

TRADEMARK ASSIGNMENT

Electronic Version v1.1

Stylesheet Version v1.1

SUBMISSION TYPE:

NEW ASSIGNMENT

NATURE OF CONVEYANCE:

SECURITY INTEREST

CONVEYING PARTY DATA

Name	Formerly	Execution Date	Entity Type
ADOBEAIR, INC.		12/31/2002	CORPORATION: DELAWARE

RECEIVING PARTY DATA

Name:	Churchill Capital Partners III, L.P.
Street Address:	333 South Seventh Street
Internal Address:	Suite 2400
City:	Minneapolis
State/Country:	MINNESOTA
Postal Code:	55402
Entity Type:	LIMITED PARTNERSHIP: DELAWARE

PROPERTY NUMBERS Total: 8

Property Type	Number	Word Mark
Serial Number:	76052107	MASTERBUILT
Serial Number:	76172898	MOBILE MASTERCOOL COMMERCIAL
Serial Number:	76329408	MASTER COOL CONTRACTOR
Registration Number:	2273014	SHOPCOOL
Registration Number:	2286405	SAFE SENSE
Registration Number:	2471412	ARCTIC CIRCLE
Registration Number:	2471413	MASTERCOOL II
Registration Number:	2484734	MASTERCOOL PLUS

CORRESPONDENCE DATA

Fax Number:

(612)337-7610

Correspondence will be sent via US Mail when the fax attempt is unsuccessful.

Phone:

6123407943

Email:

epshriver@riderlaw.com

Correspondent Name:

E. Patrick Shriver

Address Line 1:

33 South Sixth Street Suite 4900

TRADEMARK

REEL: 002984 FRAME: 0584

900016214

CH \$215.00 76052107

Address Line 4: Minneapolis, MINNESOTA 55402

ATTORNEY DOCKET NUMBER:

5804/198

NAME OF SUBMITTER:

E. Patrick Shriver

Total Attachments: 19

source=Adobe#page1.tif

source=Adobe#page2.tif

source=Adobe#page3.tif

source=Adobe#page4.tif

source=Adobe#page5.tif

source=Adobe#page6.tif

source=AdobeSecurityAgmt#page1.tif

source=AdobeSecurityAgmt#page2.tif

source=AdobeSecurityAgmt#page3.tif

source=AdobeSecurityAgmt#page4.tif

source=AdobeSecurityAgmt#page5.tif

source=AdobeSecurityAgmt#page6.tif

source=AdobeSecurityAgmt#page7.tif

source=AdobeSecurityAgmt#page8.tif

source=AdobeSecurityAgmt#page9.tif

source=AdobeSecurityAgmt#page10.tif

source=AdobeSecurityAgmt#page11.tif

source=AdobeSecurityAgmt#page12.tif

source=AdobeSecurityAgmt#page13.tif

AMENDMENT NUMBER ONE TO SECURITY AGREEMENT – INTELLECTUAL PROPERTY

AMENDMENT NUMBER ONE TO SECURITY AGREEMENT – INTELLECTUAL PROPERTY (the "Amendment") made as of this 31 day of December, 2002, by and between CHURCHILL CAPITAL PARTNERS III, L.P., a Delaware limited partnership (the "Note Purchaser"), ADOBEAIR, INC., a Delaware corporation ("Adobe"), and ADOBEAIR HOLDINGS, INC., F/K/A H&C PURCHASE CORPORATION, a Delaware corporation ("Holdings") (Holdings and Adobe individually a "Debtor" and collectively the "Debtors").

WHEREAS, on May 3, 2000, Debtors and Note Purchaser entered into a Security Agreement – Intellectual Property (the "Security Agreement"); and

WHEREAS, Debtors and Note Purchaser desire to amend the Security Agreement to reflect changes to the Collateral (as defined in the Security Agreement).

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

1. Definitions. Capitalized terms not otherwise defined herein shall have the meaning given in the Security Agreement.

2. Amendment of Security Agreement. The Security Agreement is amended by adding the schedule of items annexed hereto as Exhibit A to the existing Schedule A to the Security Agreement.

3. Continued Effect of Security Agreement. Except as modified herein or in any other instruments or documents executed in connection herewith, (a) all terms and conditions of the Security Agreement shall remain in effect in accordance with their original tenor, and (b) nothing contained herein shall constitute a waiver by the Note Purchaser of any of its rights and remedies, all of which rights and remedies being expressly reserved and not waived. Each agreement, covenant, representation, and warranty of Debtors hereunder shall be deemed to be in addition to and not in substitution for the agreements, covenants, representations, and warranties previously made by Debtors. In the event that there shall be any inconsistency between any provision of this Amendment and a provision set forth in the Security Agreement, the provisions contained herein shall govern. Any items listed on Schedule A to the Security Agreement or listed as additional Collateral on Exhibit A to this Amendment shall be and remain Collateral subject to the Security Agreement.

4. Time of the Essence. Time is of the essence of each aspect of this Amendment.

5. Successors. This Amendment shall be binding upon and inure to the benefit of the Note Purchaser and Debtors and their respective successors, heirs, and assigns.

6. Governing Law; Consent to Jurisdiction and Venue; Admissibility of Photocopies; Waiver of Jury Trial. This Amendment or any other agreement or document referred to herein shall be governed by, and construed and enforced in accordance with, the laws of the State of Minnesota without giving effect to conflict of laws principles thereof, except if and to the extent that the validity or perfection of any security interest created pursuant to the Security Documents, or remedies thereunder in respect of any particular Collateral are required to be governed by the laws of a jurisdiction other than the State of Minnesota. Regardless of any present or future domicile of the Debtors, the Debtors hereby submit to the jurisdiction and venue of the United States District Court for the District of Minnesota, and the Hennepin County District Court, State of Minnesota, for the purposes of all legal proceedings arising out of or relating to this Amendment or the transactions contemplated hereby. The Debtors hereby irrevocably agree that all claims in respect of such action or proceeding may be heard and determined in any such court and irrevocably waives any objection they may now or hereafter have as to the jurisdiction or 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 Note Purchaser to bring proceedings against the Debtors in any other court of competent jurisdiction. Any legal proceeding by the Debtors against Note Purchaser involving, directly or indirectly, any matter in any way arising out of, related to, or connected with this Amendment or any document executed and delivered in connection herewith shall be brought only in the United States District Court for the District of Minnesota, or the Hennepin County District Court, State of Minnesota. In the event the Debtors commence any action in another jurisdiction or venue arising directly or indirectly from the relationship created by this Amendment, the Note Purchaser shall be entitled to have the case transferred to the jurisdiction and venue above-described, or if such transfer cannot be accomplished under applicable law, to have such case dismissed without prejudice. The Debtors hereby consent to service of process by registered mail delivered in accordance with the provisions of Section 10.04 of the Note Purchase Agreement or service of process in any other legal manner at the option of the Note Purchaser. This Amendment and all documents relating hereto may be reproduced by the Note Purchaser by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process. The Debtors agree and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence.

THE DEBTORS HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AMENDMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE DEBTORS SPECIFICALLY

ACKNOWLEDGE AND AGREE THAT SUCH WAIVER IS MADE AFTER CONSULTATION WITH ITS LEGAL COUNSEL AND THIS IS A KNOWING AND VOLUNTARY WAIVER.

7. **Complete Agreement.** This Amendment, together with the Security Agreement, and the Loan Documents contains the entire agreement among the parties with respect to the transactions contemplated hereby, and supersedes all negotiations, presentations, warranties, commitments, offers, contracts and writings prior to the date hereof relating to the subject matters hereof. This Amendment may be amended, modified, waived, discharged or terminated only by a writing signed by the Note Purchaser.

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

9. **Descriptive Headings.** The captions in this Amendment are for convenience of reference only and shall not define or limit the provisions hereof.

10. **Counterparts.** This Amendment may be executed by one or more of the parties on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

[Remainder Of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment Number One to Security Agreement – Intellectual Property to be executed under seal by their respective duly authorized officers as of the date first written above.

ADOBEAIR, INC.

By: _____
Name:
Title:


CHURCHILL CAPITAL PARTNERS III, L.P.,
a Delaware limited partnership
By Churchill Capital, L.L.C.,
its General Partner
By Churchill Capital, Inc.
its Managing Agent

By  _____
Daniel Hemiadan, its Associate Principal

*[Signature Page to Amendment Number One
to Security Agreement – Intellectual Property]*

IN WITNESS WHEREOF, the parties hereto have caused this Amendment Number One to Security Agreement – Intellectual Property to be executed under seal by their respective duly authorized officers as of the date first written above.

ADOBEAIR, INC.

By: 
Name: CRAIG W YORK
Title: CHIEF FINANCIAL OFFICER

CHURCHILL CAPITAL PARTNERS III, L.P.,
a Delaware limited partnership
By Churchill Capital, L.L.C.,
its General Partner
By Churchill Capital, Inc.
its Managing Agent

By _____
Daniel Hemiadan, its Associate Principal

*[Signature Page to Amendment Number One
to Security Agreement – Intellectual Property]*

EXHIBIT A

Items of Collateral to be added to Schedule A to the Security Agreement – Intellectual Property dated May 3, 200, as amended, by and between CHURCHILL CAPITAL PARTNERS III, L.P., ADOBEAIR, INC., and ADOBEAIR HOLDINGS, INC., F/K/A H&C PURCHASE CORPORATION

TRADEMARKS

<u>Registration No. or Application No.</u>	<u>Mark</u>	<u>Issue or File Date</u>
76/052107	MASTERBUILT	5/19/00
76/172898	MOBILE MASTERCOOL	11/29/00
	COMMERCIAL AND DESIGN	
76/329408	MASTER COOL	10/17/00
	CONTRACTOR	
2273014	SHOP COOL	8/24/99
2286405	SAFE SENSE	10/12/99
2471412	ARTICLE CIRCLE and Design	7/24/01
2471413	MASTERCOOL II (Stylized)	7/24/01
2484734	MASTER COOL PLUS and Design	9/4/01

PATENTS

<u>Patent No. or Application No.</u>	<u>Country</u>	<u>Issue or File Date</u>	<u>Title</u>
4,755,657	USA	7/05/88	Heater with Alert Indicator
D312,683	USA	12/4/90	Cordless Bathroom Heater
09/128,894	USA	Pending	Portable Evaporative Cooler
4461733	USA	7/24/84	Capillary Fin Media (CIP)
5805767	USA	9/8/98	Elite

SECURITY AGREEMENT - INTELLECTUAL PROPERTY

THIS SECURITY AGREEMENT - INTELLECTUAL PROPERTY (the "Agreement"), dated as of the 3rd day of May, 2000, among CHURCHILL CAPITAL PARTNERS III, L.P., a Delaware limited partnership (the "Secured Party"), ADOBEAIR, INC., a Delaware corporation, and H&C PURCHASE CORPORATION, a Delaware corporation (each a "Debtor", and collectively, the "Debtors").

WHEREAS, pursuant to that certain Note Purchase Agreement among the Secured Party and the Debtors of even date herewith (the "Note Purchase Agreement"), the Secured Party has agreed to purchase Notes issued by the Debtors in the aggregate principal amount of Ten Million Dollars (\$10,000,000) (the "Subordinated Debt");

WHEREAS, each Debtor has agreed to enter into this Security Agreement-Intellectual Property in order to induce the Secured Party, inter alia, to enter into the Note Purchase Agreement and to purchase the Notes issued by the Debtors thereunder;

WHEREAS, pursuant to a Loan and Security Agreement, dated as of October 27, 1999 (the "Loan Agreement"), by and among Fleet Capital Corporation, as agent (the "Agent") and a lender, and certain other financial institutions from time to time party thereto (collectively, the "Lenders"), the Lenders have agreed to provide the Debtors with a credit facility of up to \$77,500,000 (the "Senior Debt") and the Debtors granted the Lenders a first priority security interest in the Collateral (as defined herein); and

WHEREAS, the Secured Party and the Agent have entered into a Senior Subordination and Intercreditor Agreement dated as of the date hereof (the "Intercreditor Agreement") with respect to such Collateral.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

Section 1. Definitions. Except as to those terms otherwise defined in this Agreement, all capitalized terms used in this Agreement shall have the respective meanings ascribed to them in the Note Purchase Agreement.

Section 2. The Security Interests.

a. In order to secure the due and punctual payment of the Notes, and the performance of all other Obligations of each Debtor owing to the Secured Party from time to time (including, without limitation, Obligations pursuant to the Note Purchase Agreement and this Agreement), each Debtor hereby grants to the Secured Party a continuing security interest in and to any and all of such Debtor's:

i. Patents. Patents, whether now owned or hereafter acquired, or in which the Debtor now has or hereafter acquires any rights (the term "Patent" means and includes (i) all letters patent of the United States or any other country or any political subdivision thereof, now

existing or hereafter acquired, all registrations and recordings thereof, and all applications for letters patent of the United States or any other country or any political subdivision thereof, now existing or hereafter acquired, including without limitation registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof and (ii) all reissues, continuations, continuations-in-part or extensions thereof), including without limitation each Patent listed on Schedule A hereto, and all of the inventions now or hereafter described and claimed in the Debtor's Patents;

ii. Patent Licenses. Patent Licenses, whether now owned or hereafter acquired, or in which the Debtor now has or hereafter acquires any rights (the term "Patent Licenses" means and includes any written agreement granting to any person any right to exploit, use or practice any invention on which a Patent is owned by another person), including without limitation each Patent License listed on Schedule A hereto, and all royalties and other sums due or to become due under or in respect of the Debtor's Patent Licenses, together with the right to sue for and collect all such royalties and other sums;

iii. Trademarks. Trademarks and Trademark registrations, whether now owned or hereafter acquired, or in which the Debtor now has or hereafter acquires any rights (the term "Trademarks" means and includes (i) all trademarks, trade names, trade styles, service marks and logos, all prints and labels on which said trademarks, trade names, trade styles, service marks and logos have appeared or appear and all designs and general intangibles of like nature, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, including without limitation registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state thereof or any other country or any political subdivision thereof and (ii) all reissues, extensions or renewals thereof), including without limitation each Trademark registration listed on Schedule A hereto, and all of the goodwill of the business connected with the use of, and symbolized by, each Trademark and Trademark registration and all customer lists and other records of the Debtor relating to the distribution of products bearing a Trademark;

iv. Trademark Licenses. Trademark Licenses, whether now owned or hereafter acquired, or in which the Debtor now has or hereafter acquires any rights (the term "Trademark Licenses" means and includes any written agreement granting to any person any right to use or exploit any Trademark or Trademark registration of another person), including without limitation the agreements described in Schedule A hereto, and all of the goodwill of the business connected with the use of, and symbolized by, each Trademark licensed and all royalties and other sums due or to become due under or in respect of the Debtor's Trademark Licenses, together with the right to sue for and collect all such royalties and other sums;

v. Copyrights. Copyrights and Copyright registrations, whether now owned or hereafter acquired, or in which the Debtor now has or hereafter acquires any rights (the term "Copyrights" means and includes (i) all copyrights, whether or not published or registered, and all works of authorship and other intellectual property and the rights therein, including without limitation copyrights for computer programs and data bases, and all copyrightable materials, and

all tangible property embodying such copyrights or copyrightable materials, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, including without limitation registrations, recordings and applications in the United States Copyright Office or in any similar office or agency of the United States, any state thereof any other country or any political subdivision thereof, and (ii) all renewals, derivative works, enhancements, modifications, new releases and other revisions thereof, and (iii) all accounts receivable, income, royalties, damages and payments now or hereafter due and/or payable with respect thereto, including without limitation payments under all licenses entered into in connection therewith, and (iv) all rights corresponding thereto throughout the world), including without limitation each Copyright registration listed on Schedule A hereto;

vi. Copyright Licenses. Copyright Licenses, whether now owned or hereafter acquired, or in which the Debtor now has or hereafter acquires any rights (the term "Copyright Licenses" means and includes any written agreement granting to any person the right to use or exploit any Copyright or Copyright registration of another person, including without limitation the right to use the foregoing to prepare for sale or distribution and sell or distribute any and all inventory now or hereafter owned by the Debtor and now or hereafter covered by such licenses), including without limitation the license and subscription agreements listed on Schedule A hereto, and all royalties and other sums due or to become due under or in respect of the Debtor's Copyright Licenses, together with the right to sue for and collect all such royalties and other sums;

vii. Know-How and Trade Secret Collateral. All know-how, inventions, processes, methods, information, data, plans, blueprints, specifications, designs, drawings, engineering reports, test reports, material standards, processing standards and performance standards, to the extent that the foregoing pertain to manufacturing, production or processing operations of the Debtor and constitute trade secrets of the Debtor, and all licenses or other similar agreements granted to or by the Debtor with respect to any of the foregoing;

viii. General Intangibles and Records Relating Thereto. General intangibles relating to any of the above-described property and supporting evidence and documents relating to any of the above-described property, including without limitation written applications, correspondence, delivery receipts and notes, together with all books of account, ledgers and cabinets in which the same are reflected or maintained, all whether now existing or hereafter arising;

ix. Accessions and Additions. All accessions and additions to and substitutions and replacements of any and all of the foregoing, whether now existing or hereafter arising;

x. Proceeds and Products. All proceeds and products of the foregoing and all insurance of the foregoing and proceeds thereof, whether now existing or hereafter arising, including without limitation (i) any claim of the Debtor against third parties for damages by reason of past, present or future infringement of any (a) Patent or any Patent licensed under any Patent License, (b) Trademark or Trademark registration or of any Trademark licensed under any

Trademark License, or for injury to the goodwill of the business connected with the use of, or symbolized by, any Trademark or Trademark registration or of any Trademark licensed under any Trademark License, or (c) Copyright or Copyright registration or of any Copyright licensed under any Copyright License, and (ii) any claim by the Debtor against third parties for damages by reason of past, present or future misappropriation or wrongful use or disclosure of any trade secret or other property or right described above or of any such trade secret or other property or right licensed under any license or agreement described above, and together with the right to sue for and collect the damages described in the immediately preceding clauses (i) and (ii); all of the foregoing being herein sometimes referred to as the "Collateral"; and

xi. Notwithstanding the foregoing provisions of Sections 2(ii), (iv) and (vi), the Patent Licenses, Trademark Licenses and Copyright Licenses shall not include any licenses with respect to telephone, computer, computer software, HVAC, cleaning, security, maintenance, laundry or substantially similar systems entered into by Debtors in the ordinary course of business, nor any license agreement under which Borrower is a licensee and which by its terms prohibits or otherwise restricts the grant of the security interest contemplated by this Agreement.

b. The security interests granted pursuant to this Section 2 (the "Security Interests") are granted as security only, and shall not subject the Secured Party to, or transfer or in any way affect or modify, any obligation or liability of the Debtors with respect to any of the Collateral or any transaction which gave rise thereto.

Section 3. Use of Collateral. Notwithstanding anything to the contrary contained herein, unless an Event of Default has occurred and is continuing, the Debtors may continue to exploit, license, use, enjoy and protect the Collateral throughout the world and the Secured Party shall from time to time execute and deliver, upon written request of the Debtors, any and all instruments, certificates or other documents, in the form so requested, necessary in the reasonable judgment of the Debtors to enable the Debtors to continue to exploit, license, use, enjoy and protect the Collateral throughout the world.

Section 4. Filing of Financing Statements and Other Instruments. Each Debtor: (i) will, at its expense, execute, deliver, file and record (in such manner and form as the Secured Party shall require), or permit the Secured Party to file and record, such financing statements, assignments, continuation statements and other instruments and documents (including without limitation this Agreement) in such offices (including without limitation the United States Patent and Trademark Office and the United States Copyright Office) as the Secured Party may reasonably deem necessary or appropriate in order to perfect and preserve the rights and interests granted to the Secured Party hereunder; (ii) hereby authorizes the Secured Party to file and record such instruments and documents and any other instruments or documents related thereto without the signature of the Debtor where permitted by law; and (iii) agrees to do such further acts and things, and to execute and deliver to the Secured Party such additional instruments and documents, as the Secured Party may reasonably require to carry into effect the purposes of this Agreement or to better assure and confirm unto the Secured Party its respective rights, powers and remedies hereunder; provided, however, that the Secured Party shall give the Debtor notice of any action taken or to be taken by the Secured Party pursuant to this Section 4. All of the

foregoing are to be at the sole cost of the Debtor. Any costs of the foregoing incurred by the Secured Party shall be payable by such Debtor within five (5) days of demand by the Secured Party, together with interest thereon from the date of incurrence at the Default Interest Rate (as defined in the Note Purchase Agreement) until so paid, and shall constitute so much additional Obligations. Each Debtor hereby appoints the Secured Party as the Debtor's attorney-in-fact to execute and file, in the name and on behalf of the Debtor, any additional Financing Statements as the Secured Party may reasonably request.

Section 5. Representations and Warranties of Debtor. Each Debtor hereby represents and warrants that:

a. The Debtor is, and, as to the Collateral acquired by it from time to time after the date hereof, the Debtor will be, the owner or, as applicable, licensee of all the Collateral attributed to it pursuant to the Schedule A hereto. The Debtor's rights in such Collateral are and shall remain free and clear of any lien, pledge, security interest, encumbrance, license, assignment, collateral assignment or charge of any kind, including without limitation any filing of or agreement to file a financing statement as debtor under the Uniform Commercial Code or any similar statute, except for the lien and security interest created by this Agreement and except for Permitted Liens or as otherwise permitted and disclosed in the Note Purchase Agreement or the schedules thereto. Other than as disclosed in the Note Purchase Agreement or the schedules thereto, the Debtor has not made a previous assignment, conveyance, transfer or agreement in conflict herewith. The Debtor further represents and warrants to the Secured Party that Schedule A hereto is a true and correct list of all Patents, Patent Licenses, Trademarks, Trademark Licenses, Copyrights and Copyright Licenses owned or used by the Debtor as of the date hereof which are material to the Debtor's business and that Schedule A is a true and correct with respect to the matters set forth therein as of the date hereof.

b. The Debtor has full corporate power to pledge and grant a security interest in all the Collateral pursuant to this Agreement.

c. No authorization, consent, approval, license, qualification or exemption from, nor any filing, declaration or registration with, any court, governmental agency or regulatory authority, or with any securities exchange or any other party, is required in connection with (i) the Debtor's execution, delivery or performance of this Agreement, (ii) the security interest (including the priority thereof when the appropriate filings have been made and accepted) in the Collateral in the manner and for the purpose contemplated by this Agreement or (iii) the rights of the Secured Party created hereby, except those that have already been obtained or made and those referred to in paragraph (f) of this Section 5.

d. The Debtor has made all necessary filings and recordations deemed necessary to protect its interest in the Collateral (other than immaterial Collateral) to the extent that filing or recordation may be effected.

e. To the best of Borrower's knowledge, the use of the Collateral by the Debtor does not infringe on the rights of any party in any material respect, nor has any claim of such infringement been made.

f. Upon filings and the acceptance thereof in the appropriate offices under the Uniform Commercial Code and in the United States Patent and Trademark Office and the United States Copyright Office, this Agreement will create a valid and duly perfected lien and security interest in the Collateral located in the United States subject only to the lien and security interest created by this Agreement and the Permitted Liens.

Section 6. Covenants of the Debtor. Each Debtor hereby covenants and agrees that:

a. Except for Permitted Liens, the Debtor will defend the Collateral and the Security Interests against all claims and demands of all Persons at any time claiming any adverse interest with respect thereto.

b. The Debtor will give written notice thereof to the Secured Party at least thirty (30) days prior to any change in the principal executive office of the Debtor or the office where the Debtor maintains its books and records.

c. The Debtor will promptly pay any and all taxes, assessments and governmental charges upon the Collateral prior to the date that penalties are attached thereto or the same become a lien on any of the Collateral, except to the extent that such taxes, assessments and charges shall be contested by the Debtor in good faith and through appropriate proceedings.

d. The Debtor will promptly notify the Secured Party of any event causing a loss or diminution in the value of all or any material part of the Collateral, and the amount (or the Debtor's best estimate of the amount) of such loss or diminution.

e. The Debtor (i) will not enter into any agreement that would impair or conflict with such Debtor's obligations hereunder, (ii) will, promptly following its becoming aware thereof, notify the Secured Party of (A) any final adverse determination in any proceeding in the United States Patent and Trademark Office or United States Copyright Office with respect to any of the Collateral or (B) the institution of any proceeding or any adverse determination in any federal, state, local or foreign court or administrative bodies regarding the Debtor's claim of ownership in or right to use any of the Collateral, its right to register any such Collateral or its right to keep and maintain such registration.

f. The Debtor will not sell or offer to sell or otherwise assign, transfer or dispose of, or grant any option with respect to any material portion of the Collateral or any interest therein without the prior written consent of the Secured Party.

g. Except for Permitted Liens, the Debtor will keep all of the Collateral (except for immaterial Collateral) free from any and all adverse liens, security interests or encumbrances.

h. The Debtor will not use any of the Collateral in material violation of any applicable law.

i. The Debtor authorizes the Secured Party to modify this Agreement by amending Schedule A hereto to include any future Collateral.

Section 7. Records Relating to Collateral. Each Debtor will keep and maintain complete and accurate records concerning the Collateral at its principal executive office, or at such other place(s) of business as the Secured Party may approve in writing. Each Debtor will (a) faithfully hold and preserve such records, (b) permit representatives of the Secured Party, at any time during normal business hours, upon reasonable notice, to examine and inspect the Collateral and to make copies and abstracts of such records, and (c) furnish to the Secured Party such information and reports regarding the Collateral as the Secured Party may from time to time reasonably request.

Section 8. Grant of License to Patents, Trademarks, Copyrights, Etc. Upon the occurrence and during the continuation of an Event of Default, without in any way limiting the scope of the lien and security interest created hereby, each Debtor hereby grants to the Secured Party an irrevocable, nonexclusive license and right to use all of the Debtor's Patents, Patent applications, Patent Licenses, Trademarks, Trademark registration, Trademark Licenses, trade names, trade styles, Copyrights, Copyright registrations, Copyright Licenses and similar intangibles in the processing, production, marketing, distribution or sale by the Secured Party of all or any part of its collateral for the Obligations in connection with any foreclosure or other realization on such collateral. The license and rights granted the Secured Party hereby shall be exercisable without the payment of any royalty, fee, charge or any other compensation to the Debtor or any other party. Such license and rights shall include reasonable access to all records in which any of the licensed items may be recorded or stored. Such license and rights shall be absolute and unconditional to the extent used for the purpose stated above.

Section 9. General Authority.

a. In the event that any Debtor shall fail to satisfy its obligations under Section 6(c) hereof, then the Secured Party shall have the right, but shall not be obligated, to take such steps and make such payments as may be required in order to effect compliance, and the Secured Party shall have the right either to demand and receive immediate reimbursement from such Debtor for all costs and expenses incurred by the Secured Party in connection therewith, and/or to add such costs and expenses to the Obligations.

b. Each Debtor hereby irrevocably appoints the Secured Party the true and lawful attorney for such Debtor, with full power of substitution, in the name of such Debtor, the Secured Party or otherwise, for the purposes of carrying out the terms of this Agreement, but at such Debtor's expense, to the extent permitted by law to exercise, at any time and from time to time after any Event of Default has occurred and is continuing or upon acceleration, any or all of the following powers with respect to any or all of the Collateral (which powers shall be in addition and supplemental to any powers, rights and remedies of the Secured Party described herein):

i. to demand, sue for and collect any and all moneys due or to become due upon or by virtue thereof; and

ii. 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 the Secured Party in connection therewith; and

iii. to settle, compromise, discharge, extend, compound, prosecute or defend any action or proceeding with respect thereto; and

iv. to sell, transfer, assign or otherwise deal in or with same, or the proceeds thereof, as fully and effectually as if the Secured Party were the absolute owner thereof; and

v. to extend the time of payment of any or all thereof and to make any allowance and other adjustments with reference thereto; and

vi. to discharge any taxes, liens, security interests or other encumbrances at any time placed thereon; provided, that the Secured Party shall give the Debtor not less than thirty (30) days' prior written notice of the time and place of any sale or other intended disposition of any of the Collateral. The Secured Party and the Debtor hereby agree that such notice constitutes "reasonable notification" within the meaning of Section 9-504(3) of the Uniform Commercial Code, as adopted in the State of Minnesota (the "Code").

Section 10. Remedies Upon Event of Default. If any Event of Default shall have occurred and be continuing, the Secured Party may exercise all of the rights and remedies of a secured party under the Code (whether or not the Code is in effect in the jurisdiction where such rights and remedies are exercised) and, in addition, the Secured Party may, without being required to give any notice, except as herein provided or as may be required by mandatory provisions of law, (a) apply the cash, if any, then held by it as Collateral in the manner specified in Section 11 hereof, and (b) if there shall be no such cash or if such cash shall be insufficient to pay all of the Obligations in full, sell the Collateral, or any part thereof, at public or private sale, for cash, upon credit or for future delivery, and at such price or prices as the Secured Party may deem satisfactory. The Secured Party may require the Debtor to assemble all or any part of the Collateral (or tangible documents, plans, etc., representing any Collateral which is intangible) and make it available to the Secured Party at a place to be designated by the Secured Party which is reasonably convenient to the Debtor and the Secured Party. Any holder of a Note may be the purchaser of any or all of the Collateral so sold at any public sale (or, if the Collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations, at any private sale) and thereafter hold same, absolutely free from any right or claim of whatsoever kind. Upon any such sale, the Secured Party shall have the right to deliver, assign and transfer to the purchaser thereof the Collateral so sold. Each purchaser at any such sale shall hold the Collateral so sold absolutely free from any claim or right of whatsoever kind, including any equity or right of redemption of the Debtor. To the extent permitted by law, the Debtor hereby specifically waives all rights of redemption, stay or appraisal which it has or may have under any rule of law or statute now existing or hereafter adopted. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Secured Party may fix in the notice of such sale, which such notice shall indicate the time and place of such sale, and shall be given at least ten (10) days in advance of such sale. At any such sale, the Collateral may be sold in one lot as an entirety or in separate parcels, as the Secured Party may determine. The Secured Party shall not be obligated to make such sale pursuant to any such notice. The Secured Party may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at

the time and place fixed for the sale, and such sale may be made at any time or place to which the same may be adjourned. In case of any sale of all or any part of the Collateral on credit or for future delivery, the Collateral so sold may be retained by the Secured Party until the selling price is paid by the purchaser thereof, but the Secured Party shall not incur any liability in the case of the failure of such purchaser to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may again be sold upon like notice. The Secured Party, instead of exercising the power of sale herein conferred upon it, may proceed by a suit or suits at law or in equity to foreclose the Security Interests and sell the Collateral, or any portion thereof, under a judgment or decree of a court of competent jurisdiction.

Section 11. Application of Collateral and Proceeds. The proceeds of any sale of, or other realization upon, all or any part of the Collateral shall be applied in the following order of priorities:

- a. first, to pay the expenses of such sale or other realization, and all expenses, liabilities and advances incurred or made by the Secured Party in connection therewith, and any other unreimbursed expenses for which the Secured Party is to be reimbursed pursuant to Section 12 hereof;
- b. second, to the payment of the Obligations in such order or manner as the Secured Party, in its sole discretion, shall determine; and
- c. finally, to pay to the Debtor, or its successors or assigns, or as a court of competent jurisdiction may direct, any surplus then remaining from such proceeds.

Section 12. Expenses. Each Debtor shall within five (5) days of demand pay to the Secured Party:

- a. the amount of any taxes or other charges which the Secured Party may have been required to pay by reason of the Security Interests (including any applicable transfer taxes) or to free any of the Collateral from any lien thereon; and
- b. the amount of any and all reasonable out-of-pocket expenses, including the reasonable fees and disbursements of its legal counsel and the allocated cost of in-house legal services, which the Secured Party may incur in connection with (i) the collection, sale or other disposition of any of the Collateral, (ii) the exercise by the Secured Party of any of the powers conferred upon it hereunder, and/or (iii) any default on the Debtor's part hereunder.

Section 13. Termination of Security Interests; Release of Collateral; Revival of Obligations. Upon the repayment and performance in full of all of the Obligations, the Security Interests shall terminate and all rights in the Collateral shall revert to the Debtors. Upon any such termination of the Security Interests or release of Collateral, the Secured Party will, at the Debtors' expense, to the extent permitted by law, execute and deliver to the Debtors such documents as the Debtors shall reasonably request to evidence the termination of the Security Interests or the release of such Collateral, as the case may be. Said execution and delivery shall include an instrument in form recordable in the United States Patent and Trademark Office or the

United States Copyright Office, as the case may be, by which the Secured Party shall terminate, release and without representation, recourse or warranty, reassign to the Debtors all rights in each Patent, Patent License, Trademark, Trademark License, Copyright and Copyright License including each registration thereof and application therefor, conveyed and transferred to the Secured Party pursuant to this Agreement. If any payment applied by the Secured Party to Obligations is thereafter set aside, recovered, rescinded or required to be returned for any reason (including, without limitation, the bankruptcy, insolvency or reorganization of Debtor or any other obligor), the Obligations to which such payment was applied shall for the purposes of this Agreement be deemed to have continued in existence, notwithstanding such application, and this Agreement shall be enforceable as to such Obligations as fully as if such application had never been made, notwithstanding the surrender of any Note, termination of any financing statement, or cancellation of any instrument or document.

Section 14. Right of Set-Off. In furtherance and not in limitation of any provisions herein contained, each Debtor hereby agrees that any and all deposits or other sums at any time claimed by or due from the Secured Party to the Debtor shall at all times constitute security for the Obligations, and the Secured Party may exercise any right of set-off against such deposits or other sums as may accrue or exist hereunder and/or under applicable law.

Section 15. Intercreditor Agreement. Notwithstanding anything contained in this Agreement, the Secured Party hereby acknowledges and agrees that the liens and security interests in the Collateral granted to the Agent shall be and remain superior and prior in right of payment and enforcement to the liens and security interests in such Collateral granted to the Note Purchaser regardless of the order or time as of which any such liens attach to any of the Collateral. The foregoing priority shall remain in effect until such time as (i) the Senior Debt is paid in full in cash, and (ii) the Agent and Lenders do not have any outstanding commitment to lend to the Debtors. Unless and until the Intercreditor Agreement is amended in accordance with its terms, the priorities provided in this section hereof shall not be altered or otherwise affected by any amendment, modification, supplement, extension, renewal, restatement or refinancing of any Senior Debt or the Subordinated Debt, nor by any action or inaction which Senior Creditor may take or fail to take in respect of the Collateral.

Section 16. Miscellaneous.

a. Changes in Writing. Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated orally but only by a statement in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought.

b. Waivers; Non-Exclusive Remedies. No failure on the part of the Secured Party to exercise, and no delay in exercising, and no course of dealing with respect to, any right, power or remedy under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise by the Secured Party of any right, power or remedy under this Agreement operate as a waiver thereof; nor shall any single or partial exercise by the Secured Party of any right, power or remedy under this Agreement preclude any exercise of any other right, power or remedy. The

remedies in this Agreement are cumulative and are not exclusive of any other remedies provided by law, in equity or otherwise.

c. Assignment. This Agreement may not be assigned by any Debtor without the Secured Party's prior written consent, but shall otherwise be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

d. Notices. Section 10.04 of the Note Purchase Agreement, as amended from time to time, is incorporated herein by reference and shall apply to all notices required hereunder as if fully set forth herein.

e. Severability. If any provision hereof is held invalid or unenforceable in any jurisdiction, such provision shall (for purposes of enforcement in such jurisdiction only) be reduced in scope and effect to the extent necessary to render same enforceable, and the other provisions hereof shall remain in full force and effect.

f. Governing Law; Consent to Jurisdiction and Venue; Service of Process; Waiver of Jury Trial. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Minnesota without giving effect to conflict of laws principles thereof, except if and to the extent that the validity or perfection of any security interest created hereby, or remedies hereunder in respect of any particular Collateral are required to be governed by the laws of a jurisdiction other than the State of Minnesota. Regardless of any present or future domicile of any Debtor, each Debtor hereby submits to the jurisdiction and venue of the United States District Court for the District of Minnesota, and the Hennepin County District Court, State of Minnesota, for the purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. Each 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 jurisdiction or 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 any Debtor in any other court of competent jurisdiction. Any legal proceeding by any Debtor against Secured Party involving, directly or indirectly, any matter in any way arising out of, related to, or connected with this Agreement or any document executed and delivered in connection herewith shall be brought only in the United States District Court for the District of Minnesota, or the Hennepin County District Court, State of Minnesota. In the event any Debtor commences any action in another jurisdiction or venue arising directly or indirectly from the relationship created by this Agreement, the Secured Party shall be entitled to have the case transferred to the jurisdiction and venue above-described, or if such transfer cannot be accomplished under applicable law, to have such case dismissed. Each Debtor hereby consents to service of process by registered mail delivered in accordance with the provisions of Section 10.04 of the Note Purchase Agreement or service of process in any other legal manner at the option of the Secured Party.

EACH DEBTOR HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL

**PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE
TRANSACTIONS CONTEMPLATED HEREBY.**

g. Section Headings. The headings in this Agreement are for convenience of reference only, and shall not limit or otherwise affect the meaning or interpretation of any provision hereof.

h. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

[Remainder of this page intentionally left blank.]

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

CHURCHILL CAPITAL PARTNERS III, L.P.,
a Delaware limited partnership

H & C PURCHASE CORPORATION

By Churchill Capital L.L.C.,
its General Partner

By Churchill Capital, Inc.
as Managing Agent

By *Jeffrey A. Mudge*, Principal

By *B. M. Rain*
Its President

ADOBEAIR, INC.

By *B. M. Rain*
Its President