

12-29-2003



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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): Willard M, L.L.C. 1705 Park Street Houston, TX 77019 [] Individual(s) [] Association [] General Partnership [] Limited Partnership [] Corporation-State [x] Other Limited Liability Company Additional name(s) of conveying party(ies) attached? [] Yes [x] No

12-22-03

2. Name and address of receiving party(ies) Name: Sterling Bank Internal Address: Street Address: 5757 Memorial City: Houston State: TX Zip: 77007 [] Individual(s) citizenship [x] Association Banking Association [] General Partnership [] Limited Partnership [] Corporation-State [] Other If assignee is not domiciled in the United States, a domestic representative designation is attached: [] Yes [] No (Designations must be a separate document from assignment) Additional name(s) & address(es) attached? [] Yes [] No

3. Nature of conveyance: [] Assignment [] Merger [x] Security Agreement [] Change of Name [] Other Execution Date: April 29, 2002

4. Application number(s) or registration number(s): A. Trademark Application No.(s)

B. Trademark Registration No.(s) 1520067, 1535680, 1687304 Additional number(s) attached [] Yes [x] No

5. Name and address of party to whom correspondence concerning document should be mailed: Name: Nelson R. Block Internal Address: Winstead Sechrest & Minick P.C. Street Address: 2400 Bank One Center 910 Travis Street City: Houston State: TX Zip: 77002

6. Total number of applications and registrations involved: 3 7. Total fee (37 CFR 3.41) \$ 120.00 [x] Enclosed [] Authorized to be charged to deposit account

8. Deposit account number:

DO NOT USE THIS SPACE

9. Signature: LNUELLER 00000135 1520067 Nelson R. Block Name of Person Signing

Signature: Nelson R. Block

Date: December 19, 2003

Total number of pages including cover sheet, attachments, and document: 35

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

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SECURITY AGREEMENT

by

WILLARD M, LLC

in favor of

STERLING BANK

\$3,900,000.00 Revolving Line of Credit
\$3,000,000.00 Term Loan

Dated as of April 29, 2002

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SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Security Agreement") is dated as of April 29, 2002, by WILLARD M, LLC, a Texas limited liability company, whose state organizational or identification number is 800004948, whose chief executive office, chief place of business and mailing address is 1705 Park Street, Houston, Texas 77019 (herein whether singular or plural referred to as "Debtor"), in favor of STERLING BANK, a Texas banking association, whose office address is 5757 Memorial, Houston, Texas 77007 (herein called "Secured Party").

WITNESSETH:

A. Debtor has requested Secured Party to make a loan or loans to or for the account of Debtor;

B. Secured Party has conditioned its agreement to make such loan or loans upon Debtor's execution and delivery of this Security Agreement;

NOW, THEREFORE, to induce Secured Party to make a loan or loans to or for the account of Debtor, at the special instance of Secured Party, and for Ten and No/100 Dollars (\$10.00) in hand paid by Secured Party to Debtor and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, Debtor hereby agrees with Secured Party, as follows:

ARTICLE I

GENERAL

Section 1.01 Terms Defined Above. As used in this Security Agreement, the terms "Debtor" and "Secured Party" shall have the respective meanings indicated above.

Section 1.02 Certain Definitions. As used in this Security Agreement, the following terms shall have the respective meanings as indicated, unless the context otherwise requires:

"Accounts" shall have the meaning indicated in Subsection 2.01(a) of this Security Agreement.

"Asset Purchase Agreement" shall mean that certain Asset Purchase Agreement dated April 3, 2002 between International Total Services, Inc., and certain of its subsidiaries, as Sellers, and Debtor, as Buyer.

"Books and Records" shall mean all books, records, reports, memoranda, data compilations, in any form (including, without limitation, corporate and other business records, customer lists, credit files, computer programs, printouts and any other computer materials and records), of Debtor pertaining to any of the Collateral.

“Code” shall mean the Uniform Commercial Code in effect as of the date hereof in the State of Texas, Texas Business & Commerce Code Annotated Sections 1.101-11.108, and as hereafter amended.

“Collateral” shall mean all Property, including without limitation cash or other proceeds, in which Secured Party shall have a security interest pursuant to Section 2.01 of this Security Agreement.

“Default” shall have the same meaning as provided in the Loan Agreement.

“Equipment” shall have the meaning indicated in Subsection 2.01(a) of this Security Agreement.

“Event of Default” shall have the same meaning as provided for in the Loan Agreement.

“Indebtedness” shall have the meaning indicated in Section 2.02 of this Security Agreement.

“Instruments” shall mean all of Debtor’s chattel paper, documents and instruments, as described in Subsection 2.01(a) of this Security Agreement.

“Intangibles” shall have the meaning indicated in Subsection 2.01(a) of this Security Agreement.

“Intellectual Property Collateral” shall have the meaning indicated in Subsection 2.01(a) of this Security Agreement.

“Inventory” shall have the meaning indicated in Subsection 2.01(a) of this Security Agreement.

“Loan Agreement” shall mean that certain Loan Agreement of even date herewith executed by and between Secured Party and Debtor.

“Other Liable Party” shall mean any Person other than Debtor, primarily or secondarily liable for any of the Indebtedness or who grants Secured Party a lien upon and/or a security interest on any Property as security for any of the Indebtedness.

“Person” shall mean any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, trustee, unincorporated organization, government or agency or court or political subdivision thereof, or any other form of entity.

“Property” shall mean any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

“Related Rights” shall mean all chattel papers, documents, instruments, general intangibles, investment property, letter-of-credit rights and supporting obligations relating to the Collateral and all rights now or hereafter existing in and to all supporting obligations, leases, licenses and other contracts securing or otherwise relating to any other Collateral or any such chattel papers, documents, instruments, general intangibles, investment property, letter-of-credit rights and supporting obligations.

“Security Agreement” shall mean this Security Agreement, as the same may from time to time be amended or supplemented.

“Subordinate Loan” shall mean that certain loan in the original principal amount of \$3,000,000.00 made to Debtor by John S. Beeson on even date herewith, and all renewals, extensions, modifications, refinancings and/or consolidations thereof and all substitutions and replacements given therefor.

Section 1.03 Terms Defined in Code. All terms used herein which are defined in the Code shall have the same meaning herein unless otherwise defined herein or the context otherwise requires.

Section 1.04 Other Terms. Unless otherwise specified, the word “including” means “including without limitation,” and the description of particular items shall not limit the generality of the concept for which the particular item is given.

ARTICLE II

SECURITY INTEREST

Section 2.01 Grant of Security Interest. Debtor hereby grants and confirms that it has granted to Secured Party a security interest in, a general lien upon, and a right of set-off against all of the personal property of Debtor, wherever located and whether now owned or hereafter acquired, including but not limited to the following described Property:

- (a) all of Debtor’s:
 - (i) accounts, including, without limitation, health-care-insurance receivables (the “Accounts”);
 - (ii) inventory (the “Inventory”);
 - (iii) equipment (the “Equipment”);

(iv) general intangibles (the "Intangibles"), including, without limitation, (v) the Asset Purchase Agreement, (w) payment intangibles, (x) tax refunds, (y) software, and (z) the following intellectual property collateral (the "Intellectual Property Collateral"): patents, patent applications, trademarks, trademark applications, trade names, copyrights, copyright applications, engineering drawings, service marks, service mark applications, customer lists, goodwill and all licenses, permits, agreements of any kind or nature pursuant to which Debtor possesses, uses or has authority to possess or use tangible or intangible property of others, or pursuant to which others possess, use or have authority to possess or use tangible or intangible property of Debtor, and all rights to sue for past present and future infringements of the same, and specifically including the Intellectual Property Collateral described in Exhibit "A" hereto;

(v) chattel paper, whether tangible or electronic;

(vi) documents;

(vii) instruments, including, without limitation, promissory notes;

(viii) investment property, including, without limitation, securities;

(ix) commercial tort claims;

(x) deposit accounts; and

(xi) letter of credit rights, regardless of whether the letter of credit is evidenced by a writing;

(b) in the event that any of the Equipment or any other goods is or will become so related to any particular real property that an interest in such Equipment arises under the real property law of the state where the real property is situated or is or will be installed in or affixed to other goods of such type, a description of such real property or other goods is contained in Exhibit "B" hereto and the name of the record owner of such real property is contained in Exhibit "B" hereto;

(c) any additional property from time to time delivered to or deposited with Secured Party or any agent bank, agent, or bailee of Secured Party, whether as security for the indebtedness of Debtor to Secured Party or otherwise;

(d) all of Debtor's supporting obligations, proceeds, products, additions, substitutions and accessions of and to any all of the foregoing property;

(e) all of Debtor's books, records, reports, memoranda, recorded data and data compilations, in any form and of any kind or nature, including, without limitation: corporate, partnership or limited liability company and other business records; customer lists; writings; plans; specifications; schematics; computer hardware, software and programs, printouts and any other computer materials and records.

Section 2.02 Indebtedness Secured. The security interest in, general lien upon, and right of set-off against the Collateral is granted to Secured Party to secure the following (all of which is herein called the "Indebtedness"):

(a) the prompt and unconditional payment and performance when due of any and all indebtedness, obligations and liabilities of Debtor to Secured Party (including all claims of every nature and description of Secured Party against Debtor), now or hereafter existing or arising, absolute or contingent, direct or indirect, joint and/or several, secured or unsecured, due or to become due, whether originally contracted with Secured Party or acquired in any manner (including by way of participation) by Secured Party including indebtedness, obligations and liabilities of Debtor to Secured Party as a member of any partnership, syndicate, association or other group, and whether incurred by Debtor as principal, surety, endorser, guarantor, accommodation party or otherwise;

(b) the reimbursement when due of all amounts which might be advanced by Secured Party to satisfy amounts required to be paid by Debtor under this Security Agreement or under any other instrument at any time executed in connection with or as security for the payment of any part of the Indebtedness or any amount secured hereby or to pay any taxes, insurance premiums, liens, claims and charges against any or all of the Collateral, or any Properties covered by any instrument executed or to be executed by Debtor to secure any part of the Indebtedness or any amount secured hereby, together with interest thereon to the extent provided;

(c) the reimbursement and payment by Debtor of all advances, charges, costs and expenses (including reasonable attorneys' fees and legal expenses) incurred by Secured Party in connection with the transaction which gives rise to this Security Agreement, in connection with any of the Indebtedness or any amount secured hereby and in exercising any right, power or remedy conferred by this Security Agreement or by law (including, but not limited to attorneys fees and legal expenses incurred by Secured Party in connection with the operation, maintenance or foreclosure of any or all of the Collateral); and

(d) the performance and payment by Debtor of all its obligations in this Security Agreement or any other document or agreement now or hereafter executed in connection with or as security for any part of the Indebtedness or any amount secured hereby.

Section 2.03 Limited License. Debtor irrevocably grants Secured Party a non-exclusive license to use all present and future Intellectual Property Collateral of Debtor, together with any goodwill associated therewith, in connection with the maintenance, preservation, preparation, sale, disposition, collection, foreclosure, or other realization of, upon, or with respect to the Collateral. Secured Party's rights with respect to such license are fully prepaid, and no royalties or other compensation shall be payable by Secured Party to Debtor with respect to such license. Without limiting the foregoing, upon Secured Party's request, Debtor shall execute a License Agreement in the form attached hereto as Exhibit "C", granting Secured Party a limited license in the Intellectual Property Collateral as may be described therein.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

In order to induce Secured Party to accept this Security Agreement, Debtor represents and warrants to Secured Party (which representations and warranties will survive the creation of the Indebtedness and any extension of credit thereunder) that:

Section 3.01 Information. All information supplied and statements (including financial statements), certificates or data furnished or made by Debtor (or any officer, attorney or accountant of Debtor) to Secured Party (including, without limitation, any extracts from or copies of the Books and Records) in connection with the Indebtedness and/or this Security Agreement, whether contemporaneously with or subsequent to the execution of this Security Agreement are and shall be true, correct, complete, valid and genuine. No information, statements, certificate, exhibit or report furnished by Debtor to Secured Party in connection with the Indebtedness and/or this Security Agreement contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statement contained therein not misleading.

Section 3.02 Ownership and Liens. Except for the security interest in favor of Secured Party and the security interest securing the Subordinate Loan and unless otherwise agreed in writing, Debtor owns good and indefeasible title to the Collateral free and clear of any other security interest, lien, encumbrance, adverse claim or option. Debtor has authority to grant a security interest in the Collateral to Secured Party in the manner provided herein and free and clear of any other security interest, lien, encumbrance, adverse claim or option; no security interest, lien, encumbrance, adverse claim or option has been created by Debtor or is known by Debtor to exist with respect to any Collateral; to the best of Debtor's information and belief, no financing statement or other security instrument is on file in any jurisdiction covering such Collateral; at the time the security interest in favor of Secured Party attaches, good and

indefeasible title to all after acquired Property included within the Collateral, free and clear of any security interest, lien, encumbrance, adverse claim or option (other than those permitted by the first sentence of this Section 3.02) will be vested in Debtor; and Debtor's grant of a security interest in the Collateral to Secured Party in the manner provided herein does not result in the creation or imposition of any other security interest, lien, encumbrance, adverse claim or option in favor of any other Person upon any Collateral or any other Property.

Section 3.03 Status of Accounts. Each Account now existing represents, and each Account hereafter arising will represent, the valid and legally enforceable indebtedness of a bona fide account debtor arising from the sale, lease or license or rendition by Debtor of goods and/or services and is not and will not be subject to contra accounts, set-offs, defenses or counterclaims by or available to account debtors obligated on the Accounts except as disclosed to Secured Party in writing; such goods will have been delivered to, or be in the process of being delivered to, and such services will have been rendered by Debtor to the account debtor and accepted by the account debtor; and the amount shown as to each Account on Debtor's books will be the true and undisputed amount owing and unpaid thereon, subject to any discounts, allowances, rebates, credits and adjustments to which the account debtor has a right and which have been disclosed to Secured Party in writing.

Section 3.04 Status of Related Rights. All Related Rights are, and those hereafter arising will be, valid and genuine. Any chattel paper included in the Related Rights has, and those hereafter arising will have, only one duplicate original counterpart which constitutes chattel paper or collateral within the meaning of the Code or the law of any applicable jurisdiction.

Section 3.05 Status of Books and Records. All Books and Records have been, and those entries hereafter made therein will be, made in the regular course of Debtor's business; made on the basis of information recorded or transmitted (or to be recorded or transmitted) by a Person, either an employee or representative of Debtor, with personal knowledge of the acts, events, conditions, opinions or diagnoses recorded therein and in the regular course of Debtor's business; made at or near the time of the act, event, condition, opinion or diagnosis recorded therein and in the regular course of Debtor's business; and contain full, true and correct entries of all dealings or transactions relating to the Collateral, in accordance with generally accepted accounting principles, consistently applied.

Section 3.06 Location. Debtor's exact legal name, its state organizational or identification number and the address of Debtor's chief executive office and chief place of business is recited in the opening paragraph of this Security Agreement, and the Books and Records are kept at such location. Debtor's Collateral (other than Equipment, if any, comprising mobile goods) is located only at the location(s) set forth in Schedule 3.06 hereto of this Security Agreement. Collateral (other than Equipment, if any, comprising mobile goods) is not in more than one jurisdiction. In the event any of the Equipment is mobile, such Equipment is of a type normally used in more than one jurisdiction, such as motor vehicles, trailers, rolling stock,

airplanes, shipping containers, road building and construction machinery and commercial harvesting machinery and the like.

Section 3.07 Certificate of Title. No item of Collateral is covered by a certificate of title.

Section 3.08 Collateral Not Covered by Documents. Except for financing statements filed in connection with the Subordinate Loan, none of the goods included in the Collateral are, and at the time the security interest in favor of Secured Party attaches none of the after acquired goods included in the Collateral will be, covered by any document as defined in the Code or in the Uniform Commercial Code of any state other than Texas where the goods are (or will be) located.

Section 3.09 Corporate Existence, Power and Authorization. If Debtor is not a natural person, Debtor's place of incorporation or organization is recited in the opening paragraph of this Security Agreement; Debtor is duly organized, legally existing and in good standing under the laws of such state; Debtor is duly qualified to do business in all jurisdictions wherein the Collateral is located and where Debtor's obligations which give rise to any of the Collateral or Related Rights are to be performed; Debtor is duly authorized and empowered to execute, deliver and perform the instruments evidencing any of the Indebtedness and this Security Agreement; and all corporate or other action on Debtor's part requisite for the due execution, delivery and performance of such instruments and this Security Agreement has been duly and effectively taken.

Section 3.10 Status of Instruments. Each Instrument now existing is, and each Instrument hereafter will be, the valid and legally enforceable indebtedness of a bona fide maker thereof for good and valuable consideration, of which Debtor is the owner and holder, and is not and will not be subject to set-offs, counterclaims or defenses by any maker except as disclosed to Secured Party in writing; and the amount shown on Debtor's books in respect thereof will be the true and undisputed amount owing and unpaid thereon. Each Instrument is endorsed to Secured Party and is in the possession of Secured Party.

ARTICLE IV

COVENANTS

A deviation from the provisions of this Article IV shall not constitute an Event of Default under this Security Agreement if, prior to the occurrence thereof, such deviation is consented to in writing by Secured Party. Unless otherwise consented to in writing by Secured Party, Debtor will at all times comply with the covenants contained in this Article IV, from the date hereof and for so long as any part of the Indebtedness is outstanding.

Section 4.01 Financing Statement Filings. Debtor recognizes that financing statements pertaining to the Collateral are being filed with the central filing office of the state where the Debtor is incorporated or organized and the central filing office (or local filing offices as may be

required by law) of any other state where applicable law requires that a financing statement be filed in order to perfect a security interest in the Collateral (financing statements may be filed with the county clerk for each county where the real property is located with respect to which any of the Equipment is or will be so related as to become a fixture thereto and financing statements filed with the county clerk shall be filed in the real property records of such counties). Debtor will immediately notify Secured Party of any condition or event that may change the proper location for the filing of any financing statements or other public notice or recordings for the purpose of perfecting security interests in the Collateral. Without limiting the generality of the foregoing, Debtor will (a) immediately notify Secured Party of any change (i) in the state of the Debtor's incorporation or organization, (ii) in the state in which the Debtor's chief executive office or chief place of business is located, (iii) in the location of the Books and Records, and (iv) in the "location" of Debtor within the meaning of Section 9.307 of the Code; and (b) prior to any Equipment becoming so related to any particular real estate (other than real estate identified on Exhibit "B" hereto) so as to become a fixture on such real estate, notify Secured Party of the description of such real estate and the name of the record owner thereof; and (c) immediately notify Secured Party of any change in Debtor's name, identity or corporate structure. In any notice furnished pursuant to this Section, Debtor will expressly state that the notice is required by this Security Agreement and contains facts that will or may require additional filings of financing statements or other notices for the purpose of continuing perfection of Secured Party's security interest in the Collateral.

Section 4.02 Taxes, etc. Debtor agrees to pay prior to any delinquency all taxes, charges, liens and assessments against the Collateral, and upon the failure of Debtor to do so, Secured Party, at its option, may pay any of them and shall be the sole judge of the legality or validity thereof and the amount necessary to discharge the same.

Section 4.03 Satisfactory Collateral. Debtor will at all times maintain with Secured Party Collateral of a character and value satisfactory to Secured Party. If at any time any of the Collateral shall depreciate in character or value or otherwise be unsatisfactory to Secured Party, Secured Party in its discretion may demand, and Debtor will upon said demand provide, such further collateral or such payment on account of the Indebtedness as will be satisfactory to Secured Party.

Section 4.04 Possession of Collateral. Secured Party shall be deemed to have possession of any of the Collateral in transit to it or set apart for it. Otherwise the Collateral shall remain in Debtor's possession or control at all times at Debtor's risk of loss and shall (except for temporary removal consistent with its normal use) be kept at the locations represented pursuant to Section 3.06 and any other location specified in writing to Secured Party, where Secured Party may inspect it at any time. In the event Secured Party allows a third party to have possession of any of the Collateral, Debtor will immediately notify Secured Party, and will join with Secured Party in notifying the third party of Secured Party's security interest and obtaining an acknowledgment from the third party that it is holding the Collateral for the benefit of Secured Party, and shall act upon the instructions of Secured Party, without further consent by Debtor.

Section 4.05 Maintenance of Collateral. Debtor will maintain the Collateral in good condition and will not misuse, abuse, waste, destroy, endanger or allow the Collateral to deteriorate. Debtor will forthwith, or in the case of any loss or damage to any goods included in the Collateral as soon as practicable, make or cause to be made all repairs, replacements or other improvements to the Collateral as are necessary or desirable to accomplish the foregoing. Debtor will not use the Collateral in violation of any law, statute, ordinance or regulation or suffer it to be so used.

Section 4.06 Further Assurances. Debtor authorizes Secured Party to sign or otherwise authenticate and to file (including by any electronic method) financing statements and amendments to financing statements covering the Collateral or stating that Secured Party claims a security interest in all of Debtor's assets or property or describing any agricultural or other statutory liens held by Secured Party. Any such financing statement or amendment may (a) indicate the Collateral (i) as all assets of 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 Code or the Uniform Commercial Code of 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 Code for the sufficiency or filing office acceptance of any financing statement or amendment, including (i) whether Debtor is an organization, the type of organization and any organization identification number issued to Debtor, and (ii) in the case of a financing statement filed as a fixture filing or indicating Collateral as extracted collateral or timber to be cut, a sufficient description of real property to which the Collateral relates. Debtor also ratifies its authorization for 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. In addition, Debtor will from time to time sign, execute, deliver and file, alone or with Secured Party, any financing statement, security agreements or other documents, any document as may be requested by Secured Party, and take all further action that may be necessary or desirable, or that Secured Party may request to confirm, perfect and preserve the security interest created hereby, and in addition, Debtor hereby authorizes and appoints Secured Party as Debtor's true and lawful attorney-in-fact and agent to execute and deliver on behalf of Debtor and to file such financing statements, security agreements and other documents as Secured Party shall determine to be useful. Debtor shall do all such additional and further acts, things, deeds, give such assurances and execute such instruments as Secured Party requests to vest more completely in and assure to Secured Party its rights under this Security Agreement. Without limiting the foregoing, (i) Debtor will mark conspicuously any and all chattel paper included in the Collateral and its Books and Records pertaining to the Collateral with a legend, in form and substance satisfactory to Secured Party indicating that such chattel paper or Collateral is subject to the security interest granted by this Security Agreement; and (ii) in the event any of the Collateral or the Related Rights is evidenced by a note or other instrument, Debtor will transfer, deliver and assign to Secured Party such note or other instrument duly endorsed and accompanied by duly executed instruments of transfer and assignment, all in form and substance satisfactory to Secured Party, to be held by Secured Party as Collateral under this Security Agreement.

Section 4.07 Filing Reproductions. At the option of Secured Party, a carbon, photographic or other reproduction of this Security Agreement or of a financing statement covering the Collateral shall be sufficient as a financing statement and may be filed as a financing statement.

Section 4.08 Delivery of Information. Debtor will transmit to Secured Party promptly all information that Debtor may have or receive with respect to (i) the Collateral or (ii) account debtors or other obligors in respect of the Accounts, or any of the Collateral or the Related Rights which might in any way affect the value of the Collateral or Secured Party's rights or remedies with respect thereto.

Section 4.09 Compromise of Collateral. Debtor will not adjust, settle or compromise any of the Collateral without the prior written consent of Secured Party.

Section 4.10 Title; Prohibited Liens and Filings. Debtor agrees to protect the title to the Collateral. Debtor will not pledge, mortgage, lease, license or otherwise encumber, or create or suffer a security interest to exist in any of the Collateral (other than in favor of Secured Party) or sell, assign or otherwise transfer any of the Collateral (other than Inventory as permitted by Section 4.13 of this Security Agreement) to or in favor of anyone other than Secured Party. Debtor will not file or permit to be filed or recorded any financing statement or other security instrument with respect to the Collateral other than in favor of Secured Party.

Section 4.11 Inspection. Debtor will, upon Secured Party's demand, at any time and from time to time, during normal business hours permit Secured Party to inspect Debtor's Books and Records, originals of the Related Rights, the Inventory, the Equipment and any other Collateral.

Section 4.12 Account Obligations. Debtor will duly perform or cause to be performed all obligations of Debtor with respect to the goods or services, the sale, lease or license or rendition of which gave rise or will give rise to each Account, Instrument, Intangible, letter-of-credit right or any Related Rights.

Section 4.13 Use of Collateral. Secured Party does not authorize, and Debtor agrees not to, sell, lease, license, grant a security interest in or otherwise dispose of any Collateral.

Section 4.14 Collection and Enforcement of Accounts, Intangibles and Related Rights.

(a) Except as otherwise provided in subsection (b) hereof, Debtor shall continue to collect, at its own expense, all amounts due or to become due Debtor with respect to the Accounts, Intangibles, Instruments or the Related Rights. In connection with such collections, Debtor may take (and, at Secured Party's direction, shall take) such action as Debtor or Secured Party may deem necessary or advisable to enforce collection of the Accounts, Intangibles, Instruments or the Related Rights.

(b) Notwithstanding the provisions of subsection (a) hereof, Secured Party shall have the right at any time and from time to time, whether with or without written notice to Debtor of its intention to do so, to contact account debtors or obligors under any or all of the Accounts or the other Collateral or the Related Rights in order to verify information about Debtor's accounts, to notify such account debtors or obligors of the assignment and security interest of Secured Party in such Accounts, or any of the other Collateral or the Related Rights and to direct such account debtors or obligors to make payment of all amounts due or to become due Debtor thereunder directly to Secured Party. Upon exercising such right, Secured Party may additionally, at the expense of Debtor, enforce collection of any or all of the Accounts, or any of the other Collateral or the Related Rights and may adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as Debtor might have done.

(c) All amounts and proceeds (including chattel paper, payment intangibles, notes and instruments) received by Debtor in respect of the Accounts, Intangibles, Instruments or the Related Rights (i) shall be received in trust for the benefit of Secured Party hereunder, (ii) shall be segregated from other funds of Debtor and shall not be commingled with other money nor deposited in a deposit account of Debtor, and (iii) shall forthwith be paid over to Secured Party in the same form as so received (together with any necessary endorsement) to be held by Secured Party as cash collateral and applied as set forth in Section 5.02 hereof. After Secured Party gives Debtor notice of its intention to exercise the rights and remedies granted in subsection (b) hereof, (i) Debtor shall not adjust, settle or compromise any of the Accounts, the Intangibles, the Instruments or the Related Rights nor release wholly or partly any account debtor or obligor thereof, nor allow any credit (other than proceeds subject to this subsection [c]) or discount thereon; and (ii) Debtor shall forthwith deliver to Secured Party, to be maintained under the exclusive control of Secured Party, the Books and Records relating to the Accounts, the Intangibles, the Instruments and the Related Rights for the purpose of enabling Secured Party to exercise its rights and remedies under this Security Agreement.

Section 4.15 Reports. Debtor will promptly furnish to Secured Party from time to time, upon request of Secured Party (i) such copies, extracts and abstracts of its Books and Records as Secured Party may request; (ii) an analysis of Debtor's Accounts, Intangibles, the Instruments and Related Rights in such detail as Secured Party may direct and including, without limitation, an identification of each Account by amount, invoice number and/or date and account debtor or obligor; an age analysis; and a summary for any relevant period identifying the amount outstanding at the beginning of the period, amount billed during the period, proceeds received during the period and amount outstanding at the end of the period; and (iii) an analysis of Debtor's Inventory in such detail as Secured Party may direct and including, without limitation, for any relevant period, Inventory comprising work in progress at the beginning of the period, Inventory comprising finished goods at the beginning of the period, Inventory sold or otherwise

disposed of during the period, Inventory subject to lease during the period, Inventory comprising work in progress at the end of the period, and Inventory comprising finished goods at the end of the period.

Section 4.16 Proceeds. Debtor will deliver to Secured Party promptly upon receipt, all proceeds received by Debtor from the sale or other disposition of the Collateral in the exact form in which they are received, or in such other form as Secured Party may from time to time direct. To evidence Secured Party's rights in this regard, Debtor will assign or endorse proceeds to Secured Party as Secured Party requests. Upon request of Secured Party, Debtor will notify obligors on all of the Collateral to make payments directly to Secured Party, and Secured Party may endorse as Debtor's agent any checks, instruments, chattel paper or other documents connected with the Collateral, take control of proceeds of the Collateral and may hold the proceeds as part of the Collateral and may use cash proceeds to reduce any part of the Indebtedness, or otherwise, and take any action necessary to obtain, preserve and enforce the security interests and liens granted hereunder and maintain and preserve the Collateral.

Section 4.17 Insurance. Debtor shall have and maintain, with financially sound and reputable insurers, insurance satisfactory in all respects to Secured Party covering the goods included in the Collateral against risk of fire, theft and such other risks as Secured Party may require, including standard extended coverage, in an amount at least equal to the value thereof. Policies evidencing any such property insurance (i) shall contain a standard mortgagee's endorsement, (ii) shall provide for payment of any loss to Secured Party, (iii) shall contain the agreement by the insurer that any loss thereunder shall be payable to Secured Party notwithstanding any action, inaction or breach of representation or warranty by Debtor, (iv) shall provide that there shall be no recourse against Secured Party for payment of premiums or other amounts with respect thereto and (v) shall provide for a minimum of ten (10) days prior written notice to Secured Party of any cancellation, modification or alteration of such insurance coverage. Debtor shall furnish Secured Party with certificates or other evidence of compliance with the foregoing insurance provisions. Secured Party may act as attorney for Debtor and Debtor hereby irrevocably appoints Secured Party as Debtor's true and lawful attorney-in-fact and agent, with full power of substitution, in Secured Party's name or Debtor's name or otherwise, but at Debtor's cost and expense and without notice to Debtor, to obtain, adjust, sell and cancel such insurance and endorse any draft drawn by insurers of such Collateral. Secured Party may apply any proceeds of such insurance which may be received by it in payment on account of the Indebtedness, whether due or not. If any insurance policy covering the goods included in the Collateral expires or is canceled before the Indebtedness is paid in full or Secured Party's obligation, if any, to advance additional monies has terminated, at Secured Party's option, Secured Party may obtain replacement insurance which may, but need not, be single interest insurance in favor of Secured Party and Secured Party may pay the premiums thereunder.

Section 4.18 Expenses. Debtor agrees to pay to Secured Party, at Secured Party's offices, all advances, charges, costs and expenses (including reasonable attorneys' fees and legal expenses) incurred by Secured Party in connection with the transaction which gives rise to this

Security Agreement, in connection with confirming, perfecting and preserving the security interest created under this Security Agreement, in connection with protecting Secured Party against the claims or interests of any third Person against the Collateral, and in exercising any right, power or remedy conferred by this Security Agreement or by law. The amount of all such advances, charges, costs and expenses shall be due and payable by Debtor to Secured Party upon demand together with interest thereon from the date of demand at the maximum rate of nonusurious interest allowed by law as of the date of demand; for purposes of determining such maximum rate of nonusurious interest under this Section, the amount of all such advances, charges, costs and expenses shall be added to the amount of all other Indebtedness then outstanding, and the aggregate amount shall be used.

Section 4.19 Financial Statements and Reports. Debtor will promptly furnish to Secured Party from time to time upon request such information regarding the business and affairs and financial condition of Debtor as Secured Party may reasonably request, and will furnish to Secured Party all financial statements and other financial information as may be required under the terms of the Loan Agreement. All such financial statements and information referred to above shall be in such detail as Secured Party may reasonably request and shall conform to generally accepted accounting principles.

Section 4.20 Fixtures or Accessions. Unless Exhibit "B" includes a description of real estate or other goods pursuant to subparagraph 2.01(b), Debtor will not permit any Collateral to become so related to any particular real estate so as to become a fixture on such real estate or to be installed in or affixed to other goods so as to become an accession to such other goods; in the event that any Collateral is to become so related to any particular real estate or so installed or affixed to other goods, prior thereto Debtor will notify Secured Party of such fact and upon demand of Secured Party furnish written consent(s) to Secured Party's security interest and/or disclaimer(s) signed by any person having an interest in the real estate or other goods.

Section 4.21 Cooperation with Secured Party Regarding Control. Debtor will cooperate with Secured Party in granting Secured Party control with respect to Collateral consisting of deposit accounts, investment property, letter-of-credit rights and electronic chattel paper. For each deposit account that Debtor at any time opens or maintains, Debtor shall, at the Secured Party's request and option, pursuant to an agreement in form and substance satisfactory to Secured Party, either (a) cause the depository bank to agree to comply at any time with instructions from Secured Party to such depository bank directing the disposition of funds from time to time credited to such deposit account, without further consent of Debtor, or (b) arrange for Secured Party to become the customer of the depository bank with respect to the deposit account, with Debtor being permitted, only with the consent of Secured Party, to exercise rights to withdraw funds from such deposit account. At the discretion of Secured Party, the provisions of this Section 4.21 shall not apply to (i) any deposit account for which Debtor, the depository bank and Secured Party have entered into a cash collateral agreement specially negotiated among Debtor, the depository bank and Secured Party for the specific purpose set forth therein, (ii) deposit accounts for which Secured Party is the depository and (iii) deposit accounts specially and exclusively used for payroll, payroll taxes and other employee wage and benefit payments to

or for the benefit of Debtor's salaried employees or the following fiduciary or escrow accounts:

Section 4.22 Investment Property. If Debtor shall at any time hold or acquire any certificated securities, Debtor shall forthwith endorse, assign and deliver the same to Secured Party, accompanied by such instruments of transfer or assignment duly executed in blank as Secured Party may from time to time specify. If any securities now or hereafter acquired by Debtor are uncertificated and are issued to Debtor or its nominee directly by the issuer thereof, Debtor shall immediately notify Secured Party thereof and, at Secured Party's request and option, pursuant to an agreement in form and substance satisfactory to Secured Party, either (a) cause the issuer to agree to comply with instructions from Secured Party as to such securities, without further consent of Debtor or such nominee, or (b) arrange for Secured Party to become the registered owner of the securities. If any securities, whether certificated or uncertificated, or other investment property now or hereafter acquired by Debtor are held by Debtor or its nominee through a securities intermediary or commodity intermediary, Debtor shall immediately notify Secured Party thereof and, at Secured Party's request and option, pursuant to an agreement in form and substance satisfactory to Secured Party, either (i) cause such securities intermediary or (as the case may be) commodity intermediary to agree to comply with entitlement orders or other instructions from Secured Party to such securities intermediary as to such securities or other investment property, or (as the case may be) to apply any value distributed on account of any commodity contract as directed by Secured Party to such commodity intermediary, in each case without further consent of Debtor or such nominee, or (ii) in the case of financial assets or other investment property held through a securities intermediary, arrange for Secured Party to become the entitlement holder with respect to such investment property, with Debtor being permitted, only with the consent of Secured Party, to exercise rights to withdraw or otherwise deal with such investment property.

Section 4.23 Electronic Chattel Paper and Transferable Records. If Debtor at any time holds or acquires an interest in any electronic chattel paper or any "transferable record," as that term is defined in Section 201 of the federal Electronic Signatures in Global and National Commerce Act, or in Section 16 of the Uniform Electronic Transactions Act as in effect in any relevant jurisdiction, Debtor shall promptly notify Secured Party thereof and, at the request of Secured Party, shall take such action as Secured Party may reasonably request to vest in Secured Party control under Section 9.105 of the Code of such electronic chattel paper or control under Section 201 of the federal Electronic Signatures in Global and National Commerce Act or, as the case may be, Section 16 of the Uniform Electronic Transactions Act, as so in effect in such jurisdiction, of such transferable record.

Section 4.24 Letter-of-Credit Rights. If Debtor is at any time a beneficiary under a letter of credit now or hereafter issued in favor of Debtor, Debtor shall promptly notify Secured Party thereof and, at the request and option of Secured Party, Debtor shall, pursuant to an agreement in form and substance satisfactory to Secured Party, either (i) arrange for the issuer and any confirmer of such letter of credit to consent to an assignment to Secured Party of the

proceeds of any drawing under the letter of credit or (ii) arrange for Secured Party to become the transferee beneficiary of the letter of credit, with Secured Party agreeing, in each case, that the proceeds of any drawing under the letter to credit are to be applied as provided in the Loan Agreement.

ARTICLE V

RIGHTS AND REMEDIES

Section 5.01 With Respect to Collateral.

A. Secured Party is hereby fully authorized and empowered (without necessity of any further consent or authorization from Debtor) and the right is expressly granted to Secured Party, and Debtor hereby constitutes, irrevocably appoints and makes Secured Party Debtor's true and lawful attorney-in-fact and agent for Debtor and in Debtor's name, place and stead, which appointment is coupled with an interest in the Collateral, with full power of substitution, in Secured Party's name or Debtor's name or otherwise, for Secured Party's sole use and benefit, but at Debtor's cost and expense, to exercise without notice, all or any of the following powers at any time with respect to all or any of the Collateral (regardless of whether any of the Indebtedness is due or not):

(1) to demand, sue for, collect, receive and give acquittance for any and all monies due or to become due by virtue thereof and otherwise deal with proceeds;

(2) to receive, take, endorse, assign and deliver any and all checks, notes, drafts, documents and other negotiable and non-negotiable instruments and chattel paper taken or received by Secured Party in connection therewith;

(3) to settle, intervene in, compromise, compound, prosecute or defend any action or proceeding with respect thereto;

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

(5) to extend the time of payment of any or all thereof and to grant waivers and make any allowance or other adjustment with reference thereto;

(6) to enter any post office box and take all items therefrom, to open the same and, after taking all remittances, to return any remaining items to such Debtor and to change any post office box to any address or post office box Secured Party chooses;

(7) to transfer to itself or any nominee any securities, receive any income thereon, and hold such income as additional Collateral or apply it to the Indebtedness; and

(8) to enforce all rights of Debtor in and to the Asset Purchase Agreement.

provided, however, Secured Party shall be under no obligation or duty to exercise any of the powers hereby conferred upon it and shall be without liability for any act or failure to act in connection with the collection of, or the preservation of any rights under, any Collateral.

B. Without waiving any of the foregoing, as to the Intellectual Property Collateral, the Secured Party shall have the following additional rights and remedies:

(1) to exercise any and all rights as beneficial and legal owner of the Intellectual Property Collateral, including, without limitation, any and all consensual rights and powers with respect to the Intellectual Property Collateral;

(2) to sell or assign or grant a license or franchise to use, or cause to be sold or assigned or granted a license or franchise to use, any or all of the Intellectual Property Collateral, in each case, free of all rights and claims of the Debtor therein and thereto (but subject, in each case, to the rights of others heretofore granted or created by the Debtor in the ordinary course of business);

(3) to sell or assign the Intellectual Property Collateral, or any part thereof, for cash or upon credit as the Secured Party may deem appropriate;

(4) to grant licenses or franchises or both to use the Intellectual Property Collateral on such terms and conditions as the Secured Party shall determine;

(5) the Debtor will promptly (and in any event within three [3] Business Days) deliver, upon the request of the Secured Party, to the Secured Party or its designee an assignment of the Intellectual Property Collateral, duly executed by the Debtor.

In connection with the above, the Secured Party shall have the right to impose such limitations and restrictions on the sale or assignment of the Intellectual Property Collateral as the Secured Party may deem to be necessary or appropriate to comply with any law, rule or regulation (federal, state, local or that of a foreign country) having applicability to any such sale and requirements for any necessary governmental approvals. The Debtor agrees that the Secured Party may duly execute all applications, documents, licenses, releases, assignments and other instruments called for under the terms of this Security Agreement, or necessary in Secured Party's judgment to effectuate the same, as Debtor's true and lawful attorney-in-fact pursuant to Sections 4.06 and 5.01 hereof.

Section 5.02 Application of Cash Sums. Prior to the happening of any Events of Default, all cash sums paid to and received by Secured Party on account of the Collateral (i) shall be promptly applied by Secured Party on the Indebtedness whether or not such Indebtedness shall have by its terms matured, such application to be made to principal or interest or expenses as Secured Party may elect; provided, further, however, Secured Party's failure to so apply any such sums shall not be a waiver of Secured Party's right to so apply such sums or any other sums at any time, or (ii) at the option of Secured Party, shall be released to Debtor for use in Debtor's business.

Section 5.03 Default, Events. At the option of Secured Party and without necessity of demand or notice, all or any part of the Indebtedness shall immediately become due and payable irrespective of any agreed maturity or period of grace and any obligation of Secured Party for further financial accommodation shall terminate upon the happening of any Default or Event of Default.

Section 5.04 Default, Remedies. If all or any part of the Indebtedness shall become due and payable as specified in Section 5.03 Secured Party may then, or at any time thereafter take possession of the Collateral with or without judicial process and apply, set-off, sell in one or more sales, lease, license or otherwise dispose of, any or all of the Collateral, in its then-condition or following any commercially reasonable preparation or processing, in such order as Secured Party may elect. Any such sale may be made either at public or private sale at its place of business or elsewhere, either for cash or other property, or upon credit or for future delivery, at such price as Secured Party may deem fair and Secured Party may disclaim any warranties of title or fitness in connection therewith. Secured Party may be the purchaser of any or all Collateral so sold and hold the same thereafter in its own right free from any claim of Debtor or right of redemption. No such purchase or holding by Secured Party shall be deemed a retention by Secured Party in satisfaction of the Indebtedness. If Secured Party receives non-cash proceeds from the disposition of any Collateral, the Secured Party may either value the noncash proceeds and apply such value to the Indebtedness, or may dispose of the noncash proceeds, as Collateral, until the noncash proceeds have been converted to cash for application to the Indebtedness. All demands, notices and advertisements, and the presentment of property at sale, are hereby waived. If, notwithstanding the foregoing provisions, any applicable provision of the Code or other law requires Secured Party to give reasonable notice of any such sale or disposition or other action, Debtor agrees five (5) days prior written notice shall constitute reasonable notice. Secured Party may require Debtor to assemble the Collateral and make it available to Secured Party at a place designated by Secured Party which is reasonably convenient to Secured Party and Debtor. Any sale hereunder may be conducted by an auctioneer or any officer or agent of Secured Party. The Collateral need not be present at any such sale.

Section 5.05 Proceeds. The proceeds of any sale or other disposition of the Collateral and all sums received or collected by Secured Party from or on account of the Collateral shall be applied by Secured Party in the manner set forth in Sections 9.608 and 9.615, as applicable, of the Code in effect as of the date hereof. If Secured Party sells, leases, licenses or otherwise disposes of any of the Collateral upon credit, Debtor will be credited only with payments actually

made by the purchaser, lessee, licensee or other transferee and received by the Secured Party. In the event the purchaser, lessee, licensee or other transferee fails to pay for the Collateral, Secured Party may resell the Collateral and Debtor shall be credited with the proceeds of the sale upon the same terms as contained in this Section 5.05.

Section 5.06 Deficiency. Debtor shall remain liable to Secured Party for any Indebtedness, advances, costs, charges and expenses, together with interest thereon remaining unpaid and shall pay the same immediately to Secured Party at Secured Party's offices.

Section 5.07 Secured Party's Duties. The powers and remedies conferred upon Secured Party by this Security Agreement are solely to protect its interest in the Collateral and shall not impose any duty upon Secured Party to exercise any such power or remedy. Secured Party shall be under no duty whatsoever to make or give any presentment, demand for performance, notice of nonperformance, protest, notice of protest, notice of dishonor, notice of default, notice of intent to accelerate, notice of acceleration or other notice or demand in connection with the Collateral or the Indebtedness, or to take any steps necessary to preserve any rights against prior parties, all of which are hereby waived by Debtor. Secured Party shall not be liable for failure to collect or realize upon any or all of the Indebtedness or Collateral, or for any delay in so doing, nor shall Secured Party be under any duty to take any action whatsoever with regard thereto. Secured Party's sale duty with respect to the custody, safe keeping and physical preservation of any Collateral in its possession, under Section 9.207 of the Code or otherwise, shall be to deal with such Collateral in the same manner as Secured Party deals with similar property for its own account. Secured Party need not take any steps to keep the Collateral identifiable. Secured Party shall have no duty to comply with any recording, filing or other legal requirements necessary to establish or maintain the validity, priority or enforceability of, or Secured Party's rights in or to, any of the Collateral.

Section 5.08 Standards for Exercising Remedies. To the extent that applicable law imposes duties on Secured Party to exercise remedies in a commercially reasonable manner, Debtor acknowledges and agrees that it is not commercially unreasonable for Secured Party (a) to fail to incur expenses reasonably deemed significant by Secured Party to prepare Collateral for disposition or otherwise to complete raw material or work in process into finished goods or other finished products for disposition, (b) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (c) to fail to exercise collection remedies against account debtors or other persons obligated on Collateral or to remove liens or encumbrances on or any adverse claims against Collateral, (d) to exercise collection remedies against account debtors and other persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (e) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (f) to contact other persons, whether or not in the same business as Debtor, for expressions of interest in acquiring all or any portion of the Collateral, (g) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the Collateral is of a specialized nature, (h) to dispose of

Collateral by utilizing Internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capability of doing so, or that match buyers and sellers of assets, (i) to dispose of assets in wholesale rather than retail markets, (j) to disclaim disposition warranties, (k) to purchase insurance or credit enhancements to insure Secured Party against risks of loss, collection or disposition of Collateral or to provide to Secured Party a guaranteed return from the collection or disposition of Collateral, or (l) to the extent deemed appropriate by Secured Party, to obtain the services of other brokers, investment bankers, consultants, liquidators, valuation specialists, and other professionals to assist Secured Party in the collection or disposition of any of the Collateral. Debtor acknowledges that the purpose of this Section 5.08 is to provide non-exhaustive indications of what actions or omissions by Secured Party would not be commercially unreasonable in Secured Party's exercise of remedies against the Collateral and that other actions or omissions by Secured Party shall not be deemed commercially unreasonable solely on account of not being indicated in this Section 5.08. Without limitation upon the foregoing, nothing contained in this Section 5.08 shall be construed to grant any rights to Debtor or to impose any duties on Secured Party that would not have been granted or imposed by this Agreement or by applicable law in the absence of this Section 5.08.

Section 5.09 Secured Party's Actions. Debtor waives any right to require Secured Party to proceed against any Person, exhaust any Collateral, or have any Other Liable Party joined with Debtor in any suit arising out of the Indebtedness or this Security Agreement or pursue any other remedy in Secured Party's power; waives any and all notice of acceptance of this Security Agreement or of creation, modification, renewal or extension for any period of any of the Indebtedness from time to time; and waives any defense arising by reason of any disability or other defense of any Debtor or of any Other Liable Party, or by reason of the cessation from any cause whatsoever of the liability of any Debtor or of any Other Liable Party. All dealings between Debtor and Secured Party, whether or not resulting in the creation of Indebtedness, shall conclusively be presumed to have been had or consummated in reliance upon this Agreement. Until all Indebtedness shall have been paid in full, Debtor shall have no right to subrogation, and Debtor waives any right to enforce any remedy which Secured Party now has or may hereafter have against Debtor or Other Liable Party and waives any benefit of and any right to participate in any Collateral or security whatsoever now or hereafter held by Secured Party. Debtor authorizes Secured Party, without notice or demand and without any reservation of rights against Debtor and without affecting Debtor's liability hereunder or on the Indebtedness, from time to time to (a) take and hold any other Property as collateral, other than the Collateral, for the payment of any or all of the Indebtedness, and exchange, enforce, waive and release any or all of the Collateral or such other Property; (b) apply the Collateral or such other Property and direct the order or manner of sale thereof as Secured Party in its discretion may determine; (c) renew and/or extend for any period, accelerate, modify, compromise, settle or release the obligation of Debtor or any Other Liable Party with respect to any or all of the Indebtedness or Collateral; and (d) release or substitute any Debtor or any Other Liable Party.

Section 5.10 Transfer of Indebtedness and Collateral. Secured Party may transfer any or all of the Indebtedness, and upon any such transfer Secured Party may transfer any or all of the Collateral and shall be fully discharged thereafter from all liability with respect to the

Collateral so transferred, and the transferee shall be vested with all rights, powers and remedies of Secured Party hereunder with respect to Collateral so transferred; but with respect to any Collateral not so transferred Secured Party shall retain all rights, powers and remedies hereby given. Secured Party may at any time deliver any or all of the Collateral to Debtor, whose receipt shall be a complete and full acquittance for the Collateral so delivered, and Secured Party shall thereafter be discharged from any liability therefor.

Section 5.11 Cumulative Security. The execution and delivery of this Security Agreement in no manner shall impair or affect any other security (by endorsement or otherwise) for the payment of the Indebtedness. No security taken hereafter as security for payment of the Indebtedness shall impair in any manner or affect this Security Agreement. All such present and future additional security is to be considered as cumulative security.

Section 5.12 Continuing Agreement. This is a continuing agreement and all the rights, powers and remedies of Secured Party hereunder shall continue to exist until the Indebtedness is paid in full as the same becomes due and payable; until Secured Party has no further obligation to advance monies to Debtor or Other Liable Party; and until Secured Party, upon request of Debtor, has executed a written termination statement. Furthermore, it is contemplated by the parties hereto that there may be times when no Indebtedness is owing; but notwithstanding such occurrence, this Security Agreement shall remain valid and shall be in full force and effect as to subsequent Indebtedness provided that Secured Party has not executed a written termination statement. Otherwise this Security Agreement shall continue irrespective of the fact that the personal liability of any Other Liable Party may have ceased, and notwithstanding the death or incapacity of Debtor or the death, incapacity or bankruptcy of any Other Liable Party or any other event or proceeding affecting Debtor or Other Liable Party.

Section 5.13 Cumulative Rights. The rights, powers and remedies of Secured Party hereunder shall be in addition to all rights, powers and remedies given by statute or rule of law and are cumulative. The exercise of any one or more of the rights, powers and remedies provided herein shall not be construed as a waiver of any of the other rights, powers and remedies of Secured Party. Furthermore, regardless of whether or not the Uniform Commercial Code is in effect in the jurisdiction where such rights, powers and remedies are asserted, Secured Party shall have the rights, powers and remedies of a secured party under the Code, as amended from time to time.

Section 5.14 Exercise of Rights. Time shall be of the essence for the performance of any act under this Security Agreement or the Indebtedness by Debtor or Other Liable Party, but neither Secured Party's acceptance of partial or delinquent payment nor any forbearance, failure or delay by Secured Party in exercising any right, power or remedy shall be deemed a waiver of any obligation of Debtor or Other Liable Party or of any right, power or remedy of Secured Party or preclude any other or further exercise thereof; and no single or partial exercise of any right, power or remedy shall preclude any other or further exercise thereof, or of the exercise of any other right, power or remedy.

Section 5.15 Remedy and Waiver. Secured Party may remedy any Default and may waive any Default without waiving the Default remedied or waiving any prior or subsequent Default.

Section 5.16 Non-Judicial Remedies. Secured Party may enforce its rights hereunder without resort to prior judicial process or judicial hearing, and Debtor expressly waives, renounces and knowingly relinquishes any and all legal rights which might otherwise require Secured Party to enforce its rights by judicial process. In so providing for non-judicial remedies, Debtor recognizes and concedes that such remedies are consistent with the usage of the trade, are responsive to commercial necessity and are the result of bargaining at arm's length. Nothing herein is intended to prevent Secured Party or Debtor from resorting to judicial process at either party's option.

ARTICLE VI

MISCELLANEOUS

Section 6.01 Debtor. The term "Debtor" as used throughout this Security Agreement shall (regardless of use of the singular form) mean Debtor individually and/or collectively, and shall include the respective successors, legal representatives, heirs and assigns of Debtor. The obligations and agreements of Debtor hereunder are joint and several.

Section 6.02 Preservation of Liability. Neither this Security Agreement nor the exercise by Secured Party (or any failure to so exercise) of any right, power or remedy conferred herein or by law shall be construed as relieving any Person liable on the Indebtedness from full liability on the Indebtedness and for any deficiency thereon.

Section 6.03 Notices. Any notice, demand or other record to Debtor under this Security Agreement or in connection with this Security Agreement may be given and shall conclusively be deemed and considered to have been given and received upon the deposit thereof, in writing, duly stamped and addressed to Debtor at the address of Debtor appearing on the records of Secured Party, in the U.S. Mail, or as otherwise permitted by the Loan Agreement, but actual notice, however given or received, shall always be effective.

Section 6.04 Construction. This Security Agreement has been made in and the security interest granted hereby is granted in and both shall be governed by the laws of the State of Texas (except to the extent that the laws of any other jurisdiction govern the perfection and priority of the security interest granted hereby) and of the United States of America, as applicable, in all respects, including matters of construction, validity, enforcement and performance.

Section 6.05 Amendment and Waiver. This Security Agreement may not be amended, altered, or modified (nor may any of its terms be waived) except in writing duly signed by an authorized officer of Secured Party and by Debtor.

Section 6.06 Invalidity. If any provision of this Security Agreement is rendered or declared invalid, illegal or unenforceable by reason of any existing or subsequently enacted legislation or by a judicial decision which shall have become final, Debtor and Secured Party shall promptly meet and negotiate substitute provisions for those rendered invalid, illegal or unenforceable, but all of the remaining provisions shall remain in full force and effect.

Section 6.07 Successors and Assigns. The covenants, representations, warranties and agreements herein set forth shall be binding upon Debtor, its successors and permitted assigns, and all Persons who become bound as a debtor to this Security Agreement and shall inure to the benefit of Secured Party, its successors and assigns.

Section 6.08 Survival of Agreements. All representations and warranties of Debtor herein, and all covenants and agreements herein not fully performed before the effective date of this Security Agreement, shall survive such date.

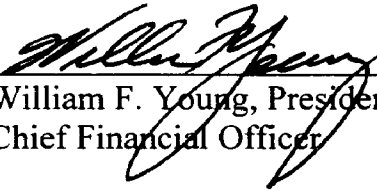
Section 6.09 Titles of Articles and Sections. All titles or headings to articles, sections or other divisions of this Security Agreement are only for the convenience of the parties and shall not be construed to have any effect or meaning with respect to the other content of such articles, sections or other divisions, such other content being controlling as to the agreement between the parties hereto.

Section 6.10 Exhibits. Any exhibits to this Security Agreement are incorporated herein by reference for all purposes.

IN WITNESS WHEREOF, Debtor has executed this Agreement as of the date set forth hereinabove.

DEBTOR:

WILLARD M, LLC

By: 

William F. Young, President and
Chief Financial Officer

Exhibit "A"

Intellectual Property Collateral

All right, title and interest in and to any Intellectual Property Collateral acquired pursuant to the Asset Purchase Agreement, including without limitation the following:

- International Total Services, Inc.

“ITS”

Registered on January 10, 1989

The United States of America

Trademark No. 1520067

Expires: twenty years from the date of issue

“A World of Service”

Registered on April 18, 1989

The United States of America

Trademark No. 1535680

Expires: twenty years from the date of issue

“Exceeding the Standards”

Registered on May 12, 1992

The United States of America

Trademark No. 167304

Expires: ten years from the date of issue

“Safeguard Security”

Registered as a fictitious name in California and Nevada.

In the future the plan is to register the name in other states as well.

And a schedule of Software as attached to the Asset Purchase Agreement.

Exhibit "B"

Description of the Real Property

[NONE]

LICENSE AGREEMENT

THIS LICENSE AGREEMENT (this "Agreement") is entered into as of _____, between _____, a _____ ("Licensor") with principal offices and a mailing address at _____, and STERLING BANK, a Texas banking association with offices at 5757 Memorial, Houston, Texas 77007 ("Licensee"), with reference to the following:

(a) Licensor, as borrower, and Licensee, as lender, are parties to that certain Loan Agreement and that certain Security Agreement (as from time to time amended, modified, supplemented, renewed, extended, or restated, herein collectively called the "Loan Documents"), each of even date herewith. Terms used herein that are defined in the Loan Documents and not otherwise defined herein shall have the meaning ascribed thereto in the Loan Documents.

(b) Licensor has granted to Licensee a security interest in the Intellectual Property Collateral (as hereinafter defined).

(c) Licensor may have rights with respect to intellectual property, including, without limitation, all copyrights, trademarks, trademark registrations and applications for registration, trade names, corporate names, trade styles, service marks, logos, other source and business identifying marks, together with any goodwill associated therewith, and all patents, patent applications, and all renewals, extensions and continuations in part of the above, any written agreement granting any right to use any copyright, trademark, trademark application or registration, patent, patent application or registration, and the right to sue for past, present and future infringements of the foregoing (which rights, excluding any intellectual property rights of Licensor that cannot be assigned lawfully are herein collectively called the "Intellectual Property Collateral").

(d) Licensee may need to use the Intellectual Property Collateral in connection with the maintenance, preservation, preparation, sale, disposition, collection, foreclosure, or other realization of, upon, or with respect to the Collateral in accordance with the Loan Documents (collectively, the "Permitted Uses").

(e) This Agreement is entered into for the purpose of providing Licensee a non-exclusive license to use the Intellectual Property Collateral for the Permitted Uses.

NOW, THEREFORE, for good and valuable consideration, including, without limitation, the extensions of credit by Licensee to Licensor provided for in the Loan Documents, the receipt and adequacy of which is hereby acknowledged by each party hereto, the parties agree as follows:

(1) Licensor irrevocably grants Licensee a non-exclusive license (the "License") to use all present and future Intellectual Property Collateral of Licensor, together with any goodwill associated therewith, from time to time, for the Permitted Uses or any of them.

(2) Licensee's rights under this Agreement and with respect to the License are fully prepaid. No royalties or other compensation shall be payable by Licensee to Licensor with respect to the License or this Agreement.

(3) The License granted hereunder shall remain in full force and effect until all Indebtedness of Licensor to Licensee is indefeasibly paid in full, and Licensee has no further obligation or commitment to extend credit or financial accommodations to Licensor.

(4) The rights of Licensee hereunder are assignable in connection with any (a) sale or other disposition of Collateral in accordance with the Loan Documents, to the extent necessary or appropriate to permit the purchaser of such Collateral to have unfettered rights with respect to such Collateral, or (b) assignment by Licensee of all or part of its rights under and in accordance with the Loan Documents.

(5) This Agreement shall be governed by the law of the State of Texas.

EXECUTED as of the date first set forth above.

LICENSOR:

By: _____

Name: _____

Title: _____

LICENSEE:

STERLING BANK,
a Texas banking association

By: _____

Name: _____

Title: _____

Signature Page for License Agreement by and between
_____ and Sterling Bank

Schedule 3.06

LOCATIONS

HOUSTON_1\561374\5
20233-37 - 04/30/2002

RECORDED: 12/22/2003

TRADEMARK
REEL: 002886 FRAME: 0825