use-based application with the United States Patent and Trademark Office for the trademark "LIQUID LIGHTNING", Serial No. 76/509838.

Trademarks & Service Marks Licensed to Jones Stephens Corp.

1. Jones Stephens Corp. entered into a Web Hosting and Electronic Commerce Agreement with EarthLink, Inc., which allows the Jones Stephens Corp. to use certain intellectual property relating to Jones Stephens Corp.'s websites located at www.plumbest.com and www.jonesstephens.com.
2. Jones Stephens Corp. uses certain intellectual property licensed under the Network Service Agreement between Jones Stephens Corp. and Sterling Commerce (America) Inc. The intellectual property involved includes computer programs and formatting used on the electronic communications network provided by Sterling Commerce.
3. Jones Stephens Corp. uses certain intellectual property licensed under the E-Community Development Services Agreement between Jones Stephens Corp. and Sterling Commerce (America) Inc. dated February 25, 2002. No executed copy of this agreement is available.
4. Jones Stephens Corp. uses certain intellectual property licensed under the Annual Support Membership for EDI Software Agreement between the Company and BridgeWorks-EDI International.

5. Jones Stephens Corp. granted to Home Depot and its affiliates a non-exclusive, worldwide, royalty free right and license to use and display any intellectual property furnished by Jones Stephens Corp. to Home Depot pursuant to the Supplier Buying Agreement between The Home Depot (and its affiliates) and the Company, which is incorporated into the USA Rebate Agreement between the Company and Home Depot dated October 25, 2002.

SCHEDULE VII

Commercial Tort Claims

None.