

**TRADEMARK ASSIGNMENT**

Electronic Version v1.1  
 Stylesheet Version v1.1

<b>SUBMISSION TYPE:</b>	NEW ASSIGNMENT		
<b>NATURE OF CONVEYANCE:</b>	SECURITY INTEREST		
<b>CONVEYING PARTY DATA</b>			
<b>Name</b>	<b>Formerly</b>	<b>Execution Date</b>	<b>Entity Type</b>
DPMS Firearms, LLC		12/13/2007	LIMITED LIABILITY COMPANY: UNITED STATES
<b>RECEIVING PARTY DATA</b>			
<b>Name:</b>	RBS Citizens, National Association		
<b>Street Address:</b>	875 Elm Street		
<b>City:</b>	Manchester		
<b>State/Country:</b>	NEW HAMPSHIRE		
<b>Postal Code:</b>	03101		
<b>Entity Type:</b>	National Banking Association: UNITED STATES		
<b>PROPERTY NUMBERS Total: 3</b>			
<b>Property Type</b>	<b>Number</b>	<b>Word Mark</b>	
<b>Serial Number:</b>	77067305	MANGONEL	
<b>Serial Number:</b>	77067319	RECEIVER RUG	
<b>Serial Number:</b>	77302079	PANTHER	
<b>CORRESPONDENCE DATA</b>			
<b>Fax Number:</b>	(207)772-3627		
	<i>Correspondence will be sent via US Mail when the fax attempt is unsuccessful.</i>		
<b>Phone:</b>	(207) 772-1941		
<b>Email:</b>	sjordan@dwmlaw.com		
<b>Correspondent Name:</b>	Stephen C. Jordan, Esq.		
<b>Address Line 1:</b>	245 Commercial Street		
<b>Address Line 4:</b>	Portland, MAINE 04101		
<b>NAME OF SUBMITTER:</b>	Stephen C. Jordan, Esq.		
<b>Signature:</b>	/s/ Stephen C. Jordan, Esq.		

OP \$90.00 77067305

Date:

01/31/2008

**Total Attachments: 26**

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### RECORDATION FORM COVER SHEET TRADEMARKS ONLY

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

**1. Name of conveying party(ies):**

DPMS Firearms, LLC

- Individual(s)                       Association  
 General Partnership           Limited Partnership  
 Corporation- State: \_\_\_\_\_  
 Other Limited Liability Company

Citizenship (see guidelines) US

Additional names of conveying parties attached?  Yes  No

**2. Name and address of receiving party(ies)**

Additional names, addresses, or citizenship attached?  Yes  
 No

Name: RBS Citizens, National Association  
Internal \_\_\_\_\_  
Address: \_\_\_\_\_  
Street Address: 875 Elm Street  
City: Manchester  
State: NH  
Country: USA Zip: 03101  
 Association Citizenship \_\_\_\_\_  
 General Partnership Citizenship \_\_\_\_\_  
 Limited Partnership Citizenship \_\_\_\_\_  
 Corporation Citizenship \_\_\_\_\_

Other Bank Citizenship US  
If assignee is not domiciled in the United States, a domestic representative designation is attached:  Yes  No  
(Designations must be a separate document from assignment)

**3. Nature of conveyance /Execution Date(s) :**

Execution Date(s) December 13, 2007

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

**4. Application number(s) or registration number(s) and identification or description of the Trademark.**

A. Trademark Application No.(s)  
77067305                                      77302079  
77067319

B. Trademark Registration No.(s)

Additional sheet(s) attached?  Yes  No

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

Mangonel (Serial Number 77067305)  
Receiver Rug (Serial Number 77067319)  
Panther (Serial Number 77302079)

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

Name: Stephen C. Jordan, Esq.  
Internal Address: \_\_\_\_\_  
Street Address: 245 Commercial St.  
City: Portland  
State: ME Zip: 04101  
Phone Number: (207) 772-1941  
Fax Number: (207) 772-3627  
Email Address: sjordan@dwmlaw.com

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

3

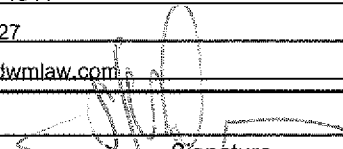
**7. Total fee (37 CFR 2.6(b)(6) & 3.41) \$ 90**

- Authorized to be charged by credit card  
 Authorized to be charged to deposit account  
 Enclosed

**8. Payment Information:**

a. Credit Card Last 4 Numbers 8040  
Expiration Date 04/2008  
b. Deposit Account Number \_\_\_\_\_  
Authorized User Name \_\_\_\_\_

**9. Signature:**

  
\_\_\_\_\_  
Signature  
Stephen C. Jordan, Esq.  
Name of Person Signing

1-31-2008  
\_\_\_\_\_  
Date

Total number of pages including cover sheet, attachments, and document: 26

**SECURITY AGREEMENT**

This **SECURITY AGREEMENT** is dated as of the 13th day of December, 2007 between **DPMS FIREARMS, LLC**, a Delaware limited liability company with a principal place of business at 3312 12th Street SE, St. Cloud, Minnesota 56304 (the "Debtor") and **RBS CITIZENS, NATIONAL ASSOCIATION**, a national banking association organized and existing under the laws of the United States of America and successor by merger to Citizens Bank New Hampshire, with a principal place of business at 875 Elm Street, Manchester, New Hampshire 03101 and a place of business at 100 Middle Street, Portland, Maine 04101, as a Lender and in its capacity as Agent for the other Lenders (the "Secured Party").

**WITNESSETH:**

**WHEREAS**, pursuant to the terms of an amended and restated Loan Agreement of near or even date by and among the Debtor and its Affiliate, Bushmaster Firearms International, LLC ("BFI") as co-borrowers with joint and several liability and the Secured Party as lender (as the same may be amended from time to time, the "Loan Agreement"), the Debtor and BFI have agreed to borrow from the Secured Party and, subject to the terms of the Loan Agreement, the Secured Party has agreed to make available to the Debtor and BFI loans in an original principal amount of up to Sixty-Three Million Dollars (\$63,000,000), which amount as of the date hereof has been reduced to Fifty-Six Million Three Hundred Sixteen Thousand Seven Hundred Thirty-Four Dollars (\$56,316,734) (the "Loans" and each advance is a "Loan"), which Loans are or may be evidenced by a Term Note issued by Debtor and BFI as co-makers in the original principal amount of Thirty-Four Million Dollars (\$34,000,000, the outstanding principal amount of which is \$27,316,734 on the date hereof) (together with any and all amendments or modifications thereto, substitutions therefor, and renewals, extensions, or rearrangements thereof, "Term Note A"), a Term Note issued by Debtor and BFI as co-makers of even or near even date in the original principal amount of Eighteen Million Dollars (\$18,000,000) (together with any and all amendments or modifications thereto, substitutions therefor, and renewals, extensions and rearrangements thereof, "Term Note B"), and an amended and restated Revolving Credit Note of near or even date in the original principal amount of up to Eleven Million Dollars (\$11,000,000) (together with any and all amendments or modifications thereto, substitutions therefor, and renewals, extensions, or rearrangements thereof, the "Revolving Credit Note", and Term Note A, Term Note B, and the Revolving Credit Note shall hereinafter be collectively referred to as the "Notes" and each is a "Note"); and

**WHEREAS**, the obligation of the Secured Party to make the Loans is subject to the condition, among other things, that the Debtor shall execute and deliver this Security Agreement ("Agreement") and grant the security interests hereinafter described.

**NOW, THEREFORE**, in consideration of the willingness of the Secured Party to make the Loans to the Debtor and BFI as co-borrowers and for other good and valuable consideration paid, the receipt and sufficiency of which is hereby acknowledged, it is hereby agreed as follows:

1. Defined Terms. (a) All capitalized terms not defined herein have the meanings assigned to them in the Loan Agreement.

(b) The following term shall have the following meaning, unless the context otherwise requires:

(a) "Trademarks" shall mean the registered trademarks and pending applications shown in the attached Schedule A, and those trademarks which are currently used or hereafter adopted or acquired by Debtor, and all right, title and interest therein and thereto, and all registrations, applications, and recordings thereof, including, without limitation, applications, registrations and recordings in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof, or any foreign country, all whether now owned or hereafter acquired by Debtor.

2. Grant of Security Interest in Collateral. As security for the Secured Obligations described in Section 3 hereof, the Debtor hereby grants to Secured Party a present and continuing security interest in and valid first lien on all of the Debtor's property described below (the parties intending the same to be a description of all of the Debtor's assets of every nature and type, and in each case and for each item, category or type of property listed below, whether now existing or hereafter arising or acquired), together with any and all additions, accessions and accessories thereto, replacements, proceeds (including without limitation insurance proceeds) and products thereof, and substitutions therefor, wherever the same may be located from time to time and whether now existing or hereafter arising or acquired by Debtor or any instrumentality of the Debtor (hereinafter referred to collectively as the "Collateral"):

(a) all of the Debtor's goods as defined in the Maine Uniform Commercial Code (the "Maine UCC"), as the same may be amended from time to time, and all equipment, machinery, furniture, fixtures, trade fixtures, all other goods, computer hardware and software, motor vehicles, rolling stock and all other tangible personal property of the Debtor other than inventory, any parts for any of the foregoing, and all documents evidencing the Debtor's title to any of the foregoing, all accessions, accessories and attachments thereto, and any guaranties, warranties, indemnities, and other agreements of manufacturers, vendors and others with respect to the foregoing, all whether now owned or hereafter acquired and wherever located and any other rights related thereto, as defined in the Maine UCC;

(b) all of the Debtor's inventory as defined in the Maine UCC, as the same may be amended from time to time, whether now owned or hereafter acquired and all goods, merchandise and other personal property of every type held by and intended for sale, use or lease by the Debtor or to be furnished by the Debtor under contracts of service, and all raw materials, parts inventories, work-in-process, finished goods, materials and other supplies of every nature used or usable in connection with the packing, shipping, advertising, selling, leasing or furnishing of the foregoing, wherever located, whether in transit, on consignment, in outlets, warehouses, terminals or elsewhere;

(c) any and all of the Debtor's accounts as defined in the Maine UCC, as the same may be amended from time to time, and, to the extent not included therein, all rights to payments for goods and inventory (including parts inventory) sold, leased or licensed, or for services rendered whether or not evidenced by instruments or chattel paper and whether or not earned by performance, including also, all accounts, accounts receivable, deposit accounts, health care insurance receivables, rebates, all amounts owed to the Debtor for the licensing of intellectual property rights, instruments, chattel paper, any other obligations or indebtedness owed to the Debtor from whatever source arising, including, without limitation, obligations or indebtedness owed to the Debtor from companies related to the Debtor, all rights of the Debtor to receive any payments in money or in kind, and further including, without limitation, all right, title and interest in and to any and all goods, and/or inventory which give rise to any of the foregoing, and any security for any of the foregoing, and any cash or non-cash proceeds thereof, whether now existing or hereafter arising;

(d) all of the entire right, title and interest of Debtor in and to the Trademarks, including the registrations and applications appurtenant thereto, listed in **Schedule A** hereto (as the same may be amended pursuant hereto from time to time), and in and to any and all Trademarks, and registrations and applications (United States or foreign) appurtenant thereto, hereafter acquired or filed by Debtor, including without limitation all renewals thereof, all proceeds of infringement suits, the rights to sue for past, present and future infringements and all rights corresponding thereto and the goodwill of the business to which each of the Trademarks relates, all whether now owned or hereafter acquired by the Debtor;

(e) all of the Debtor's other tangible or intangible personal property of every type or nature to the extent not described above, including, without limitation, all present and future contract rights (including, without limitation, any and all rights of the Debtor as lessor or lessee under any real property or equipment leases arising from time to time), general intangibles (as defined in the Maine UCC, as the same may be amended from time to time), payment intangibles, supporting obligations, letter of credit rights, chattel paper, patents trademarks (together with any goodwill associated with the same), trade names (including the Debtor's corporate name and all assumed names), trade

secrets, other intellectual property, copyright materials, goodwill, computer programs, customer lists, business and corporate records, licenses, notes (including any notes due from third parties, subsidiaries and affiliates), money, cash, instruments, documents, bills, drafts, acceptances, choses in action, commercial tort claims, all licenses, permits, agreements of any kind or nature pursuant to which the Debtor possesses, uses or has authority to possess or use the property of others, license fees and other rights to payment for the licensing of intellectual property rights, causes of action, contract rights, letter of credit rights, royalties, rights to tax refunds, and all debts, obligations and liabilities in whatever form, owing to the Debtor from any person, firm or corporation, whether now existing or hereafter arising, now or hereafter received by or belonging or owing to the Debtor, all guaranties and security therefor, all of the Debtor's rights as an unpaid vendor or lienor, including the rights of stoppage in transit, replevin and reclamation, and all monies, securities and other property (and any proceeds thereof), now or hereafter held or received by or in transit to the Secured Party from or for the Debtor, whether for safekeeping, pledge, custody, transmission, collection or otherwise and all credits and balances of the Debtor at any time existing with the Secured Party (but excluding any licenses, permits and consents which will become void or be invalidated upon the grant of a security interest and further provided that nothing contained herein shall be deemed to violate the requirement to obtain any necessary consents to an assignment of any licenses, permits and consents);

(f) all investment property as defined in the Maine UCC, as the same may be amended from time to time, and also including without limitation, all certificated and uncertificated securities, investment securities, security entitlements, security accounts, commodity accounts and commodity contracts, and all proceeds and products thereof;

(g) all books and records pertaining to any of the foregoing, and any equipment containing any such books and records; and

(h) to the extent not listed above as original collateral, proceeds and products of the foregoing; or

(i) any of the foregoing assets or property of any Subsidiary.

3. Obligations Secured by the Collateral. The security interest hereby granted in the Collateral shall secure the due and punctual payment and performance of the following liabilities and obligations of the Debtor (hereinafter called the "Secured Obligations" and each individually a "Secured Obligation"):

(a) The principal of, premium, if any, and interest on the Notes and all Loans and advances of every nature and type made by Secured Party pursuant to the Loan Agreement, in each instance as and when the same shall be due, and including any

modifications or amendments thereto, renewals, extensions or rearrangements thereof and substitutions therefor;

(b) Any and all other obligations of the Debtor to the Secured Party under the Notes, the Loan Agreement, this Agreement and all other loan documents executed in connection therewith (collectively, the "Loan Documents"), or under any agreement or instrument relating thereto, as the same may be amended from time to time;

(c) Any and all amounts under any modifications, amendments, restatements, renewals or extensions of any obligations referred to above; and

(d) Any other indebtedness, liabilities or obligations of the Debtor to the Secured Party arising from time to time of every nature and type and whether now existing or hereinafter arising and any other agreements, representations, confirmations and instruments referred to therein or created in connection therewith.

(e) Any of the foregoing that arises or may arise after the filing of a petition by or against the Debtor under the Bankruptcy Code, even if the obligations do not accrue because of the automatic stay under the Bankruptcy Code or otherwise.

4. Special Representations, Warranties and Covenants of the Debtor. The Debtor hereby represents, warrants and covenants to the Secured Party that:

(a) The chief executive office of the Debtor and all of the Debtor's additional places of business, if any, and the location of all the Collateral are listed in **Schedule B** attached hereto. The Debtor's jurisdiction of organization or formation is the State of Delaware and its organization number is 4431967. The Debtor will not change its chief executive office or any other place of business or the location of any Collateral without at least thirty (30) days prior written notice to the Secured Party of any such event. The Debtor will from time to time at the reasonable request of the Secured party provide Secured Party with current lists as to all locations of Collateral. The Debtor will not change its legal name, mailing address, organization number if it has one (and if it does not and hereafter acquires one, it will forthwith notify Secured Party of the same), without at least thirty (30) days prior written notice to Secured Party. The Debtor will not change its type of organization, jurisdiction of organization or legal structure.

(b) The Debtor will not sell, assign, transfer or otherwise dispose of any of the Collateral, or any interest therein, except to the extent and in the manner permitted under the Loan Agreement.

(c) The Debtor will promptly execute and deliver to the Secured Party such certificates and other documents or instruments as reasonably requested by the Secured Party and as may be necessary to enable the Secured Party to perfect or from time to time renew the security interest granted hereby.



(d) The exact legal name of the Debtor is set forth in the first paragraph of this Agreement. The Debtor has not conducted its business under any trade name or trade style other than the name identified at the beginning of this Agreement as its legal name. The Debtor will not conduct its business hereafter under any other trade name or trade style except upon thirty (30) days prior written notice to the Secured Party.

(e) The Debtor is and shall hereafter remain the owner of the Collateral free from any adverse attachments, liens, security interests or other encumbrances with the exception of the security interest granted hereby and any other liens authorized under the Loan Agreement. The Debtor will defend the Collateral against all claims or demands of all persons and entities (other than Secured Party) claiming the Collateral or any interest herein except any other liens permitted under the Loan Agreement.

(f) The Debtor shall maintain casualty insurance coverage on the Collateral in such amounts and of such types as required by the Loan Agreement.

(g) The Debtor will promptly pay all taxes and other governmental charges levied or assessed upon and against any Collateral or upon or against the creation, perfection or continuance of the security interest, as well as all other claims of any kind (including claims for labor, material and supplies) against or with respect to the Collateral, except as otherwise permitted under the Loan Agreement.

(h) The Debtor will at all reasonable times permit the Secured Party or its representatives to examine or inspect any Collateral, any evidence of Collateral and the Debtor's books and records concerning the Collateral, wherever located, all in accordance with Section 7.8 of the Loan Agreement.

(i) The Debtor will promptly notify the Secured Party of any loss of or material damage to any material item of Collateral or of any substantial adverse change, known to the Debtor, in any material item of Collateral or the prospect of payment or performance thereof.

(j) The Debtor will use and keep the Collateral, and will require that others (to the extent it is commercially reasonable) use and keep the Collateral, only for lawful purposes, without violation of any federal, state or local law, statute or ordinance.

(k) As additional security for the payment and performance of the Secured Obligations, the Debtor hereby assigns to the Secured Party any and all monies (including proceeds of insurance and refunds of unearned premiums) due or to become due under, and all other rights of the Debtor with respect to, any and all policies of insurance now or at any time hereafter covering the Collateral or any evidence thereof or any business records or valuable papers pertaining thereto. At any time after the occurrence and during the continuance of any Event of Default that is not waived by Secured Party, the Secured Party may (but need not), in the Secured Party's name or in

the Debtor's name, execute and deliver proofs of claim, receive all such monies, endorse checks and other instruments representing payment of such monies, and adjust, litigate, compromise or release any claim against the issuer of any such policy.

(l) The Debtor authorizes Secured Party at any time and from time to time to file one or more financing statements, initial financing statements, fixture filings and any amendments thereto and continuations thereof in respect of the Collateral in such form and with such content (including an indication that the Collateral includes all assets of Debtor or words of similar effect) as Secured Party may require and in any jurisdiction Secured Party deems appropriate, which financing statements, amendments, and continuations may contain any other information as may be required by the applicable Uniform Commercial Code for the sufficiency of or filing office acceptance of any such financing statement, amendment or continuation. For any such fixture filing, Debtor agrees to provide Secured Party promptly and upon demand with a sufficient description of the real property to which the Collateral relates.

(m) Where Collateral is in the possession of a third party or bailee, the Debtor will join with Secured Party at the request of the Secured Party in notifying the third party of Secured Party's security interest in such Collateral, and if requested by the Secured Party, take all commercially reasonable steps to promptly obtain an acknowledgment from the third party or bailee that it is holding the Collateral for the benefit of Secured Party and shall act upon instructions of the Secured Party.

(n) The Debtor will at the request of the Secured Party cooperate with Secured Party in obtaining control with respect to Collateral to the extent that Collateral includes (i) deposit accounts; (ii) investment property; (iii) letter of credit rights; and (iv) electronic chattel paper.

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

(p) The Debtor will not create any chattel paper ("Chattel Paper") without placing a legend on the Chattel Paper reasonably acceptable to Secured Party indicating that Secured Party has a security interest in the Chattel Paper.

(q) No license, permit or consent material to the operation of the Debtor's business is voided or otherwise invalidated by the grant of security interest therein or collateral assignment thereof.

(r) The Debtor has full right, power and authority to execute, deliver and perform this Security Agreement and the same constitutes a legally valid and binding obligation of the Debtor, enforceable against the Debtor in accordance with its terms.

Subject to the filing of a financing statement describing the Collateral in the office of the Secretary of State of the State of Delaware, the provisions of this Security Agreement are effective to create in favor of Secured Party a valid and enforceable perfected security interest in the Collateral.

(s) Except for the filing or recording of the financing statements and fixture filings that are to be filed in connection with this Security Agreement, no authorization, approval or other action by, no notice to or registration or filing with, any person or entity, including without limitation, any creditor of Debtor or any governmental authority or regulatory body is required, except as may be agreed to by Debtor and Secured Party: (i) for the grant by the Debtor of the security interest in the Collateral pursuant to this Security Agreement or for the execution, delivery or performance of this Security Agreement by the Debtor, (ii) for the perfection or maintenance of such security interest created hereby, or the exercise by Secured Party of the rights and remedies provided for in this Security Agreement (other than any required governmental consent or filing with respect to any patents, Trademarks, copyrights, governmental claims, tax refunds, licenses or permits, and the exercise of remedies requiring prior court approval), or (iii) for the enforceability of such security interest against third parties, including, without limitation, judgment lien creditors;

(t) None of the execution, delivery and performance of this Security Agreement by Debtor, the consummation of the transactions herein contemplated, the fulfillment of the terms hereof or the exercise by Secured Party of any rights or remedies hereunder will constitute or result in a breach of any of the terms or provisions of, or constitute a default under, or constitute an event which with notice or lapse of time or both will result in a breach of or constitute a default under, any agreement, indenture, mortgage, deed of trust, equipment lease, instrument or other document to which Debtor is a party, conflict with or require approval, authorization, notice or consent under any law, order, rule, regulation, license or permit applicable to Debtor of any court or any federal or state government, regulatory body or administrative agency, or any other governmental body having jurisdiction over Debtor or its properties, or require notice, consent, approval or authorization by or registration or filing with any person or entity (including, without limitation, any stockholder, member or creditor of Debtor) other than any notices to Debtor from Secured Party required hereunder except as provided in the Loan Documents or as otherwise agreed to by Debtor and Secured Party. Except for the permitted liens under the Loan Agreement, none of the Collateral is subject to any agreement, indenture, mortgage, deed of trust, equipment lease, instrument or other document to which Debtor is a party which may restrict or inhibit Secured Party's rights or ability to sell or dispose of the Collateral or any part thereof after the occurrence of an Event of Default (as defined herein).

(u) If the Debtor shall at any time hold or acquire a commercial tort claim, the Debtor shall immediately notify the Secured Party in a writing signed by the Debtor of the brief details thereof.

(v) With respect to the Trademarks, (i) the Trademarks are subsisting and have not been adjudged invalid or unenforceable in whole or in part; (ii) each of the Trademarks is valid and enforceable; (iii) there is no outstanding claim that the use of any of the Trademarks violates the rights of any third person; (iv) Debtor is the sole and exclusive owner of the entire and unencumbered right, title and interest in and to each of the Trademarks, free and clear of any liens, charges and encumbrances (including without limitation pledges, assignments, licenses, registered user agreements and covenants by Debtor not to sue third persons); or (v) Debtor has used, and will continue to use for the duration of this Agreement, proper statutory notice, where appropriate, in connection with its use of the Trademarks; and (vi) Debtor has used, and will continue to use for the duration of this Agreement, consistent standards of quality in its manufacture of products sold under the Trademarks.

5. Fixtures. It is the intention of the parties hereto that none of the Collateral shall become fixtures and the Debtor will take all reasonable action or actions as may be necessary to prevent the Collateral from becoming fixtures. The Debtor hereby represents and warrants that any and all machinery, equipment and trade fixtures annexed in any way to the Debtor's business premises were not intended to become a permanent part of the realty, can be removed from the building structure without material damages or modifications to the realty or such property and were not especially fitted to or usable with the realty to which they are attached. Without limiting the generality of the foregoing, on request of Secured Party, the Debtor will use commercially reasonable efforts to promptly obtain waivers of lien or disclaimers with respect to any interest in the Collateral, in form reasonably satisfactory to the Secured Party, from each lessor and owner of real property on which any of the Collateral is or is to be located.

6. The Secured Party's Duties. The powers conferred on the Secured Party hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. The Secured Party shall be accountable only for the amounts that it actually receives as a result of the exercise of its powers hereunder and neither it nor any of its officers, directors, employees or agents shall be responsible to the Debtor for any action or failure to act except for Secured Party's own gross negligence or willful misconduct. The Secured Party shall be deemed to have exercised reasonable care in the safekeeping of any Collateral in its possession if such Collateral is accorded treatment substantially equal to the safekeeping which the Secured Party accords its own property of like kind. Except for the safekeeping of any Collateral in its possession and the accounting for monies and for other properties actually received by it hereunder, the Secured Party shall have no duty, as to any Collateral, as to ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative

to any Collateral, whether or not the Secured Party has or is deemed to have knowledge of such matters, or as to the taking of any necessary steps to preserve rights against any persons or any other rights pertaining to any Collateral. The Secured Party will take action in the nature of exchanges, conversions, redemptions, tenders and the like requested in writing by the Debtor with respect to the Collateral in the Secured Party's possession if the Secured Party in its reasonable judgment determines that such action will not impair the security interest or the value of the Collateral, but a failure of the Secured Party to comply with any such request shall not of itself be deemed a failure to exercise reasonable care.

7. Right of Inspection. Debtor hereby grants to Secured Party and its employees and agents the right to visit Debtor's plants and facilities which manufacture, inspect or store products sold under any of the Trademarks, and to inspect the products and quality control relating thereto at reasonable times during regular business hours, all in accordance with Section 7.8 of the Loan Agreement. Debtor shall use its reasonable commercial efforts to do any and all acts required by Secured Party to ensure Debtor's compliance with subsection 4(v)(vi) above.

8. New Trademarks.

(a) If, before the Secured Obligations shall have been paid in full in cash, Debtor shall obtain rights to any new Trademarks or become entitled to the benefit of any trademark application or trademark registration for any reissue, division, continuation, renewal, extension, or continuation in part of any Trademark or any improvement on any Trademark, the provisions of Section 2 shall automatically apply thereto and Debtor shall give Secured Party prompt written notice thereof.

(b) Debtor grants Secured Party a power-of-attorney, irrevocable so long as the Loan Agreement has not been terminated, to modify this Agreement by amending Schedule A to include any future trademarks, including trademark registrations or applications appurtenant thereto covered by this Agreement.

(c) If, before all Secured Obligations shall have been satisfied in full and the Loan Agreement shall have been terminated, Debtor shall (i) obtain rights to any new trademarks, trademark registrations or tradenames, or (ii) become entitled to the benefit of any trademark application, trademark or trademark registration, the provisions of this Agreement shall automatically apply thereto and such trademark application, trademark or trademark registration, shall be deemed part of the Trademarks. Debtor shall give Secured Party prompt written notice thereof along with an amended Schedule A.

9. Special Trademark Covenants. Debtor covenants and agrees with Secured Party that from and after the date of this Agreement and until the Secured Obligations are fully paid in cash:

(a) Maintenance of Trademarks. Debtor will not, without thirty (30) days prior written notice to Secured Party, do any act, or omit to do any act, whereby the Trademarks or any registration or application appurtenant thereto, may become abandoned, invalidated, unenforceable, avoided, avoidable, or will otherwise materially diminish in value, and shall notify Secured Party immediately if it knows of any reason or has reason to know of any ground under which this result may occur. Debtor shall take appropriate action at its expense to halt the infringement of the Trademarks.

(b) Indemnification. Debtor assumes all responsibility and liability arising from the use of the Trademarks, and Debtor hereby indemnifies and holds Secured Party harmless from and against any claim, suit, loss, damage or expense (including reasonable attorneys' fees) arising out of Debtor's operations of its business from the use of the Trademarks.

(c) Limitation on Further Uses of Trademarks. Debtor will not assign, sell, mortgage, lease, transfer, pledge, hypothecate, grant a security interest in or lien upon, encumber, grant an exclusive or non-exclusive license, or otherwise dispose of any of the Trademarks, without prior written consent of Secured Party.

(d) Exercise of Rights; Delivery of Notices. Debtor shall deliver to Secured Party a copy of each material demand, notice or document sent or received by it relating in any way to any Trademark.

10. Events of Default. The Debtor shall be in default under this Agreement (a) upon the occurrence of an Event of Default under the Loan Agreement or an Event of Default under any of the Loan Documents, whether or not any acceleration of the maturity of the amounts due in respect of any of the Secured Obligations shall have occurred under the Loan Documents; (b) upon the occurrence of an Event of Default under any document relating to any of the Secured Obligations as described in Section 3 of this Security Agreement; or (c) if the Debtor or BFI shall breach or fail to perform or discharge any representation, covenant, agreement or obligation herein or in any of the Loan Documents and shall not cure the same within any applicable cure period, if any, (herein called "Events of Default" and each an "Event of Default").

If any Event of Default shall occur pursuant hereto, then, or at anytime thereafter, Secured Party may declare all Secured Obligations to be in default, whereupon such Secured Obligations shall become due and payable, without notice, protest, presentment, or demand, all of which are expressly waived by the Debtor, in addition to and not in any respect in limitation of any other rights or remedies granted to Secured Party hereunder, under the Loan Documents and in any other agreement or document executed in connection therewith or under applicable law.

11. Rights and Remedies of Secured Party. (a) Upon the occurrence of any Event of Default, such Event of Default not having previously been waived in writing (if

available), the Secured Party shall, subject to any limitations set forth in the Loan Agreement, have the following rights and remedies:

- (i) All rights and remedies provided by law, or in equity, including, without limitation, those provided to a secured party under the Maine UCC or the Uniform Commercial Code of any other jurisdiction governing the rights of Secured Party;
- (ii) All rights and remedies provided in this Agreement;
- (iii) All rights and remedies provided in the other Loan Documents, or in any other agreement, document or instrument pertaining to the Secured Obligations.

(b) To the extent that applicable law imposes duties on the Secured Party to exercise remedies in a commercially reasonable manner, the Debtor acknowledges and agrees that it is not commercially unreasonable for the Secured Party (i) to fail to incur expenses reasonably deemed significant by the Secured Party to prepare Collateral for disposition or otherwise to complete raw material or work in process into finished goods or other finished products for disposition, (ii) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (iii) to fail to exercise collection remedies against account debtors or other persons obligated on Collateral or to remove liens or encumbrances on or any adverse claims against Collateral, (iv) to exercise collection remedies against account debtors and other persons obligated on Collateral directly or through the use of collection agencies and other persons obligated on the Collateral directly or through the use of collection agencies and other collection specialists, (v) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (vi) to contact other persons, whether or not in the same business as the Debtor, for expressions of interest in acquiring all or any portion of the Collateral, (vii) to hire one or more professional auctioneers to assist in the disposition of the Collateral, whether or not the Collateral is of a specialized nature, (viii) to dispose of Collateral by utilizing Internet sites that provide for the sale of assets of the types included in the Collateral or that have the reasonable capability of doing so, or that match buyers and sellers of such assets, (ix) to dispose of assets in wholesale rather than retail markets, (x) to disclaim disposition warranties, (xi) to purchase insurance or credit enhancements to insure the Secured Party against risks of loss, collection or disposition of Collateral or to provide to the Secured Party a guaranteed return from the collection or disposition of Collateral, or (xii) to the extent reasonably deemed appropriate by the Secured Party, to obtain the services of brokers, investment bankers, consultants and other professionals to assist the Secured Party in the collection or disposition of any of the Collateral. The Debtor acknowledges that the purpose of this subsection (b) is to provide non-exhaustive indications of what actions or

omissions by the Secured Party would not be commercially unreasonable in the Secured Party's exercise of remedies against the Collateral and that other actions or omissions by the Secured Party shall not be deemed commercially unreasonable solely on account of not being indicated in this subsection (b). Without limitation upon the foregoing, nothing contained in this subsection (b) shall be construed to grant any rights to the Debtor or to impose any duties on the Secured Party that would not have been granted or imposed by this Agreement or by applicable law in the absence of this subsection (b).

12. Rights of the Secured Party To Take Possession and Sell.

(a) Upon the occurrence of an Event of Default and during the continuance of any such Event of Default that is not waived by the Secured Party, the Secured Party shall, subject to any limitations set forth in the Loan Agreement, have 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. Unless the Collateral is perishable or threatens to decline speedily in value, or is of a type customarily sold on a recognized market, the Secured Party will give the Debtor at least ten (10) days' prior written notice by registered or certified mail at the address of the Debtor set forth below (or at such other address or addresses as the Debtor shall specify in writing to the 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 Maine UCC and any other applicable 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 and all other charges against the Collateral, the net proceeds of any such sale or disposition shall be applied to the payment of the Secured Obligations in such order of priority as the Secured Party shall determine, and any surplus shall be returned to the Debtor or to whomever may be legally entitled thereto. All costs and expenses, including, without limitation, reasonable legal costs and attorneys' fees, incurred by the Secured Party in enforcing this Agreement shall be chargeable to and secured by the Collateral.

(b) Upon the occurrence of an Event of Default and during the continuance of any such Event of Default that is not waived by the Secured Party, the Secured Party shall, subject to any limitations set forth in the Loan Agreement, have the right to enter and/or remain upon the premises of the Debtor or any other place or places where the Collateral is located and kept in connection with the exercise of its remedies hereunder.

(c) Subject to any limitations set forth in the Loan Agreement, the Secured Party may sell the Collateral without giving any warranties as to the Collateral. The Secured Party may specifically disclaim any warranties of title or the like. This



procedure will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral.

(d) Any sale of Collateral may be in one or more parcels at public or private sale, at any of the Secured Party's offices or elsewhere, for cash, on credit, or for future delivery, and upon such other terms as the Secured Party may reasonably believe are commercially reasonable. The Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given, and the Secured Party may adjourn any public or private sale from time to time by announcement made 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.

(e) If the Secured Party sells any of the Collateral upon credit, the Debtor will be credited only with payments actually made by the purchaser, received by the Secured Party and applied to the indebtedness of the purchaser. In the event the purchaser fails to pay for the Collateral, the Secured Party may resell the Collateral and the Debtor shall be credited with the proceeds of the sale.

13. Rights of the Secured Party to Use and Operate Collateral, etc.

(a) In addition to any other rights or remedies of the Secured Party set forth herein or in any related documents, upon the occurrence of any Event of Default and during the continuance of any such Event of Default that is not waived by the Secured Party, the Secured Party shall have the right and power to take possession (as provided below in this clause (a)) of all or any part of the Collateral, and to exclude the Debtor and all persons claiming under the Debtor wholly or partly therefrom, and thereafter to hold, store, and/or use, operate, manage and control the same. Without limiting the generality of the foregoing, the Secured Party shall have the right to have a receiver appointed by a court of competent jurisdiction in any action taken by the 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 the Debtor (including the manufacture, production, processing, storing and/or sale of Collateral) 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 Secured Obligations as aforesaid until a sale or other disposition of such Collateral shall be finally made and consummated. The Secured Party may require the Debtor to and the Debtor hereby agrees that it will, at its reasonable expense and upon request from the Secured Party assemble all Collateral as may reasonably be directed by the Secured Party and make it available to the Secured Party at a commercially reasonable place or places designated by the Secured Party reasonably convenient to the Debtor and the Secured Party.

(b) The Secured Party is hereby granted a license or other right to use, without charge, all of the Debtor's property, including, without limitation, all of the

Debtor's labels, Trademarks, copyrights, patents and advertising matter, or any property of a similar nature, as it pertains to the Collateral, in completing production of, advertising for sale and selling any Collateral, and the Debtor's rights under all licenses and all franchise agreements shall inure to the Secured Party's benefit until the Secured Obligations are paid in full in cash; provided, however, that the Secured Party shall not exercise such license or right except following the occurrence of an Event of Default and during the continuance of any such Event of Default that is not waived by the Secured Party.

14. Collection of Accounts Receivable Upon Default. The Debtor hereby absolutely and unconditionally assigns to the Secured Party all accounts as security for the Secured Obligations, provided that until notice by the Secured Party to the Debtor after an Event of Default, the Secured Party hereby authorizes the Debtor to collect any and all amounts owing on all accounts, subject in all cases to the terms hereof and the Loan Documents. In addition, upon the occurrence of an Event of Default that is not waived by the Secured Party, the Secured Party may notify any account debtor or other person obligated on any accounts or other Collateral that the same have been assigned or transferred to the Secured Party and that the same should be performed as requested by, or paid directly to, the Secured Party, as the case may be. The Debtor shall join in giving notice, if the Secured Party reasonably so requests. After an Event of Default, the Secured Party may, in the Secured Party's name or in the Debtor's name, demand, sue for, collect or receive any money or property at any time payable or receivable on account of, or securing, any such Collateral or grant any extension to, make any compromise or settlement with or otherwise agree to waive, modify, amend or change the obligation of any such account debtor or other person. If any payments on any such Collateral are received by the Debtor after an Event of Default has occurred, such payments shall be held in trust by the Debtor as the property of the Secured Party and shall not be commingled with any funds or property of the Debtor and shall be forthwith remitted to the Secured Party for application on the Secured Obligations.

15. Application of Proceeds. All cash proceeds received by the Secured Party in respect of any sale of, collection from, or other realization upon or set off against all or any part of the Collateral may, upon the occurrence of an Event of Default, in the discretion of the Secured Party, be held by the Secured Party as collateral for, or then or at any time thereafter be applied in whole or in part by the Secured Party against, all or any part of the Secured Obligations (including, without limitation, any expenses of the Secured Party payable pursuant to Section 16 hereof).

16. Costs and Expenses; Indemnity. The Debtor will pay or reimburse the Secured Party on demand for all reasonable out of pocket expenses (including in each case all filing and recording fees and taxes and all reasonable fees and expenses of counsel and of any experts and agents) incurred by the Secured Party in connection with the creation, perfection, protection, satisfaction, foreclosure or enforcement of the

security interest created hereunder and for or in connection with the administration, continuance, amendment or enforcement of this Agreement, and all such costs and expenses shall be part of the Secured Obligations secured by the security interest. The Debtor shall indemnify and hold the Secured Party harmless from and against any and all claims, losses and liabilities (including reasonable attorneys' fees) arising out of or resulting from or relating to this Agreement and the security interest hereby created (including enforcement of this Agreement) or the actions of the Secured Party pursuant hereto, except claims, losses or liabilities resulting from the gross negligence or willful misconduct of the Secured Party as determined by a final judgment of a court of competent jurisdiction. Any liability of the Debtor to indemnify and hold the Secured Party harmless pursuant to the preceding sentence shall be part of the Secured Obligations secured by the security interest. The obligations of the Debtor under this Section shall survive any termination of this Agreement.

17. Rights Are Cumulative.

(a) All of the Secured Party's rights and remedies whether evidenced hereby or by any other agreement or instrument or whether otherwise available shall be cumulative and may be exercised in such order or concurrently as the Secured Party may elect.

(b) The Secured Party shall not be required to marshal any present or future security for (including but not limited to this Agreement and the Collateral subject to the security interest created hereby), or guarantees of, the Secured Obligations or any of them, or to resort to such security or guarantees in any particular order; and all of its rights hereunder and in respect of such securities and guaranties shall be cumulative and in addition to all other rights, however existing or arising. To the extent that it lawfully may, the Debtor hereby agrees that it will not invoke any law relating to the marshalling of collateral which might cause delay in or impede the enforcement of the Secured Party's rights under this Agreement or under any other instrument evidencing any of the Secured Obligations or under which any of the Secured Obligations is outstanding or by which any of the Secured Obligations is secured or guaranteed, and to the extent that it lawfully may do so the Debtor hereby irrevocably waives the benefits of all such laws. Except as otherwise provided by applicable law, the Secured Party shall have no duty as to the collection or protection of the Collateral or any income thereon, nor as to the preservation of rights against prior parties, nor as to the preservation of any rights pertaining thereto beyond the sole custody thereof.

18. Invalidated Payments. This Agreement shall continue to be effective or be reinstated, as the case may be, if at any time any amount received by the Secured Party in respect of the Secured Obligations is rescinded or must otherwise be restored or returned by the Secured Party upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Debtor or upon the appointment of any intervener or conservator of,

or trustee or similar official for, the Debtor or any substantial part of its properties, or otherwise, all as though such payments had not been made.

19. Waivers, etc. The Debtor hereby waives presentment, demand, notice, protest and, except as is otherwise provided herein or in the Loan Documents, all other demands and notices in connection with this Agreement or the enforcement of the Secured Party's rights hereunder or in connection with any Secured Obligations or any Collateral; waives all requirements of law, if any, relating to the marshalling of assets which would be applicable in connection with the enforcement of Secured Party's remedies hereunder; waives its right, if any, to require the Secured Party to proceed against any guarantor of the Secured Obligations prior to proceeding against any of the Collateral; agrees that the rights of the Secured Party hereunder shall not be affected by any extensions, renewals, indulgences, settlements, or compromises respecting any of the Secured Obligations; consents to and waives notice of the granting of renewals, extensions of time for payment or other indulgences to the Debtor or to any account debtor in respect of any account receivable, or substitution, release, surrender or impairment of any Collateral, the addition or release of persons primarily or secondarily liable on any Secured Obligation or on any account receivable or other Collateral, the acceptance of partial payments on any Secured Obligation or on any account receivable or other Collateral and/or the settlement or compromise thereof. No delay or omission on the part of the 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. No waiver by the Secured Party or by any other holder of Secured Obligations of any default shall be effective unless in writing, and any such waiver shall not operate as a waiver of any other default or of the same default on a future occasion.

20. Assignments, etc. This Agreement shall (a) create a continuing security interest in the Collateral and shall remain in full force and effect until payment in full of the Secured Obligations and the expiration of the obligation, if any, of the Secured Party to extend credit accommodations to the Debtor, (b) be binding upon the Debtor, its successors and assigns, and (c) inure to the benefit of, and be enforceable by, the Secured Party and its successors, transferees, and assigns. Without limiting the generality of the foregoing clause (c), the Secured Party may assign or otherwise transfer all or any portion of its rights and obligations under the Loan Documents in accordance with the terms of the Loan Agreement and may transfer all or any portion of its rights under this Security Agreement accordingly. In the event of a sale or assignment by the Secured Party of all or any of the Secured Obligations, the Secured Party may assign or transfer its rights and interests under this Agreement in whole or in part to the purchaser or purchasers of such Secured Obligations, in which case, the Secured Party shall so notify the Debtor and such assignee shall accept such assignment and assume the obligations of the Secured Party hereunder, whereupon such purchaser or purchasers shall become vested with all of the powers, obligations and rights of the Secured Party hereunder, and the Secured Party

shall thereafter be forever released and fully discharged from any further liability or responsibility hereunder, with respect to the rights and interests so assigned. Any assignment or transfer by the Debtor of its rights hereunder in violation of the Loan Documents shall be void.

21. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including telecopy or any similar writing), except for any telephone notices as specifically provided for herein, may be personally served or sent by telex, telecopier, mail or the express mail service of the United States Postal Service, Federal Express or other equivalent overnight or expedited delivery service, and (a) if given by personal service, or telecopier (confirmed by telephone), it shall be deemed to have been given upon receipt; (b) if sent by telecopier without telephone confirmation, it shall be deemed to have been given twenty- four (24) hours after being given; (c) if sent by mail, it shall be deemed to have been given upon the earlier of (i) actual receipt, or (ii) three (3) Lending Days after deposit in a depository of the United States Postal Service, first class mail, postage prepaid; (d) if sent by Federal Express, the express mail service of the United States Postal Service or other equivalent overnight or expedited delivery service, it shall be deemed given upon the earlier of (i) actual receipt or (ii) twenty-four (24) hours after delivery to such overnight or expedited delivery service, overnight delivery charges prepaid, and properly addressed to Debtor or the Secured Party. For purposes hereof, the address of the parties to this Agreement shall be as follows:

If to Borrower:

DPMS Firearms, LLC  
3312 12<sup>th</sup> Street, SE  
St. Cloud, Minnesota 56301  
Attn: Chad Brooks

with a copy to:

Cerberus Capital Management, L.P.  
299 Park Avenue, 22nd Floor  
New York, NY 10171  
Attn: George Kollitides, Managing Director

and a copy to:

Seth Plattus, Senior Managing Director  
Cerberus Capital Management, L.P.  
299 Park Avenue, New York, NY 10171

If to Secured Party:

RBS Citizens, National Association  
100 Middle Street  
Portland, Maine 04101  
Attn: Daryl J. Wentworth,  
Senior Vice President

with a copy to:

Michael E. High, Esq.  
Drummond Woodsum & MacMahon  
245 Commercial Street  
P.O. Box 9781  
Portland, ME 04104-5081  
Fax: 207-772-3627

Any party may, by proper written notice hereunder to the other party, change the address to which notices shall thereafter be sent to it. Notwithstanding anything to the contrary implied or expressed herein, the notice requirements herein (including the method, timing or deemed giving of any notice) are not intended to and shall not be deemed to increase the number of days or to modify the method of notice or to otherwise supplement or affect the requirements for any notice required or sent pursuant to applicable law (including, without limitation, any applicable statutory or law requirement), or otherwise given hereunder, that is not required under this Agreement or other Loan Documents.

22. Consent to Jurisdiction. AT THE OPTION OF THE SECURED PARTY, THIS AGREEMENT MAY BE ENFORCED IN ANY FEDERAL COURT OR MAINE STATE COURT SITTING IN CUMBERLAND COUNTY, MAINE; AND THE DEBTOR CONSENTS TO THE JURISDICTION AND VENUE OF ANY SUCH COURT AND WAIVES ANY ARGUMENT THAT VENUE IN SUCH FORUMS IS NOT CONVENIENT. IN THE EVENT THE DEBTOR COMMENCES ANY ACTION IN ANOTHER JURISDICTION OR VENUE UNDER ANY TORT OR CONTRACT THEORY ARISING DIRECTLY OR INDIRECTLY FROM THE RELATIONSHIP CREATED BY THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS, THE SECURED PARTY AT ITS OPTION SHALL BE ENTITLED TO HAVE THE CASE TRANSFERRED TO ONE OF THE JURISDICTIONS AND VENUES ABOVE DESCRIBED, OR IF SUCH TRANSFER CANNOT BE ACCOMPLISHED UNDER APPLICABLE LAW, TO HAVE SUCH CASE DISMISSED WITHOUT PREJUDICE.

23. Governing Law and Construction. THE VALIDITY, CONSTRUCTION AND ENFORCEABILITY OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF MAINE, WITHOUT GIVING EFFECT TO CONFLICT OF LAWS PRINCIPLES THEREOF, EXCEPT TO THE EXTENT THAT THE VALIDITY OR PERFECTION OF THE SECURITY INTEREST HEREUNDER, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE MANDATORILY GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF MAINE. Whenever possible, each provision of this Agreement and any other statement, instrument or transaction contemplated hereby or relating hereto shall be interpreted in such manner as to be effective and valid under such applicable law, but, if any provision of this Agreement or any other statement, instrument or transaction contemplated hereby or relating hereto shall be held to be prohibited or invalid under

such applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement or any other statement, instrument or transaction contemplated hereby or relating hereto.

24. Waiver of Jury Trial.

(a) THE SECURED PARTY AND THE DEBTOR AGREE THAT NEITHER OF THEM NOR ANY ASSIGNEE OR SUCCESSOR SHALL (A) SEEK A JURY TRIAL IN ANY LAWSUIT, PROCEEDING, COUNTERCLAIM OR ACTION ARISING UNDER OR RELATING TO THIS AGREEMENT OR ANY RELATED INSTRUMENTS, OR THE DEALINGS OR THE RELATIONSHIP BETWEEN OR AMONG ANY OF THEM, OR (B) SEEK TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. THE PROVISIONS OF THIS PARAGRAPH HAVE BEEN FULLY DISCUSSED BY THE SECURED PARTY AND THE DEBTOR, AND THESE PROVISIONS SHALL BE SUBJECT TO NO EXCEPTIONS. NEITHER THE SECURED PARTY NOR THE DEBTOR HAS AGREED WITH OR REPRESENTED TO THE OTHER THAT THE PROVISIONS OF THIS PARAGRAPH WILL NOT BE FULLY ENFORCED IN ALL INSTANCES.

(b) THE DEBTOR HEREBY WAIVES ALL RIGHTS TO A JUDICIAL HEARING OF ANY KIND PRIOR TO THE EXERCISE BY THE SECURED PARTY OF ITS RIGHTS TO POSSESSION OF THE COLLATERAL WITHOUT JUDICIAL PROCESS OR OF ITS RIGHTS TO REPLEVY, ATTACH OR LEVY UPON THE COLLATERAL WITHOUT PRIOR NOTICE OR HEARING. THE DEBTOR ACKNOWLEDGES THAT IT HAS BEEN ADVISED BY COUNSEL OF ITS CHOICE WITH RESPECT TO THIS PROVISION AND THIS AGREEMENT.

25. Power of Attorney.

(a) The Debtor acknowledges the Secured Party's right, to the extent permitted by applicable law, singly to execute and file financing or continuation statements and similar notices required by applicable law, and amendments thereto, concerning the Collateral without execution by the Debtor. A carbon, photographic or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereto shall be sufficient as a financing statement where permitted by law.

(b) The Debtor hereby irrevocably appoints the Secured Party, and any officer or agent thereof, as the Debtor's attorney-in fact, effective at all times subsequent to the occurrence of an Event of Default (as defined herein), and during the continuance thereof, with full authority in the place and stead of the Debtor and in the name of the Debtor or otherwise, to take any commercially reasonable action and to execute any instrument which the Secured Party may deem reasonably necessary or advisable to

accomplish the purpose of this Agreement, including, without limitation, the power and right

- (i) to endorse the Debtor's name on any checks, notes, acceptances, money orders, drafts, filings or other forms of payment or security that may come into the Secured Party's possession,
- (ii) to pay or discharge taxes, liens, security interests or other encumbrances levied or placed on or threatened against the Collateral, to effect any repairs or any insurance called for by the terms of this Agreement and to pay all or any part of the premiums therefor and the costs thereof;
- (iii) upon the occurrence and continuance of an Event of Default, (A) to receive payment of and receipt for any and all moneys, claims and other amounts due and to become due at any time in respect of or arising out of any Collateral; (B) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any part thereof and to enforce any other right in respect of any Collateral; (C) to defend any suit, action or proceeding brought against Debtor with respect to any Collateral; (D) to settle, compromise, or adjust any suit, action or proceeding described above and, in connection therewith, to give such discharges or releases as Secured Party may reasonably deem appropriate so long as the terms of such settlement or release do not involve the payment of monies, waiver of rights or otherwise adversely affect the Debtor; and (E) generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Secured Party were the absolute owner thereof for all purposes, and to do, at Secured Party's option all acts and things which Secured Party deems reasonably necessary to protect, preserve or realize upon the Collateral and Secured Party's security interest therein, in order to effect the intent of this Agreement, all as fully and effectively as Debtor might do; and
- (iv) to do all other things which the Secured Party then determines to be necessary to carry out the terms of this Agreement in the exercise of the Secured Party's good faith discretion. The power conferred on the Secured Party hereunder is solely to protect the Secured Party's interests in the Collateral and shall not impose any duty upon the Secured Party to exercise such power. In addition, this power of attorney is a power coupled with an interest and shall be irrevocable. Notwithstanding the foregoing, Debtor further agrees to execute any



additional documents which Secured Party may require in order to confirm this power of attorney, or which Secured Party may deem necessary to enforce any of its rights contained in this Agreement, including, without limitation, the Trademark Assignment of Security in the form of Exhibit A hereto.

(c) Secured Party shall be accountable only for amounts that it actually receives as a result of the exercise of such powers and neither it nor any of its officers, directors, employees or agents shall be responsible to Debtor for any act or failure to act, except for its own negligence or willful misconduct.

(d) Debtor also authorizes Secured Party to execute, in connection with the sale permitted by Section 12 of this Agreement, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

26. Miscellaneous. This Agreement shall inure to the benefit of and be binding upon the Secured Party and the Debtor and their respective successors and assigns, and the term "Secured Party" shall be deemed to include any other holder or holders of any of the Secured Obligations. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. No consent, approval or waiver shall be binding unless in writing. The consent, approval or waiver by one or more of the parties constituting a Secured Party hereunder shall not be binding upon any other party constituting a Secured Party unless given by an authorized agent. The section headings hereunder are for convenience of reference only and shall not be considered in construing the meaning of the terms and provisions of this Agreement. All representations and warranties of the Debtor and all terms, provisions, conditions or agreements to be performed by the Debtor contained herein or in any of the other documents delivered pursuant hereto or in connection herewith shall be true at the time of the execution of this Agreement and shall survive the execution and delivery hereof. The Debtor waives notice of acceptance of this Agreement by the Secured Party.

[The remainder of this page is intentionally left blank. The signature page follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed and delivered under seal by their respective undersigned duly authorized officers as of the date first above written.

DEBTOR:

DPMS FIREARMS, LLC

By:   
Chad Brooks

Its: Vice President

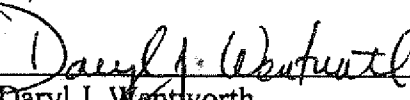
SECURED PARTY:

RBS CITIZENS, NATIONAL ASSOCIATION  
(as a Lender and Secured Party)

By:   
Daryl J. Wentworth

Its: Senior Vice President

RBS CITIZENS, NATIONAL ASSOCIATION  
(as Agent for the other Lenders and secured parties)

By:   
Daryl J. Wentworth

Its: Senior Vice President

*Signature Page to Security Agreement*

## SCHEDULE A

### Trademarks

1. Mark: MANGONEL in Class 13  
Serial No. 77/067,305  
Filed: December 19, 2006
2. Mark: RECEIVER RUG in Class 13  
Serial No. 77/067,319  
Filed: December 19, 2006
3. DPMS uses the following unregistered trade names and derivatives thereof:
  - Defense Procurement Manufacturing Services, Inc.
  - DPMS
  - DPMS, Inc.
  - DPMS, Inc. Panther Arms
  - Panther Arms
  - Ebony Arms (registered as an assumed name in Minnesota in the early 1990s,  
never used, expired and abandoned)

**SCHEDULE B**

(Places of Business and Locations of Collateral)

1. 3312 12<sup>th</sup> Street SE, St. Cloud, MN 56304