

08-19-2004

Form PTO-1594 (Rev. 06/04)
OMB Collection 0651-0027 (exp. 6/30/2005)

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



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8-17-04

To the Director of the U. S. Patent and Trademark Office: Please record the attached documents or the new address(es) below.

<p>1. Name of conveying party(ies)/Execution Date(s): Kalm-Forsythe Global Innovations, Ltd.</p> <p><input type="checkbox"/> Individual(s) <input type="checkbox"/> Association <input type="checkbox"/> General Partnership <input checked="" type="checkbox"/> Limited Partnership <input type="checkbox"/> Corporation-State <input type="checkbox"/> Other _____</p> <p>Citizenship (see guidelines) <u>Texas</u></p> <p>Execution Date(s) <u>August 2, 2004</u></p> <p>Additional names of conveying parties attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	<p>2. Name and address of receiving party(ies) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>Additional names, addresses, or citizenship attached? <u>Massachusetts Business</u></p> <p>Name: <u>Development Corporation</u></p> <p>Internal Address: <u>Attn: Carol F. Cipriani, VP</u></p> <p>Street Address: <u>500 Edgewater Dr., Ste. 555</u></p> <p>City: <u>Wakefield</u></p> <p>State: <u>Massachusetts</u></p> <p>Country: <u>U.S.A</u> Zip: <u>01880</u></p> <p><input type="checkbox"/> Association Citizenship _____ <input type="checkbox"/> General Partnership Citizenship _____ <input type="checkbox"/> Limited Partnership Citizenship _____ <input checked="" type="checkbox"/> Corporation Citizenship <u>Massachusetts</u> <input type="checkbox"/> Other _____ Citizenship _____</p> <p>If assignee is not domiciled in the United States, a domestic representative designation is attached: <input type="checkbox"/> Yes <input type="checkbox"/> No (Designations must be a separate document from assignment)</p>
<p>3. Nature of conveyance:</p> <p><input type="checkbox"/> Assignment <input type="checkbox"/> Merger <input checked="" type="checkbox"/> Security Agreement <input type="checkbox"/> Change of Name <input type="checkbox"/> Other _____</p>	

<p>4. Application number(s) or registration number(s) and identification or description of the Trademark.</p> <p>A. Trademark Application No.(s)</p>	<p>B. Trademark Registration No.(s) <u>2,786,954; 2,805,470</u></p>
<p>Additional sheet(s) attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	

C. Identification or Description of Trademark(s) (and Filing Date if Application or Registration Number is unknown):
SHAFTKEEPER; BRANDONITE

<p>5. Name & address of party to whom correspondence concerning document should be mailed:</p> <p>Name: <u>Robert J. Diettrich</u></p> <p>Internal Address: <u>Davis, Malm & D'Agostine, P.C.</u></p> <p>Street Address: <u>One Boston Place</u></p> <p>City: <u>Boston</u></p> <p>State: <u>Massachusetts</u> Zip: <u>02108</u></p> <p>Phone Number: <u>(617) 367-2500</u></p> <p>Fax Number: <u>(617) 523-6215</u></p> <p>Email Address: <u>rdiettrich@davismalm.com</u></p>	<p>6. Total number of applications and registrations involved: 2</p> <p>7. Total fee (37 CFR 2.6(b)(6) & 3.41) \$ <u>80.00</u></p> <p><input type="checkbox"/> Authorized to be charged by credit card <input type="checkbox"/> Authorized to be charged to deposit account <input checked="" type="checkbox"/> Enclosed</p> <p>8. Payment Information:</p> <p>a. Credit Card Last 4 Numbers _____ Expiration Date _____</p> <p>b. Deposit Account Number _____ Authorized User Name _____</p>
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9. Signature: *Robert J. Diettrich* 8/13/04 Date

Signature

Robert J. Diettrich Total number of pages including cover sheet, attachments, and document: 25

Name of Person Signing

Documents to be recorded (including cover sheet) should be faxed to (703) 306-5995, or mailed to: Mail Stop Assignment Recordation Services, Director of the USPTO, P.O. Box 1450, Alexandria, VA 22313-1450

08/18/2004 GTON11 00000017 2786954

01 FC:0521 40.00 DP

02 FC:0522 25.00 DP

TRADEMARK
REEL: 003029 FRAME: 0197

Refund Ref: 08/18/2004 GTON11 0000136217
 CHECK Refund Total: \$15.00

MASSACHUSETTS BUSINESS DEVELOPMENT CORPORATION

SECURITY AGREEMENT (INCLUDING PATENTS)

SECURITY AGREEMENT made this 2nd day of August 2004 between Kalm-Forsythe Global Innovations, Ltd., a Texas limited partnership whose principal place of business is located at 10440 North Central Expressway, Suite 1475, Dallas, Texas 75231 ("Debtor"), and Massachusetts Business Development Corporation, a Massachusetts lending institution having an office at 500 Edgewater Drive, Suite 555, Wakefield, Massachusetts 01880 ("Secured Party").

In consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Debtor and Secured Party, intending to be bound legally, agree as follows:

(1) Security Interest. (a) To secure payment and performance of the Obligations (as defined hereinafter), Debtor hereby pledges, assigns, transfers and grants to Secured Party a continuing first priority security interest in Equipment (as hereinafter defined) and a continuing second priority security interest in the following personal property of Debtor, wherever located and whether now owned or hereafter acquired by Debtor:

All other tangible and intangible personal property, (**excluding** Motor Vehicles unless so indicated below), including, without limitation, Inventory, Accounts and Receivables (as defined hereinafter), as more particularly described in Exhibit A attached hereto, together with, in each instance, the renewals, substitutions, replacements, additions, rental payments, products and proceeds thereof, and including U.S. Patent No. 6,161,681 issued December 19, 2000, inventor: W. Scott Kalm, title of invention (as stated in the patent): "Roller Conveyer and Roller Shaft Support Bracket"; U.S. Patent No. 6,481,564 issued November 19, 2002, inventor: W. Scott Kalm, title of invention (as stated in the patent): "Conveyer Side Frame Shaft Open Reconditioning Device and Method", name by which invention is now known: "Shaftkeeper"; U.S. Patent No. 6,581,759 issued June 24, 2003, inventor: W. Scott Kalm, title of invention (as stated in the patent): "Molded Non-Metallic Conveyer Apparatus"; U.S. Patent Application No. 09/939,541 for Non-Metallic Composition for Structural Uses; U.S. Patent Application No. 10/631,044 for Track System for Tow-Line Conveyors and U.S. Patent Application No. 10/631,046 for Non-Metallic Drive Chain (the "Patents"), and U.S. Trademark: "Shaftkeeper", Registration No. 2,786,954 registered November 25, 2003; and U.S. Trademark: "Brandonite", Registration No. 2,805,470 registered January 13, 2004 (the "Trademarks").

(b) Debtor expressly acknowledges that the security interest granted hereunder shall remain as security for payment and performance of the Obligations (as defined hereinafter), whether now existing or which may hereafter be incurred by future advances, or otherwise. The notice of the continuing grant of this security interest therefore shall not be required to be stated on the face of any document representing any such Obligations (as defined hereinafter), nor otherwise identify it as being secured hereby.

(2) Cross-Collateralization. All Collateral which Secured Party may at any time acquire from Debtor or from any other source in connection with any of the Obligations shall constitute collateral for each and every Obligation, without apportionment or designation as to particular Obligations, and all Obligations, however and whenever incurred, shall be secured by all Collateral, however and whenever acquired, and Secured Party shall have the right, in its sole discretion, to determine the order in which Secured Party's rights in, or remedies against, any Collateral are to be exercised, and which type or which portions of Collateral are to be proceeded against and the order of application of proceeds of Collateral as against particular Obligations.

(3) Definitions. The following terms shall have the following meanings:

(a) "Accounts" means all accounts, including health care insurance receivables, contracts, contract rights, notes, bills, drafts, acceptances, general intangibles (including, without limitation, registered and unregistered tradenames, copyrights, customer lists, goodwill, computer programs, computer records, computer software, computer data, trade secrets, trademarks, patents, ledger sheets, files, records, data processing records relating to any Accounts and all tax refunds of every kind and nature to which Debtor is now or hereafter may become entitled, no matter how arising), instruments,(including promissory notes), documents, chattel paper (whether tangible or electronic), securities (whether certificated or uncertificated), security entitlements, security accounts, investment property, deposit accounts, supporting obligations, software, letter of credit rights (whether or not the letter of credit is evidenced by a writing), commercial tort claims and choses in action and all other debts, obligations and liabilities in whatever form, owing to Debtor from any person, firm or corporation or any other legal entity, whether now existing or hereafter arising, now or hereafter received by or belonging or owing to Debtor, for goods sold by it or for services rendered by it, or however otherwise the same may have been established or created, all guarantees and securities therefor, all right, title and interest of Debtor in the merchandise or services which gave rise thereto, including the rights of reclamation and stoppage in transit, all rights to replevy goods, and all rights of an unpaid seller of merchandise or services ("Receivables");

(b) "Collateral" means all tangible and intangible personal property of every kind and nature of Debtor as more particularly described on Exhibit A attached hereto, including, without limitation, equipment leases, rights to the payments of money, insurance refund claims and all other insurance claims and proceeds, cash, and all general intangibles including, without limitation, all license fees, patents, patent applications, trademark applications, copyright applications, registrations, franchises, printouts and other computer materials and records, guaranty claims, corporate or other business records, inventions, designs, rights to sue and recover for past infringement of patents, trademarks and copyrights, engineering drawings, service marks, and all certificates of need, licenses, permits, agreements of any kind or nature pursuant to which Debtor possesses, uses or has authority to possess or use property (whether tangible or intangible) of others or others possess, use or have authority to possess or use property (whether tangible or intangible) of Debtor, and all recorded data of any kind or nature, regardless of the medium of recording including, without limitation, all software, writings, plans, specifications and schematics, proceeds and products of all the foregoing in any form, including, without limitation, all proceeds of credit, fire or other insurance, and also including, without

limitation, rents and profits resulting from the temporary use of any of the foregoing including Accounts, Receivables, Equipment, Inventory and other property;

(c) "Equipment" means any and all machinery, equipment, furniture, fixtures and any and all other goods (as defined in Article 9 of the Uniform Commercial Code) used or bought for use in or being used or for use in the conduct of Debtor's business whether now owned or hereafter acquired by Debtor and wherever located, all replacements and substitutions therefor or accessions thereto and all proceeds thereof;

(d) "Financing Agreements" means this Agreement and any and all agreements, notes, guaranties, instruments, security agreements and documents evidencing, governing, securing or relating in any way to the \$750,000.00 Promissory Note dated of even date and also any of the Obligations;

(e) "Inventory" means any and all goods, merchandise or other personal property, wheresoever located and whether or not in transit, now owned or hereafter acquired by Debtor, which is or may at any time be held for sale or lease, or furnished or to be furnished under any contract of service or held as raw materials, work in process, supplies or materials, finished goods, and other tangible personal property used or consumed in Debtor's business, and all such property the sale or other disposition of which has given rise to Accounts or Receivables and which has been returned to or repossessed or stopped in transit by Debtor;

(f) "Motor Vehicles" shall have the same meaning as that contained in Chapter 90 of the Texas General Laws;

(g) "Obligations" means any and all obligations, indebtedness, liabilities, guaranties, covenants and duties owing by Debtor to Secured Party, whether under any of the Financing Agreements or otherwise, whether due or to become due, absolute or contingent, now existing or hereafter incurred or arising, whether or not otherwise guaranteed or secured and whether evidenced by any note or draft or documented on the books and records of Secured Party or otherwise on open account, including without limitation, all reasonable costs, expenses, fees, charges and reasonable attorneys' and other professional fees incurred by Secured Party in connection with, involving or related to the administration, protection, modification, collection, enforcement, preservation or defense of any of Secured Party's rights with respect to any of the Obligations, the Collateral or any agreement, instrument or document evidencing, governing, securing or relating to any of the foregoing, including without limitation, all reasonable costs and expenses incurred in inspecting or surveying mortgaged real estate, if any, or conducting environmental studies or tests, and in connection with any "workout" or default resolution negotiations involving legal counsel or other professionals and any re-negotiation or restructuring of any of the Obligations.

(h) "Uniform Commercial Code" means the Uniform Commercial Code as presently in effect in the Commonwealth of Massachusetts.

All terms defined in the Uniform Commercial Code of the Commonwealth of Massachusetts and used herein shall have the same definitions herein as specified therein. However, if a term is defined in Article 9 of the Uniform Commercial Code of the Commonwealth of Massachusetts ("Article 9") differently than in another Article of the Uniform Commercial Code of the Commonwealth of Massachusetts, the term shall have the meaning specified in Article 9.

(4) Debtor's Representations and Warranties. Debtor represents and warrants to Secured Party as follows:

(a) Legal Name. Debtor's exact legal name is that set forth in the first paragraph of this Agreement;

(b) Good Standing and Qualification; Legal Capacity. Debtor is a limited partnership duly organized under the laws of the State of Texas. Debtor has all the requisite partnership power and authority to own and operate its properties and to carry on its business as now being conducted. The Partnership Agreement and all amendments thereto of Debtor are in proper order and copies thereof have been delivered to Secured Party by Debtor. All partnership interests and accounts have been properly documented in the books and records of the Debtor and all books and records, including but not limited to books of account, are accurate and up to date and shall be so maintained except where failure to do so would not reasonably be expected to have a material adverse effect on the business of the Borrower (a "Material Adverse Effect").

(c) Authority. Debtor has full power and authority to enter into and perform the obligations under this Agreement, to execute and deliver the Financing Agreements and to incur the obligations provided for herein and therein, all of which have been duly authorized by all necessary and proper action of the partners of the partnership. Except as otherwise obtained or made, no other consent or approval or the taking of any other action is required as a condition to the validity or enforceability of this Agreement or any of the other Financing Agreements.

(d) Binding Agreements. This Agreement and the other Financing Agreements constitute the valid and legally binding obligations of Debtor, enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and by general principals of equity.

(e) Litigation. There are no actions, suits, proceedings or investigations pending or to the Debtor's knowledge, threatened against Debtor before any court or administrative agency, which either in any case or in the aggregate, if adversely determined, would materially and adversely affect the financial condition, assets or operations of Debtor, or which question the validity of this Agreement or any of the other Financing Agreements, or any action to be taken in connection with the transactions contemplated hereby or thereby.

(f) No Conflicting Law or Agreements. The execution, delivery and performance by Debtor of this Agreement and the other Financing Agreements: (i) do not violate

any provision of the Partnership Agreement of Debtor, (ii) do not violate any order, decree or judgment, or any provision of any statute, rule or regulation, (iii) do not violate or conflict with, result in a breach of or constitute (with notice or lapse of time, or both) a default under any partnership agreement, mortgage, indenture, contract or other agreement to which Debtor is a party, or by which any of Debtor's properties are bound, or (iv) except for the liens and mortgages granted to Secured Party hereunder and any other liens permitted by the Financing Agreements, do not result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any property or assets of Debtor.

(g) Financial Statements. The financial information of Debtor, including, but not limited to, tax returns, balance sheets, statements of earnings, retained earnings, contributed capital and cash flow statements, heretofore submitted to Secured Party, is complete and correct and fairly presents the financial condition of Debtor as of the dates of said information and the results of its operations and its cash flows for the periods referred to therein in accordance with generally accepted accounting principles, consistently applied (subject to normal year end audit adjustments and the absence of footnotes). Since the submission of said information to Secured Party, there has been no material adverse change in the financial condition or business of Debtor.

(h) Taxes. With respect to all taxable periods of Debtor, Debtor has filed all tax returns which are required to be filed and all federal, state, municipal, franchise and other taxes shown on such filed returns have been paid as due or have been reserved against, if not yet due, as required by generally accepted accounting principles, consistently applied (other than any amount or validity of which are being contested in good faith and with respect to which reserves have been provided), and Debtor knows of no unpaid assessments against Debtor as of the date hereof.

(i) Compliance. Debtor is not in default with respect to or in violation of any order, writ, injunction or decree of any court or of any federal, state, municipal or other governmental department, commission, board, bureau, agency, authority or official, or in violation of any law, statute, rule or regulation to which Debtor or Debtor's properties is or are subject, where such default or violation would materially and adversely affect the financial condition of Debtor. Debtor represents that Debtor has not received notice of any such default or violation from any party. Debtor is not in default in the payment or performance of any of Debtor's obligations to any third parties or in the performance of any mortgage, indenture, lease, contract or other agreement to which Debtor is a party or by which any of Debtor's assets or properties are bound, where such default would materially and adversely affect the financial condition of Debtor.

(j) Office. The chief executive office and principal place of business of Debtor, and the office where Debtor's books and records concerning Collateral are kept, is set forth in the first paragraph of this Agreement.

(k) Places of Business. Debtor has no other places of business and locates no Collateral, specifically including books and records, at any location other than at Debtor's place

of business set forth in the first paragraph of this Agreement and 254 Beech Street, Rockland, Massachusetts.

(l) Contingent Liabilities. Debtor is not a party to any suretyship, guarantyship, or other similar type agreement; nor has Debtor offered its endorsement to any individual, concern, corporation or other entity or acted or failed to act in any manner which would in any way create a contingent liability (except for endorsement of negotiable instruments in the ordinary course of business and as otherwise permitted under the Financing Agreements).

(m) Licenses, Patents, Trademarks. Debtor has all licenses, permits and other permissions required by any government, agency or subdivision thereof, or from any licensing entity necessary for the conduct of Debtor's business, including the Patents and Trademarks, all of which Debtor represents to be in good standing and in full force and effect except where failure to comply thereto would have a Material Adverse Effect.

(n) Collateral. Debtor is and shall continue to be the sole owner of the Collateral free and clear of all liens, encumbrances, security interests and claims except the liens granted to Secured Party hereunder and granted to BankNorth, N.A. and granted to The Property and Casualty Initiative and as otherwise permitted by any Financing Agreement; Debtor is fully authorized to sell, transfer, pledge and/or grant a security interest in each and every item of the Collateral to Secured Party; all documents and agreements related to the Collateral shall be true and correct as it relates to the Borrower and in all respects what they purport to be; all signatures and endorsements of the Borrower that appear thereon shall be genuine and all signatories and endorsers shall have full capacity to contract; to the Borrower's knowledge, none of the transactions underlying or giving rise to the Collateral shall violate any applicable state or federal laws or regulations; all documents relating to the Collateral shall be legally sufficient under such laws or regulations and shall be legally enforceable in accordance with their terms; and Debtor agrees to defend the Collateral against the claims of all persons other than Secured Party, BankNorth, N.A., and the Property and Casualty Initiative, LLC.

(o) Environmental, Health, Safety Laws. Debtor has not received any notice, order, petition or similar document in connection with or arising out of any violation of any environmental, health or safety law, regulation, rule or order, and Debtor knows of no basis for any claim of such violation or of any threat thereof.

(5) Affirmative Covenants of Debtor. Debtor covenants and agrees that from the date hereof until full and final payment and performance of all Obligations, Debtor shall:

(a) Financial Information. Deliver to Secured Party: (i) promptly upon Secured Party's request, such documentation and information about Debtor's financial condition, business and/or operations as Secured Party may, at any time and from time to time, request, including, without limitation, business and/or personal financial statements, copies of federal and state income tax returns and all schedules thereto, aging reports of Debtor's Receivables and accounts payable and a listing of Debtor's Inventory and Equipment, all of which shall be in form, scope and content satisfactory to Secured Party, in its sole discretion; and (ii) promptly

upon becoming aware of any Event of Default (as defined below), or any occurrence which but for the giving of notice or the passage of time would constitute an Event of Default, notice thereof in writing.

(b) Insurance and Endorsement. (i) Keep the Collateral and Debtor's other properties insured against loss or damage by fire and other hazards (so-called "All Risk" coverage) in amounts and with companies reasonably satisfactory to Secured Party to the same extent and covering such risks as is customary in the same or a similar business; maintain public liability coverage, including, without limitation, products liability coverage, against claims for personal injuries or death; and maintain all worker's compensation, employment or similar insurance as may be required by applicable law; and (ii) All insurance shall contain such terms, be in such form, and be for such periods reasonably satisfactory to Secured Party, and be written by such carriers duly licensed by the State of Texas and satisfactory to Secured Party. Without limiting the generality of the foregoing, such insurance must provide that it may not be cancelled without thirty (30) days prior written notice to Secured Party. Debtor shall cause Secured Party to be endorsed as a loss payee with a long form Lender's Loss Payable Clause, in form and substance acceptable to Secured Party on all such insurance. In the event of a failure to provide and maintain insurance as herein provided, Secured Party may, at its option, provide such insurance and charge the amount thereof to Debtor. Upon written demand, Debtor shall furnish to Secured Party certificates or other satisfactory evidence of compliance with the foregoing insurance provisions. Debtor hereby irrevocably appoints Secured Party as its attorney-in-fact, coupled with an interest upon the occurrence and continuation of an event of default under the Financing Agreements, to make proofs of loss and claims for insurance, and to receive payments of the insurance and execute all documents, checks and drafts in connection with payment of the insurance. Any proceeds received by Secured Party shall be applied to the Obligations in such order and manner as Secured Party shall determine in its sole discretion, or shall be remitted to Debtor, in either event at Secured Party's sole discretion.

(c) Tax and Other Liens. Comply with all statutes and government regulations and pay all taxes (including withholdings), assessments, governmental charges or levies, or claims for labor, supplies, rent and other obligations made against it or its property which, if unpaid, might become a lien or charge against Debtor or its properties, except to the extent that the amount or validity thereof is being contested in good faith and reserves have been provided.

(d) Place of Business. Maintain Debtor's place of business and chief executive offices at the address set forth in the first paragraph of this Agreement.

(e) Inspections. At any time, upon reasonable advance notice, allow Secured Party by or through any of their officers, attorneys, and/or accountants designated by Secured Party, for the purpose of ascertaining whether or not each and every provision hereof and of any related agreement, instrument and document is being performed, to enter the offices and plants of Debtor to examine or inspect any of the properties, books and records or extracts therefrom, to make copies of such books and records or extracts therefrom, and to discuss the affairs, finances

and accounts thereof with Debtor all at such reasonable times and as often as Secured Party or any such representative of Secured Party may reasonably request.

(f) Litigation. Promptly advise Secured Party of the commencement or threat of litigation, including arbitration proceedings and any proceedings before any governmental agency of more than \$25,000 (collectively, "Litigation"), which is instituted against Debtor.

(g) Maintenance of Existence. Maintain Debtor's corporate or partnership existence, as the case may be, and comply with all valid and applicable statutes, rules and regulations, and maintain Debtor's properties in good repair, working order and operating condition. Debtor shall immediately notify Secured Party of any event causing material loss in the value of its assets.

(h) Collateral Duties. Do whatever Secured Party may reasonably request from time to time by way of obtaining, executing, delivering and filing financing statements, assignments, landlord's or mortgagee's waivers, and other notices and amendments and renewals thereof, and Debtor will take any and all steps and observe such formalities as Secured Party may reasonably request in order to create and maintain a valid and enforceable first lien upon, pledge of, and first priority security interest in, any and all of the Equipment and second as to all other Collateral. Secured Party is authorized to file financing statements without the signature of Debtor and to execute and file such financing statements on behalf of Debtor as specified by the UCC to perfect or maintain Secured Party's security interest in all of the Collateral. All charges, expenses and fees Secured Party may incur in filing any of the foregoing, together with reasonable costs and expenses of any lien search required by Secured Party, and any taxes relating thereto, shall be charged to Debtor and added to the Obligations.

(i) Notice of Default. Provide to Secured Party, within three (3) business days after becoming aware of the occurrence or existence and continuation of an Event of Default or a condition which would constitute an Event of Default but for the giving of notice or passage of time on both, notice in writing of such Event of Default or condition.

(j) Notice of Government Contracts. If any of Debtor's Accounts arise out of contracts with the United States or any department, agency, or instrumentality thereof, Debtor shall immediately notify Secured Party thereof in writing and execute any instruments and take any steps reasonably required by Secured Party in order that all monies due and to become due under such contracts shall be assigned to Secured Party and notice thereof and give notice thereof to the Government under the Federal Assignment of Claims Act.

(6) Negative Covenants of Debtor. Debtor covenants and agrees that from the date hereof until full and final payment and performance of all Obligations, Debtor shall not without the prior written consent of Secured Party:

(a) Encumbrances. Incur or permit to exist any lien, mortgage, charge or other encumbrance against any of the Collateral, whether now owned or hereafter acquired, except: (i) liens required or expressly permitted by this Agreement; (ii) pledges or deposits in

connection with or to secure worker's compensation, unemployment or liability insurance; and (iii) tax liens which are being contested in good faith with the prior written consent of Secured Party and against which, if requested by Secured Party as a condition to its consent, Debtor shall set up a cash reserve or post a surety bond in an amount equal to the total amount of the lien being contested.

(b) Consolidation or Merger. Merge into or consolidate with or into any corporation.

(c) Sale and Lease of Assets. Sell, lease or otherwise dispose of any of Debtor's assets, except for sales of inventory in the ordinary course of business and the sale or disposal of obsolete and worn out equipment in the ordinary course of business.

(d) Name Changes. Change Debtor's legal name or conduct its business under any trade name or style other than as set forth in this Agreement except that Debtor may change its name in connection with an acquisition permitted under this Agreement with Secured Party's consent.

(e) Maintenance of Collateral. Permit to incur or suffer any loss, theft, substantial damage or destruction of any of the Collateral which is not immediately replaced with Collateral of equal or greater value, or which is not fully covered by insurance, the proceeds of which shall have been endorsed over to Secured Party in accordance with Section 5(b) hereof.

(f) Further Covenants. Debtor hereby makes the further covenants set forth on Schedule 6(f) attached hereto.

(7) Rights of Secured Party. Upon the occurrence of any Event of Default, Secured Party shall have the right to declare all of the Obligations to be immediately due and payable and shall then have the rights and remedies of a secured party under the Uniform Commercial Code or under any other applicable law, including, without limitation, the right to take possession of the Collateral, and in addition thereto, the right to enter upon any premises on which the Collateral or any part thereof may be situated and remove the same therefrom and the right to occupy Debtor's premises for up to one (1) year rent free for the purposes of liquidating Collateral, including, without limitation, conducting an auction thereon. Secured Party may require Debtor to make the Collateral (to the extent the same is moveable) available to Secured Party at a place to be designated by Secured Party. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Secured Party will give Debtor at least ten (10) days' prior written notice at the address of Debtor set forth above (or at such other address or addresses as Debtor shall specify in writing to Secured Party) of the time and place of any public sale thereof or of the time after which any private sale or any other intended disposition thereof is to be made. Any such notice shall be deemed to meet any requirement hereunder or under any applicable law (including the Uniform Commercial Code) that reasonable notification be given of the time and place of such sale or other disposition. After deducting all costs and expenses of collection, storage, custody, sale or other disposition and delivery (including reasonable attorneys' fees) and all other reasonable

charges against the Collateral, the residue of the proceeds of any such sale or disposition shall be applied to the payment of the Obligations in such order of priority as Secured Party shall determine and in accordance with the terms of a certain Intercreditor Agreement of even date herewith between Secured Party and BankNorth, N.A., any surplus shall be returned to Debtor or to any person or party lawfully entitled thereto. In the event the proceeds of any sale, lease or other disposition of the Collateral hereunder, including, without limitation, the proceeds from the collection of Accounts, are insufficient to pay all of the Obligations in full, Debtor will be liable for the deficiency, together with interest thereon, at the maximum rate allowable by law, and the costs and expenses of collection of such deficiency, including (to the extent permitted by law) without limitation, attorneys' fees, expenses and disbursements.

(8) Injunctive Relief. Upon the occurrence and continuation of any Event of Default, Secured Party may require Debtor to assemble the Collateral and make it available to Secured Party at Debtor's sole risk and expense at a place or places which are reasonably convenient to both Secured Party and Debtor. Debtor acknowledges that its failure to comply with the foregoing covenant will result in serious, immediate and irreparable injury to Secured Party, for which money damages are not an adequate remedy. Accordingly, Debtor hereby consents to the issuance of a temporary restraining order, and preliminary and final injunctions restraining Debtor and its employees and agents from interfering with Secured Party's repossession of the Collateral and compelling Debtor, its employees and agents to take all action reasonably necessary or appropriate to effect said repossession and the enforcement by Secured Party of its rights and remedies hereunder.

(9) Right of Secured Party to Use and Operate Collateral, Etc. Upon the occurrence of any Event of Default, Secured Party shall have the right and power to take possession of all or any part of the Collateral, and to exclude Debtor and all persons claiming under Debtor wholly or partly therefrom, and thereafter to hold, store, and/or use, operate, manage and control the same. Upon any such taking of possession, Secured Party may, from time to time, at the expense of Debtor, make all such repairs, replacements, alterations, additions and improvements to the Collateral as Secured Party may deem proper. In any such case Secured Party shall have the right to manage and control the Collateral and to carry on the business and to exercise all rights and powers of Debtor in respect thereto as Secured Party shall reasonably deem best, including the right to enter into any and all such agreements with respect to the operation of the Collateral or any part thereof as Secured Party may see fit; and Secured Party shall be entitled to collect and receive all issues, profits, fees, revenues and other income of the same and every part thereof. Such issues, profits, fees, revenues and other income shall be applied to pay the expenses of holding and operating the Collateral and of conducting the business thereof, and of all maintenance, repairs, replacements, alterations, additions and improvements, and to make all payments which Secured Party may be required or may elect to make, if any, for taxes, assessments, insurance and other charges upon the Collateral or any part thereof, and all other payments which Secured Party may be required or authorized to make under any provision of this Agreement (including legal costs and attorneys' fees). The remainder of such issues, profits, fees, revenues and other income shall be applied to the payment of the Obligations in such order of priority as Secured Party shall determine. Without limiting the generality of the foregoing, Secured Party shall have the right to apply for and have a receiver appointed by a court of

competent jurisdiction in any action taken by Secured Party to enforce its rights and remedies hereunder in order to manage, protect and preserve the Collateral and continue the operation of the business of Debtor and to collect all revenues and profits thereof and apply the same to the payment of all expenses and other charges of such receivership including the compensation of the receiver and to the payment of the Obligations as aforesaid until a sale or other disposition of such Collateral shall be finally made and consummated.

(10) Collection of Accounts, Etc. At any time after the occurrence of an Event of Default and demand, Secured Party shall have the right to require Debtor to and Debtor shall, upon written notice from Secured Party:

(a) Make collections of proceeds upon its Accounts, hold the proceeds received from collections in trust for Secured Party and turn over such proceeds to Secured Party daily in the exact form which they are received, together with a collection report in form satisfactory to Secured Party. Secured Party shall immediately apply, subject to collection, such proceeds and any proceeds of Accounts received by it pursuant to the following provisions of this Section 10, to the payment of the Obligations in such order of priority as Secured Party shall determine;

(b) Assign or endorse the Accounts to Secured Party, and notify account debtors that the Accounts have been assigned and should be paid directly to Secured Party;

(c) Turn over to Secured Party all Inventory returned in connection with any of the Accounts;

(d) Mark or stamp each of its individual ledger sheets or cards pertaining to its Accounts with the legend "Assigned to Massachusetts Business Development Corporation" and stamp or otherwise mark and keep its books, records, documents and instruments relating to the Accounts in such manner as Secured Party may require; and

(e) Mark or stamp all invoices with a legend satisfactory to Secured Party so as to indicate that the same should be paid directly to Secured Party.

Notwithstanding the foregoing, Secured Party shall have the right, at any time after the occurrence of an Event of Default, to itself so notify such account debtors to make such payments of the Accounts directly to Secured Party and Secured Party shall have the further right to notify the post office authorities to change the address for delivery of mail of Debtor to an address designated by Secured Party and to receive, open and dispose of all mail addressed to Debtor. For the purposes of this Section 10, Debtor hereby irrevocably constitutes Secured Party as Debtor's attorney-in-fact to issue in the name and execute or endorse on behalf of Debtor each and every notice, instrument and document necessary to carry out the purposes of the provisions of this Section 10, and to take such action in connection with the collection of the Accounts, including, without limitation, suing thereon, compromising or adjusting the same, as Secured party, in its sole discretion, deems necessary. The power of attorney granted hereby shall be self-executing, but Debtor shall promptly execute and deliver to Secured Party, upon written request

of Secured Party, such additional separate powers of attorney as Secured Party may from time to time request.

(11) Events of Default. Debtor shall be in default under this Agreement upon the happening of any of the following events or conditions (herein individually called an "Event of Default" and collectively called "Events of Default");

(a) Failure of Debtor to pay any principal or interest or other amount on any of the Obligations as and when the same shall become due and payable (whether on demand, at maturity or at a date fixed for any prepayment or installment or by declaration or acceleration or otherwise); or

(b) Breach by Debtor of any Obligation, including, without limitation, any covenant, representation or warranty contained in, or failure of Debtor or any guarantor of any of the Obligations to perform, observe or comply with any covenant, agreement, duty or provision of this Agreement or any of the other Financing Agreements; or

(c) The occurrence of an event of default under any of the other Financing Agreements; or

(d) If any representation or warranty made by Debtor or any guarantor of any of the Obligations in this Agreement or in any of the other Financing Agreements, or any statement, certificate or other data furnished by or on behalf of Debtor or any such guarantor in connection with any of the Obligations, proves at any time to be incorrect or untrue in any material respect; or

(e) Institution of or consent to proceedings, or the taking of any action in furtherance of, or the entry of any order or decree of a court of competent jurisdiction with respect to any of the following:

- (1) Bankruptcy, insolvency or reorganization, readjustment, arrangement, composition or similar relief as to Debtor, any other borrower, if applicable, or any guarantor of any of the Obligations under federal or state bankruptcy or insolvency statutes or related laws,
- (2) Appointment of a receiver, liquidator, trustee or assignee in bankruptcy or insolvency as Debtor, any other borrower, if applicable, or any guarantor of any of the Obligations or a substantial part of their respective properties, or
- (3) Assignment by Debtor or any guarantor of any of the Obligations for the benefit of creditors, the winding up or liquidation of the affairs of Debtor or such guarantor, or the admission of Debtor or such guarantor in writing of its inability to pay its debts; or

(f) The death, dissolution, liquidation, insolvency (the term "insolvency" shall mean either a negative tangible net worth or an inability to pay its debts as they mature) or termination of legal existence of Debtor, any other borrower, if applicable, or any guarantor of any of the Obligations; or

(g) The service of any process upon Secured Party seeking to attach or garnish by mesne or trustee process any funds of Debtor or of any guarantor of any of the Obligations which are on deposit with Secured Party unless such funds are released within thirty (30) days;

(h) The failure by Debtor or any guarantor of any of the Obligations to pay or perform any other indebtedness or obligations owed to any third party, or if any such other indebtedness or obligation shall be accelerated unless the same is being contested in good faith by appropriate proceedings; or

(i) If there shall be any material adverse change in the assets, liabilities, condition (financial, operating or otherwise) or business of Debtor or any guarantor of any of the Obligations; or

(j) If, at any time, Secured Party believes in good faith that the prospect of payment of any of the Obligations or the performance of any agreement of Debtor or any guarantor of any of the Obligations is impaired, or there is such a change in the assets, liabilities, condition (financial, operating or otherwise) or business of Debtor or any such guarantor as Secured Party believes in good faith increases its risk of non-collection; or

(k) If applicable, the occurrence of a default or event of default (howsoever defined) under any instrument, agreement or document evidencing, governing, securing or relating to any indebtedness, obligation or liability of Debtor to Secured Party, whether now existing or hereafter arising.

(12) Waivers, Etc. Debtor hereby waives presentment, demand, notice, protest and all other demands and notices in connection with this Agreement or the enforcement of Secured Party's rights hereunder or in connection with any Obligations or any Collateral; consents to and waives notice of: (a) the granting of renewals, extensions of time for payment or other indulgences to Debtor or to any account debtor in respect of any account receivable of Debtor; (b) substitution, release or surrender of any Collateral; (c) the addition or release of persons primarily or secondarily liable on any of the Obligations or on any account receivable or other Collateral; and (d) the acceptance of partial payments on any Obligations or on any account receivable or other Collateral and/or the settlement or compromise thereof. No delay or omission on the part of Secured Party in exercising any right hereunder shall operate as a waiver of such right or of any other right hereunder. Any waiver of any such right on any one occasion shall not be construed as a bar to or waiver of any such right on any such future occasion. **DEBTOR FURTHER WAIVES ANY RIGHT IT MAY HAVE UNDER THE LAWS OF ANY OTHER STATE IN WHICH ANY OF THE COLLATERAL MAY BE LOCATED, OR UNDER THE CONSTITUTION OF THE UNITED STATES OF AMERICA, TO NOTICE OR TO A JUDICIAL HEARING PRIOR TO THE EXERCISE OF ANY RIGHT OR REMEDY**

PROVIDED BY THIS AGREEMENT TO SECURED PARTY AND WAIVES ITS RIGHTS, IF ANY, TO SET ASIDE OR INVALIDATE ANY SALE DULY CONSUMMATED IN ACCORDANCE WITH THE FOREGOING PROVISIONS HEREOF ON THE GROUNDS (IF SUCH BE THE CASE) THAT THE SALE WAS CONSUMMATED WITHOUT A PRIOR JUDICIAL HEARING. DEBTOR'S WAIVERS UNDER THIS SECTION HAVE BEEN MADE VOLUNTARILY, INTELLIGENTLY, KNOWINGLY, WITHOUT DURESS AND ONLY AFTER EXTENSIVE CONSIDERATION OF THE RAMIFICATIONS THEREOF.

(13) Termination; Assignment, Etc. This Agreement and the security interest in the Collateral created hereby shall terminate when all of the Obligations have been paid and finally discharged in full. No waiver by Secured Party or by any other holder of the Obligations of any default shall be effective unless in writing signed by Secured Party nor shall any waiver granted on any one occasion operate as a waiver of any other default or of the same default on a future occasion. In the event of a sale or assignment by Secured Party of all or any of the Obligations held by Secured Party, Secured Party may assign or transfer its respective rights and interests under this Agreement in whole or in part to the purchaser or purchasers of such Obligations, whereupon such purchaser or purchasers shall become vested with all of the powers and rights hereunder, and Secured Party shall thereafter be forever released and fully discharged from any liability or responsibility hereunder with respect to the rights and interests so assigned except that Secured Party shall be liable for damages suffered by Debtor as a result of actions taken by Secured Party in bad faith or with willful misconduct.

(14) Notices. Except as otherwise provided herein, notice to Debtor or to Secured Party shall be deemed to have been sufficiently given or served for all purposes hereof if mailed by certified or registered mail, return receipt requested, as follows:

if to Debtor:

Kalm-Forsythe Global Innovations, Ltd.
10440 North Central Expressway,
Suite 1475
Dallas, Texas 75231

if to Secured Party:

Massachusetts Business Development Corporation
500 Edgewater Drive, Suite 555
Wakefield, Massachusetts 01880

Attention: Commercial Loan Documentation

(15) Jury Waiver. DEBTOR HEREBY WAIVES TRIAL BY JURY IN ANY COURT IN ANY SUIT, ACTION OR PROCEEDING ON ANY MATTER ARISING IN CONNECTION WITH OR IN ANY WAY RELATED TO THE FINANCING TRANSACTIONS OF WHICH THIS AGREEMENT IS A PART AND/OR THE ENFORCEMENT OF ANY OF SECURED

PARTY'S RIGHTS AND REMEDIES, INCLUDING, WITHOUT LIMITATION, TORT CLAIMS. DEBTOR ACKNOWLEDGES THAT DEBTOR MAKES THIS WAIVER VOLUNTARILY, INTELLIGENTLY, KNOWINGLY, WITHOUT DURESS AND ONLY AFTER EXTENSIVE CONSIDERATION OF THE RAMIFICATIONS THEREOF.

(16) Miscellaneous. This Agreement shall inure to the benefit of and be binding upon Secured Party and Debtor and their respective successors and assigns. In case any provision in this Agreement shall be invalid, illegal or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

(17) Governing Law. This Agreement shall be governed by the laws of the Commonwealth of Massachusetts (but not its conflicts of law provisions) and may not be amended except in writing.

(18) Perfection of Security Interests. The parties acknowledge and agree to the following provisions of this Agreement:

(a) Perfection By Filing. Debtor authorizes Secured Party at any time and from time to time to file financing statements, continuation statements and amendments thereto that describe the Collateral as all assets of Debtor or words of similar effect and which contain any other information required by Article 9 for the sufficiency or filing office acceptance of any financing statement or amendment, including whether Debtor is a registered organization, the type of organization and any organization identification number or taxpayer identification number issued to Debtor and, (ii) in the case of a financing statement filed as a fixture filing or indicating Collateral as as-extracted collateral or timber to be cut, a sufficient description of real property to which the Collateral relates. Debtor agrees to furnish any such information to Secured Party promptly upon request. Any such financing statements, continuation statements or amendments may be filed at any time in any jurisdiction. Debtor hereby irrevocably appoints Secured Party as Debtor's attorney-in-fact, coupled with an interest, for the purposes hereof. Debtor also ratifies its authorization for Secured Party to have filed in any Uniform Commercial Code jurisdiction any like initial financing statements or amendments thereto if filed prior to the date hereof.

(b) Other Perfection, Etc. To insure the attachment, perfection and first priority of, and the ability of Secured Party to enforce, Secured Party's security interest in the Collateral, Debtor agrees, in each case at Debtor's own expense, to take the following actions with respect to the following Collateral:

(i) Promissory Notes and Tangible Chattel Paper. If Debtor shall at any time hold or acquire any promissory notes or tangible chattel paper, Debtor shall forthwith endorse, assign and deliver the same to Secured Party, accompanied by such instruments of transfer or assignment duly executed in blank as Secured Party may from time to time specify.

(ii) Deposit Accounts. For each deposit account that Debtor at any time opens or maintains, Debtor shall, at Secured Party's request and option, pursuant to an agreement in form and substance satisfactory to Secured Party, either (A) cause the depository bank to agree to comply at any time with instructions from Secured Party to such depository bank directing the disposition of funds from time to time credited to such deposit account, without further consent of Secured Party, or (B) arrange for Secured Party to become the customer of the depository bank with respect to the deposit account, with Debtor being permitted, only with the consent of Secured Party, to exercise rights to withdraw funds from such deposit account. The provisions of this paragraph shall not apply to (X) any deposit account for which Debtor, the depository bank and Secured Party have entered into a cash collateral agreement specially negotiated among Debtor, the depository bank and Secured Party for the specific purpose set forth therein, (Y) deposit accounts for which Secured Party is the depository and (Z) deposit accounts specially and exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of Debtor's employees.

(iii) Investment Property. If Debtor shall at any time hold or acquire any certificated securities, Debtor shall forthwith endorse, assign and deliver the same to Secured Party, accompanied by such instruments of transfer or assignment duly executed in blank as Secured Party may from time to time specify. If any securities now or hereafter acquired by Debtor are uncertificated and are issued to Secured Party or its nominee directly by the issuer thereof, Debtor shall immediately notify Secured Party thereof and, at Secured Party's request and option, pursuant to an agreement in form and substance satisfactory to Secured Party, either (a) cause the issuer to agree to comply with instructions from Secured Party as to such securities, without further consent of Debtor or such nominee, or (b) arrange for Secured Party to become the registered owner of the securities. If any securities, whether certificated or uncertificated, or other investment property now or hereafter acquired by Debtor are held by Debtor or its nominee through a securities intermediary or commodity intermediary, Debtor shall immediately notify Secured Party thereof and, at Secured Party's request and option, pursuant to an agreement in form and substance satisfactory to Secured Party, either (A) cause such securities intermediary or (as the case may be) commodity intermediary to agree to comply with entitlement orders or other instructions from Secured Party to such securities intermediary as to such securities or other investment property, or (as the case may be) to apply any value distributed on account of any commodity contract as directed by Secured Party to such commodity intermediary, in each case without further consent of Debtor or such nominee, or (B) in the case of financial assets or other investment property held through a securities intermediary, arrange for Secured Party to become the entitlement holder with respect to such investment property, with Debtor being permitted, only with the consent of Secured Party, to exercise rights to withdraw or otherwise deal with such investment property. The provisions of this paragraph shall not apply to any financial assets credited to a securities account for which Secured Party is the securities intermediary.

(iv) Collateral in the Possession of a Bailee. If any goods are at any time in the possession of a bailee, Debtor shall promptly notify Secured Party thereof and, if requested by Secured Party, shall promptly obtain an acknowledgement from the bailee, in form and substance

satisfactory to Secured Party, that the bailee holds such Collateral for the benefit of Secured Party and shall act upon the instruction of Secured Party, without the further consent of Debtor.

(v) Electronic Chattel Paper and Transferable Records. If Debtor at any time holds or acquires an interest in any electronic chattel paper or any "transferable record," as that term is defined in §201 of the federal Electronic Signatures in Global and National Commerce Act, or in §16 of the Uniform Electronic Transactions Act as in effect in any relevant jurisdiction, Debtor shall promptly notify Secured Party thereof and, at the request of Secured Party, shall take such action as Secured Party may reasonably request to vest in Secured Party control, under §9-105 of the Uniform Commercial Code, of such electronic chattel paper or control under §201 of the federal Electronic Signatures in Global and National Commerce Act or, as the case may be, §16 of the Uniform Electronic Transactions Act, as in effect in such jurisdiction, of such transferable record.

(vi) Letter-of-Credit Rights. If Debtor is at any time a beneficiary under a letter of credit now or hereafter issued in favor of Debtor, Debtor shall promptly notify Secured Party thereof and, at the request and option of Secured Party, Debtor shall, pursuant to an agreement in form and substance satisfactory to Secured Party, either (A) arrange for the issuer and any confirmer of such letter of credit to consent to an assignment to Secured Party of the proceeds of any drawing under the letter of credit or (B) arrange for Secured Party to become the transferee beneficiary of the letter of credit, with Secured Party agreeing, in each case, that the proceeds of any drawing under the letter of credit are to be applied as provided in this Agreement.

(vii) Commercial Tort Claims. If Debtor shall at any time hold or acquire a commercial tort claim, Debtor shall immediately notify Secured Party in a writing signed by Debtor of the details thereof and grant to Secured Party in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance satisfactory to Secured Party.

(viii) Other Actions as to Any and All Collateral. Debtor further agrees to take any other action reasonably requested by Secured Party to ensure the attachment, perfection and first priority of, and the ability of Secured Party to enforce, Secured Party's security interest in any and all of the Collateral including, without limitation, (A) executing, delivering and, where appropriate, filing financing statements and amendments relating thereto under the Uniform Commercial Code, to the extent, if any, that Debtor's signature thereon is required therefor, (B) causing Secured Party's name to be noted as secured party on any certificate of title for a titled good if such notation is a condition to attachment, perfection or priority of, or ability of Secured Party to enforce, Secured Party's security interest in such Collateral, (C) complying with any provision of any statute, regulation or treaty of the United States as to any Collateral if compliance with such provision is a condition to attachment perfection or priority of, or ability of Secured Party to enforce, Secured Party's security interest in such Collateral, (D) obtaining governmental and other third party consents and approvals, including, without limitation, any consent of any licensor, lessor or other person obligated on Collateral, (E) obtaining waivers from mortgagees and landlords in form and substance satisfactory to Secured Party and (F) taking all actions required by any earlier versions of the Uniform Commercial Code or by other

law, as applicable in any relevant Uniform Commercial Code jurisdiction, or by other law as applicable in any foreign jurisdiction.

(c) Trademark, Trade Name Logo. Debtor hereby grants to Secured Party for a term to commence on the date of this Agreement and continuing thereafter until all debts and Obligations of any kind or character owed to Secured Party are fully paid and discharged, a non-exclusive irrevocable royalty free license in connection with Secured Party's exercise of its rights hereunder, to use, apply or affix any trademark, trade name logo or the like and to use any patents, in which Debtor now or hereafter has rights, which license may be used by Secured Party upon and after the occurrence of any one or more of the Events of Default, provided, however, that such use by Secured Party shall be suspended if such Events of Default are cured. This license shall be in addition to, and not in lieu of, the inclusion of all Debtor's trademarks, servicemarks, tradenames, logos, goodwill, patents, franchises and licenses in the Collateral; in addition to the right to use said Collateral as provided in this paragraph, Secured Party shall have full right to exercise any and all of its other rights regarding Collateral with respect to such trademarks, servicemarks, tradenames, logos, goodwill, patents, franchises and licenses.

(d) Saving Clause. Nothing contained in this section shall be construed to narrow the scope of Secured Party's security interest in any of the Collateral or the perfection or priority thereof or to impair or otherwise limit any of the rights, powers, privileges or remedies of Secured Party hereunder except to the extent (and then only to the extent) mandated by Article 9 to the extent then applicable.

(19) Debtor's Reports. Debtor will forward to Secured Party, in addition to any reports required by the Proposal Letter or the Commitment Letter given to Debtor by Secured Party, or as specified on Schedule 6(f) hereof, such other additional information concerning Debtor, the Collateral, the operation of Debtor's business, and Debtor's financial condition, including financial reports and statements, as Secured Party may from time to time reasonably request from Debtor. All financial information provided Secured Party by Debtor shall be prepared in accordance with generally accepted accounting principles applied consistently in the preparation thereof and with prior periods to fairly reflect the financial conditions of Debtor at the close of, and its results of operations for, the periods in question.

IN WITNESS WHEREOF, the parties have executed this Agreement as a sealed instrument as of the date first above written.

CORPORATE DEBTOR:

Kalm-Forsythe Global Innovations, Ltd.

By: KalFor Solutions Group, LLC

General Partner

By: 

Carl W. Forsythe, President

SECURED PARTY:

Massachusetts Business Development Corporation

By: Carol F. Cipriani
Carol F. Cipriani, Vice President

Commonwealth of Massachusetts
County of Suffolk

} ss.

On this the 2nd day of ~~June~~^{August}, 2004, before me, George A. Hewett, the undersigned Notary Public, personally appeared Carl W. Forsythe, proved to me through satisfactory evidence of identity, which was a Texas drivers license, to be the person whose name is signed on the preceding or attached document, and acknowledged to me that he signed it voluntarily for its stated purpose as President for KalFor Solutions Group, LLC, General Partner for Kalm-Forsythe Global Innovations, Ltd., a Texas limited partnership.



George A. Hewett
Signature of Notary Public

George A. Hewett
Printed Name of Notary

My Commission Expires: Feb. 14, 2008

Commonwealth of Massachusetts
County of Suffolk

} ss.

On this the 2nd day of ~~June~~^{August}, 2004, before me, George A. Hewett, the undersigned Notary Public, personally appeared Carol F. Cipriani, proved to me through satisfactory evidence of identity, which was a Massachusetts drivers license, to be the person whose name is signed on the preceding or attached document, and acknowledged to me that she signed it voluntarily for its stated purpose as Vice President for Massachusetts Business Development Corporation, a Massachusetts Corporation.



George A. Hewett
Signature of Notary Public

George A. Hewett
Printed Name of Notary

My Commission Expires: Feb. 14, 2008

Financial Covenants

The terms and conditions, including, but not limited to, any financial covenants, of the Proposal Letter issued by Secured Party to Debtor, dated May 10, 2004 with reference to the loan to Debtor, and guaranteed by Carl W. Forsythe, individually, shall survive the closing and are expressly incorporated herein by reference.

The following terms and conditions shall apply to the Loan:

a. Loan Covenants. The Debtor agrees to the following loan covenants:

(i) No additional financing or indebtedness or liability of any kind will be obtained or incurred by the Debtor, without the prior written consent of the Secured Party, except trade obligations incurred in the ordinary course of business. The Guarantor shall not guaranty any other obligations without the prior written consent of the Secured Party.

(ii) The Debtor shall not incur, create, assume or suffer to exist any mortgage, pledge, lien, charge or other encumbrance or liability of any kind on its assets without the prior written consent of the Secured Party.

(iii) The Debtor may not pay any dividend or make any distributions, except that the Debtor may (if applicable), as long as it remains an S Corporation under the applicable regulations of the Internal Revenue Code, make distributions solely in amounts needed for the purpose of paying individual income taxes arising directly from its S Corporation status, adjusted for prior losses.

(iv) Any payments due on the loan which are not received when due, including the expiration of any applicable grace period may, at the option of the Secured Party, bear interest at a rate which is two (2%) percent above the rate stated in the Note.

b. Annual and Other Financial Reports. The Debtor shall deliver to Secured Party a copy of its federal income tax return when filed, and Debtor shall deliver to Secured Party annual financial statements prepared on a review basis by a certified public accountant acceptable to Secured Party within one hundred twenty (120) days after the end of each fiscal year, quarterly management prepared financial statements within forty-five (45) days of the end of each quarter, and such other financial statements to Secured Party, as Secured Party may reasonably require from time to time. Such statements must be on an accrual basis and include a detailed cash flow summary.

Each such financial statement shall be accompanied by a certificate of the President indicating whether Debtor has engaged in any material financial transaction which is not reflected on such statement and whether such officer is aware of any condition or event which constitutes a default or which, after notice or lapse of time, or both would constitute a default under this Agreement.

Any financial statements shall include balance sheets and profit and loss statements prepared in accordance with generally accepted accounting principles consistently applied for the periods covered thereby.

c. Annual Report as to individual Guarantor. Guarantor shall furnish to Secured Party a copy of his federal income tax return within one hundred twenty (120) days of the date on which Guarantor must file its federal tax return, and within ninety (90) days of the end of each fiscal year the individual Guarantor shall furnish to Secured Party a personal financial statement on a form supplied by the Secured Party, signed by the Guarantor and setting forth assets, liabilities and net worth of the Guarantor as of a recent date not more than 90 days prior to the date of submission. Such statement of personal net worth shall be in a form satisfactory to Secured Party and shall show sources of income, contingent liabilities and other personal financial information together with supporting schedules as to assets and encumbrances.

Exhibit A

(Collateral Description)

All personal property of Debtor, including, without limitation, the following property of Debtor, wherever located and whether now owned or hereafter acquired:

all "Accounts" as that term is defined in the Uniform Commercial Code as adopted in the Commonwealth of Massachusetts, as amended from time to time (the "UCC") as of the date hereof, including, without limitation, all accounts, including health care insurance receivables, contracts, contract rights, notes, bills, drafts, acceptances, general intangibles (including, without limitation, registered and unregistered tradenames, copyrights, customer lists, goodwill, computer programs, computer records, computer software, computer data, trade secrets, trademarks, patents, ledger sheets, files, records, data processing records relating to any Accounts and all tax refunds of every kind and nature to which Debtor is now or hereafter may become entitled, no matter how arising), instruments,(including promissory notes), documents, chattel paper (whether tangible or electronic), securities (whether certificated or uncertificated), security entitlements, security accounts, investment property, deposit accounts, supporting obligations, software, letter of credit rights (whether or not the letter of credit is evidenced by a writing), commercial tort claims and choses in action and all other debts, obligations and liabilities in whatever form, owing to Debtor from any person, firm or corporation or any other legal entity, whether now existing or hereafter arising, now or hereafter received by or belonging or owing to Debtor, for goods sold by it or for services rendered by it, or however otherwise the same may have been established or created, all guarantees and securities therefor, all right, title and interest of Debtor in the merchandise or services which gave rise thereto, including the rights of reclamation and stoppage in transit, all rights to replevy goods, and all rights of an unpaid seller of merchandise or services ("Receivables");

all "Collateral" as that term is defined in the UCC as of the date hereof, including, without limitation, all tangible and intangible personal property of every kind and nature of Debtor including, without limitation, equipment leases, rights to the payments of money, insurance refund claims and all other insurance claims and proceeds, cash, and all general intangibles including, without limitation, all license fees, patents, patent applications, trademark applications, copyright applications, registrations, franchises, printouts and other computer materials and records, guaranty claims, corporate or other business records, inventions, designs, rights to sue and recover for past infringement of patents, trademarks and copyrights, engineering drawings, service marks, and all certificates of need, licenses, permits, agreements of any kind or nature pursuant to which Debtor possesses, uses or has authority to possess or use property (whether tangible or intangible) of others or others possess, use or have authority to possess or use property (whether tangible or intangible) of Debtor, and all recorded data of any kind or nature, regardless of the medium of recording including, without limitation, all software, writings, plans, specifications and schematics, proceeds and products of all the foregoing in any form, including, without limitation, all proceeds of credit, fire or other insurance, and also including, without limitation, rents and profits resulting from the temporary use of any of the foregoing including Accounts, Receivables, Equipment, Inventory and other property, and

including U.S. Patent No. 6,161,681 issued December 19, 2000, inventor: W. Scott Kalm, title of invention (as stated in the patent): "Roller Conveyor and Roller Shaft Support Bracket"; U.S. Patent No. 6,481,564 issued November 19, 2002, inventor: W. Scott Kalm, title of invention (as stated in the patent): "Conveyor Side Frame Shaft Open Reconditioning Device and Method", name by which invention is now known: "Shaftkeeper"; U.S. Patent No. 6,581,759 issued June 24, 2003, inventor: W. Scott Kalm, title of invention (as stated in the patent): "Molded Non-Metallic Conveyor Apparatus"; U.S. Patent Application No. 09/939,541 for Non-Metallic Composition for Structural Uses; U.S. Patent Application No. 10/631,044 for Track System for Tow-Line Conveyors and U.S. Patent Application No. 10/631,046 for Non-Metallic Drive Chain (the "Patents"), and U.S. Trademark: "Shaftkeeper", Registration No. 2,786,954 registered November 25, 2003; and U.S. Trademark: "Brandonite", Registration No. 2,805,470 registered January 13, 2004 (the "Trademarks");

all "Equipment" as that term is defined in the UCC as of the date hereof, including, without limitation, any and all machinery, equipment, furniture, fixtures and any and all other goods (as defined in Article 9 of the Uniform Commercial Code) used or bought for use in or being used or for use in the conduct of Debtor's business whether now owned or hereafter acquired by Debtor and wherever located, all replacements and substitutions therefor or accessions thereto and all proceeds thereof;

all "Inventory" as that term is defined in the UCC as of the date hereof, including, without limitation, any and all goods, merchandise or other personal property, wheresoever located and whether or not in transit, now owned or hereafter acquired by Debtor, which is or may at any time be held for sale or lease, or furnished or to be furnished under any contract of service or held as raw materials, work in process, supplies or materials, finished goods, and other tangible personal property, supplies or materials, used or consumed in Debtor's business, and all such property the sale or other disposition of which has given rise to Accounts or Receivables and which has been returned to or repossessed or stopped in transit by Debtor;

all monies, securities and other property of Debtor, and the proceeds thereof, now or hereafter held or received by or in transit to the Secured Party whether for safekeeping, custody, pledge, transmission, collections or otherwise and also in and to any and all deposits, general or special, and credits of Debtor, and any and all claims of Debtor against Secured Party now or at any time hereafter existing and all products and proceeds of the foregoing, including, without limitation, proceeds of any insurance policies insuring any of the foregoing.