

TRADEMARK ASSIGNMENT

Electronic Version v1.1
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT		
NATURE OF CONVEYANCE:	SECURITY INTEREST		
CONVEYING PARTY DATA			
Name	Formerly	Execution Date	Entity Type
Desa IP, LLC		12/06/2004	LIMITED LIABILITY COMPANY: FLORIDA
RECEIVING PARTY DATA			
Name:	Merrill Lynch Capital, a division of Merrill Lynch Business Financial Services, Inc., as Agent		
Street Address:	222 N. LaSalle Street		
City:	Chicago		
State/Country:	ILLINOIS		
Postal Code:	60601		
Entity Type:	division of a Delaware Corporation: DELAWARE		
PROPERTY NUMBERS Total: 3			
Property Type	Number	Word Mark	
Registration Number:	1946931	MINI HEARTH	
Registration Number:	3104404	OXFORD	
Registration Number:	2954449	DUALBRITE	
CORRESPONDENCE DATA			
Fax Number:	(312)993-9767		
	<i>Correspondence will be sent via US Mail when the fax attempt is unsuccessful.</i>		
Phone:	312 876 7708		
Email:	elizabeth.arnold2@lw.com		
Correspondent Name:	Latham & Watkins / Elizabeth Arnold		
Address Line 1:	233 South Wacker Drive		
Address Line 2:	Suite 5800		
Address Line 4:	Chicago, ILLINOIS 60606		
ATTORNEY DOCKET NUMBER:	035732-0038		

OP \$90.00 1946931

NAME OF SUBMITTER:	Elizabeth Arnold
Signature:	/eca/
Date:	04/04/2007

Total Attachments: 28

source=Security Agreement 12 6 2004#page1.tif
source=Security Agreement 12 6 2004#page2.tif
source=Security Agreement 12 6 2004#page3.tif
source=Security Agreement 12 6 2004#page4.tif
source=Security Agreement 12 6 2004#page5.tif
source=Security Agreement 12 6 2004#page6.tif
source=Security Agreement 12 6 2004#page7.tif
source=Security Agreement 12 6 2004#page8.tif
source=Security Agreement 12 6 2004#page9.tif
source=Security Agreement 12 6 2004#page10.tif
source=Security Agreement 12 6 2004#page11.tif
source=Security Agreement 12 6 2004#page12.tif
source=Security Agreement 12 6 2004#page13.tif
source=Security Agreement 12 6 2004#page14.tif
source=Security Agreement 12 6 2004#page15.tif
source=Security Agreement 12 6 2004#page16.tif
source=Security Agreement 12 6 2004#page17.tif
source=Security Agreement 12 6 2004#page18.tif
source=Security Agreement 12 6 2004#page19.tif
source=Security Agreement 12 6 2004#page20.tif
source=Security Agreement 12 6 2004#page21.tif
source=Security Agreement 12 6 2004#page22.tif
source=Security Agreement 12 6 2004#page23.tif
source=Security Agreement 12 6 2004#page24.tif
source=Security Agreement 12 6 2004#page25.tif
source=Security Agreement 12 6 2004#page26.tif
source=Security Agreement 12 6 2004#page27.tif
source=Security Agreement 12 6 2004#page28.tif

SECURITY AGREEMENT

THIS SECURITY AGREEMENT is dated as of December 6, 2004 among **DESA, LLC**, a Florida limited liability company ("DESA"), **HIG – DESA HEATING, INC.**, a Florida corporation ("HIG-DESA Heating"), **HIG – DESA SPECIALTY, INC.**, a Florida corporation ("HIG-DESA Specialty"), **HIG – DESA FMI, INC.**, a Florida corporation ("HIG-DESA FMI"), **DESA US, LLC**, a Florida limited liability company ("DESA US"), **DESA HEATING, LLC**, a Florida limited liability company ("DESA Heating"), **DESA SPECIALTY, LLC**, a Florida limited liability company ("DESA Specialty"), **DESA FMI, LLC**, a Florida limited liability company ("DESA FMI") and **DESA IP, LLC**, a Florida limited liability company ("DESA IP": DESA IP, together with DESA, HIG-DESA Heating, HIG-DESA Specialty, HIG-DESA FMI, DESA US, DESA Heating, DESA Specialty and DESA FMI are sometimes hereinafter referred to individually as a "Debtor" and collectively as the "Debtors") and **MERRILL LYNCH CAPITAL**, a division of Merrill Lynch Business Financial Services Inc., ("Merrill Lynch") in its capacity as Administrative Agent under the Credit Agreement described below ("Administrative Agent").

W I T N E S S E T H:

WHEREAS, pursuant to a certain Credit Agreement dated as of the date hereof among the Debtors, the Funds Administrator, Merrill Lynch as Administrative Agent, Sole Bookrunner, Sole Lead Arranger and as a Lender and the other Lenders party thereto (as the same may be amended, restated, modified or supplemented and in effect from time to time, the "Credit Agreement"), Lenders have agreed, subject to the satisfaction of certain conditions precedent, to make Loans and other financial accommodations available to the Debtors; and

WHEREAS, it is a condition precedent to the availability of such Loans and other financial accommodations under the Credit Agreement that each Debtor shall have granted the security interests contemplated by this Agreement in order to secure the payment and performance of the Obligations;

NOW, THEREFORE, in consideration of the foregoing, and in order to induce Lenders to make the Loans and other financial accommodations available to the Debtors under the Credit Agreement, each Debtor hereby agrees with Administrative Agent, for its benefit and the benefit of Lenders, as follows:

SECTION 1. Definitions.

1.1 The following terms, as used herein, have the meanings set forth below:

"Acquisition Documents" means any substantive agreement or instrument executed by a Debtor in connection with a Permitted Acquisition, including without limitation, any purchase agreement or escrow agreement.

"Acquisition Document Undertakings" means any and all representations, warranties, covenants and indemnification agreements and other agreements made to or for the benefit of any Debtor pursuant to any and all Acquisition Documents.

“Agreement” means this Security Agreement, as the same may be amended, restated, modified or supplemented and in effect from time to time in accordance with the terms hereof.

“Collateral” has the meaning assigned to that term in Section 2.

“Copyright Security Agreement” means, if any, each Copyright Security Agreement executed and delivered by any Debtor to Administrative Agent, as the same may be amended and in effect from time to time.

“Copyrights” means any copyrights, copyright registrations and copyright applications, and all renewals, extensions and continuations of any of the foregoing.

“Depository Account” has the meaning assigned to that term in Section 4.12.

“Federal Registration Collateral” means Collateral with respect to which Liens may be registered, recorded or filed under, or notice thereof given under, any federal statute or regulation.

“Intellectual Property” means, collectively, all Copyrights, Patents and Trademarks.

“Patent Security Agreement” means, if any, each Patent Security Agreement executed and delivered by any Debtor to Administrative Agent, as the same may be amended and in effect from time to time.

“Patents” means any patents, patent registrations and patent applications and all renewals, extensions and continuations of any of the foregoing.

“Security Interests” means the security interests granted or provided for pursuant to Section 2 hereof and pursuant to any Copyright Security Agreements, Patent Security Agreements and Trademark Security Agreements, as well as all other security interests created, assigned or provided as additional security for the Obligations pursuant to the provisions of this Agreement or any of the other Financing Documents.

“Trademark Security Agreement” means, if any, each Trademark Security Agreement executed and delivered by any Debtor to Administrative Agent, as the same may be amended and in effect from time to time.

“Trademarks” means any trademarks, trademark registrations, and trademark applications, all renewals, extensions and continuations of any of the foregoing and all goodwill attributable to any of the foregoing.

1.2 Other Definition Provisions. References to “Sections” or “Schedules” shall be to Sections or Schedules of this Agreement unless otherwise specifically provided. For purposes hereof, “including” is not limiting and “or” is not exclusive. Except as provided by the immediately following sentence, capitalized terms used herein and not otherwise defined herein

shall have the respective meanings provided for in the Credit Agreement. All capitalized terms defined in the UCC and not otherwise defined herein shall have the respective meanings provided for by the UCC. Any of the terms defined in Section 1.1 may, unless the context otherwise requires, be used in the singular or the plural depending on the reference. All references to statutes and related regulations shall include any amendments of same and any successor statutes and regulations.

SECTION 2. Grant of Security Interests.

To secure the payment and performance of the Obligations, each Debtor hereby grants to Administrative Agent, for its benefit and the benefit of the Lenders, a lien on, security interest in and right of set-off against any and all right, title and interest in and to any and all property and interests in property of such Debtor, whether now owned or existing or hereafter created, acquired or arising, including all of the following properties and interests in properties, whether now owned or hereafter created, acquired or arising (all being collectively referred to herein as the "Collateral")

- (a) Accounts;
- (b) Chattel Paper;
- (c) Commercial Tort Claims specified on Schedule 3.9;
- (d) Deposit Accounts, all cash, and other property deposited therein or otherwise credited thereto from time to time and other monies and property in the possession or under the control of Administrative Agent or any Lender or any affiliate, representative, agent or correspondent of Administrative Agent or any Lender;
- (e) Documents;
- (f) General Intangibles, including without limitation any and all Intellectual Property and any and all Acquisition Document Undertakings;
- (g) Goods, including without limitation any and all Inventory, any and all Equipment and any and all Fixtures;
- (h) Instruments;
- (i) Investment Property;
- (j) Letter-of-Credit Rights;
- (k) Supporting Obligations;
- (l) Any and all books and records, in whatever form or medium, that at any time evidence or contain information relating to any of the foregoing properties or interests in properties or are otherwise necessary or helpful in the collection thereof or realization thereon;

(m) All Accessions and additions to, and substitutions and replacements of, any and all of the foregoing; and

(n) All Proceeds and products of the foregoing, and all insurance pertaining to the foregoing and proceeds thereof.

Notwithstanding the foregoing provisions of this Section 2, the pledge and grant of a Lien and security interest as provided herein shall not extend to any Equipment subject to a purchase money security interest or equipment lease ("**Encumbered Equipment**"), Contract, General Intangible, Instrument, License or Chattel Paper in which any Debtor has any right, title or interest, if and to the extent such Encumbered Equipment, Contract, General Intangibles, Instrument, License or Chattel Paper which is subject to contractual provision or other restriction on assignment permitted under the Credit Agreement such that the creation of a security interest in the right, title or interest of such Debtor therein would be prohibited and would, in and of itself, cause or result in a default thereunder enabling another Person party to such Encumbered Equipment, Contract, General Intangible, Instrument, License or Chattel Paper to enforce any remedy with respect thereto, provided, that the foregoing exclusion shall not apply if and to the extent that (i) such prohibition has been waived or such other Person has otherwise consented to the creation hereunder of a security interest in such Encumbered Equipment, Contract, General Intangibles, Instrument, License or Chattel Paper or (ii) such prohibition would be rendered ineffective pursuant to Section 9-406, 9-407 or 9-408 of Article 9 of the Uniform Commercial Code, as applicable and as then in effect in any relevant jurisdiction, or any other applicable law (including the Bankruptcy Code) or principles of equity and provided further that immediately upon the ineffectiveness, lapse or termination of any such provision, such Debtor shall be deemed to have granted a security interest in, all its rights, title and interests in and to such Encumbered Equipment, Contract, General Intangibles, Instrument, License or Chattel Paper as if such provision had never been in effect. In addition, the foregoing exclusion shall in no way be construed so as to limit, impair or otherwise affect Agent's unconditional continuing security interest in and to all rights, title and interests of each Debtor in or to any payment obligations or other rights to receive monies due or to become due under any such Encumbered Equipment, Contract, General Intangible, Instrument, License or Chattel Paper and in any such monies and other proceeds of such Encumbered Equipment, Contract, General Intangibles, Instrument, License or Chattel Paper.

SECTION 3. Representations and Warranties.

Each Debtor represents and warrants to Administrative Agent and to each Lender as of the Closing Date as follows:

3.1 Binding Obligation; Perfection. This Agreement constitutes a valid and binding obligation of each Debtor, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, or similar laws relating to the enforcement of creditors' rights generally and by general equitable principles. Administrative Agent has a valid, perfected, and subject to Permitted Liens, first priority security interest in the Collateral, securing the payment of the Obligations, and such Security Interests are entitled to all

of the rights, priorities and benefits afforded by the UCC or other applicable law as enacted in any relevant jurisdiction which relates to perfected security interests.

3.2 Organizational Information. Schedule 3.1 to the Credit Agreement sets forth (i) the full, correct and current name of each Debtor, as its appears in such Debtor's Organizational Documents, (ii) any names of any Debtor other than such Debtor's current name, as set forth on Debtor's Organizational Documents during the five (5) year period preceding the Closing Date (or if such Debtor was organized during such five year period, during the period from the date of its organization to the Closing Date), (iii) each Debtor's type of organization, (iv) each Debtor's jurisdiction of organization and (v) each Debtor's organizational identification number (except where such Debtor's jurisdiction of organization does not assign organizational numbers).

3.3 Collateral Locations. Schedule 3.3 sets forth all addresses at which more than \$100,000.00 worth of Collateral is located, indicating for each whether such location is owned or leased by any Debtor, or owned or operated by a third-party such as a warehouseman, consignee or processor. Schedule 3.3 indicates which of the foregoing addresses serves as each Debtor's chief executive office. Schedule 3.3 sets forth the legal description of all real properties maintained by any Debtor, leased or owned, on which any Fixtures are located, together with the name and address of the record owner of each such property.

3.4 Existing Liens. Except for Permitted Liens, each Debtor owns the Collateral, and will own all after-acquired Collateral, free and clear of any Lien. No effective financing statement or other form of lien notice covering all or any part of the Collateral is on file in any recording office, except for those pertaining to Permitted Liens or those in favor of Administrative Agent.

3.5 Governmental Authorizations; Consents; Federal Registration Collateral. No authorization, approval or other action by, and no notice to or filing with, any Governmental Authority or consent of any other Person is required for (i) the grant by any Debtor of the Security Interests granted hereby or for the execution, delivery or performance of this Agreement by any Debtor; or (ii) the exercise by Administrative Agent of its rights and remedies hereunder (except as may have been accomplished by or at the direction of the Debtor or Administrative Agent). Except for (a) the filing of UCC financing statements with the Secretary of State of each Debtor's jurisdiction of organization and (b) the filing of any necessary registrations, recordations or notices, as applicable, in respect of any Federal Registration Collateral, no authorization, approval or other action by, and no notice to or filing with, any Governmental Authority or consent of any other Person is required for the perfection of the Security Interests granted hereby and pursuant to any other Financing Documents.

3.6 Accounts. Each existing Account constitutes, and each hereafter arising Account will constitute, the legally valid and binding obligation of the applicable Account Debtor. The amount represented by any Debtor to Administrative Agent as owing by each Account Debtor on an Eligible Account, and the amount set forth on any invoice pertaining to any Account, is, or will be, the correct amount actually and unconditionally owing, except for normal cash discounts and allowances where applicable. No Account Debtor on an Eligible Account has, or will have, any defense, set-off, claim or counterclaim against any Debtor that

can be asserted against Administrative Agent, whether in any proceeding to enforce Administrative Agent's rights in the Collateral or otherwise except defenses, setoffs, claims or counterclaims that are not, in the aggregate, material to the value of the Accounts.

3.7 Inventory. All Eligible Inventory is, and will be, of good and merchantable quality. Such Inventory is not, and will not be, subject to any licensing, patent, trademark, trade name or copyright agreement with any Person that restricts any Debtor's or Administrative Agent's ability to manufacture and/or sell the Inventory. The completion and manufacturing process of such Inventory by a Person other than any Debtor would be permitted under any contract to which such Debtor is a party or to which the Inventory is subject. None of any Debtor's Inventory has been, or will be, produced in violation of any provision of the Fair Labor Standards Act of 1938, or in violation of any other material applicable law.

3.8 Intellectual Property. The Copyrights, Patents and Trademarks listed on the respective schedules to each of the Copyright Security Agreement, Patent Security Agreement and Trademark Security Agreement constitute all of the federally registered Intellectual Property owned by the Debtors. All Intellectual Property owned by the Debtors is valid, subsisting and enforceable and all filings necessary to maintain the effectiveness of such registrations have been made. No Debtor has notice of any suits or actions commenced or threatened with reference to any Intellectual Property. The execution, delivery and performance of this Agreement by the Debtors will not violate or cause a material default under any Intellectual Property or any agreement in connection therewith.

3.9 Certain Collateral Disclosures. Except in each case as set forth on Schedule 3.9, no Debtor has any ownership interest in (i) any Chattel Paper, Letter-of-Credit Rights, Documents, or Equipment covered by any certificate of title with a value in excess of \$2,500,000.00 in the aggregate or (ii) any Commercial Tort Claims with a value in excess of \$1,000,000.00.

3.10 Control Arrangements. Except for Control arising by operation of law in favor of banks and securities intermediaries having custody over Deposit Accounts and Securities Accounts set forth on Schedule 3.10, no Person, other than the applicable Debtor and/or Administrative Agent, has Control of any such Debtor's Deposit Accounts, Electronic Chattel Paper, Investment Property or Letter-of-Credit Rights.

3.11 Accurate Information. No information set forth by or on behalf of any Debtor with respect to the Collateral contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein not misleading in any material respect in light of the circumstances under which the statements were made.

3.12 Survival of Representations and Warranties. All representations and warranties of each Debtor contained in this Agreement shall survive the execution and delivery of this Agreement.

SECTION 4. Covenants and Further Assurances.

4.1 Name or Entity Changes. No Debtor will change such Debtor's name, type of organization or jurisdiction of organization, unless such Debtor has given Administrative Agent not less than thirty (30) days prior written notice thereof.

4.2 Accounts. Except as otherwise provided in this Section 4.2 and in the Credit Agreement, each Debtor shall continue to collect, at its own expense, all amounts due or to become due to such Debtor with respect to Accounts and apply such amounts as are so collected to the outstanding balances thereof. In connection with such collections, each Debtor may take (and, at Administrative Agent's direction during the continuance or any Event of Default, shall take) such action as such Debtor (or, during the continuance of any Event of Default, Administrative Agent) may deem necessary or advisable to enforce collection of the Accounts. Administrative Agent shall have the right at any time after the occurrence and during the continuance of an Event of Default to: (i) notify the Account Debtor under any Accounts (or any other Person obligated thereon) of the Lien granted upon such Accounts in favor of Administrative Agent and to direct such Account Debtors and other Persons to make payment of all amounts due or to become due or otherwise render performance directly to Administrative Agent; (ii) exercise the rights of any Debtor with respect to the obligation of the Account Debtor to make payment or otherwise render performance to such Debtor and with respect to any property that secures the obligations of the Account Debtor or any other Person obligated on the Collateral; and (iii) adjust, settle or compromise the amount or payment of such Accounts. After the occurrence and during the continuance of an Event of Default all amounts and Proceeds received by any Debtor with respect to the Accounts shall be received in trust for the benefit of Administrative Agent (on behalf of Lenders), shall be segregated from other funds of such Debtor and shall be forthwith paid over to Administrative Agent in the same form as so received (with any necessary endorsement) to be held in any Deposit Account pursuant to Section 4.12 and applied pursuant to the terms of the Credit Agreement. No Debtor shall adjust, settle or compromise the amount or payment of any Account, or release wholly or partly any Account Debtor, or allow any credit or discount thereon, other than credits and discounts in the Ordinary Course of Business and in amounts which are not material to such Debtor, without the prior consent of Administrative Agent, except as permitted by the Credit Agreement.

4.3 Intellectual Property.

(a) Each Debtor shall concurrently herewith deliver to Administrative Agent each Copyright Security Agreement, Patent Security Agreement and Trademark Security Agreement and all other documents, instruments and other items as may be necessary for Administrative Agent to file such agreements with the U.S. Copyright Office and the U.S. Patent and Trademark Office, as applicable.

(b) In the event the any Debtor acquires or becomes entitled to any new or additional Intellectual Property, such Debtor shall give to Administrative Agent prompt written notice thereof, and shall amend (and hereby so authorizes Administrative Agent to amend) the schedules to the respective security agreements or enter into new or additional security agreements to include any such new or additional Intellectual Property.

(c) Each Debtor shall: (i) except as otherwise deemed appropriate by such Debtor in accordance with reasonable and customary business practices, diligently prosecute any Intellectual Property application at any time pending; (ii) except as otherwise deemed appropriate by such Debtor in accordance with reasonable and customary business practices, make application for registration or issuance of all new or additional Intellectual Property; (iii) except as otherwise deemed appropriate by such Debtor in accordance with reasonable and customary business practices, preserve and maintain all rights in the Intellectual Property; and (iv) use commercially reasonable efforts to obtain any consents, waivers or agreements necessary to enable Administrative Agent to exercise its remedies with respect any and all material Intellectual Property.

(d) No Debtor shall abandon any material right to file an Intellectual Property application nor shall any Debtor abandon any material pending Intellectual Property application, or registered Intellectual Property, except as otherwise deemed appropriate by such Debtor in accordance with its commercially reasonable business practices.

(e) Except as otherwise permitted by the Credit Agreement or deemed appropriate by a Debtor, in accordance with its commercially reasonable business practices, no Debtor shall sell or assign its interest in, or grant any license under, any Intellectual Property or enter into any other agreement with respect to any Intellectual Property, and each Debtor further agrees that it shall not take any action or permit any action to be taken by others subject to its control, including licensees, or fail to take any action which would affect the validity or enforcement of the rights granted to Administrative Agent under this Agreement.

(f) Each Debtor agrees to maintain the quality of any and all products in connection with which the Trademarks are used, consistent with commercially reasonable business practices. Upon the occurrence of an Event of Default, each Debtor agrees that Administrative Agent, or a conservator appointed by Administrative Agent, shall have the right to establish such additional product quality controls as Administrative Agent, or said conservator, in its reasonable judgment, may deem necessary to assure maintenance of the quality of products sold by such Debtor under the Trademarks.

4.4 Bailees. No Collateral in an amount in excess of \$100,000, shall at any time be in the possession or control of any warehouse, consignee, bailee or any of any Debtor's agents or processors without prior written notice to Administrative Agent and the receipt (to the extent obtainable with Debtors' commercially reasonable efforts) by Administrative Agent, if Administrative Agent has so requested, of warehouse receipts or bailee lien waivers (as applicable) reasonably satisfactory to Administrative Agent prior to the commencement of such possession or control. Each Debtor shall, upon the request of Administrative Agent, notify any such warehouse, consignee, bailee, agent or processor of the Security Interests, shall instruct such Person to hold all such Collateral for Administrative Agent's benefit subject to Administrative Agent's instructions and shall obtain (to the extent obtainable with Debtors' commercially reasonable efforts) an acknowledgement from such Person that such Person holds the Collateral for Administrative Agent's benefit.

4.5 Chattel Paper and Instruments. Each Debtor shall deliver to Administrative Agent all Tangible Chattel Paper, with a value in excess of \$2,500,000.00 in the

aggregate, and all Instruments, with a value in excess of \$2,500,000.00 in the aggregate, duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to Administrative Agent. Each Debtor shall provide Administrative Agent with Control of all Electronic Chattel Paper by having Administrative Agent identified as the assignee of the Records pertaining to the single authoritative copy thereof and otherwise complying with the applicable elements of Control set forth in the UCC. Each Debtor also shall deliver to Administrative Agent all security agreements securing any Chattel Paper and securing any Instruments. Each Debtor will mark conspicuously all Chattel Paper and all Instruments with a legend, in form and substance reasonably satisfactory to Administrative Agent, indicating that such Chattel Paper and such Instruments are subject to the Security Interests.

4.6 Letters of Credit. Each Debtor shall deliver to Administrative Agent all letters of credit of which such Debtor is a beneficiary, duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance reasonably satisfactory to Administrative Agent. Each Debtor also shall deliver to Administrative Agent all security agreements securing any such letters of credit. Each Debtor shall take any and all actions as may be necessary or desirable, or that Administrative Agent may reasonably request, from time to time, to cause Administrative Agent to obtain exclusive Control of any Letter-of-Credit Rights owned by such Debtor in a manner acceptable to Administrative Agent.

4.7 Equipment. Each Debtor shall cause all Equipment, useful and necessary in its business, to be maintained in good working order and condition, ordinary wear and tear and casualty excepted (subject to the obligation to repair if such Debtor so elected pursuant to Section 2.1(c)(ii) of the Credit Agreement). Upon reasonable request of Administrative Agent, each Debtor shall promptly deliver to Administrative Agent any and all certificates of title, applications for title or similar evidence of ownership of all Equipment and shall cause Administrative Agent to be named as lienholder on any such certificate of title or other evidence of ownership. Each Debtor shall promptly inform Administrative Agent of any deletions from the Equipment (other than deletions permitted by the Credit Agreement) and shall not permit any such items to become Fixtures to real estate other than real estate subject to mortgages or deeds of trust in favor of Administrative Agent.

4.8 Investment Property. If so reasonably requested by Administrative Agent, each Debtor shall take any and all actions as may be necessary or desirable to (i) cause Administrative Agent to obtain exclusive Control of any Investment Property owned by such Debtor in a manner reasonably acceptable to Administrative Agent and (ii) obtain from any issuer of Investment Property that is an Affiliate of such Debtor or shall use its commercially reasonable efforts to obtain from any issuer of Investment Property that is not an Affiliate of such Debtor and such other Persons, for the benefit of Administrative Agent, written confirmation of Administrative Agent's Control over such Investment Property upon terms and conditions reasonably acceptable to Administrative Agent.

4.9 General Intangibles. Each Debtor shall use commercially reasonable efforts to obtain any consents, waivers or agreements necessary to enable Administrative Agent to exercise remedies hereunder and under the other Financing Documents with respect to any of such Debtor's rights under any General Intangibles, including such Debtor's rights as a licensee of Software.

4.10 Commercial Tort Claims. Each Debtor shall promptly advise Administrative Agent upon such Debtor becoming aware that it has any interest in Commercial Tort Claims involving potential recoveries in excess of \$100,000. With respect to any Commercial Tort Claim involving a potential recovery in excess of \$100,000 in which any Debtor has any interest, such Debtor shall execute and deliver such documents as may be necessary, or that Administrative Agent may reasonably request, to create, perfect and protect Administrative Agent's security interest in such Commercial Tort Claim.

4.11 Bank Accounts; Collection of Accounts and Payments. Upon request by Administrative Agent, each Debtor agrees to enter into a deposit account control agreement ("Deposit Account Control Agreement"), in a form reasonably specified by Administrative Agent, with each financial institution with which such Debtor maintains from time to time any Deposit Account. No Debtor shall establish any Deposit Account with any financial institution unless prior thereto Administrative Agent and such Debtor shall have entered into a Deposit Account and Control Agreement with such financial institution, or unless Administrative Agent shall have waived such requirement. Each Deposit Account Control Agreement shall provide, among other things, that the financial institution maintaining the Deposit Account will, from and after receipt by such financial institution of written notice from Administrative Agent that an Event of Default has occurred and is continuing, transfer all amounts held by such financial institution on behalf of any Debtor, as Administrative Agent may direct, and shall contain such waivers and lien subordinations as Administrative Agent shall reasonably require following the occurrence and continuation of an Event of Default.

Upon request by Administrative Agent, each Debtor agrees to establish lock-box and blocked accounts (collectively, "Blocked Accounts") in such Debtor's name with such banks as are reasonably acceptable to Administrative Agent ("Collecting Banks"), subject to irrevocable instructions in a form specified by Administrative Agent, to which Account Debtors shall directly remit all payments on Accounts and in which such Debtor will immediately deposit all cash payments for Inventory or other cash payments constituting proceeds of Collateral in the identical form in which such payment was made, whether by cash or check. In addition, Administrative Agent, for the benefit of Administrative Agent and Lenders, may establish one or more depository accounts at each Collecting Bank or at a centrally located bank in the name of Administrative Agent or the appropriate Debtor as customer (collectively, the "Depository Account"). Borrower shall cause each Collecting Bank, pursuant to an agreement in form and substance reasonably satisfactory to Administrative Agent, to cause all amounts held or deposited in the Blocked Accounts held by such Collecting Bank to be transferred to the Depository Account on a daily basis.

After the occurrence of and during an Event of Default, subject to the foregoing, each Debtor hereby agrees that all payments received by Administrative Agent or any Lender whether by cash, check, wire transfer or any other instrument, made to such Blocked Accounts or otherwise received by Administrative Agent or any Lender and whether on the Accounts or as proceeds of other Collateral or otherwise will be the sole and exclusive property of Lenders. Each Debtor, and any of its Affiliates, employees, agents, Administrative Agent and other Persons acting for or in concert with such Debtor shall, acting as trustee for Administrative Agent and Lenders, receive, as the sole and exclusive property of Lenders, any moneys, checks, notes, drafts or other payments relating to and/or constituting proceeds of Accounts or other

Collateral which come into the possession or under the control of such Debtor or any Affiliates or employees, agents, or other Persons acting for or in concert with such Debtor, and immediately upon receipt thereof, such Debtor or such Persons shall deposit the same or cause the same to be deposited in kind, in a Blocked Account.

4.12 Acquisition Document Undertakings.

(a) Each Debtor agrees to (i) promptly notify Administrative Agent of each and every material dispute with, and material claim against, any Person for which such Debtor has a claim under any Acquisition Document; (ii) diligently enforce each such material claim to the extent commercially reasonable; and (iii) provide Administrative Agent with prior written notice of such Debtor's intention to exercise any material power, right or remedy pursuant to any Acquisition Document in connection therewith and promptly provide Administrative Agent with copies of all notices, demands, requests and other communications sent or received by such Debtor in connection therewith. In no event shall any Debtor, without the prior written consent of Administrative Agent, waive, release or discharge any Person with respect to any Acquisition Document Undertakings or compromise or settle any Acquisition Document Undertakings or any claim or dispute with respect to any Acquisition Document Undertakings, except such waivers, releases, discharges and compromises as such Debtor deems advisable in its commercially reasonable judgment.

(b) Each Debtor hereby agrees that it shall not deduct or set off against any amounts owing by any party to any Acquisition Document to such Debtor pursuant to a claim with respect to any Acquisition Document Undertakings, any amounts owed by such Debtor to such Person, unless the corresponding Acquisition Documents provide for such deductions or rights of set off, provided, however, if an Event of Default has occurred and is continuing, such Debtor shall not deduct or set off without the prior written consent of Administrative Agent.

4.13 Collateral Generally.

(a) Each Debtor hereby authorizes Administrative Agent to file one or more financing or continuation statements, and amendments thereto (or similar documents required by any laws of any applicable jurisdiction), relating to all or any part of the Collateral without the signature of such Debtor (except to the extent such signature is required under the laws of any applicable jurisdiction), which financing statements may describe the Collateral as "all assets" or "all personal property" or words of like import and Administrative Agent agrees to provide copies of such financing statements to the Debtors, upon request.

(b) Each Debtor will furnish to Administrative Agent, from time to time and upon reasonable request, statements and schedules further identifying, updating, and describing the Collateral and such other information, reports and evidence concerning the Collateral as Administrative Agent may reasonably request, all in reasonable detail.

(c) No Debtor shall use or permit any Collateral to be used unlawfully or in violation of any provision of applicable law, or any policy of insurance covering any of the Collateral.

(d) Subject to the next sentence, each Debtor shall keep the books and records and other material, tangible Collateral (other than Collateral in the possession of Administrative Agent, cash on deposit in permitted Deposit Accounts and investments in permitted Securities Accounts) at the locations maintained by the Debtor and set forth on Schedule 3.3, unless in transit to one of such locations or out for repair. Each Debtor shall give Administrative Agent not less than thirty (30) days prior written notice of any change in such Debtor's chief executive office and principal place of business or of any new location of business or any new location for any of the books and records and other material Collateral. With respect to any new location (which in any event shall be within the continental United States or Canada), each Debtor shall execute and deliver such instruments, documents and notices and take such actions as may be necessary or desirable, or that Administrative Agent may reasonably request, to create, perfect and protect the Security Interests.

(e) Except as otherwise permitted herein or by the Credit Agreement, no Debtor shall (i) sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, any of the Collateral, except that such Debtor may sell Inventory to buyers in the Ordinary Course of Business and may license General Intangibles to licensees in the Ordinary Course of Business; or (ii) create or suffer to exist any Lien upon or with respect to any of the Collateral to secure indebtedness of such Debtor or any other Person except for the Security Interests.

(f) Beyond the safe custody thereof, each Debtor agrees that Administrative Agent shall have no duties concerning the custody and preservation of any Collateral in its possession (or in the possession of any agent or bailee) or with respect to any income thereon or the preservation of rights against prior parties or any other rights pertaining thereto. Administrative Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which it accords its own property. Administrative Agent shall not be liable or responsible for any loss or damage to any of the Collateral, or for any diminution in the value thereof, by reason of the act or omission of any warehouseman, carrier, forwarding agency, consignee or other agent or bailee selected by Administrative Agent reasonably and in good faith.

(g) No Debtor shall do anything to impair the rights of Administrative Agent in the Collateral. Each Debtor shall at all times maintain insurance with respect to the Collateral in compliance with the requirements of the Credit Agreement. Each Debtor assumes all liability and responsibility in connection with the Collateral acquired by it, and the liability of such Debtor to pay the Obligations shall in no way be affected or diminished by reason of the fact that such Collateral may be lost, stolen, damaged, or for any reason whatsoever unavailable to such Debtor.

(h) The Administrative Agent agrees that upon payment in full of all Obligations (other than contingent indemnification obligations absent the assertion of a claim with respect thereto) and the termination of the Revolving Loan Commitment and all Support Agreements, the Security Interests and this Agreement (other than Sections 7, 8, 10 and 11) shall terminate and all rights to the Collateral shall revert to the appropriate Debtor. Administrative Agent further agrees that upon such termination of the Security Interests or release of any

Collateral, Administrative Agent shall, at the expense of such Debtor, execute and deliver to such Debtor such documents as such Debtor shall reasonably request to evidence the termination of the Security Interests or the release of such Collateral, as the case may be.

4.14 Federal Compliance.

(a) Each Debtor shall promptly notify Administrative Agent in writing of any Collateral in an amount in excess of \$2,000,000 in the aggregate at any time which constitutes a claim against the United States government or any instrumentality or agency thereof, the assignment of which claim is restricted by federal law. Upon the request of Administrative Agent, such Debtor shall take such steps as may be necessary or desirable, or that Administrative Agent may reasonably request, to comply with any applicable federal assignment of claims laws and other comparable laws.

(b) No Debtor shall produce any Inventory in violation of any provision of the Fair Labor Standards Act of 1938, or in violation of any other material applicable law.

4.15 Debtors Remains Liable. Anything herein to the contrary notwithstanding: (i) each Debtor shall remain liable under the contracts and agreements included in the Collateral; (ii) the exercise by Administrative Agent of any of the rights hereunder shall not release any Debtor from any of its duties or obligations under the contracts and agreements included in the Collateral; (iii) neither Administrative Agent nor any Lender shall have any obligation or liability under the contracts and agreements included in the Collateral by reason of this Agreement, nor shall Administrative Agent nor any Lender be obligated to perform any of the obligations or duties of any Debtor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder; and (iv) neither Administrative Agent nor any Lender shall have any liability in contract or tort for such Debtor's acts or omissions.

4.16 Other Documents and Actions. Each Debtor shall, from time to time, at its expense, promptly execute and deliver all further instruments, documents and notices and take all further action that may be necessary or desirable, or that Administrative Agent may reasonably request, in order to create, perfect and protect any Security Interests, or to enable Administrative Agent to exercise and enforce its rights and remedies hereunder or under any other Financing Document with respect to any Collateral, including without limitation, upon Administrative Agent' request, appear in and defend any action or proceeding that may affect such Debtor's title to or Administrative Agent's security interest in the Collateral. In addition, each Debtor agrees to deliver to the Secured Party an updated Schedule 3.3, 3.5, 3.9 and 3.10 and an updated Schedule to the Copyright Security Agreement, Patent Security Agreement and Trademark Security Agreement, as applicable, within five (5) days of any change thereto; provided that delivery or receipt of such subsequent disclosure shall not relieve or otherwise constitute a waiver by Administrative Agent or any Lender or a cure of any Default or Event of Default resulting in connection with matters disclosed or a breach of the underlying covenant, representation or warranty (regardless of such disclosure).

SECTION 5. Remedial Provisions.

(a) Upon the occurrence and during the continuance of an Event of Default, Administrative Agent or its attorneys shall have the right without notice or demand or legal process (unless the same shall be required by applicable law), personally, or by an agent, (i) to enter upon, occupy and use any premises owned or leased by any Debtor or where the Collateral is located (or is believed to be located) until the Obligations are paid in full without any obligation to pay rent to such Debtor, to render the Collateral useable or saleable and to remove the Collateral or any part thereof to the premises of Administrative Agent for such time as Administrative Agent may desire in order to effectively collect or liquidate the Collateral and use in connection with such removal any and all services, supplies and other facilities of any Debtor; (ii) to take possession of any Debtor's original books and records, to obtain access to any Debtor's data processing equipment, computer hardware and Software relating to the Collateral and to use all of the foregoing and the information contained therein in any manner Administrative Agent deems appropriate; and (iii) to notify postal authorities to change the address for delivery of any Debtor's mail to an address designated by Administrative Agent and to receive, open and dispose of all mail addressed to such Debtor. If any Debtor's books and records are prepared or maintained by an accounting service, contractor or other third party agent, such Debtor hereby irrevocably authorizes such service, contractor or other agent, upon notice by Administrative Agent to such Person that an Event of Default has occurred and is continuing, to deliver to Administrative Agent or its designees such books and records, and to follow Administrative Agent's instructions with respect to further services to be rendered.

(b) If any Event of Default shall have occurred and be continuing, Administrative Agent may exercise in respect of the Collateral, in addition to all other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of Administrative Agent on default under the UCC (whether or not the UCC applies to the affected Collateral) and also may: (i) require any Debtor to, and such Debtor hereby agrees that it will, at its expense and upon request of Administrative Agent forthwith, assemble all or part of the Collateral as directed by Administrative Agent and make it available to Administrative Agent at any place or places designated by Administrative Agent which is reasonably convenient to Administrative Agent in which event such Debtor shall at its own expense (A) forthwith cause the same to be moved to the place or places so designated by Administrative Agent, (B) store and keep any Collateral so delivered to Administrative Agent at such place or places pending further action by Administrative Agent, and (C) while Collateral shall be so stored and kept, provide such guards and maintenance services as shall be necessary to protect the same and to preserve and maintain the Collateral in good condition; (ii) withdraw all cash in any Deposit Account and apply such monies in payment of the Obligations; and (iii) without notice except as specified in this Section 5, sell, lease, license or otherwise dispose of the Collateral or any part thereof by one or more contracts, in one or more parcels at public or private sale, and without the necessity of gathering at the place of sale of the property to be sold, at any of Administrative Agent's offices or elsewhere, at such time or times, for cash, on credit or for future delivery, and at such price or prices and upon such other terms as Administrative Agent may deem commercially reasonable.

(c) Each Debtor agrees that, to the extent notice of sale, lease, license or other disposition shall be required by law, a reasonable authenticated notification of disposition shall be a notification given at least ten (10) days prior to any such sale, lease, license or other

disposition and such notice shall (i) describe Administrative Agent and the applicable Debtor, (ii) describe the Collateral that is the subject of the intended disposition, (iii) state the method of intended disposition, (iv) state that the applicable Debtor is entitled to an accounting of the Obligations and state the charge, if any, for an accounting, and (v) state the time and place of any public disposition or the time after which any private sale is to be made. At any public sale of the Collateral, if permitted by law, Administrative Agent may bid (which bid may be, in whole or in part, in the form of cancellation of indebtedness) for the purchase, lease, license or other disposition of the Collateral or any portion thereof for the account of Administrative Agent (on behalf of Lenders). Administrative Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Administrative Agent may disclaim any warranties that might arise in connection with the sale, lease, license or other disposition of the Collateral and have no obligation to provide any warranties at such time. Administrative 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 to which it was so adjourned. To the extent permitted by law, each Debtor hereby specifically waives all rights of redemption, stay or appraisal, which it has or may have under any law now existing or hereafter enacted.

(d) If an Event of Default has occurred and is continuing, each Debtor hereby irrevocably authorizes and empowers Administrative Agent, without limiting any other authorizations or empowerments contained in any of the other Financing Documents, to assert, either directly or on behalf of such Debtor, any claims the such Debtor may have, from time to time, against any other party to any of the agreements to which such Debtor is a party or to otherwise exercise any right or remedy of such Debtor under any such agreements (including, without limitation, the right to enforce directly against any party to any such agreement all of such Debtor's rights thereunder, to make all demands and give all notices and to make all requests required or permitted to be made by such Debtor thereunder).

(e) The proceeds of any collection, enforcement, sale or other disposition of, or other realization upon, all or any part of the Collateral and any cash held in any Deposit Account shall be applied in accordance with the applicable provisions of the Credit Agreement.

(f) Each Debtor acknowledges and agrees that a breach of any of the covenants contained in Sections 4, 5 and 6 hereof will cause irreparable injury to Administrative Agent and that Administrative Agent has no adequate remedy at law in respect of such breaches and therefore agrees, without limiting the right of Administrative Agent to seek and obtain specific performance of other obligations of such Debtor contained in this Agreement, that the covenants of such Debtor contained in the Sections referred to in this Section shall be specifically enforceable against such Debtor.

(g) No failure or delay on the part of Administrative Agent or any Lender in the exercise of any power, right or privilege hereunder shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or any other right, power or privilege. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

SECTION 6. Attorney-in-Fact.

Each Debtor hereby irrevocably appoints Administrative Agent, its nominee, and any other Person whom Administrative Agent may designate, as such Debtor's attorney-in-fact, with full power during the existence and continuance of any Event of Default to sign such Debtor's name on verifications of Accounts and other Collateral; to send requests for verification of Collateral to such Debtor's customers, Account Debtors and other obligors; to endorse such Debtor's name on any checks, notes, acceptances, money orders, drafts, and any other forms of payment or security that may come into Administrative Agent's possession or on any assignments, stock powers, or other instruments of transfer relating to the Collateral or any part thereof; to sign such Debtor's name on any invoice or bill of lading relating to any Collateral, on claims to enforce collection of any Collateral, on notices to and drafts against customers and Account Debtors and other obligors, on schedules and assignments of Collateral, on notices of assignment and on public records; to notify the post office authorities to change the address for delivery of such Debtor's mail to an address designated by Administrative Agent; to receive, open and dispose of all mail addressed to such Debtor; and to do all things necessary to carry out the terms and provisions of this Agreement. Each Debtor hereby approves all acts of any such attorney and agrees that neither Administrative Agent nor any such attorney will be liable for any acts or omissions nor for any error of judgment or mistake of fact or law other than, and to the extent of, such Person's gross negligence, bad faith or willful misconduct. The foregoing powers of attorney, being coupled with an interest, are irrevocable until the Obligations (other than contingent indemnification obligations absent the assertion of a claim with respect thereto) have been fully paid.

SECTION 7. Expenses.

Without limiting any Debtor's obligations under the Credit Agreement or the other Financing Documents, each Debtor hereby agrees to promptly pay all reasonable, out-of-pocket fees, costs and expenses (including reasonable attorneys' fees and expenses) incurred in connection with (i) protecting, storing, warehousing, appraising, insuring, handling, maintaining and shipping the Collateral, (ii) creating, perfecting, maintaining and enforcing Administrative Agent's Liens and (iii) collecting, enforcing, retaking, holding, preparing for disposition, processing and disposing of the Collateral.

If any Debtor fails to promptly pay any portion of the above costs, fees and expenses when due or to perform any other obligation of such Debtor under this Agreement, Administrative Agent or any other Lender may, at its option, but shall not be required to, pay or perform the same and charge such Debtor's account for all fees, costs and expenses incurred therefor, and such Debtor agrees to reimburse Administrative Agent or such Lender therefor on demand. All sums so paid or incurred by Administrative Agent or any other Lender for any of the foregoing, any and all other sums for which any Debtor may become liable hereunder and all fees, costs and expenses (including attorneys' fees, legal expenses and court costs) incurred by Administrative Agent or any other Lender in enforcing or protecting the Security Interests or any of their rights or remedies under this Agreement shall be payable on demand, shall constitute Obligations, shall bear interest until paid at the then current rate provided in the Credit Agreement and shall be secured by the Collateral.

SECTION 8. Notices.

All notices, approvals, requests, demands and other communications hereunder to be delivered to the Debtors and all notices, approvals, requests, demands and other communications hereunder shall be given in accordance with the notice provision of the Credit Agreement.

SECTION 9. Successors and Assigns.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns except that no Debtor may assign its rights or obligations hereunder without the written consent of Administrative Agent. No sales of participations, other sales, assignments, transfers or other dispositions of any agreement governing or instrument evidencing the Obligations or any portion thereof or interest therein shall in any manner impair the Lien granted to Administrative Agent, for the benefit of Administrative Agent and Lenders, hereunder.

SECTION 10. Changes in Writing.

No amendment, modification, termination or waiver of any provision of this Agreement shall be effective unless the same shall be in writing signed by Administrative Agent and each Debtor.

SECTION 11. GOVERNING LAW; SUBMISSION TO JURISDICTION.

THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ILLINOIS, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES. EACH DEBTOR AND ADMINISTRATIVE AGENT HEREBY CONSENTS TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED WITHIN THE COUNTY OF COOK, STATE OF ILLINOIS AND IRREVOCABLY AGREES THAT, SUBJECT TO ADMINISTRATIVE AGENT'S ELECTION, ALL ACTIONS OR PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT SHALL BE LITIGATED IN SUCH COURTS. EACH DEBTOR AND ADMINISTRATIVE AGENT EXPRESSLY SUBMITS AND CONSENTS TO THE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS. EACH DEBTOR AND ADMINISTRATIVE AGENT HEREBY WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS AND AGREES THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE UPON THE DEBTOR OR ADMINISTRATIVE AGENT BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, ADDRESSED TO SUCH DEBTOR IN ACCORDANCE WITH THE PROVISIONS OF SECTION 8 HEREOF AND SERVICE SO MADE SHALL BE COMPLETE TEN (10) DAYS AFTER THE SAME HAS BEEN POSTED.

SECTION 12. WAIVER OF JURY TRIAL.

EACH OF THE DEBTORS AND ADMINISTRATIVE AGENT HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY

LEGAL ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

SECTION 13. Counterparts; Integration.

This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof.

SECTION 14. Headings.

Headings and captions used in this Agreement are included for convenience of reference and shall not be given any substantive effect.

SECTION 15. General Terms and Conditions.

In addition to and without limitation of any of the foregoing, this Agreement shall be deemed to be a Financing Document and shall otherwise be subject to all of the general terms and conditions contained in Article 11 of the Credit Agreement, *mutatis mutandi*.

[Remainder of Page Intentionally Left Blank; Signature Pages Follow]

Witness the due execution hereof by the respective duly authorized officers of the undersigned as of the date first written above.

DESA, LLC, a Florida limited liability company

By: S. Clanton
Name: Steve Clanton
Title: Vice President

HIG – DESA HEATING, INC., a Florida corporation

By: S. Clanton
Name: Steve Clanton
Title: Vice President

HIG – DESA SPECIALTY, INC., a Florida corporation

By: S. Clanton
Name: Steve Clanton
Title: Vice President

HIG – DESA FMI, INC., a Florida corporation

By: S. Clanton
Name: Steve Clanton
Title: Vice President

DESA US, LLC, a Florida limited liability company

By: S. Clanton
Name: Steve Clanton
Title: Vice President

DESA HEATING, LLC, a Florida limited liability company

By: S. Clanton
Name: Steve Clanton
Title: Vice President

[Signatures page 1 of 2]

Witness the due execution hereof by the respective duly authorized officers of the undersigned as of the date first written above.

DESA SPECIALTY, LLC, a Florida limited liability company

By: S. Clanton
Name: Steve Clanton
Title: Vice President

DESA FMI, LLC, a Florida limited liability company

By: S. Clanton
Name: Steve Clanton
Title: Vice President

DESA IP, LLC, a Florida limited liability company

By: S. Clanton
Name: Steve Clanton
Title: Vice President

MERRILL LYNCH CAPITAL, a division of Merrill Lynch Business Financial Services Inc., as Administrative Agent

By: _____
Name: _____
Title: _____

[Signatures page 2 of 2]

Witness the due execution hereof by the respective duly authorized officers of the undersigned as of the date first written above.

DESA SPECIALTY, LLC, a Florida limited liability company

By: _____
Name: _____
Title: _____

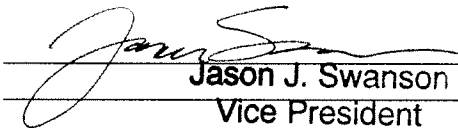
DESA FMI, LLC, a Florida limited liability company

By: _____
Name: _____
Title: _____

DESA IP, LLC, a Florida limited liability company

By: _____
Name: _____
Title: _____

MERRILL LYNCH CAPITAL, a division of Merrill Lynch Business Financial Services Inc., as Administrative Agent

By: 
Name: Jason J. Swanson
Title: Vice President

[Signatures page 2 of 2]

Schedules to Security Agreement

Schedule 3.3

Collateral Locations, Chief Executive Office, Real Estate, Legal Descriptions

OWNED PROPERTY

Address	Owned by:
2701 Industrial Drive, Bowling Green, KY (see attached for legal description)	DESA Heating, LLC

LEASED PROPERTY

Owner / Lessor	Lessee	Address
Scotty's Development Company II, Inc.	DESA, LLC	2901 Fitzgerald Industrial Drive, Bowling Green, KY
Fred M. Schildwachter & Sons, Inc.	DESA, LLC	1428 and 1440-1480 Ferris Place, Bronx, NY
Cancilla Properties II, L.L.C.	DESA, LLC	2701 South Harbor Blvd, Santa Ana, CA
Lapco Industrial Parks	DESA FMI, LLC	3421 W Segerstrom Ave., Santa Ana, CA
MSC, Inc.	DESA FMI, LLC	1769 East Lawrence Street, Russellville, AL
Coffee County spec Building Partnership	DESA, LLC	374 Volunteer Parkway, Manchester, TN
Interstate Warehousing Systems, Inc. (n/k/a IWS Logistics, Inc.)	DESA Specialty, LLC	240 Park Tower Road, Manchester, TN

THIRD-PARTY LOCATIONS*

Third-Party	Address		
U.S. Warehousing (formerly Ozburn Hesse)	550 Cal Batsel Rd.	Bowling Green	KY
Service Transport	130 Tom Grissom Rd.	Morrison	TN
Construction Bolt	3175 Industrial Drive	Bowling Green	KY
Cleco Industrial Fastener	16701 Lathrop Ave.	Harvey	IL
Mid-State Logistics	801 Highland Drive	Manchester	TN
McCormick Warehouse LLC	P.O. Box 158	Morrison	TN

* DESA Heating, LLC and DESA Specialty, LLC store goods at the above third-party locations.

Address of Chief Executive Offices:

2701 Industrial Drive
Bowling Green, KY 42101

Schedule 3.9

**Chattel Paper, Letter-of-Credit Rights, Commercial Tort Claims, Documents,
Titled Equipment**

Letters of Credit Rights:

None

Chattel Paper:

None

Commercial Tort Claims:

None

Documents:

None

Titled Equipment:

None

Schedule 3.10

Deposit and Securities Accounts

COMPANY	BANK	ADDRESS	ACCOUNT NO.	DESCRIPTION
DESA HEATING, LLC	Bank One	525 W. Monroe Chicago, IL 60661	52-72610	Deposit Acct.
DESA HEATING, LLC	Bank of America	1401 Elm St. Dallas, TX 75202-2958	3752030260	Deposit Acct.
DESA HEATING, LLC	U.S. Bank	500 E. Main St. Bowling Green, KY 42101	000493991004 130103009762 130103009770 145800262290 145803000515 145800424148 145800475132 145800837133	ZBA Acct. ZBA Acct. ZBA Acct. Payroll Acct. Concentration Acct. Checking Acct. ZBA Acct. Checking Acct.
DESA Industries of Canada, Inc.	Bank of America	1401 Elm St. Dallas, TX 75202-2958	3752173415	Deposit Acct.
DESA Industries of Canada, Inc.	Royal Bank of Canada	6880 Financial Dr. 2nd Floor Link Mississauga, Ontario L5N 7Y5	104-315-6	Checking Acct.
Heath Co. Ltd.	Standard Chartered Bank	Trade Services Centre 7/8 F., Standard Chartered Tower 388 Kwun Tong Road Hong Kong	003-413-1-027216-3 003-413-0-028110-0 003-413-1-027217-1 003-413-1-027219-8 003-413-003-0865-3	Operating Acct. Operating Acct. Operating Acct. Operating Acct. Operating Acct.

Heath Company Limited	HSBC	503 Castle Peak Road Kwai Chung, N.T. Hong Kong	004-054-4-052475 004-054-128368 004-054-128368-001	Operating Acct. Operating Acct. Operating Acct.
DESICO, S.A. de C.V.	Bancomer	Sucursal 0840 Plaza 200, 1er. Piso Calzada del Valle #419 Ote. Col. Del Valle Garza Garcia, N.L. Mexico	00452984075 00452984067 0136814999 0136814832	Operating Acct. Operating Acct. Operating Acct. Operating Acct.
DESA Europe B.V.	ABN-AMRO Bank	Bannewag 10 4205 KX Gorinchem Nederland	509816002 626099587 627058132 626099595	Operating Acct. Operating Acct. Operating Acct. Operating Acct.
DESA Italia, S.r.l.	Banca Popolare di Verone	Agenzia di Pastrengo via Marconi, 1 37010 Pastrengo (VR) Italy	41649	Operating Acct.
DESA Italia, S.r.l.	Credito Bergamasco	Agenzia n.1 Piazza Missori 1 20122 Milano Italy	028851	Operating Acct.
DESA Poland Sp.z.o.o.	Bank Zachodni	ul. Grunwaldzka 222 60-967 Poznan Poland	26109013460000000034 029276 33109013460000000034 171546 82109013460000000034 029723 05109013460000000034 062828 18109013460000000034 140873 64109013460000000034 140918 37109013460000000034 311639 70109013460000000034 311627	Operating Acct. Operating Acct. Operating Acct. Operating Acct. Operating Acct. Operating Acct. Operating Acct.

DESA UK, Ltd.	Barclays Bank Plc	Mereyside & North Cheshire Business Centre P.O. Box 232, 4 Water Street Liverpool L69 2RT United Kingdom	90119660 10727121 75039055 87948077	Operating Acct. Operating Acct. Operating Acct. Operating Acct.
---------------	----------------------	--	--	--