

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
Central Industrial Supply Company		11/01/2004	CORPORATION: TEXAS
RECEIVING PARTY DATA			
Name:	National City Bank		
Street Address:	1900 East Ninth Street		
City:	Cleveland		
State/Country:	OHIO		
Postal Code:	44114		
Entity Type:	Nationally chartered banking institution: UNITED STATES		
PROPERTY NUMBERS Total: 4			
Property Type	Number	Word Mark	
Serial Number:	76062951	CIS	
Serial Number:	76522475	QUALSLIDE	
Registration Number:	2673695	CIS	
Registration Number:	2679540		
CORRESPONDENCE DATA			
Fax Number:	(804)698-2236		
	<i>Correspondence will be sent via US Mail when the fax attempt is unsuccessful.</i>		
Phone:	8047751194		
Email:	astinson@mcguirewoods.com		
Correspondent Name:	Anjanette Plichta Stinson		
Address Line 1:	One James Center, 901 East Cary Street		
Address Line 4:	Richmond, VIRGINIA 23219		
NAME OF SUBMITTER:	Anjanette Plichta Stinson		
Signature:	/Anjanette Plichta Stinson/		

OP \$115.00 76062951

Date:

01/05/2005

Total Attachments: 25

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THIS INTELLECTUAL PROPERTY SECURITY AGREEMENT AND ASSIGNMENT AND THE RIGHTS AND REMEDIES HEREIN ARE SUBJECT TO THE TERMS OF THAT CERTAIN INTERCREDITOR AGREEMENT AMONG NATIONAL CITY BANK, AS AGENT UNDER THE MEZZANINE AGREEMENT (AS DEFINED BELOW), LASALLE BUSINESS CREDIT, LLC, AS AGENT, AND VENTURE FINANCE PLC, AND CONSENTED TO BY CENTRAL INDUSTRIAL SUPPLY COMPANY AND CISC HOLDINGS, INC.

THIS INTELLECTUAL PROPERTY SECURITY AGREEMENT AND ASSIGNMENT AND THE RIGHTS AND REMEDIES HEREIN ARE SUBJECT TO THE TERMS OF THAT CERTAIN SUBORDINATION AGREEMENT EXECUTED BY NATIONAL CITY BANK, AS JUNIOR AGENT (AS DEFINED THEREIN), SPECIAL SITUATIONS OPPORTUNITY FUND I, LLC, HY INVESTMENT COMPANY, LLC AND NATIONAL CITY BANK, AS JUNIOR LENDERS (AS DEFINED THEREIN), IN FAVOR OF NATIONAL CITY BANK, AS SENIOR AGENT (AS DEFINED THEREIN), AND CONSENTED TO BY CENTRAL INDUSTRIAL SUPPLY COMPANY AND CISC HOLDINGS, INC.

THIS INTELLECTUAL PROPERTY SECURITY AGREEMENT AND ASSIGNMENT (this "Security Agreement") is made as of the 1st day of November, 2004, by and between CENTRAL INDUSTRIAL SUPPLY COMPANY, a Texas corporation (the "Borrower"), and National City Bank, as agent for the Purchasers (as defined below) (National City Bank, in its capacity as such agent, the "Secured Party").

RECITALS:

A. Pursuant to the Subordinated Note and Stock Purchase Agreement dated as of the date hereof (the "Mezzanine Agreement") by and among Borrower, CISC Holdings, Inc., National City Bank ("NCB"), Special Situations Opportunity Fund I, LLC ("SSOFI"), HY Investment Company, LLC (together with NCB and SSOFI, the "Purchasers"), and the Secured Party, and for the consideration set forth in Section 1(d) of the Global Settlement Agreement dated as of even date herewith among Borrower, CISC Holdings, Inc., American Industrial Partners Capital Fund II, L.P., the Purchasers and certain other parties signatory thereto, the Borrower has agreed to issue promissory notes to the Purchasers in an aggregate amount not to exceed Four Million and no/100 Dollars (\$4,000,000.00) (the "Loan").

B. The Borrower has agreed to enter into this Security Agreement to induce the Purchasers to enter into the Mezzanine Agreement.

AGREEMENT:

NOW, THEREFORE, for good and valuable consideration, the receipt whereof is hereby acknowledged, the parties hereto, with intent to be legally bound, agree as follows:

Section 1. Definitions.

1.1 “Collateral” means Borrower’s rights, title and interests, (whatever they may be) in each of the following, in each case whether now or hereafter existing or now owned or hereafter acquired by Borrower and whether or not the same is subject to Article 9 of the U.C.C., and wherever the same may be located:

- (i) the Trademarks and Goodwill;
- (ii) the Patents;
- (iii) the Copyrights;
- (iv) all registrations or letters patent issued or applied for (nor or hereafter) with respect to the Trademarks, Patents and Copyrights and renewals thereof in the United States and any state thereof (the “Registrations”);
- (v) any renewal, reissue, re-examination certificate, extension or the like with respect to the Trademarks, Patents and Copyrights;
- (vi) all rights to use the Trademarks as trade names or assumed names in all aspects of its business;
- (vii) all inventions, processes, production methods, proprietary information, know-how and trade secrets related to the Patents;
- (viii) all licenses, sublicenses or user or other agreements granted in favor of or from the Borrower with respect to any of the foregoing to the extent assignable without violation thereof, together with any Goodwill connected with or symbolized by any such licenses and agreements; and
- (ix) all proceeds and products of the foregoing. The inclusion of “proceeds” of Collateral in the definition of “Collateral” shall not be deemed a consent by the Secured Party to any sale or other disposition of any Collateral not otherwise specifically permitted by the terms hereof or by the Mezzanine Documents.

Provided however, that “Collateral” shall not include any General Intangible that is the subject of a written agreement which specifically prohibits assignment thereof or grant of a security interest therein but only to the extent of such prohibition, and only to the extent that the terms and provisions of such written agreement, document or instrument creating or evidencing such property or any rights relating thereto expressly prohibit the granting of a security interest therein or condition the granting of a security interest therein on the consent of a third party whose consent has not been obtained or would cause, or allow a third party to cause, forfeiture of such property upon the granting of a security interest therein or a breach under any written agreement relating thereto (any such agreement, document or instrument is referred to herein as a “Restricted Agreement”); provided, further, that (x) nothing herein shall affect or limit the Secured Party’s interest in the cash and non-cash proceeds of General Intangibles, whether or not

such General Intangible is the subject of a Restricted Agreement, (y) if any such provision purporting to prevent or condition the granting of a security interest is, or at any time becomes, ineffective or unenforceable under the Uniform Commercial Code or other applicable law to prevent the creation of a security interest in the applicable agreement, document or instrument and related rights or (z) upon any lapse or termination of such provision, then, under any such circumstance described in clauses (y) or (z), the “Collateral” shall include, and Borrower shall be deemed to have granted a security interest in, all such General Intangibles as if such provision had never been in effect. If Borrower enters into one or more Restricted Agreements after the Closing Date, Borrower shall notify Secured Party in writing hereof no later than five (5) Business Days after its execution of each such agreement.

1.2 “Copyright” means any copyright, copyright registration and applications for such registration, including, but not limited to, the copyrights listed on Annex C-1 attached hereto, and all applications for copyrights, including those copyrights and applications listed on Annex C-2 attached hereto, together with all continuations, renewals, extensions, damages and payments now or hereafter due and payable under and with respect thereto, including, without limitation, damages for all past, present or future infringement thereof and the right to sue for past, present and future infringements thereof.

1.3 “Event of Default” shall mean any event of default set forth in Section 6 of this Security Agreement or in any of the Mezzanine Documents.

1.4 “Goodwill” means the goodwill of the business connected with the use of (or associated with) and symbolized by the Trademarks, but not any other goodwill.

1.5 “LaSalle Loan Documents” shall mean that certain Loan and Security Agreement dated as of October 26 but effective as of even date herewith by and among Standard Federal Bank National Association (“Standard Federal”), LaSalle Business Credit, LLC (“LaSalle”), and Borrower, together with the Other Documents (as defined therein).

1.6 “Mezzanine Documents” shall mean the Mezzanine Agreement and any other notes, agreements, pledges, instruments, documents, mortgages, financing statements, assignments, leases, guarantees, suretyship agreements or contracts (including amendments thereto) now or at any time or times hereafter executed and delivered by the Borrower to the Secured Party or any Purchaser relating to the Obligations.

1.7 “Notice Address” means the address for the Borrower or the Secured Party, as the case may be, set forth in Section 14 hereinafter.

1.8 “Obligations” shall mean all responsibilities, obligations, undertakings, liabilities and indebtedness of any and every kind and nature, heretofore, now or hereafter owing, arising, due or payable from Borrower to Secured Party or any Purchaser, howsoever evidenced, created, incurred, acquired or owing, whether primary, secondary, direct, contingent, fixed, joint and several, joint or several or otherwise, and arising under this Security Agreement or any of the Mezzanine Documents and all amounts owed under any modifications, renewals or extensions of any of the foregoing obligations.

1.9 “Patents” means all patents in any and all forms, and applications for patents, including but not limited to the patents listed on Annex A-1 attached hereto, and all patent applications listed on Annex A-2 attached hereto, together with the reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof, all income, royalties, damages and payments now or hereafter due and payable under and with respect thereto, including, without limitation, damages for past, present or future infringements thereof and the right to sue for past, present and future infringements thereof.

1.10 “Permitted Lien” shall mean (i) statutory liens of landlords, carriers, warehousemen, processors, mechanics, materialmen or suppliers incurred in the ordinary course of business and securing amounts not yet overdue by more than 30 days or are being contested (A) by Borrower in good faith by appropriate proceedings and (B) in compliance with the Remedial Measures (as defined in the Mezzanine Agreement) (other than subclause (ii) thereof); (ii) liens or security interests in favor of LaSalle, for the benefit of Standard Federal, or Secured Party, for the benefit of the Purchasers; (iii) zoning restrictions and easements, licenses, covenants and other restrictions affecting the use of real property that do not individually or in the aggregate have a material adverse effect on Borrower’s ability to use such real property for its intended purpose in connection with Borrower’s business; (iv) liens in connection with purchase money indebtedness and capitalized leases otherwise permitted pursuant to the Mezzanine Agreement, provided, that such liens attach only to the assets the purchase of which was financed by such purchase money indebtedness or which is the subject of such capitalized leases; (v) liens imposed by law for taxes that are not yet due or are being contested (A) by Borrower in good faith by appropriate proceedings and (B) in compliance with the Remedial Measures (other than subclause (ii) thereof); (vi) pledges and deposits made in the ordinary course of business in compliance with workers’ compensation, unemployment insurance and other social security laws or regulations; (vii) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business; (viii) judgment liens in respect of judgments that do not constitute an Event of Default; (ix) liens set forth on Schedule 1.10 hereto; (x) liens granted in favor of Venture (as defined in the Mezzanine Agreement) by Borrower in connection with the CIS Europe Agreement (as defined in the Mezzanine Agreement) and liens granted in favor of Secured Party in connection with the Real Estate Loan Documents; and (xi) liens specifically permitted by Secured Party in writing.

1.11 “Registrations” has the meaning set forth in the definition of Collateral.

1.12 “Real Estate Loan Documents” shall mean that certain Real Estate Loan Agreement entered into among Borrower, National City Bank and Special Situations Opportunity Fund I, LLC, dated as of even date herewith, as amended, modified, or supplemented from time to time, including all documents, instruments, certificates and agreements entered into in connection therewith.

1.13 “Security Interest” shall mean the interest in the Collateral granted by Borrower to Secured Party, for the benefit of Purchasers, in this Security Agreement.

1.14 "Trademarks" means all trade names, trademarks, and service marks, in any and all forms, including but not limited to the registered trade names, trademarks, and service marks listed on Annex B-1 attached hereto, and all applications for registration of trade names, trademarks, and service marks, including those applications listed on Annex B-2 attached hereto, all common law rights to such trade names, trademarks and service marks, all income, royalties, damages and payments now or hereafter due and payable under and with respect thereto, including, without limitation, damages for past, present or future infringements thereof and the right to sue for all past, present and future infringements thereof, and all other rights of any kind whatsoever accruing thereunder or pertaining thereto.

1.15 "U.C.C." shall mean the Uniform Commercial Code as presently enacted in the State of Texas and as supplemented or amended from time to time.

All other capitalized terms that are not otherwise defined herein shall have the meanings ascribed to them in the Mezzanine Agreement.

Section 2. Assignment of Grant of Security Interests.

2.1 To secure payment to Secured Party and the Purchasers and performance of the Obligations, the Borrower hereby assigns to, and pledges and grants to the Secured Party, for the benefit of Secured Party and the Purchasers, a continuing security interest in the entire right, title and interest of Borrower in and to the Collateral.

2.2 The Security Interest granted pursuant to this Section 2 is granted as security only and shall not subject the Secured Party or any of the Purchasers to, or transfer or in any way affect or modify, any obligations or liability of the Borrower under any of the Collateral or any transaction which gave rise thereto.

Section 3. Filing; Further Assurances.

3.1 The Borrower agrees to cooperate and join, at its expense, with the Secured Party in taking such steps as are necessary, in the Secured Party's sole judgment, to perfect or continue the perfected status of the Security Interests granted hereunder, including, without limitation, the execution and delivery of any financing statements, amendments thereto and continuation statements, and the execution and filing of any collateral assignments and any other instruments requested by the Secured Party to perfect its Security Interest in any and all of the Collateral.

3.2 The Borrower hereby authorizes the Secured Party and the Purchasers, at any time and from time to time, to file financing statements, continuation statements and amendments thereto that describe the Collateral in particular or as all assets of the Borrower or words of similar effect and which contain any other information required by the U.C.C. and other applicable law for the sufficiency or filing office acceptance of any financing statement, continuation statement or amendment, including whether the Borrower is an organization, the type of organization and any organization identification number issued to the Borrower. The Borrower agrees to furnish any such information to the Secured Party and Purchasers promptly

upon request. Any such financing statements, continuation statements or amendments may be filed at any time in any jurisdiction in which the Borrower is organized.

3.3 The Borrower shall, at any time and from time to time, take such steps as the Secured Party may require for the Secured Party to ensure the continued perfection and priority of the Secured Party's Security Interest in any of the Collateral and of the preservation of its rights therein.

3.4 The Borrower will, at its expense, execute, deliver, file and record (in such manner and form as the Secured Party may at any time require), and authorize the Secured Party and the Purchasers to file and record, any financing statements, any carbon, photographic or other reproduction of a financing statement or of this Security Agreement (which shall be sufficient as a financing statement hereunder), any specific assignments or other paper that may be necessary or desirable or that the Secured Party may request, to create, preserve, perfect, continue or validate any Security Interest or to enable the Security Party and the Purchasers to exercise and enforce its rights hereunder with respect to any of the Collateral.

Section 4. Representations, Warranties and Covenants of the Borrower.

The Borrower, as of the date hereof, hereby represents, warrants and covenants as follows:

4.1 Borrower has good and marketable title to, and is the owner of, the Collateral free from any adverse lien, security interest, claim or encumbrance (other than Permitted Liens), and will defend the Collateral against all claims and demands of all persons at any time claiming any interest therein.

4.2 The locations of the offices where the Borrower maintains its books and records concerning the Collateral are as set forth in Exhibit A to the Mezzanine Agreement or at the location(s) hereafter disclosed to the Secured Party pursuant to Section 5 hereof.

4.3 The Borrower is a corporation organized under the laws of Texas. The Borrower's exact legal name is as set forth in the first paragraph of this Security Agreement. The Borrower agrees that it will preserve its corporate existence and will not, either in one transaction or a series of transactions, merge into or consolidate with any entity or change its name without providing Secured Party thirty (30) days' prior written notice of a proposed change in name.

4.4 The places of business of the Borrower are as set forth on Exhibit A to the Mezzanine Agreement. If the Borrower has more than one place of business, the chief executive offices of the Borrower are at the address set forth in such Exhibit A or at the location(s) hereafter disclosed to the Secured Party pursuant to Section 5 hereof.

4.5 Annexes A-1, A-2, B-1, B-2, C-1 and C-2 as applicable set forth a true and complete list of all material Registrations in the United States and related state filings owned by Borrower as of the date hereof.

4.6 The Borrower will promptly pay any and all taxes, assessments and governmental charges upon the Collateral prior to the date penalties are attached thereto, except to the extent that such taxes, assessments and charges shall be contested in good faith and diligently by the Borrower.

4.7 The Borrower will immediately notify the Secured Party in writing of any event causing a substantial loss or diminution in the value of all or any material part of the Collateral and the amount or an estimate of the amount of such loss or diminution.

4.8 Risk of loss, damage or destruction of the Collateral is on the Borrower. The Borrower will have and maintain insurance at all times with respect to the Collateral against such risks and for such amounts as are customary for businesses of the same or similar size and in the same or similar lines of business, such insurance to be payable to the Secured Party, for the benefit of the Purchasers, and to the Borrower as their interests may appear. Each such policy shall contain an endorsement showing Purchasers as additional insureds thereunder. All policies of insurance shall provide for thirty (30) days minimum written notice to the Secured Party of cancellation or material change, and the Borrower shall furnish the Secured Party original policies of insurance or other evidence satisfactory to the Secured Party of compliance with the foregoing insurance provisions.

4.9 The Borrower will not sell or offer to sell or otherwise assign, transfer or dispose of the Collateral or any part thereof or any interest therein without the written consent of the Secured Party.

4.10 The Borrower will keep the Collateral free from any adverse lien, security interest or encumbrance (other than Permitted Liens), and will not waste or destroy the Collateral or any part thereof.

4.11 The Borrower will not use the Collateral in violation of any law if such violation could result in a Material Adverse Effect on the Borrower or the Collateral.

4.12 The Borrower shall give thirty (30) days' prior notice to the Secured Party, in writing, of any new place of business and of the closing of any existing place of business.

Section 5. Records Relating to Collateral.

The Borrower will keep its records concerning the Collateral at its office located at 2357 W. Jefferson, Grand Prairie, Texas 75051, or at such other place or places of business as it notifies the Secured Party in writing pursuant to Section 4.12. The Borrower will hold and preserve such records and will permit representatives of the Secured Party at any time during normal business hours upon reasonable notice to examine and inspect the Collateral and will furnish to the Secured Party such information and reports regarding the Collateral as the Secured Party may from time to time reasonably request.

Section 6. Events of Default.

6.1 The occurrence of any Event of Default set forth in any of the LaSalle Loan Documents, the Real Estate Loan Documents or the Mezzanine Documents, or a material breach of any of the Borrower's warranties, covenants, representations or agreements under this Security Agreement shall constitute an Event of Default hereunder.

Section 7. Remedies Upon Event of Default.

7.1 If any Event of Default shall exist, the Secured Party and each Purchaser may exercise all the rights and remedies of a Secured Party under the U.C.C. and other applicable law. In addition, the Secured Party may, without being required to give any notice except as herein provided, (i) apply the cash, if any, then held by it as Collateral in the manner specified in Section 11; and (ii) if there shall be no such cash or if such cash shall be insufficient to pay all the Obligations in full, sell the Collateral, or any part thereof at public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery, and at such price or prices as the Secured Party may deem satisfactory.

7.2 The Secured Party may require the Borrower to assemble all or any part of the Collateral and make it available to the Secured Party at a place to be designated by the Secured Party which is reasonably convenient to the Secured Party.

7.3 Any holder of any or all of the Obligations 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 subject to widely distributed standard price quotations, at any private sale) and thereafter hold the 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 or redemption of the Borrower. The Borrower, to the extent permitted by law, 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.

7.4 The Secured Party shall give the Borrower five (5) days' written notice of its intention to make any such public or private sale or sale at a broker's board or on a securities exchange, which notice period is deemed by Borrower and by the Secured Party to be commercially reasonable; provided, that no such notice need be given for any such sale of any Collateral that is perishable or threatened to decline speedily in value or is of a type customarily sold in a recognized market. Such notice, in case of a public sale, shall state the time and place fixed for such sale. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Secured Party may fix in the notice of such sale. At any such sale the Collateral may be sold in one lot as an entirety or in separate parcels, as the Secured Party may determine. The Secured Party shall not be obligated to make any such sale pursuant to any such notice. The Secured Party may, without notice or publication, adjourn the sale 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 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.

7.5 Secured Party may sell the Collateral without giving any warranties of any kind. Secured Party may specifically disclaim any warranties of title or the like and warranties of fitness and merchantability. The disclaimer of warranties by the Secured Party shall not be deemed to affect adversely the commercial reasonableness of any disposition of the Collateral.

7.6 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 Interest and sell the Collateral, or any portion thereof, under a judgment or decree of a court or courts of competent jurisdiction.

7.7 The provisions of this Section 7 shall be subject in all cases to the U.C.C.

Section 8. Right of Secured Party to Use and Operate Collateral, etc.

During the Continuation of an Event of Default, the Secured Party shall have the right and power to take possession of all or any part of the Collateral, and to exclude the Borrower and all persons claiming under the Borrower wholly or partly therefrom, and thereafter to hold, store, and/or use, operate, manage and control the same. Upon taking possession, the Secured Party may, but shall not be obligated to, from time to time, at the expense of the Borrower, make all such repairs, replacements, alterations, additions and improvements to and of the Collateral as the Secured Party may deem proper. The Secured Party shall have the right to manage and control the Collateral and to carry on the business and to exercise all rights and powers of the Borrower in respect thereto as the Secured Party shall deem best, including the right to enter into any agreements with respect to the leasing and/or operation of the Collateral or any part thereof as the Secured Party may see fit, and the Secured Party shall be entitled to collect and receive all rents, issues, profits, fees, revenues and other income of the same and every part thereof. Such rents, issues, profits, fees, revenues and other income shall be applied to pay the expenses of holding and operating the Collateral and of conducting the business thereof, and of all maintenance, repairs, replacements, alterations, additions and improvements, and to make all payments which the Secured Party may be required or may elect to make, if any, for taxes, assessments, insurance and other charges upon the Collateral or any part thereof, and all other payments which the Secured Party may be required or authorized to make under any provisions of this Security Agreement (including legal costs and attorneys, fees). The remainder of such rents, issues, profits, fees, revenues and other income shall be applied to the payment of the Obligations in such order of priority as the Secured Party shall determine (subject to the provisions of Section 11 hereof).

Section 9. Intentionally Omitted.

Section 10. Power of Attorney.

10.1 The Borrower does hereby irrevocably make, constitute and appoint the Secured Party and any of its officers, employees or agents as the true and lawful attorneys of the Borrower with power to sign the name of the Borrower on any financing statement, renewal financing statement, notice or other similar document which, in the Secured Party's opinion, must be filed to perfect or continue perfected the Security Interests;

10.2 During the Continuation of an Event of Default, upon demand by the Secured Party for payment of the Obligations in full or acceleration of the Obligations by the Secured Party, the Borrower does hereby irrevocably make, constitute and appoint the Secured Party and any of its officers, employees or agents as the true and lawful attorneys of the Borrower with power to:

10.2.1 receive, endorse, assign and deliver, in the name of the Borrower or in the name of the Secured Party, all checks, notes, drafts and other instruments relating to any Collateral including but not limited to receiving, opening and properly disposing of all mail addressed to the Borrower concerning the Collateral and to notify postal authorities to change the address for delivery of mail to such address as the Secured Party may designate; and

10.2.2 do all other things necessary to carry out the provisions of this Security Agreement and the Mezzanine Documents.

Neither the Secured Party nor any attorney will be liable for any act of commission or omission, excluding willful misconduct or gross negligence, nor for any error of judgment or mistake of fact or law. The powers provided in this Section 10, being coupled with an interest, are irrevocable so long as any of the Obligations remains unpaid.

Section 11. Application of Collateral and Proceeds.

11.1 To the extent permitted by law, the proceeds of any disposition of, or other realization upon, all or any part of the Collateral shall be applied in the following order of priorities:

11.1.1 first, to pay the expenses of such disposition or other realization, including reasonable commissions of the Secured Party and its agents, all attorneys fees, costs, and expenses incurred in enforcing the Obligations and the Security Interest, 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;

11.1.2 second, to the payment of the Obligations in such other manner as the Secured Party, in its sole discretion, shall determine;

11.1.3 third, to pay any indebtedness secured by a security interest in or lien against the Collateral, subordinate to the Security Interest, with respect to which the Secured Party has received an authenticated demand for such proceeds from the holder thereof, and:

11.1.4 finally, to pay the Borrower, or its successors or assigns, or as a court of competent jurisdiction may direct, any surplus then remaining from such proceeds.

11.2 If Secured Party sells any of the Collateral upon credit, Borrower will receive credit only when payments are actually made by the purchaser, received by the Secured Party and applied to the Obligations.

Section 12. Expenses; Secured Party's Lien.

The Borrower will forthwith upon demand pay to the Secured Party:

12.1 the amounts of any taxes, assessments or other amounts which the Secured Party may have been required to pay to free any of the Collateral from any lien thereon; and

12.2 reasonable fees and disbursements of its counsel and of any agents which the Secured Party may incur in connection with the collection, sale or other disposition of any of the Collateral or any Event of Default on the Borrower's part hereunder.

Section 13. Termination of Security Interest; Release of Collateral.

Upon the repayment and performance in full of all the Obligations, the Security Interest shall terminate and all rights to the Collateral shall revert to the Borrower. Upon any such termination of the Security Interest or release of Collateral, the Secured Party will, at the Borrower's expense to the extent permitted by law, execute and deliver to the Borrower such documents as the Borrower shall reasonably request to evidence the termination of the Security Interest or the release of such Collateral, as the case may be.

Section 14. Notices.

All notices, communications and distributions hereunder shall be given or made to the following parties at the following address:

(i) If to the Borrower, to it at:

Central Industrial Supply Company
2357 W. Jefferson
Grand Prairie, TX 75051
Attention: Bryan F. Keyes
Facsimile No.: 972-595-1655

(ii) If to the Secured Party, to it at:

National City Bank
1900 East Ninth Street
Cleveland, OH 44114
Attention: Chris Hetz
Facsimile No.: 216-222-0912

With a copy to:
Benesch, Friedlander, Coplan & Aronoff LLP
2300 BP Tower
200 Public Square
Cleveland, OH 44144-2378
Attention: Ronald J. Telpitzky, Esq.
Facsimile No.: 216-363-4588

or at such other address as the addressee may hereafter specify for that purpose by written notice to the other party hereto. Such notices and other communications will be effectively given only if and when given in writing and actually (i) hand-delivered at the address set forth in this Section 14, (ii) 3 days after being duly deposited in the United States mail, certified or registered mail, return receipt requested, with postage prepaid, addressed as aforesaid, (iii) delivered to a overnight courier service (charges prepaid); or (iv) transmitted by facsimile or other means of electronic transmission.

Section 15. 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 Security 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 Security Agreement preclude any other right, power or remedy. The remedies in this Security Agreement are cumulative and are not exclusive of any other remedies provided by law.

Section 16. Entire Agreement; Changes in Writing.

This Security Agreement, together with the other Mezzanine Documents, represent the final agreement between the parties with respect to the subject matter hereof. Neither this Security 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.

Section 17. Applicable Law; Meaning of Terms.

This Security Agreement shall be construed in accordance with and governed by the laws of the State of New York, without regard to conflicts of law principles, and the applicable federal laws of the United States of America, except to the extent that the validity or perfection of the

Security Interest hereunder, or any remedies hereunder, in respect of the Collateral, are required to be governed by the laws of a jurisdiction other than New York. Unless otherwise defined herein, or unless the context otherwise requires, all terms used herein which are defined in the U.C.C. have the meanings therein stated. This Security Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties hereto and any subsequent assignee of the Mezzanine Agreement. This Security Agreement is for the benefit of any and all future assignees of the Mezzanine Agreement in addition to the Secured Party and the Purchasers, each of which shall, without further act, become a party hereto by being an assignee of the Mezzanine Agreement.

Section 18. Consent to Jurisdiction.

Borrower hereby consents to the exclusive jurisdiction of the Supreme Court of New York County, New York, and/or the United States District Court for the Southern District of New York in any and all actions or proceedings arising hereunder or pursuant hereto, and irrevocably agrees to service of process by certified mail, return receipt requested, to the Notice Address set forth herein or to such other address as Borrower may direct by notice to Secured Party.

Section 19. Jury Trial Waiver.

BORROWER HEREBY WAIVES, TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE RIGHT TO HAVE ANY CONTROVERSY, ISSUE OR MATTER ARISING OUT OF OR RELATED TO, THIS SECURITY AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, TRIED BY JURY.

Section 20. Severability.

If any provision hereof is invalid or unenforceable in any jurisdiction, the other provisions hereof shall remain in full force and effect in such jurisdiction.

Section 21. Headings.

The headings in this Security Agreement are for the purposes of reference only and shall not limit or otherwise affect the meaning hereof.

Section 22. ACKNOWLEDGMENT.

THIS SECURITY AGREEMENT CONTAINS A POWER OF ATTORNEY COUPLED WITH AN INTEREST AND IS FOR THE SOLE BENEFIT OF THE SECURED PARTY AND THE PURCHASERS. THIS SECURITY AGREEMENT IS BEING EXECUTED IN CONNECTION WITH THE LOAN OR OTHER FINANCIAL TRANSACTION FOR BUSINESS PURPOSES AND NOT PRIMARILY FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES. THE SECURED PARTY UNDER THE POWER OF ATTORNEY IS NOT FIDUCIARY FOR THE BORROWER. IN EXERCISING ANY OF ITS RIGHTS OR POWERS PURSUANT TO THE POWER

OF ATTORNEY, THE SECURED PARTY MAY DO SO FOR THE SOLE BENEFIT OF THE SECURED PARTY AND PURCHASERS AND NOT FOR THE BORROWER.

Section 23. Counterparts.

This Security Agreement may be signed in any number of counterparts, each of which when so executed and delivered shall be deemed to be an original, but all of such counterparts together shall constitute but one and the same instrument.

Section 24. Successors and Assigns.

All of the provisions of this Security Agreement shall be binding and inure to the benefit of the parties and their respective successors and permitted assigns; provided, however, that the Borrower may not assign its liabilities and obligations under this Security Agreement without the prior written consent of the Secured Party.

Section 25. Obligations Not Affected.

To the fullest extent permitted by applicable law, the obligations and liabilities of the Borrower under this Security Agreement shall remain in full force and effect without regard to, and shall not be impaired by: (a) any amendment or modification of addition or supplement to any Mezzanine Document or any assignment or transfer thereof; (b) any exercise, non-exercise, or waiver by Secured Party of any right, remedy, power or privilege under or in respect of, or any release of any guaranty or the Collateral or any part thereof provided pursuant to, this Security Agreement or any Mezzanine Document; (c) any waiver, consent, extension, indulgence or other action or inaction in respect of this Security Agreement, any Mezzanine Document or any assignment or transfer thereof; (d) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like of the Borrower or any of its affiliates, whether or not Borrower has any knowledge or notice of any of the foregoing; or (e) any other circumstances which might otherwise constitute a defense available to, or a discharge of, Borrower.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this Security Agreement has been executed by the parties hereto all as of the day and year first above written.

BORROWER:

CENTRAL INDUSTRIAL SUPPLY COMPANY

By: Bryan F. Keyes (SEAL)
Name: **Bryan F. Keyes**
Title: **Chief Financial Officer**

SECURED PARTY:

NATIONAL CITY BANK

By: _____ (SEAL)
Name:
Title:

IN WITNESS WHEREOF, this Security Agreement has been executed by the parties hereto all as of the day and year first above written.

BORROWER:

CENTRAL INDUSTRIAL SUPPLY COMPANY

By: _____ (SEAL)

Name:

Title:

SECURED PARTY:

NATIONAL CITY BANK

By: Christopher J. Hetz (SEAL)

Name: CHRISTOPHER J. HETZ

Title: ASSISTANT VICE PRESIDENT

Annex A-1
Patents

<u>Nature of Interest</u> (e.g. owner, licensee)	<u>Patent Number</u>	<u>Issue Date</u>	<u>Country of Issue</u>
Owner	6,116,566	09-12-2000	US
Owner	6,142,590	11-07-2000	US
Owner	6,523,918	02-25-2003	US
Owner	6,442,030	08-27-2002	US
Owner	6,554,379	04-29-2003	US
Owner	6,726,164	04-27-2004	US

Annex A-2
Patent Applications

<u>Nature of Interest</u> <u>(e.g. owner, licensee)</u>	<u>Serial Number</u>	<u>Filing Date</u>	<u>Country of Issue</u>
Owner	09/876,349	06-07-2001	US
Owner	10/752,912	01-07-2004	US
Owner	10/285,885	11-01-2002	US
Owner	10/255,230	09-25-2002	US
Owner	10/857,127	05-28-2004	US
Owner	10,857,129	05-28-2004	US
Owner	10/887,570	07-09-2004	US
Owner	10/887,565	07-09-2004	US
Owner	10/887,567	07-09-2004	US
Owner	10,888,386	07-09-2004	US
Owner	PCT/US2003/030727	09-25-2003	PCT
Owner	60/552,610	03-12-2004	US
Owner	60/562,136	04-14-2004	US
Owner	PCT/US2004/016817	05-28-2004	PCT

Annex B-1
Registered Trademarks

Nature of Interest of (e.g. owner, licensee)	Registered Trademark	Registration Number	International Class Covered	Date Issued	Country of Registration
Owner	"CIS"	2,673,695	09, 06, 17, 20, 35, 40, 42	01-14-2003	US
Owner	"Miscellaneous Design"	2,679,540	09, 06, 17, 20, 35, 40, 42	01-28-2003	US
Owner	CIS and Design	1,985,423	06, 09, 17, 20, 35, 40, 42	10-07-2002	CTM

Annex B-2
Trademark Applications

Nature of Interest of (e.g. owner, licensee)	Registered Trademark	Serial Number	International Class Covered	Date Filed	Country of Registration
Owner	"CIS (and design)"	76/062,951	09, 06, 17, 20, 35, 40, 42	6-6-00	US
Owner	Qualslide	76/522,475	006 (Drawer Slides)	6-13-02	US
Owner	Qualslide	092071675	006 (Goods: Drawer Slides)	12-12-03	Taiwan
Owner	Qualslide	3,582,178	006 (Goods: Drawer Slides)	12-12-03	CTM
Owner	Qualslide	3,842,308	006 (Goods: Drawer Slides)	12-12-03	China

Annex C-1
Copyrights

<u>Title</u>	<u>Registration Number</u>
Fasteners tools, Central Industrial Supply Company Catalog	TX590268
Central Industrial Supply Company: distributors of tools and supplies to industry [catalog]	TX1807058
Central Industrial Supply Company: distributors of tools and supplies to industry [catalog]	TX840959

Annex C-2
Copyright Applications

None.

Schedule 1.10
Other Permitted Liens

The following liens, including all filings of record through and including June 12, 2004, are Permitted Liens under the Security Agreement:

1. UCC-1 No. F200002314, filed September 6, 2000 naming Fleet Capital Corporation as secured party.
2. UCC-1 No. F200002313, filed in Tarrant County, Texas on September 6, 2000 naming Fleet Capital Corporation as secured party.
3. UCC-1 No. F200002479, filed in Tarrant County, Texas on September 22, 2000 naming Fleet Capital Corporation as secured party.
4. UCC-1 No. F201000608, filed in Tarrant County, Texas on March 23, 2001 naming Fleet Capital Corporation as secured party.
5. UCC-1 No. F201000609, filed in Tarrant County, Texas on March 23, 2001 naming Fleet Capital Corporation as secured party.
6. UCC-1 No. F201000610, filed in Tarrant County, Texas on March 23, 2001 naming Fleet Capital Corporation as secured party.
7. UCC-1 No. 99-174254, as amended and assigned by No. 99-774599, and as continued by No. 04-00681889, filed with the Texas Secretary of State, naming Amada Leasing Corporation (as assignee of Amada America, Inc.), as secured party.
8. UCC-1 No. 99-180362, as amended and assigned by No. 99-774592, and as continued by No. 04-00717007, filed with the Texas Secretary of State, naming Amada Leasing Corporation (as assignee of Amada America, Inc.), as secured party.
9. UCC-1 No. 99-180364, as amended and assigned by No. 99-774589, and as continued by No. 04-00717006, filed with the Texas Secretary of State, naming Amada Leasing Corporation (as assignee of Amada America, Inc.), as secured party.
10. UCC-1 No. 99-181792, as amended and assigned by No. 99-774590, and as continued by No. 04-00717008, filed with the Texas Secretary of State, naming Amada Leasing Corporation (as assignee of Amada America, Inc.), as secured party.
11. UCC-1 No. 99-181793, as amended and assigned by No. 99-774591, and as continued by No. 04-00717010, filed with the Texas Secretary of State, naming Amada Leasing Corporation (as assignee of Amada America, Inc.), as secured party.

12. UCC-1 No. 99-195443, as amended and assigned by No. 99-774598, and as continued by No. 04-00717012, filed with the Texas Secretary of State, naming Amada Leasing Corporation (as assignee of Amada America, Inc.), as secured party.
13. UCC-1 No. 99-195444, as amended and assigned by No. 99-774593, and as continued by No. 04-00717013, filed with the Texas Secretary of State, naming Amada Leasing Corporation (as assignee of Amada America, Inc.), as secured party.
14. UCC-1 No. 99-195445, as amended and assigned by No. 99-774594, and as continued by No. 04-00717015, filed with the Texas Secretary of State, naming Amada Leasing Corporation (as assignee of Amada America, Inc.), as secured party.
15. UCC-1 No. 99-195446, as amended and assigned by No. 99-774597, and as continued by No. 04-00717016, filed with the Texas Secretary of State, naming Amada Leasing Corporation (as assignee of Amada America, Inc.), as secured party.
16. UCC-1 No. 99-195447, as amended and assigned by No. 99-774596, and as continued by No. 04-00717019, filed with the Texas Secretary of State, naming Amada Leasing Corporation (as assignee of Amada America, Inc.), as secured party.
17. UCC-1 No. 99-195448, as amended and assigned by No. 99-774595, and as continued by No. 04-00717021, filed with the Texas Secretary of State, naming Amada Leasing Corporation (as assignee of Amada America, Inc.), as secured party.
18. UCC-1 No. 00-418708, filed with the Texas Secretary of State naming CIT Group/Equipment Financing, Inc. as secured party.
19. UCC-1 No. 00-424196, filed with the Texas Secretary of State naming CIT Group/Equipment Financing, Inc. as secured party.
20. UCC-1 No. 00-480921, filed with the Texas Secretary of State naming Advanta Group as secured party.
21. UCC-1 No. 00-575249, filed with the Texas Secretary of State naming Fleet Capital Corporation as secured party.
22. UCC-1 No. 00-575250, filed with the Texas Secretary of State naming Fleet Capital Corporation as secured party.
23. UCC-1 No. 00-588763, filed with the Texas Secretary of State naming Fleet Capital Corporation as secured party.
24. UCC-1 No. 00-575249, filed with the Texas Secretary of State naming Raymond Leasing Corporation as secured party.

25. UCC-1 No. 00-641073, filed with the Texas Secretary of State naming Raymond Leasing Corporation as secured party.
26. UCC-1 No. 00-031877, filed with the Texas Secretary of State naming Raymond Leasing Corporation as secured party.
27. UCC-1 No. 00-032270, filed with the Texas Secretary of State naming Raymond Leasing Corporation as secured party.
28. UCC-1 No. 00-032271, filed with the Texas Secretary of State naming Raymond Leasing Corporation as secured party.
29. UCC-1 No. 00-032272, filed with the Texas Secretary of State naming Raymond Leasing Corporation as secured party.
30. UCC-1 No. 00-032346, filed with the Texas Secretary of State naming Raymond Leasing Corporation as secured party.
31. UCC-1 No. 00-032352, filed with the Texas Secretary of State naming Raymond Leasing Corporation as secured party.
32. UCC-1 No. 01-054585, filed with the Texas Secretary of State naming Fleet Capital Corporation as secured party.
33. UCC-1 No. 01-054586, filed with the Texas Secretary of State naming Fleet Capital Corporation as secured party.
34. UCC-1 No. 01-111639, filed with the Texas Secretary of State naming Citicorp Del Lease, as agent for Harrison Credit Corp. as secured party.
35. UCC-1 No. 04-0046788734, filed with the Texas Secretary of State naming Carrier Corporation as secured party.
36. UCC-1 No. 04-0060979217, filed with the Texas Secretary of State naming Raymond Leasing Corporation as secured party.
37. UCC-1 No. 04-0062905288, filed with the Texas Secretary of State naming Raymond Leasing Corporation as secured party.
38. UCC-1 No. 04-0081738607, filed with the Texas Secretary of State naming Hewlett Packard as secured party, including an amendment filed with respect thereto.
39. UCC-1 No. 04-0083296315, filed with the Texas Secretary of State naming Carrier Corporation as secured party, relating to certain dies described therein.