

07-21-2004

Form PTO-1594

(Rev. 10/02)

7-19-04

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U.S. DEPARTMENT OF COMMERCE

U.S. Patent and Trademark Office

OMB No. 0651-0027 (exp. 6/30/2005)

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

1. Name of conveying party(ies):

**ANALEX CORPORATION**

- Individual(s)  Association
- General Partnership  Limited Partnership
- Corporation-State Delaware
- Other \_\_\_\_\_

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

3. Nature of conveyance:

- Assignment  Merger
- Security Agreement  Change of Name
- Other \_\_\_\_\_

Execution Date: 12/09/2003

2. Name and address of receiving party(ies)

Name: **Pequot Private Equity Fund III, L.P.**

Internal

Address: c/o Pequot Capital Management, Inc.

Street Address: 500 Nyala Farm Road

City: Westport State: CT Zip: 06880

- Individual(s) citizenship \_\_\_\_\_
- Association \_\_\_\_\_
- General Partnership \_\_\_\_\_
- Limited Partnership Delaware
- Corporation-State \_\_\_\_\_
- Other \_\_\_\_\_

If assignee is not domiciled in the United States, a domestic representative designation is attached:  Yes  No  
(Designations must be a separate document from assignment)  
Additional name(s) & address(es) attached?  Yes  No

4. Application number(s) or registration number(s):

A. Trademark Application No.(s)  
76/567284

B. Trademark Registration No.(s)  
2572788

Additional number(s) attached  Yes  No

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

Name: E. Lynn Perry

Internal Address: Thelen Reid & Priest LLP

Street Address: P.O. Box 190187

City: San Francisco State: CA Zip: 94119

6. Total number of applications and registrations involved: .....

2

7. Total fee (37 CFR 3.41)..... \$ 65.00

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number:

500918

DO NOT USE THIS SPACE

9. Signature.

E. Lynn Perry

Name of Person Signing

Signature

7/12/04

Date

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

39

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FINANCE SECTION

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

07/20/2004 LMUELLER 00000057 500918 76567284

01 FC:8521 40.00 BA  
02 FC:8522 25.00 BA

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TRADEMARK  
REEL: 003009 FRAME: 0741

**CONTINUATION SHEET**

**CONTINUATION OF ITEM NO. 2: Names of Receiving Parties**

**Pequot Offshore Private Equity Partners III, L.P.  
c/o Pequot Capital Management, Inc.  
500 Nyala Farm Road  
Westport, CT 06880  
Limited Partnership of Cayman Islands**

**ANALEX CORPORATION**

**SECURITY AGREEMENT**

SECURITY AGREEMENT dated as of December 9, 2003 ("Security Agreement"), among ANALEX CORPORATION, a Delaware corporation ("Borrower"), the entities listed under the caption "LENDERS" on the signature pages hereto, and Pequot Private Equity Fund III, L.P., a Delaware limited partnership, as collateral agent for the Lenders (in such capacity, the "Collateral Agent").

**PRELIMINARY STATEMENTS.**

1. The Borrower, the Collateral Agent and the Lenders desire to enter into this Security Agreement on the terms and conditions set forth herein to grant the Collateral Agent a security interest in the Collateral (as defined herein) for the ratable benefit of each of the Lenders.

2. The Borrower, the Lenders and the Collateral Agent are parties to a Subordinated Note and Series A Convertible Preferred Stock Purchase Agreement, dated July 18, 2003 (as modified and supplemented and in effect from time to time, the "Note Purchase Agreement"), which provides for, subject to the terms and conditions thereof, loans to be made by the Lenders to the Borrower in an aggregate principal amount of up to \_\_\_\_\_ (the "Loans") all of which shall be evidenced by convertible secured subordinated promissory notes of the Borrower (the "Notes").

3. It is a condition precedent to the obligation of the Lenders to provide the Loans to Borrower as provided in the Note Purchase Agreement that Borrower shall have granted the security interest contemplated by this Security Agreement to secure the Loans (including any Loans made from time to time after the date hereof) by the Lenders to the Borrower pursuant to an amendment to the Note Purchase Agreement or otherwise.

NOW, THEREFORE, in consideration of the premises and in order to induce each Lender to provide the Loans to Borrower as provided in the Note Purchase Agreement, Borrower, Collateral Agent and the Lenders hereby agree as follows:

**SECTION 1. Grant of Security.** Borrower hereby grants to the Collateral Agent, as agent for the Lenders and for the ratable benefit of each Lender, a security interest in and lien on all of Borrower's right, title and interest in and to all of Borrower's assets, including but not limited to all of the following, whether now owned or hereafter acquired or existing (the "Collateral"):

(a) All machinery, furnishings, fixtures, service vehicles, supplies and other equipment, together with all attachments, components, parts and accessories installed thereon or affixed thereto ("Equipment");

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uncertificated; all warrants, options and other rights to acquire securities, capital stock or other interests in any other Person; all securities entitlements; and all securities accounts, together with all financial assets credited thereto;

(g) All cash and cash equivalents, including, without limitation, money, demand deposit accounts and other deposit accounts;

(h) All governmental approvals, licenses, franchises and authorizations, to the maximum extent permitted by applicable law;

(i) All property and interests in property of the Borrower now or hereafter coming into the actual possession, custody or control of the Lenders in any way and for any purpose (whether for safekeeping, deposit, custody, pledge, transmission, collection or otherwise);

(j) All books and records;

(k) All other property and interests in property of the Borrower constituting personal property; and

(l) All accessions and additions to, substitutions for, and replacements, products and proceeds of any of the foregoing (including, without limitation, proceeds that constitute property of the types described in clauses (a) through (k) of this Section 1, and, to the extent not otherwise included, all (i) payments under insurance (whether or not any Lender is the loss payee thereof), or any indemnity, warranty, guaranty or letter of credit, payable by reason of loss or damage to or otherwise with respect to any of the foregoing; and (ii) any and all supporting obligations in respect of any of the foregoing).

**SECTION 2. Security for Obligations; Definitions.** (a) This Security Agreement and the Collateral secure the prompt and complete payment and performance when due of (i) Note Indebtedness (as defined in the Note Purchase Agreement), and (ii) all obligations of Borrower hereunder (collectively, the "Secured Obligations").

(b) Capitalized terms used herein and not defined shall have the meanings assigned to such terms in the Note Purchase Agreement and terms defined in the Uniform Commercial Code as adopted by the State of Delaware ("UCC") shall have the meanings assigned to such terms in the UCC.

**SECTION 3. Borrower Remains Liable.** Anything herein to the contrary notwithstanding, (a) Borrower shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Security Agreement had not been executed, (b) the exercise by the Collateral Agent of any of the rights hereunder shall not release Borrower from any of its duties or obligations under the contracts and agreements included in the Collateral, and (c) the Collateral Agent shall not have any obligation or liability under the contracts and agreements included in the Collateral by reason of this Security Agreement, nor shall the Collateral Agent be obligated to perform any of the obligations or duties of Borrower thereunder or to take any action to collect or enforce

any claim for payment assigned hereunder.

SECTION 4. Representations and Warranties. Borrower represents and warrants to the Collateral Agent as follows:

(a) The Borrower's State of Delaware organizational identification number is 3445881.

(b) All of the Equipment and Inventory (i) were acquired in the ordinary course of business and (ii) are located at the places specified in Schedule I hereto. The principal place of business and chief executive office of Borrower and the office where Borrower keeps its records concerning Accounts Receivable and other Collateral are located at the address specified in Schedule I hereto. All originals of all chattel paper which evidence Accounts Receivable that are not required to be delivered to the Senior Lender have been delivered to the Collateral Agent. None of the Accounts Receivable is evidenced by a promissory note or other instrument.

(c) Except for the security interests in the Collateral granted by the Borrower pursuant to that certain Security Agreement dated November 2, 2001, by and among the Borrower, Bank of America, N.A. (the "Bank") and the Borrower's subsidiaries named therein in the form attached hereto as Schedule IV (the "Prior Security Agreement"), Borrower owns the Collateral free and clear of any Lien (as defined below), except for the security interest created by this Security Agreement and Liens existing on the date hereof and permitted under Section 8.3 of the Note Purchase Agreement. No effective financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any recording office, except for (i) financing statements filed in favor of the Collateral Agent relating to this Security Agreement, (ii) financing statements filed in favor of the Bank, (iii) security interests in purchase-money collateral (as such term is defined in §9-103 of the UCC securing a purchase-money obligation incurred to finance the acquisition of such purchase-money collateral and (iv) in connection with Permitted Liens. For purposes of this Agreement, "Lien" means any mortgage, deed of trust, pledge, security interest, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), preference or other security agreement or preferential arrangement, charge or encumbrance of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the UCC or comparable law of any jurisdiction to evidence any of the foregoing), except for reasonable security interests in purchase-money collateral (as such term is defined in §9-103 of the UCC) to the extent such security interests secure purchase-money obligations to finance acquisitions of such purchase-money collateral.

(d) Borrower conducts no business under any name or trade name other than its proper corporate name, which is the name set forth in the preamble hereto.

(e) Borrower has exclusive possession and control of the Equipment and Inventory.

(f) Schedule II sets forth a complete and correct list of all Patents, Trademarks and Registered Copyrights owned or applied for by Borrower on the date hereof.

(g) All other actions legally necessary to perfect and protect the security interests in the Collateral have been duly taken, except with respect to the Borrower's Patents, Trademarks and Registered Copyrights, which shall be completed no later than the close of business on the tenth day following the Closing.

(h) No authorization, approval or other action by, and no notice to or filing with, any governmental or regulatory agency or authority is required either (1) for the grant by Borrower of the security interest granted hereby or for the execution, delivery or performance of this Security Agreement by Borrower or (2) other than the filing of a financing statement on Form UCC-1 with the Secretary of State of the State of Delaware and with the United States Patent and Trademark Office ("PTO"), for the perfection of such security interest or the exercise by the Collateral Agent of its respective rights and remedies hereunder.

(i) All known existing commercial tort claims owned by the Borrower are set forth and described in Schedule III hereto.

**SECTION 5. Further Assurances; Limitations on Changes to Corporate Structure, Name, etc.**

(a) Borrower agrees that from time to time, at the expense of Borrower, Borrower will promptly execute or otherwise authenticate and deliver all further instruments, documents and other records and take all further action, that may be necessary or desirable, or that the Collateral Agent may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable the Collateral Agent to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, Borrower will: (1) following and during the continuation of an Event of Default, mark conspicuously each document and agreement included in the Collateral and, at the request of the Collateral Agent, each of its records pertaining to the Collateral with a legend, in form and substance satisfactory to the Collateral Agent, indicating that such Collateral is subject to the security interest granted hereby; (2) subject to the rights of the Bank or any Senior Debt Holder (as defined in Section 10 below), if any Account Receivable shall be evidenced by a promissory note or other instrument or chattel paper deliver such to the Collateral Agent duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Collateral Agent; and (3) authenticate (if necessary) and file such financing or continuation statements, or amendments thereto, and such other instruments, notices or other records, as may be legally necessary, or as the Collateral Agent may request, in order to perfect and preserve the security interest granted or purported to be granted

hereby.

(b) Borrower hereby authorizes the Collateral Agent to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of Borrower where permitted by law. A carbon, photographic or other reproduction of this Security Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law.

(c) Borrower will furnish to the Collateral Agent from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Collateral Agent may reasonably request, all in reasonable detail. Without limiting the generality of the foregoing: (i) the Borrower shall, from time to time, execute and deliver to the Collateral Agent, in such form and manner as the Collateral Agent may reasonably require, solely for the Collateral Agent's convenience in maintaining records of the Collateral, such confirmatory schedules of Accounts Receivable, and such other appropriate reports designating, identifying and describing the Accounts Receivable, as the Collateral Agent may reasonably request; and (ii) if any material commercial tort claim should hereafter arise ("Additional Tort Claim"), the Borrower shall promptly advise the Collateral Agent in writing, supplementing Schedule III hereto, which supplement shall constitute a grant by the Borrower to the Collateral Agent of a security interest therein, on the terms, and subject to the conditions, set forth in the Security Agreement, and the Borrower's authorization to file, or to amend, such financing statements as the Collateral Agent may deem necessary or advisable to perfect its security interest in such Additional Tort Claim. In addition, upon the Collateral Agent's request, the Borrower shall provide the Lenders with copies of agreements with, or purchase orders from, the Borrower's customers, of invoices to customers and proof of shipment or delivery and such other documentation and information relating to the Accounts Receivable and other Collateral as the Collateral Agent may from time to time reasonably request to the extent the Borrower maintains such documentation in the ordinary course of its business. Failure to provide the Collateral Agent with any of the foregoing shall in no way affect, diminish, modify or otherwise limit the Lien granted herein. The Borrower hereby authorizes the Collateral Agent to regard its printed name or rubber stamp signature on assignment schedules or invoices as the equivalent of a manual signature by an authorized officer or agent of the Borrower.

(d) Except as otherwise set forth in the Note Purchase Agreement, Borrower will defend the Collateral against all claims and demands of all persons (other than the Collateral Agent or a Senior Debt Holder) claiming an interest therein.

(e) Borrower hereby agrees that if Borrower creates or acquires an entity or entities in which Borrower holds a majority ownership or voting interest (a "Subsidiary"), Borrower shall cause each such Subsidiary to duly execute and deliver to the Collateral Agent a joinder agreement which shall cause such Subsidiary to become a party to the Subsidiary Security Agreement dated as of the date hereof, by and among the Borrower, the Lenders and each of the Borrower's Subsidiaries existing as of the date

hereof, the Pledge Agreement dated as of the date hereof, by and among the Borrower, the Lenders and each of the Borrower's Subsidiaries existing as of the date hereof, the Subsidiary Guarantee dated as of the date hereof, by and among the Borrower, the Lenders and each of the Borrower's Subsidiaries.

(f) Borrower will, no later than the close of business on the tenth day following Closing, file a financing statement on Form UCC-1 with the Delaware Secretary of State and the PTO with respect to the security interest created hereby which shall be, in form and substance, acceptable to the Collateral Agent.

(g) Borrower will not change its name or jurisdiction of incorporation, or its corporate structure, or merge with or into any other Person, or become domesticated under the laws of any other jurisdiction without giving prior notice to the Collateral Agent.

SECTION 6. As to Equipment, Inventory and Trademarks. Borrower shall:

(a) Keep the Equipment and Inventory (other than Inventory sold in the ordinary course of business) at the places therefor specified in Schedule I hereto or, upon 30 days' prior written notice to the Collateral Agent, at such other places in jurisdictions where all action required by Section 5 shall have been taken with respect to the Equipment and Inventory;

(b) Permit the Collateral Agent or any agent thereof to have access to the Inventory and Equipment for purposes of inspection during normal business hours and upon reasonable notice to the Borrower;

(c) Promptly notify the Collateral Agent in writing of any material loss or damage to the Inventory or Equipment;

(d) Except for collateral securing a purchase-money obligation incurred in compliance with §9-103 of the UCC, not permit the Equipment to become a part of or to be affixed to any real property of any person; and

(e) Advise the Collateral Agent of all Trademarks, Patents and Copyrights or applications for or registration of the same, created or obtained by Borrower on or after the date of this Security Agreement; and

(f) Take all reasonable steps to maintain and enforce the Trademarks, Patents and Copyrights material to the conduct of its business, including but not limited to (1) payment of all fees, (2) prosecuting infringers if failure to do so would materially and adversely affect the business of Borrower and (3) diligently pursuing any application or registration material to the business of Borrower.

SECTION 7. Insurance. Each policy for liability and property damage insurance shall provide for all losses to be paid on behalf of the Collateral Agent, the Senior Debt Holder and Borrower as their respective interests may appear. Each such



policy shall in addition: (1) name the Collateral Agent as insured party thereunder (without any representation or warranty by or obligation upon the Collateral Agent) as its interests may appear; (2) provide that there shall be no recourse against the Collateral Agent or any Lender for payment of premiums or other amounts with respect thereto; and (3) provide that at least thirty (30) days' prior written notice of amendment to or lapse and at least fifteen (15) days' prior written notice of cancellation shall be given to the Collateral Agent by the insurer. Borrower shall use commercially reasonable efforts to cause each policy to contain the agreement by the insurer that any loss thereunder shall be payable to the Collateral Agent whose rights with respect to any loss thereunder shall be unaffected by any action, inaction or breach of representation and warranty by Borrower. Borrower shall, if so requested by the Collateral Agent, deliver to the Collateral Agent original or duplicate policies of such insurance and, as often as the Collateral Agent may request, a report of a reputable insurance broker with respect to such insurance. Further, Borrower shall, at the request of the Collateral Agent, duly execute and deliver instruments of assignment of such insurance policies to comply with the requirements of Section 5 and cause the respective insurers to acknowledge notice of such assignment.

(b) Reimbursement under any liability insurance maintained by Borrower pursuant to this Section 7 may be paid directly to the person who shall have incurred liability covered by such insurance. In case of any loss involving damage to Equipment or Inventory when subsection (c) of this Section 7 is not applicable, Borrower shall make or cause to be made the necessary repairs to or replacements of such Equipment or Inventory, and any proceeds of insurance maintained by Borrower pursuant to this Section 7 shall be paid to Borrower as reimbursement for the costs of such repairs or replacements.

(c) Subject to the terms of the Intercreditor Agreement, upon the occurrence and during the continuation of any Event of Default (as defined in the Note Purchase Agreement) all insurance payments in respect of such Equipment or Inventory shall be paid to the Collateral Agent and applied to payment of the amounts due under the Secured Obligations.

**SECTION 8. As to Accounts Receivable.** (a) Borrower shall keep its principal place of business and chief executive office and the office where it keeps its records concerning the Accounts Receivable, at the location therefor specified in Schedule I hereto or, upon 15 days' prior written notice to the Collateral Agent, at such other locations in a jurisdiction where all action required by Section 5 shall have been taken with respect to Accounts Receivable. Borrower will hold and preserve such records and will permit representatives of the Collateral Agent to inspect and make abstracts from such records upon reasonable notice to the Company and during normal business hours.

(b) Except as otherwise provided in this subsection (b), Borrower shall continue to collect, at its own expense, all amounts due or to become due to Borrower under the Accounts Receivable. In connection with such collections, Borrower may take such action as Borrower may deem necessary or advisable to enforce collection of the

Accounts Receivable; provided, however, that, subject to the terms of the Intercreditor Agreement, the Collateral Agent shall have the right at any time, upon the occurrence and during the continuance of an Event of Default upon written notice to Borrower of its intention to do so, to notify the account debtors or obligors under any Accounts Receivable of the assignment of such Accounts Receivable to the Collateral Agent and to direct such account debtors or obligors to make payment of all amounts due or to become due to Borrower thereunder directly to the Collateral Agent and, upon such notification and at the expense of Borrower, to enforce collection of any such Accounts Receivable, and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as Borrower might have done. After receipt by Borrower of the notice from the Collateral Agent referred to in the proviso to the preceding sentence and as long as an Event of Default has occurred and is continuing, (1) all amounts and proceeds (including instruments) received by Borrower in respect of the Accounts Receivable shall be received in trust for the benefit of the Collateral Agent hereunder, shall be segregated from other funds of Borrower and shall be forthwith paid over to the Collateral Agent in the same form as so received (with any necessary endorsement) to be applied as provided by Section 15(b) or if it cannot be so applied under applicable Law, held as cash collateral, as determined by the Collateral Agent, and (2) Borrower shall not adjust, settle or compromise the amount or payment of any Account Receivable, or release wholly or partly any account debtor or obligor thereof, or allow any credit or discount thereon, other than any discount allowed for prompt payment.

SECTION 9. Assignment of Claims Act. The Borrower shall not permit any notice to be filed under the Assignment of Claims Act with respect to any of the Collateral, except for such notice in favor of a Senior Lender or the Lenders and the Collateral Agent.

SECTION 10. Notes Equally and Ratably Secured; Subordination.

(a) The Notes shall be equally and ratably secured pursuant to the terms of this Security Agreement. The Borrower shall not make any offer to purchase or otherwise pay any Lender without making the same offer to each Lender.

(b) The Lenders and the Collateral Agent acknowledge and agree that all of the rights and remedies of the Lenders and the Collateral Agent hereunder are subject to the terms of the Intercreditor Agreement, and that all of the Secured Obligations are subordinated to the rights of the Bank, the rights of any Senior Lender in connection with any Senior Credit Facility, and the rights of the United States Department of Justice pursuant to the Settlement Agreement (the Bank, the Senior Lenders and the United States Department of Justice are sometimes referred to herein as the "Senior Debt Holders").

SECTION 11. Appointment of Collateral Agent by Lenders.

(a) Each of the Lenders hereby appoints and authorizes Pequot Private Equity Fund III, L.P. to act as collateral agent under this Security Agreement with such powers as are specifically delegated to the Collateral Agent by the terms of this Security

Agreement, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Collateral Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Security Agreement, the Note Purchase Agreement or any other related document or otherwise exist against the Collateral Agent.

(b) The Collateral Agent (which term shall include its affiliates and its own and its affiliates' officers, directors, employees and agents) shall not be responsible to the Lenders for (i) any statements, representations or warranties contained in the Notes, the Note Purchase Agreement or the Security Agreement or for the failure by Borrower or any other party to perform its obligations hereunder or thereunder and shall not by reason of this Security Agreement or the Note Purchase Agreement be a trustee for any Lender, (ii) any action taken or omitted to be taken by it hereunder or under this Security Agreement, the Note Purchase Agreement or under any other document or instrument referred to or provided for herein or therein or in connection herewith or therewith, except for its own gross negligence or willful misconduct or (iii) any recitals, statements, representations or warranties made by Borrower or any officer or official of Borrower or any other party contained in this Security Agreement, the Note Purchase Agreement or any other related document, or in any certificate or other document or instrument referred to or provided for in, or received by any of them under, this Security Agreement or any other related document, or for the value, legality, validity, effectiveness, genuineness, enforceability or sufficiency of this Security Agreement or any other related document or any other document or instrument referred to or provided for herein or therein, for the perfection or priority of any lien security for the Loans or for any failure by Borrower to perform any of its obligations hereunder or thereunder. The Collateral Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Security Agreement, the Note Purchase Agreement or any other related document or any other document or instrument referred to or provided for herein or therein, or to inspect the properties, books or records of the Borrower.

(c) The Collateral Agent may employ agents and attorneys-in-fact and shall not be responsible, except as to money or securities received by it or its authorized agents, for the negligence or misconduct of any such agents or attorneys-in-fact selected and monitored by it with reasonable care.

(d) As between the Lenders and the Collateral Agent, the Collateral Agent shall be entitled to rely, and shall be fully protected in relying upon any promissory note, writing, resolution, notice, consent, certificate, affidavit, letter, teletype, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper person(s), organization(s) or entity or entities and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower or any of them), independent accountants and other experts selected by the Collateral Agent. The Collateral Agent may deem and treat the payee of any promissory note as the owner thereof for all purposes unless a written notice of assignment or transfer thereof shall have been filed with the Collateral Agent. The Collateral Agent shall be fully justified in failing or refusing to take any action under this Security Agreement, the Note Purchase Agreement or any other related document or any other document or instrument referred to or provided for herein or therein unless it shall first receive such advice or concurrence of the Lenders holding a majority of the then outstanding aggregate principal balance of the Notes (the "Majority Lenders") as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Collateral Agent shall in all cases be fully protected from the Lenders in acting, or in refraining from acting, under this Security Agreement, the Note Purchase Agreement or any other related document or any other document or instrument referred to or provided for herein or therein in accordance with request of the Majority Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Loans.

(e) The Collateral Agent shall not be deemed to have knowledge or notice of the occurrence of any Event of Default unless the Collateral Agent has received notice from a Lender or the Borrower referring to this Security Agreement, describing such Default and stating that such notice is a "notice of default". In the event that the Collateral Agent receives such a notice, the Collateral Agent shall give notice thereof to the Lenders. The Collateral Agent shall take such action with respect to such Event of Default as shall be reasonably directed by the Majority Lenders; provided, that unless and until the Collateral Agent shall have received such directions, the Collateral Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Event of Default as it shall deem advisable in the best interests of the Lenders.

(f) Each Lender expressly acknowledges that neither the Collateral Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates have made any representations or warranties to it and that no act by the Collateral Agent hereafter taken, including any review of the affairs of the Borrower or any affiliate of the Borrower, shall be deemed to constitute any representation or warranty by the Collateral Agent to any Lender. Each Lender represents to the Collateral Agent that it has, independently and without reliance upon the Collateral Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Borrower and its affiliates and made its own

decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it shall, independently and without reliance upon the Collateral Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Security Agreement, the Note Purchase Agreement or any other related document and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Borrower and its affiliates. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Collateral Agent hereunder, the Collateral Agent shall have no duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of the Borrower or any affiliate of the Borrower which may come into the possession of the Collateral Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

(g) The Collateral Agent may agree to an amendment of this Security Agreement with the prior written consent of the Majority Lenders; provided, that, without the prior written consent of the holders of at least  $66 \frac{2}{3}$  of the then outstanding aggregate principal amount of the Notes ("Supermajority Lenders"), the Collateral Agent may not release any Collateral or otherwise terminate any Lien under this Security Agreement except with respect to Collateral sold or disposed of by the Borrower in accordance with the Note Purchase Agreement.

(h) The Lenders agree to indemnify the Collateral Agent in its capacity as such (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably in accordance with the aggregate principal amount of the Loans held by the Lenders for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever that may be imposed on, incurred by or asserted against the Collateral Agent in its capacity as such (including by any Lender) arising out of or by reason of any investigation in or in any way relating to or arising out of this Security Agreement or the Note Purchase Agreement provided, that no Lender shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the party to be indemnified. The agreements in this Section 11(h) shall survive the payment of the Loans and all other amounts payable hereunder.

(i) The Collateral Agent and its affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower as though the Collateral Agent were not the Collateral Agent. With respect to its Loans made or renewed by it the Collateral Agent shall have the same rights and powers under this Agreement, the Note Purchase Agreement and any related document as any Lender and may exercise the same as though it were not the Collateral Agent, and the terms "Lender" and "Lenders" shall include the Collateral Agent in its individual capacity.

(j) The Collateral Agent may resign as Collateral Agent upon 30 days' written notice to the Lenders and the Borrower. If the Collateral Agent shall resign as

Collateral Agent under this Agreement, then the Majority Lenders shall appoint from among the Lenders a successor agent for the Lenders, which successor agent shall (unless a Default shall have occurred and be continuing) be approved by the Borrower (which approval shall not be unreasonably withheld or delayed), whereupon such successor agent shall succeed to the rights, powers and duties of the Collateral Agent, and the term "Collateral Agent" shall mean such successor agent effective upon such appointment and approval, and the former Collateral Agent's rights, powers and duties as Collateral Agent shall be terminated, without any other or further act or deed on the part of such former Collateral Agent or any of the parties to this Security Agreement or any holders of the Loans. If no successor agent has accepted appointment as Collateral Agent by the date that is 30 days following a retiring Collateral Agent's notice of resignation, the retiring Collateral Agent's resignation shall nevertheless thereupon become effective and the Lenders (taking actions by approval of the Majority Lenders or the Supermajority Lenders, as appropriate) shall assume and perform all of the duties of the Collateral Agent hereunder until such time, if any, as the Lenders appoint a successor agent as provided for above. After any retiring Collateral Agent's resignation as Collateral Agent, the provisions of this Section 11 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Collateral Agent under this Security Agreement, the Note Purchase Agreement and any other related documents.

**SECTION 12. Collateral Agent Appointed Borrower's Attorney-in-Fact.**

Borrower hereby irrevocably appoints the Collateral Agent as Borrower's attorney-in-fact, with full authority in the place and stead of Borrower and in the name of Borrower, the Collateral Agent or otherwise, to, after the occurrence and during the continuance of an Event of Default, take any action and to execute any instrument which the Collateral Agent may deem necessary or advisable to accomplish the purposes of this Security Agreement, including, without limitation:

(a) to obtain and adjust insurance required to be paid to the Collateral Agent pursuant to Section 7;

(b) to ask, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral;

(c) to receive, endorse, assign, and collect any and all checks, notes, drafts and other negotiable and non-negotiable instruments, documents and chattel paper, in connection with clause (a) or (b) above, and Borrower waives notice of presentment, protest and non-payment of any instrument, document or chattel paper so endorsed or assigned;

(d) to file any claims or take any action or institute any proceedings which the Collateral Agent may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of the Collateral Agent with respect to any of the Collateral;

(e) to sell, transfer, assign or otherwise deal in or with the Collateral or the

proceeds or avails thereof, as full and effectually as if the Collateral Agent were the absolute owner thereof;

(f) to perform or cause the performance of any obligation of the Borrower hereunder;

(g) to receive, open and dispose of all mail addressed to the Borrower and to notify postal authorities to change the address for delivery thereof to such address as the Collateral Agent or the Majority Lenders may designate; and

(h) to transmit to customers indebted on Accounts notice of the Lenders' interest therein and to notify customers indebted on Accounts to make payment directly to the Lenders for the Borrower's account.

Borrower hereby ratifies and approves all acts other than those which result from the Collateral Agent's gross negligence or willful misconduct, of the Collateral Agent, as its attorney in-fact, pursuant to this Section 12, and the Collateral Agent, as its attorney in-fact, will not be liable for any acts of commission or omission, nor for any error of judgment or mistake of fact or law other than those which result from the Collateral Agent's gross negligence or willful misconduct. This power, being coupled with an interest, is irrevocable so long as this Security Agreement remains in effect.

Borrower also authorizes the Collateral Agent, at any time after the occurrence and during the continuance of an Event of Default, to communicate in its own name with any party to any contract, agreement or instrument included in the Collateral with regard to the assignment of such contract, agreement or instrument and other matters relating thereto.

**SECTION 13. Collateral Agent May Perform.** If Borrower fails to perform any agreement contained herein, the Collateral Agent may itself perform, or cause performance of, such agreement, and the expenses of the Collateral Agent incurred in connection therewith shall be payable by Borrower under Section 16(b).

**SECTION 14. The Collateral Agent's Duties.** The powers conferred on the Collateral Agent hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Collateral Agent shall not have any duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral.

**SECTION 15. Remedies.** If any Event of Default shall have occurred, then during the continuance of such Event of Default:

(a) The Collateral Agent has the right to take the actions described in the proviso of Section 8(b).

(b) The Collateral Agent may exercise in respect of the Collateral, in

addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a Collateral Agent on default under the UCC (whether or not the UCC applies to the affected Collateral) and also may (i) require Borrower to, and Borrower hereby agrees that it will at its expense and upon the request of the Collateral Agent forthwith, assemble all or part of the Collateral as directed by the Collateral Agent and make it available to the Collateral Agent at a place to be designated by the Collateral Agent which is reasonably convenient to both parties and (ii) to the extent permitted by Law, enter the premises where any of the Collateral is located and take and carry away the same, by any of its representatives, with or without legal process, to Collateral Agent's place of storage, and (iii) without notice except as specified in the next sentence, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of the Collateral Agent's offices or elsewhere, for cash, on credit or for future delivery and upon such other terms as the Collateral Agent may deem commercially reasonable. Borrower agrees that, to the extent notice of disposition is required by Law, notice to the Borrower of at least ten (10) business days prior to the earliest time of disposition set forth in such notice shall constitute reasonable notification. The Collateral Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Collateral Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place it was so adjourned.

(c) All cash proceeds received by the Collateral Agent in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, to the extent required by applicable Law, be held by the Collateral Agent as collateral for, and/or then or at any time thereafter applied (after payment of any amounts payable to the Collateral Agent pursuant to Section 16) to the payment in full of the Secured Obligations, in each case equally and ratably in accordance with the respective amounts thereof then due and owing or as the Lenders holding the same may otherwise agree. Any surplus of such cash or cash proceeds held by the Collateral Agent and remaining after payment in full of all the Secured Obligations to the Collateral Agent shall be paid over to Borrower. If the proceeds of the sale of the Collateral are insufficient to pay all of the Secured Obligations Borrower agrees to pay upon demand any deficiency to the Collateral Agent.

(d) The Collateral Agent may use (and is hereby granted a license to use), in connection with any assembly, preparation for disposition or disposition of the Collateral, any of the trademarks, copyrights, patents, technical processes, trade names, service marks or trade styles and other intellectual property used by the Borrower, without payment or additional compensation therefor.

(e) The Borrower recognizes that the Collateral Agent may be unable to effect a public sale of all or part of the Collateral consisting of investment property by reason of certain prohibitions contained in the Securities Act of 1933, as amended, or in applicable Delaware or other states' securities laws as now or hereafter in effect, unless registration or qualification, as the case may be, is accomplished. To the extent permitted by Law, the Borrower acknowledges that the Collateral Agent may resort to one or more private sales to a single purchaser or a restricted group of purchasers who will be obliged



to agree, among other things, to acquire such investment property for their own account, for investment and not with a view to the distribution or resale thereof. To the extent permitted by Law, the Borrower agrees that private sales may be at prices and other terms less favorable to the Borrower than if such investment property were sold at a public sale and that the Collateral Agent shall have no obligation to delay the sale of any such portion of the Collateral for the period of time necessary to permit the issuer of such investment property to register or qualify such investment property, even if such issuer would, or should, proceed to register or qualify such investment property for public sale. The Borrower agrees that private sales made under the foregoing circumstances shall be deemed to have been made in a "commercially reasonable" manner.

#### SECTION 16. Indemnity and Expenses.

(a) Without limiting any indemnity provided under any other Transaction Document (as defined in the Note Purchase Agreement), Borrower agrees to indemnify and defend the Collateral Agent (including, for the purposes of this Section 16, its agents and affiliates and the officers and directors of the Collateral Agent and of its affiliates (each an "Indemnified Party")), from and against any and all claims, losses and liabilities growing out of or resulting from this Security Agreement (including, without limitation, enforcement of this Security Agreement), except claims, losses or liabilities resulting from an Indemnified Party's gross negligence or willful misconduct.

(b) Borrower will upon demand pay to the Collateral Agent the amount of any and all reasonable expenses, including the fees and out of pocket disbursements of its counsel and of any experts and agents, which the Collateral Agent may incur in connection with (1) to the extent provided in the Note Purchase Agreement, the negotiation or preparation of, or closing under, and the perfection of (including any filing or recording fees) any and all Liens contemplated by this Security Agreement and any other related documents, (2) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any of the Collateral, and (3) the interpretation, performance or enforcement of any of the rights of the Collateral Agent. Without limiting in any manner the generality of the foregoing, the Borrower will pay all reasonable out-of-pocket costs and expenses of the Collateral Agent or any Lender upon failure by the Borrower to perform or observe any of the provisions of this Agreement or upon demand in connection with the bankruptcy or other insolvency proceeding involving the Borrower; in each case, including without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Collateral Agent or any Lender and of any consultants or expert witnesses retained by the Collateral Agent or any Lender, with respect to any aspect of the Secured Obligations or otherwise relating to the transactions contemplated hereby. All amounts payable by the Borrower under this Section 16(b) shall be paid together with interest thereon, from the date incurred by the Collateral Agent or the relevant Lender until paid, calculated on the basis of a year of 365 or 366 days, as applicable, and for the actual number of days elapsed, at the highest rate of interest then applicable to any of the Secured Obligations. The Collateral Agent shall not be liable to Borrower for damages as a result of delays, temporary withdrawals of the Equipment from service or other causes other than those caused by the Collateral Agent's gross negligence or willful misconduct.

**SECTION 17. Amendments; Etc.** No amendment or waiver of any provision of this Security Agreement nor consent to any departure by a party herefrom shall in any event be effective unless the same shall be in writing and signed by the Borrower and either the Collateral Agent (with the consent of the Majority Lenders, or the Supermajority Lenders as specified in Section 11 hereof) and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

**SECTION 18. Notices.** All notices and other communications required or permitted hereunder shall be in writing and shall be (i) mailed by registered or certified mail, postage prepaid, (ii) delivered by reliable overnight courier service, or (iii) otherwise delivered by hand or by messenger, addressed, if to the Collateral Agent, to:

Pequot Private Equity Fund III, L.P.  
c/o Pequot Capital Management, Inc.  
500 Nyala Farm Road,  
Westport, Connecticut 06880,  
Attention: Amber Tencic,

with a copy to:

Aryeh Davis  
c/o Pequot Capital Management, Inc.  
153 East 53rd Street  
Citicorp Center, 35th Floor  
New York, NY 10022

or at such other address as the Collateral Agent shall have furnished to Borrower in writing, or, if to Borrower, to:

Analex Corporation  
5904 Richmond Highway, Suite 300  
Alexandra, VA 22303  
Attention: Chief Executive Officer,

All notices shall be effective upon receipt.

**SECTION 19. Continuing Security Interest; Transfer of Note.** This Security Agreement shall create a continuing security interest in the Collateral and shall (1) remain in full force and effect until the first to occur of payment in full of the Secured Obligations and the conversion of all of the Notes in accordance with the terms thereof, (2) be binding upon the Borrower, its successors and assigns and (3) inure to the benefit of the Collateral Agent and its successors. Without limiting the generality of the foregoing clause (3), the Collateral Agent may resign and a successor agent may become vested with the rights, powers and duties of the Collateral Agent pursuant to Section 11(j). Upon the first to occur of the payment in full of the Secured Obligations and the conversion of all of the Notes in accordance with the terms thereof, the security interest granted hereby shall automatically terminate and all rights to the Collateral shall revert to Borrower; provided, however that the parties hereto agree that if at any time all or any part of any payment theretofore applied by any party to this Security Agreement is, or must be, rescinded or returned for any reasons whatsoever, including without limitation, the insolvency, bankruptcy or reorganization of the Borrower, this Security Agreement shall, to the extent that such payment is or must be rescinded or returned, be deemed to have continued in existence notwithstanding such application, and this Security Agreement shall continue to be effective or be reinstated, as the case may be, as though such application had not been made. Upon any such termination, the Collateral Agent will, at Borrower's expense, execute and deliver to Borrower such documents as Borrower shall reasonably request to evidence such termination.

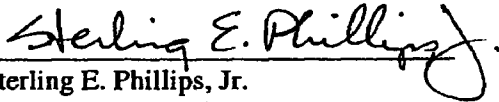
**SECTION 20. Governing Law.** This Security Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, except to the extent that the validity or perfection of the security interest hereunder, or remedies hereunder, in respect of any particular Collateral are governed by the laws of a jurisdiction other than the State of Delaware.

**SECTION 21. Miscellaneous.** This Security Agreement is in addition to and not in limitation of any other rights and remedies the Collateral Agent may have by virtue of any other instrument or agreement heretofore, contemporaneously herewith or hereafter executed by Borrower or by law or otherwise. If any provision of this Security Agreement is contrary to applicable law, such provision shall be deemed ineffective without invalidating the remaining provisions hereof and this Security Agreement shall be enforced to the greatest extent possible to carry out the intentions of the parties hereto. If and to the extent that applicable Law confers any rights in addition to any of the provisions of this Security Agreement, the affected provision shall be considered amended to conform thereto. The Collateral Agent shall not by any act, delay, omission or otherwise be deemed to have waived any of its rights or remedies hereunder. A waiver by the Collateral Agent of any right or remedy hereunder on any one occasion, shall not be construed as a bar to or waiver of any such right or remedy which the Collateral Agent would have had on any future occasion nor shall the Collateral Agent be liable for exercising or failing to exercise any such right or remedy. This Security Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and the parties hereto may execute this Security Agreement by signing any such counterpart.

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

BORROWER:

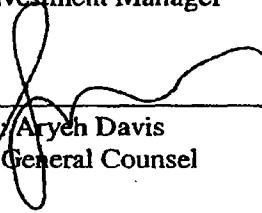
ANALEX CORPORATION

By:   
Sterling E. Phillips, Jr.  
Chief Executive Officer

COLLATERAL AGENT:

PEQUOT PRIVATE EQUITY FUND III,  
L.P., as Collateral Agent

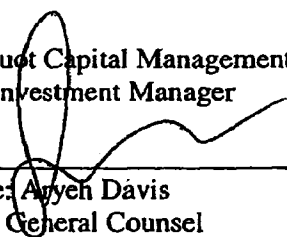
By: Pequot Capital Management, Inc.,  
its Investment Manager

By:   
Name: Aryeh Davis  
Title: General Counsel

LENDERS:

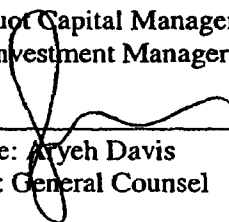
PEQUOT PRIVATE EQUITY FUND III,  
L.P.

By: Pequot Capital Management, Inc.,  
its Investment Manager

By:   
Name: Aryeh Davis  
Title: General Counsel

PEQUOT OFFSHORE PRIVATE EQUITY  
PARTNERS III, L.P.

By: Pequot Capital Management, Inc.,  
its Investment Manager

By:   
Name: Aryeh Davis  
Title: General Counsel

**SCHEDULE I  
to Security Agreement**

**Place of Business and Locations of Collateral**

**Principal Place of Business  
and Chief Executive Office:**

5904 Richmond Highway  
Suite 300  
Alexandria, Virginia 22303

**Locations of Equipment:**

5904 Richmond Highway  
Suite 300  
Alexandria, Virginia 22303

1000 Apollo Drive  
Brook Park, OH 44142

1100 Apollo Drive  
Brook Park, OH 44142

7901 Southpark Plaza  
Suite 110  
Littleton, CO 80120

**Locations of Inventory:**

5904 Richmond Highway  
Suite 300  
Alexandria, Virginia 22303

1000 Apollo Drive  
Brook Park, OH 44142

1100 Apollo Drive  
Brook Park, OH 44142

7901 Southpark Plaza  
Suite 110  
Littleton, CO 80120

NY1 769025v5

**TRADEMARK  
REEL: 003009 FRAME: 0761**

Location of Records Evidencing  
Accounts Receivable and other Collateral:

5904 Richmond Highway  
Suite 300  
Alexandria, Virginia 22303

**Schedule II  
ANALEX CORPORATION  
Patent and Trademark Application Filings**

**Patent Applications**

Application/Serial Number	Title
10/321,454	DEVICE AND METHOD FOR ON-ORBIT CALIBRATION OF AN INFRARED SENSOR

**Trademark Applications**

Application/Serial Number	Title
76/545,194	ANALEX (Wordmark)
76/545,473	ANALEX and design
76/319,439	ANALEX E-SIGN and design

**Unregistered Trademarks and Service Marks:**

Analex Esign

Analex Corporation

Analex Corporation Service Logo

**SCHEDULE III  
to Security Agreement**

**Existing Commercial Tort Claims**

None.

NY1 769025v5

**TRADEMARK  
REEL: 003009 FRAME: 0764**



SCHEDULE IV  
to Security Agreement

Security Agreement between Borrower and Bank of America, N.A.

(See attached).

# 1352627\_v1

NY1 769025v5

TRADEMARK  
REEL: 003009 FRAME: 0765

## SECURITY AGREEMENT

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THIS SECURITY AGREEMENT (this "*Agreement*") is dated as of November 2, 2001, by and among HADRON, INC., a New York corporation (the "*Borrower*"), the guarantors from time to time party hereto (the "*Subsidiary Guarantors*," and together with the Borrower, each a "*Debtor*" and collectively the "*Debtors*"), and BANK OF AMERICA, N.A., a national banking association (the "*Lender*").

### WITNESSETH:

WHEREAS, pursuant to a Credit Agreement, dated as of the date hereof (as the same may be amended, modified or supplemented from time to time, the "*Credit Agreement*") by and among the Borrower, the Subsidiary Guarantors and the Lender, the Lender has agreed to extend credit to the Borrower; and

WHEREAS, the obligation of the Lender to extend such credit under the Credit Agreement is subject to the condition, among others, that each Debtor grant to and create in favor of the Lender a security interest in all assets of each such Debtor as hereinafter provided;

NOW, THEREFORE, in consideration of the Debt (as hereinafter defined) and other good and valuable consideration, receipt and sufficiency of which are hereby acknowledged by the Debtors, and in order to induce the Lender to extend credit under the Credit Agreement, the parties hereto, intending to be legally bound hereby, covenant and agree as follows:

1. **Certain Definitions.** In addition to the words and terms defined elsewhere in this Agreement, the following words and terms shall have the following meanings, respectively, unless the context hereof otherwise clearly requires:

Words and terms defined in the Credit Agreement shall, unless the context hereof clearly otherwise requires, have the same meanings herein as therein provided.

"*Accounts*" shall mean (i) all rights of each Debtor, whether presently owned or existing or hereafter acquired or arising by or in favor of such Debtor, to payment for Goods sold or leased or for services rendered which are not evidenced by an Instrument or Chattel Paper, whether or not earned by performance; and (ii) all other property now or hereafter constituting an "*account*" as defined in the UCC.

"*Agreement*" shall mean this Security Agreement as the same may be amended, modified or supplemented from time to time.

"*Chattel Paper*" shall mean (i) a writing or writings which evidence both a monetary obligation and a security interest in or a lease of specific Goods, including any

Instrument or series of Instruments evidencing such monetary obligations; and (ii) all other property, including electronic chattel paper, now or hereafter constituting "*chattel paper*" as defined in the UCC.

"*Collateral*" shall mean, collectively, all of each Debtor's present and future right, title and interest in and to the following property, whether now owned or held or hereafter existing or acquired and wherever located: (i) the Accounts, Chattel Paper, Commercial Tort Claims, Contract Rights, Deposit Accounts, Equipment, Inventory, Investment Property, Instruments, Documents, Letter-of-Credit Rights and General Intangibles; (ii) all Fixtures of every kind and description; (iii) all supporting obligations; and (iv) all products and Proceeds of the foregoing.

"*Collateral Account*" shall have the meaning set forth in Section 6(a).

"*Commercial Tort Claims*" shall mean all commercial tort claims (as defined by the UCC) now owned or hereafter acquired by each Debtor.

"*Contract Rights*" shall mean all rights of each Debtor to payment under any contract not yet earned by performance which are not evidenced by an Instrument or Chattel Paper.

"*Debt*" shall mean (i) all indebtedness, obligations and liabilities of the Borrower, whether of principal, interest, fees, expenses or otherwise, now existing or hereafter contracted or incurred under or in connection with the Credit Agreement or any other Loan Document, including without limitation all the Obligations; (ii) all indebtedness of the Borrower to the Lender evidenced by the Notes; (iii) all future advances made by the Lender for the protection or preservation of the Collateral, including, without limitation, advances for storage and transportation charges, taxes, insurance, repairs and the like; and (iv) any and all reasonable and documented costs and expenses, including reasonable and documented attorneys' fees and legal expenses, paid or incurred by the Lender in connection with the collection of the amounts referred to in the preceding clauses (i), (ii) and (iii).

"*Deposit Accounts*" shall mean all deposit accounts (as defined by the UCC) now owned or hereafter acquired by each Debtor.

"*Documents*" shall mean all documents (as defined by the UCC) now owned or hereafter acquired by each Debtor.

"*Equipment*" shall mean all Goods now or hereafter owned by each Debtor whether now or hereafter deemed to constitute Fixtures, whenever acquired and wherever located, used or bought for use primarily in its business and not included in Inventory, together with all attachments, accessories and parts used or intended to be used with said Goods, whether now or hereafter installed therein or thereon or affixed thereto, as well as all substitutions and replacements thereof in whole or in part.

**"Fixtures"** shall mean all Goods that become so related to particular real estate that an interest therein arises under real estate law.

**"General Intangibles"** shall mean (i) all personal property (including things in action) now owned or hereafter acquired by each Debtor, other than Goods, Accounts, Chattel Paper, Contract Rights, Documents, Instruments and money; and (ii) all other property, including payment intangibles, now or hereafter constituting a **"general intangible"** as defined in the UCC.

**"Goods"** shall mean (i) all things now owned or hereafter acquired by each Debtor and wherever located which are movable or which are Fixtures, but does not include money, Documents, Instruments, Accounts, Chattel Paper or General Intangibles; and (ii) all other property now or hereafter constituting **"goods"** as defined in the UCC.

**"Instruments"** shall mean all (i) negotiable instruments; (ii) certificated securities; (iii) other writings which evidence a right to the payment of money which are not themselves security agreements or leases and which are of a type which are in the ordinary course of business transferred by delivery with any necessary endorsement or assignment, now owned or hereafter acquired by each Debtor; and (iv) other property now or hereafter constituting an **"instrument"** as defined in the UCC.

**"Inventory"** shall mean (i) all Goods now or hereafter owned by each Debtor, whenever acquired and wherever located, held for sale or lease or furnished or to be furnished under contracts of service, and all raw materials, work in process and materials now or hereafter owned by such Debtor, whenever acquired and wherever located, and used or consumed in its business; and (ii) all other property now or hereafter constituting **"inventory"** as defined in the UCC.

**"Investment Property"** shall mean all property now or hereafter constituting **"investment property"** as defined in the UCC, but does not include certificated securities.

**"Item of Payment"** shall mean each check, draft, cash, money, instrument, item and other remittance in payment or on account of payment of the Accounts.

**"Letter-of-Credit-Rights"** shall mean all letter-of-credit rights (as defined by the UCC) now owned or hereafter acquired by each Debtor.

**"Perfection Certificate"** shall have the meaning set forth in Section 5(a).

**"Proceeds"** shall mean whatever is received when Collateral or Proceeds are sold, exchanged, collected or otherwise disposed of, both cash and non-cash, including, without limitation, the proceeds of insurance payable by reason of loss of or damage to Collateral or Proceeds.

**"Receivables"** shall mean (i) all Accounts; and (ii) all Chattel Paper, General Intangibles and Instruments creating, evidencing or securing any right of each Debtor, whether presently owned or existing or hereafter acquired or arising, to payment of money.

**"UCC"** shall mean the Uniform Commercial Code as in effect on the date of this Agreement and as the same may be amended from time to time hereafter in any relevant jurisdiction.

2. **Security.** As security for the full and timely payment of the Debt in accordance with the terms of the respective instruments or agreements now or hereafter evidencing the Debt or pursuant to which the Debt is created, each Debtor hereby agrees that the Lender shall have, and each Debtor hereby grants to and creates in favor of the Lender, a security interest under the UCC in and to the Collateral.
3. **Lender Has Rights and Remedies of a Secured Party.** In addition to all rights and remedies given to the Lender by this Agreement, the Credit Agreement, the Notes and the other Loan Documents, the Lender shall have all the rights and remedies of a secured party under the UCC.
4. **Certain Provisions Applicable to the Collateral.** The parties agree that, at all times during the term of this Agreement, the following provisions shall apply to the Collateral:
  - (a) Each Debtor represents and warrants that it has and will have good and marketable title to the Collateral from time to time owned or acquired by it, free and clear of all liens, encumbrances and security interests, except Permitted Liens. Each Debtor will take all reasonable steps to defend such title against the claims and demands of all persons whomsoever.
  - (b) Each Debtor represents and warrants to the Lender that it does not currently own or hold any Documents, Instruments or Chattel Paper. In order to perfect the security interest granted by each Debtor hereby, each Debtor shall deliver to the Lender possession of any Documents, Instruments and Chattel Paper hereafter acquired by such Debtor (duly endorsed by such Debtor in blank), promptly upon its acquisition of the same.
  - (c) Except as may be permitted by the Credit Agreement, the Debtors will not (i) sell, lease, transfer or otherwise dispose of any of the Collateral, (ii) borrow against the Collateral from any person, firm or corporation other than from the Lender pursuant to the Credit Agreement, (iii) create, incur, assume or suffer to exist any Lien on any of the Collateral, (iv) permit any levy or attachment to be made against any of the Collateral except any levy or attachment relating to this Agreement, (v) permit any financing statement to be on file with respect to any

of the Collateral, except financing statements in favor of the Lender, or (vi) permit any notice to be filed under the Assignment of Claims Act with respect to any of the Collateral, except for any such notice in favor of the Lender.

- (d) Risk of loss of, damage to or destruction of the Collateral is on the Debtors. The Debtors will insure the Collateral against such risks and casualties and in such amounts and with such insurers as are specified in the Credit Agreement. All such policies of insurance shall contain loss payable clauses in favor of the Debtors and the Lender as their respective interests may appear, and such policies or certificates evidencing the same shall be deposited with the Lender immediately upon the request of the Lender. Each Debtor agrees to notify the Lender promptly of any notice of cancellation of any such policy and agrees not to cancel, mortgage, pledge, hypothecate, sell, transfer or assign its interest in any such insurance or any rights to cancel such insurance or to obtain the return of the unearned premiums therefor to any person other than the Lender. If any Debtor fails to effect and keep in full force and effect such insurance or fails to pay the premiums thereon when due, the Lender may do so for the account of such Debtor and add the cost thereof to the Debt, and the same shall be payable to the Lender on demand (unless it has obtained reasonably satisfactory substitute insurance policies prior to the Lender's obtaining such insurance). Each Debtor hereby assigns and sets over unto the Lender all moneys which may become payable on account of such insurance, including, without limitation, any return of unearned premiums which may be due upon cancellation of any such insurance, and directs the insurers to pay the Lender any amount so due. Following the occurrence and during the continuation of an Event of Default, the Lender, its officers, employees and authorized agents, are hereby irrevocably appointed attorneys-in-fact of each Debtor to endorse any draft or check which may be payable to such Debtor in order to collect the proceeds of such insurance or any return of unearned premiums. Such proceeds shall be applied to the payment or prepayment of the Debt in such order as the Lender may determine in accordance with the Credit Agreement. Any balance of insurance proceeds remaining in the possession of the Lender after payment in full of the Debt shall be paid to the Borrower or order.
- (e) Each Debtor assumes full responsibility for taking any and all necessary steps to preserve rights in respect of the Accounts, Chattel Paper, Contract Rights, Instruments, Documents and General Intangibles against all account debtors, obligors and other persons.
- (f) Upon the occurrence and during the continuance of any Event of Default, each Debtor shall promptly upon demand by the Lender assemble the Equipment and Inventory and make it available to the Lender at the place or places to be designated by the Lender which shall be reasonably convenient to all parties. The right of the Lender under this subsection (f) to have the Equipment and Inventory assembled and made available to it is of the essence of this Agreement

and the Lender may, at its election, enforce such right by a bill In equity for specific performance.

- (g) If any Debtor fails to maintain each item of Equipment and Inventory in accordance with the requirements specified in the Credit Agreement, the Lender may pay the cost of such repairs or maintenance and such taxes, levies or other impositions for the account of such Debtor (and shall provide notice to such Debtor of such payments) and add the amount thereof to the Debt, and the same shall be payable to the Lender on demand.

The Lender shall have no duty as to the collection or protection of the Collateral or any part thereof or any income thereon, or as to the preservation of any rights pertaining thereto, beyond exercising reasonable care in the custody of any Collateral actually in the possession of the Lender. The Lender shall be deemed to have exercised reasonable care in the custody and preservation of such of the Collateral as may be in its possession if it takes such action for that purpose as any Debtor shall request in writing, provided that such requested action shall not, in the judgment of the Lender, impair the Lender's security interest in the Collateral or its rights in, or the value of, the Collateral, and provided further that such written request is received by the Lender in sufficient time to permit it to take the requested action.

5. Certain Additional Matters. Each Debtor represents, warrants, covenants and agrees that:

- (a) This Agreement is effective to create in favor of the Lender for the benefit of the Lender a legal, valid and enforceable security interest in all right, title and interest in and to the Collateral. When the financing statements indicated in the Perfection Certificate have been filed in the offices in the jurisdictions listed in the Perfection Certificate, this Security Agreement will constitute a fully perfected Lien on, and security interest in and to, the Collateral, subject only to Permitted Liens, and prior to all other Liens. Each Debtor shall, at its expense, promptly take any and all such other or further acts as the Lender may deem necessary or advisable to execute, acknowledge and deliver, and thereafter register, file or record, any document or instrument supplemental to or confirmatory of this Agreement (including financing statements and continuation statements) which may be necessary or desirable to preserve, perfect and continue perfected the Lender's security interest in the Collateral, including, without limitation, the signing of financing and other similar statements.
- (b) Each Debtor has previously delivered to the Lender a certificate signed by such Debtor and entitled "Perfection Certificate" (the "*Perfection Certificate*"). Each Debtor represents and warrants to the Lender as follows: (i) such Debtor's exact legal name is that indicated on the Perfection Certificate and on the signature page hereof, (ii) such Debtor is an organization of the type and organized in the jurisdiction set forth in the Perfection Certificate, (iii) the

Perfection Certificate accurately sets forth such Debtor's organizational identification number or accurately states that such Debtor has none, (iv) the Perfection Certificate accurately sets forth such Debtor's place of business or, if more than one, its chief executive office as well as such Debtor's mailing address if different and (v) all other information set forth on the Perfection Certificate pertaining to such Debtor is accurate and complete.

- (c) Each Debtor covenants with the Lender as follows: (a) without providing at least 30 days prior written notice to the Lender, such Debtor will not change its name, its place of business or, if more than one, chief executive office, or its mailing address or organizational identification number if it has one, or the locations of the Collateral from those listed on the Perfection Certificate, (b) if such Debtor does not have an organizational identification number and later obtains one, such Debtor shall forthwith notify the Lender of such organizational identification number, and (c) such Debtor will not change its type of organization, jurisdiction of organization or other legal structure.
- (d) The Lender is hereby appointed attorney-in-fact for each Debtor to do all acts and things which the Lender may deem necessary or advisable to preserve, perfect and continue perfected the Lender's security Interest in the Collateral.
- (e) Each Debtor hereby irrevocably authorizes the Lender at any time and from time to time to file in any UCC jurisdiction any initial financing statements and amendments thereto that (i) indicate the Collateral (A) as all assets of such Debtor or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the UCC, or (B) as being of an equal or lesser scope or with greater detail, and (ii) contain any other information required by part 5 of Article 9 of the UCC for the sufficiency or filing office acceptance of any financing statement or amendment, including (A) whether such Debtor is an organization, the type of organization and any organization identification number issued to such Debtor and, (B) in the case of a financing statement filed as a fixture filing or indicating Collateral as as-extracted collateral or timber to be cut, a sufficient description of real property to which the Collateral relates. Each Debtor agrees to furnish any such information to the Lender promptly upon request.

6. **Cash Management.**

- (a) Each Debtor will deposit, or cause to be deposited, all Items of Payment to a bank account designated by the Lender and from which the Lender alone has power of access and withdrawal (the "*Collateral Account*"). Each deposit shall be made not later than the next Business Day after the date of receipt of the Items of Payment. The Items of Payment shall be deposited in precisely the form received, except for the endorsements of such Debtor where necessary to permit the collection of any such Items of Payment, such Debtor hereby agreeing



to make such endorsement. In the event such Debtor shall fail to do so, the Lender is hereby authorized by such Debtor to make the endorsement in the name of such Debtor. Prior to such a deposit, such Debtor will not commingle any Items of Payment with any of the other funds or property of such Debtor, but will hold them separate and apart in trust and for the account of the Lender.

- (b) In addition, if so directed by the Lender, following and during the continuance of an Event of Default, each Debtor shall direct the mailing of all Items of Payment from its account debtors to a post-office box designated by the Lender, or to such other additional or replacement post-office boxes pursuant to the request of the Lender from time to time (collectively, the "Lockbox"). The Lender shall have unrestricted and exclusive access to the Lockbox.
- (c) Each Debtor hereby authorizes the Lender to inspect all Items of Payment, endorse all Items of Payment in the name of such Debtor, and deposit Items of Payment in the Collateral Account. The Lender reserves the right, exercised in its sole and absolute discretion from time to time, to provide to the Collateral Account credit prior to final collection of an Item of Payment and to disallow credit for any Item of Payment which is unsatisfactory to the Lender. In the event Items of Payment are returned to the Lender for any reason whatsoever, the Lender may, in the exercise of its discretion from time to time, forward such Items of Payment a second time. Any returned Items of Payment shall be charged back to the Collateral Account, the Loan Account or other account, as appropriate.
- (d) The Lender will apply the whole or any part of the collected funds credited to the Collateral Account against the outstanding balance of the Revolving Credit Facility Loans and Obligations related thereto until paid in full or credit such collected funds to the depository account of the Debtors with the Lender (or an Affiliate of the Lender), as provided in the Autoborrow Service Agreement. During the period in which an Event of Default exists and is continuing, the Lender shall have the option to apply the whole or any part of the collected funds against the outstanding balance of the Term Loan or any Obligations related thereto.

7. **Events of Default.** If one or more of the Events of Default shall occur and be continuing or shall exist, then and in any such event, the Lender shall have such rights and remedies in respect of the Collateral or any part thereof as are provided by the UCC and such other rights and remedies in respect thereof which it may have at law or in equity or under this Agreement, including, without limitation, the right to (i) enter any premises where Equipment or Inventory is located and take possession of the same without demand or notice and without prior judicial hearing or legal proceedings, which each Debtor hereby expressly waives, and/or (ii) sell all or any portion of the Collateral at any broker's board or at public or private sale, without prior notice to any Debtor except as otherwise required by law (and if notice is required by law, after ten days'

prior written notice), at such time or times and in such manner and upon such terms, whether for cash or on credit, as the Lender in its reasonable discretion may determine. The Lender shall apply the Proceeds of any such sale and any Proceeds received by the Lender first to the payment of the reasonable costs and expenses incurred by the Lender in connection with such sale or collection, including, without limitation, reasonable attorneys' fees and legal expenses, second to the payment of the Debt in such order as the Lender may determine in accordance with the Credit Agreement until the Debt has been paid in full, and then to pay the balance, if any, as required by law.

8. **Amendments.** The provisions of this Agreement may from time to time be waived, modified, supplemented or amended with the written consent of the Debtors and the Lender. Any waiver, permit, consent or approval of any kind or character on the part of the Lender of or to any breach or default under this Agreement or any such waiver of any provision or condition of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing.
9. **Defeasance.** Upon the payment in full of the Debt, this Agreement shall terminate and be of no further force or effect; provided, however, that this Agreement shall not terminate so long as the Borrower may borrow under, or cause Letters of Credit to be issued under the Credit Agreement or any Letter of Credit remains outstanding. In connection with such termination, the Lender agrees to execute, at the Debtors' expense, such agreements and financing statements (including UCC-3's) as the Debtors reasonably request in order to evidence such termination. Until such time, however, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.
10. **Severability.** If any provision of this Agreement shall for any reason be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof, but this Agreement shall be construed as if such invalid or unenforceable provision had never been contained herein.
11. **Waiver.** No delay or failure on the part of the Lender in exercising any right, remedy, power or privilege hereunder shall operate as a waiver thereof or of any other right, remedy, power or privilege of the Lender hereunder or under the Credit Agreement or any instrument or instruments now or hereafter evidencing the Debt; nor shall any single or partial exercise of any such right, remedy, power or privilege preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights and remedies of the Lender under this Agreement are cumulative and not exclusive of any rights or remedies which it might otherwise have.
12. **Indemnification.** The Debtors will indemnify and save and hold the Lender harmless from and against any and all claims, damages, losses, liabilities or judgments which may be incurred or sustained by the Lender or asserted against the Lender, directly or indirectly, in connection with the existence of or the lawful exercise of any of the security rights with respect to the Collateral, except for matters which may result from

the gross negligence or willful misconduct of the Lender. The covenants contained in this paragraph shall survive the termination of the other provisions of this Agreement. In the event of any action at law or suit in equity in relation to this Agreement, the Debtors, in addition to all other sums which they may be required to pay, will pay a reasonable sum for attorneys' fees incurred by the Lender in connection with such action or suit and all other expenses of collection.

13. **Survival.** All representations, warranties, covenants and agreements of the Debtors contained herein or made in writing in connection herewith shall survive the execution and delivery of this Agreement and shall continue in full force and effect from and after the date hereof until payment in full of the Debt.
14. **Notices.** All notices hereunder shall be given in accordance with, and become effective as provided by, Section 8.6 of the Credit Agreement.
15. **ARBITRATION.**

A. THIS PARAGRAPH CONCERNS THE RESOLUTION OF ANY CONTROVERSIES OR CLAIMS BETWEEN ANY DEBTOR AND LENDER, WHETHER ARISING IN CONTRACT, TORT OR BY STATUTE, INCLUDING BUT NOT LIMITED TO CONTROVERSIES OR CLAIMS THAT ARISE OUT OF OR RELATE TO: (I) THIS AGREEMENT (INCLUDING ANY RENEWALS, EXTENSIONS OR MODIFICATIONS); OR (II) ANY DOCUMENT RELATED TO THIS AGREEMENT (COLLECTIVELY A "CLAIM").

B. AT THE REQUEST OF ANY DEBTOR OR LENDER, ANY CLAIM SHALL BE RESOLVED BY BINDING ARBITRATION IN ACCORDANCE WITH THE FEDERAL ARBITRATION ACT (TITLE 9, U.S. CODE) (THE "ACT"). THE ACT WILL APPLY EVEN THOUGH THIS AGREEMENT PROVIDES THAT IT IS GOVERNED BY THE LAW OF A SPECIFIED STATE.

C. ARBITRATION PROCEEDINGS WILL BE DETERMINED IN ACCORDANCE WITH THE ACT, THE APPLICABLE RULES AND PROCEDURES FOR THE ARBITRATION OF DISPUTES OF JAMS OR ANY SUCCESSOR THEREOF ("JAMS"), AND THE TERMS OF THIS PARAGRAPH. IN THE EVENT OF ANY INCONSISTENCY, THE TERMS OF THIS PARAGRAPH SHALL CONTROL.

D. THE ARBITRATION SHALL BE ADMINISTERED BY JAMS AND CONDUCTED IN ANY U.S. STATE WHERE REAL OR TANGIBLE PERSONAL PROPERTY COLLATERAL FOR THIS CREDIT IS LOCATED OR IF THERE IS NO SUCH COLLATERAL, IN THE COMMONWEALTH OF VIRGINIA. ALL CLAIMS SHALL BE DETERMINED BY ONE ARBITRATOR; HOWEVER, IF CLAIMS EXCEED \$5,000,000, UPON THE REQUEST OF ANY PARTY, THE CLAIMS SHALL BE DECIDED BY THREE ARBITRATORS. ALL ARBITRATION HEARINGS SHALL COMMENCE WITHIN 90 DAYS OF THE DEMAND FOR ARBITRATION.

AND CLOSE WITHIN 90 DAYS OF COMMENCEMENT AND THE AWARD OF THE ARBITRATOR(S) SHALL BE ISSUED WITHIN 30 DAYS OF THE CLOSE OF THE HEARING. HOWEVER, THE ARBITRATOR(S), UPON A SHOWING OF GOOD CAUSE, MAY EXTEND THE COMMENCEMENT OF THE HEARING FOR UP TO AN ADDITIONAL 60 DAYS. THE ARBITRATOR(S) SHALL PROVIDE A CONCISE WRITTEN STATEMENT OF REASONS FOR THE AWARD. THE ARBITRATION AWARD MAY BE SUBMITTED TO ANY COURT HAVING JURISDICTION TO BE CONFIRMED AND ENFORCED.

E. THE ARBITRATOR(S) WILL HAVE THE AUTHORITY TO DECIDE WHETHER ANY CLAIM IS BARRED BY THE STATUTE OF LIMITATIONS AND, IF SO, TO DISMISS THE ARBITRATION ON THAT BASIS. FOR PURPOSES OF THE APPLICATION OF THE STATUTE OF LIMITATIONS, THE SERVICE ON JAMS UNDER APPLICABLE JAMS RULES OF A NOTICE OF CLAIM IS THE EQUIVALENT OF THE FILING OF A LAWSUIT. ANY DISPUTE CONCERNING THIS ARBITRATION PROVISION OR WHETHER A CLAIM IS ARBITRABLE SHALL BE DETERMINED BY THE ARBITRATOR(S). THE ARBITRATOR(S) SHALL HAVE THE POWER TO AWARD LEGAL FEES PURSUANT TO THE TERMS OF THIS AGREEMENT.

F. THIS PARAGRAPH DOES NOT LIMIT THE RIGHT OF ANY DEBTOR OR LENDER TO: (I) EXERCISE SELF-HELP REMEDIES, SUCH AS BUT NOT LIMITED TO, SETOFF; (II) INITIATE JUDICIAL OR NONJUDICIAL FORECLOSURE AGAINST ANY REAL OR PERSONAL PROPERTY COLLATERAL; (III) EXERCISE ANY JUDICIAL OR POWER OF SALE RIGHTS, OR (IV) ACT IN A COURT OF LAW TO OBTAIN AN INTERIM REMEDY, SUCH AS BUT NOT LIMITED TO, INJUNCTIVE RELIEF, WRIT OF POSSESSION OR APPOINTMENT OF A RECEIVER, OR ADDITIONAL OR SUPPLEMENTARY REMEDIES.

G. BY AGREEING TO BINDING ARBITRATION, THE PARTIES IRREVOCABLY AND VOLUNTARILY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM. FURTHERMORE, WITHOUT INTENDING IN ANY WAY TO LIMIT THIS AGREEMENT TO ARBITRATE, TO THE EXTENT ANY CLAIM IS NOT ARBITRATED, THE PARTIES IRREVOCABLY AND VOLUNTARILY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF SUCH CLAIM. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THIS AGREEMENT.

16. Governing Law. The UCC shall govern the attachment, perfection and the effect of attachment and perfection of the Lender's security interest in the Collateral and the rights, duties and obligations of the Lender and the Debtors with respect thereto. This Agreement shall be deemed to be a contract under the laws of the Commonwealth of Virginia and the execution and delivery hereof and, to the extent not inconsistent with the preceding sentence, the terms and provisions hereof shall be governed by and construed in accordance with the laws of said

Commonwealth. Unless the context otherwise requires, all terms used herein which are defined in the UCC shall have the meanings therein stated.

17. **Headings.** The headings of this Agreement are for convenience only and shall not be construed as a part of this Agreement.

18. **Counterparts.** This Agreement may be executed in counterparts, each of which when so executed shall together constitute one and the same agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed under seal and delivered this Agreement as of the day and year first above written.

DEBTORS:

HADRON, INC.

By: Sterling E. Phillips (SEAL)  
Name: STERLING E. PHILLIPS, JR.  
Title: CHIEF EXECUTIVE OFFICER

ADVANCED BIOSYSTEMS, INC.

By: Sterling E. Phillips (SEAL)  
Name: STERLING E. PHILLIPS, JR.  
Title: CHIEF EXECUTIVE OFFICER

AVENUE TECHNOLOGIES, INC.

By: Sterling E. Phillips (SEAL)  
Name: STERLING E. PHILLIPS, JR.  
Title: CHIEF EXECUTIVE OFFICER

ENGINEERING AND INFORMATION SERVICES,  
INC.

By: Sterling E. Phillips (SEAL)  
Name: STERLING E. PHILLIPS, JR.  
Title: CHIEF EXECUTIVE OFFICER

SYCOM SERVICES, INC.

By: Sterling E. Phillips (SEAL)  
Name: STERLING E. PHILLIPS  
Title: CHIEF EXECUTIVE OFFICER

VAIL RESEARCH AND TECHNOLOGY  
CORPORATION

By: Sterling E. Phillips (SEAL)  
Name: STERLING E. PHILLIPS, JR.  
Title: CHIEF EXECUTIVE OFFICER

HADRON ACQUISITION CORPORATION

By: Sterling E. Phillips (SEAL)  
Name: STERLING E. PHILLIPS  
Title: CHIEF EXECUTIVE OFFICER

**LENDER:**

BANK OF AMERICA, N.A.

By: Elaine Eaton (SEAL)  
Name: ELAINE EATON  
Title: VP

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