

**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
American Dryer Acquisition, Inc.		07/23/2008	CORPORATION: DELAWARE
American Dryer Holdings, Inc.		07/23/2008	CORPORATION: DELAWARE
American Dryer Corporation		07/23/2008	CORPORATION: MASSACHUSETTS

**RECEIVING PARTY DATA**

Name:	Wilmington Trust Company
Street Address:	110 North Market Street
Internal Address:	Rodney Square North
City:	Wilmington
State/Country:	DELAWARE
Postal Code:	19890
Entity Type:	Banking Corporation: DELAWARE

**PROPERTY NUMBERS Total: 4**

Property Type	Number	Word Mark
Registration Number:	2863467	SOLARIS
Registration Number:	2924630	S.A.F.E.
Registration Number:	2845784	F.S.S.
Registration Number:	1969946	ADC AMERICAN DRYER CORP.

**CORRESPONDENCE DATA**

Fax Number: (617)338-2880  
*Correspondence will be sent via US Mail when the fax attempt is unsuccessful.*  
 Phone: 617-338-2943  
 Email: kherman@sandw.com  
 Correspondent Name: Kim Herman  
 Address Line 1: One Post Office Square  
 Address Line 2: Sullivan & Worcester LLP

CH \$115.00 2863467

Address Line 4: Boston, MASSACHUSETTS 02109

ATTORNEY DOCKET NUMBER:

09346.215

NAME OF SUBMITTER:

Kim Herman

Signature:

/Kim Herman/

Date:

07/28/2008

**Total Attachments: 21**

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## SECURITY AGREEMENT

This SECURITY AGREEMENT (this "Agreement") is made as of the 23rd day of July, 2008, by and among AMERICAN DRYER ACQUISITION, INC., a Delaware corporation ("ADC Acquisition"), AMERICAN DRYER HOLDINGS, INC., a Delaware corporation ("ADC Holding") and AMERICAN DRYER CORPORATION, a Massachusetts corporation ("ADC"; together with ADC Acquisition and ADC Holding herein individually called a "Company" and collectively called "Companies"), and WILMINGTON TRUST COMPANY (in its capacity as collateral agent for the benefit of the Holders (as defined in the Note Purchase Agreement), together with its successors and assigns, "Collateral Agent").

In consideration of the purchase by the Holders of the Second Lien Notes from the Companies in an aggregate principal amount of \$11,000,000 (the "Notes"), which Notes are governed by the Second Lien Note Purchase Agreement dated of even date herewith by and among Companies and the Holders (as amended, restated, supplemented or otherwise modified from time to time, the "Note Purchase Agreement"), the parties hereby agree as follows:

### SECTION 1. DEFINITIONS

As used herein, the following terms shall have the following meanings:

1.1 Accounts. "Accounts" means all accounts as defined in Article 9 of the UCC.

1.2 Article 9. "Article 9" means so-called Article or Part 9 of the UCC governing secured transactions, or, in the event such articles are re-numbered, that certain chapter, part or article of the UCC governing secured transactions.

1.3 Chattel Paper. "Chattel Paper" means all chattel paper as defined in Article 9 of the UCC.

1.4 Citizens. "Citizens" means RBS Citizens, N.A.

1.5 Collateral. "Collateral" means all Accounts, Inventory, Equipment, General Intangibles, Deposit Accounts, Investment Property, Intellectual Property Collateral, Instruments, Letter-of-Credit Rights, Chattel Paper, Documents, Commercial Tort Claims, Intellectual Property Collateral, goodwill, insurance policies, insurance proceeds, insurance claims, and all ledger sheets, files, records, Documents and Instruments (including, without limitation, computer programs, tapes and related electronic data processing software) evidencing an interest therein or relating thereto, now owned or hereafter acquired by the Companies and all Proceeds of the foregoing; provided that, notwithstanding anything to the contrary in this Agreement, Collateral shall not include a grant of a security interest in (A) motor vehicles the perfection of a security interest in which is excluded from the UCC in the relevant jurisdiction, (B) any intent-to-use Trademark applications to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use Trademark applications under applicable federal law, (C) any Company's rights or interests in or under, any license, contract, permit, Instrument, security or franchise to which such Company is a party or any of its rights or interests thereunder to the extent, but only to the extent, that such a grant would, under the terms of such license, contract, permit, Instrument, security or franchise, result in a breach of the terms of, or constitute a default under, such license, contract, permit, Instrument, security or franchise

(other than to the extent that any such term would be rendered ineffective pursuant to the UCC or any other applicable law), or (D) any equity interests issued by a Foreign Subsidiary to the extent the creation of a security interest could reasonable be expected to have material adverse tax consequences to the Companies, it being agreed that a pledge of more than 65% of the total outstanding voting stock of any Foreign Subsidiary of any Company would cause material adverse tax consequences.

1.6 Commercial Tort Claim. "Commercial Tort Claims" means all commercial tort claims as defined in Article 9 of the UCC.

1.7 Companies' Chief Place of Business. "Companies' Chief Places of Business" means the place or places of business specified as such on Schedule 1 attached hereto and incorporated herein for all purposes.

1.8 Companies' Federal Tax Identification Numbers. "Companies' Federal Tax Identification Numbers" means the numbers specified as such on Schedule 1 attached hereto and incorporated herein for all purposes.

1.9 Companies' Other Place of Business. "Companies' Other Place of Business" shall mean the business locations of the Companies other than Companies' Chief Places of Business, if any, as specified on Schedule 1 attached hereto and incorporated herein for all purposes.

1.10 Companies' State of Organization. "Companies' State of Organization" means the state or commonwealth specified as such on Schedule 1 attached hereto and incorporated herein for all purposes.

1.11 Copyrights. "Copyright" means, collectively, with respect to each Company, all U.S. copyright registrations and applications made by such Company, in each case, whether now owned or hereafter created or acquired by or assigned to such Company, together with any and all (i) rights and privileges arising under applicable law with respect to such Company's use of such copyrights, (ii) reissues, renewals, continuations and extensions thereof and amendments thereto, (iii) income, fees, royalties, damages, claims and payments now or hereafter due and/or payable with respect thereto, including damages and payments for past, present or future infringements thereof, (iv) rights corresponding thereto throughout the world and (v) rights to sue for past, present or future infringements thereof.

1.12 Deposit Accounts. "Deposit Accounts" means all deposit accounts as defined in Article 9 of the UCC.

1.13 Documents. "Documents" means all documents as defined in Article 9 of the UCC.

1.14 Equipment. "Equipment" means all equipment as defined in Article 9 of the UCC.

1.15 Event of Default. "Event of Default" means each and every event specified in Section 6 of this Agreement.

1.16 General Intangibles. "General Intangibles" means all general intangibles as defined in Article 9 of the UCC.

1.17 Goodwill. Goodwill means, collectively, with respect to each Company, the goodwill connected with such Company's business including all goodwill connected with (i) the use of and symbolized by any Trademark or Intellectual Property License with respect to any Trademark in which such Company has any interest, (ii) all know-how, trade secrets, customer and supplier lists, proprietary information, inventions, methods, procedures, formulae, descriptions, compositions, technical data, drawings, specifications, name plates, catalogs, confidential information and the right to limit the use or disclosure thereof by any person, pricing and cost information, business and marketing plans and proposals, consulting agreements, engineering contracts and such other assets which relate to such goodwill and (iii) all product lines of such Company's business.

1.18 Instruments. "Instruments" means all instruments as defined in Article 9 of the UCC.

1.19 Intellectual Property Collateral. Intellectual Property Collateral means, collectively, the Patents, Trademarks, Copyrights, Intellectual Property Licenses and Goodwill.

1.20 Intellectual Property Licenses. Intellectual Property Licenses means, collectively, with respect to each Company, all license and distribution agreements with, and covenants not to sue, any other party with respect to any Patent, Trademark or Copyright or any other patent, trademark or copyright, whether such Company is a licensor or licensee, distributor or distributee under any such license or distribution agreement, together with any and all (i) renewals, extensions, supplements and continuations thereof, (ii) income, fees, royalties, damages, claims and payments now and hereafter due and/or payable thereunder and with respect thereto including damages and payments for past, present or future infringements or violations thereof, (iii) rights to sue for past, present and future infringements or violations thereof and (iv) other rights to use, exploit or practice any or all of the Patents, Trademarks or Copyrights or any other patent, trademark or copyright.

1.21 Intercreditor Agreement. "Intercreditor Agreement" means that certain Intercreditor Agreement dated of even date herewith among the Companies, the Collateral Agent, Citizens and Purchasers (as defined in the Note Purchase Agreement).

1.22 Inventory. "Inventory" means all inventory as defined in Article 9 of the UCC.

1.23 Investment Property. "Investment Property" means all investment property as defined in Article 9 of the UCC.

1.24 Letter-of-Credit Rights. "Letter-of-Credit Rights" means all letter of credit rights as defined in Article 9 of the UCC.

1.25 Notes. "Notes" shall have the meaning set forth in the preamble of this Agreement.

1.26 Obligations. "Obligations" means, collectively, (a) all Obligations as that term is defined in the Note Purchase Agreement, whether now or hereafter existing, direct or indirect, joint or several, absolute or contingent, matured or unmatured, liquidated or unliquidated, secured or unsecured, arising by contract, operation of law or otherwise, in each case arising or incurred under the Note Purchase Agreement or any of the other Transaction

Documents, or in respect of the Notes, or other instruments at any time evidencing any other obligations of the Companies to the Holders under any Transaction Document.

1.27 Patents. Patents means, collectively, with respect to each Company, all registered U.S. patents issued or assigned to, and all U.S. patent applications and registrations made by, such Company together with any and all (i) rights and privileges arising under applicable law with respect to such Company's use of such patents, (ii) inventions and improvements described and claimed therein, (iii) reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof and amendments thereto, (iv) income, fees, royalties, damages, claims and payments now or hereafter due and/or payable thereunder and with respect thereto including damages and payments for past, present or future infringements thereof, (v) rights corresponding thereto throughout the world and (vi) rights to sue for past, present or future infringements thereof.

1.28 Proceeds. "Proceeds" means all proceeds as defined in Article 9 of the UCC.

1.29 Supporting Obligations. "Supporting Obligations" means all supporting obligations as defined in Article 9 of the UCC.

1.30 Trademarks. "Trademarks" means, collectively, with respect to each Company, all registered U.S. trademarks (including service marks), slogans, logos, certification marks, trade dress, uniform resource locations (URL's), domain names, corporate names and trade names, each that is registered or unregistered, owned by or assigned to such Company and all registrations and applications for the foregoing (whether statutory or common law and whether established or registered in the United States or any other country or any political subdivision thereof), together with any and all (i) rights and privileges arising under applicable law with respect to such Company's use of such trademarks, (ii) reissues, continuations, extensions and renewals thereof and amendments thereto, (iii) income, fees, royalties, damages and payments now and hereafter due and/or payable thereunder and with respect thereto, including damages, claims and payments for past, present or future infringements thereof, (iv) rights corresponding thereto throughout the world and (v) rights to sue for past, present and future infringements thereof.

1.31 UCC. "UCC" means the Uniform Commercial Code as in effect from time to time in the State of New York; *provided, however*, that, at any time, if by reason of mandatory provisions of law, any or all of the perfection or priority of the Collateral Agent's security interest on behalf of the Collateral Agent in any item or portion of the Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, the term "UCC" shall mean the Uniform Commercial Code as in effect, at such time, in such other jurisdiction for purposes of the provisions hereof relating to such perfection or priority and for purposes of definitions relating to such provisions.

All other capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Note Purchase Agreement.

## SECTION 2. REPRESENTATIONS AND WARRANTIES

The Companies represent and warrant to the Collateral Agent, as follows:

2.1 Representations in Note Purchase Agreement. All representations and warranties set forth in the Note Purchase Agreement, including without limitation under Section 3.10 thereof, are hereby deemed included herein by reference as if they were set forth herein, and shall be true and correct as of the date deemed to be made, except with respect to any representation or warranty speaking as of an earlier date, in which case such representation or warranty shall be true and correct as of such earlier date.

2.2 Conduct of Business. As of the Closing Date, (A) no Company has within the last five (5) years preceding the date hereof had a different name from the name listed on the signature pages hereof, except the names set forth on Schedule 1 attached hereto, and (B) except as set forth in said Schedule 1 and in connection with the Transactions, in the last five (5) years, the Companies have not changed their name, been the surviving entity in a merger, acquired any business, or changed the address of their principal place of business.

2.3 Ownership of Collateral. As of the Closing Date, the Companies own all of the Collateral free and clear of all security interests, encumbrances or liens, except for Permitted Liens, and the Companies shall use their commercially reasonable efforts to defend the Collateral against all material claims and demands of all persons at any time claiming the same or an interest therein.

2.4 Federal Tax ID. As of the Closing Date, the federal tax identification number used by the Companies to file their federal income and payroll tax returns is the number set forth on Schedule 1 attached hereto and incorporated herein.

### SECTION 3. SPECIFIC REPRESENTATIONS, WARRANTIES AND COVENANTS WITH RESPECT TO COLLATERAL

With respect to the Collateral, the Companies hereby represent and warrant to and covenant with the Collateral Agent as follows:

#### 3.1 Inventory:

3.1.1 All Inventory (other than Inventory in transit to customers and distributors or on consignment) is and shall be kept in possession of the Companies at all times at Companies' Chief Places of Business or Companies' Other Places of Business, if any. All records of the Companies pertaining to Inventory are and shall be kept at Companies' Chief Places of Business or at the offices of the Companies' accountants, and the Companies shall notify the Collateral Agent at least ten (10) Business Days before making any change of the location where the Inventory is or may be kept, excluding sales of inventory in the ordinary course of business.

3.1.2 Except as permitted by the Note Purchase Agreement, the Companies shall not sell, lease or otherwise transfer any interest in the Inventory, except that the Companies may, until instructed otherwise by the Collateral Agent while an Event of Default exists, hold, process, sell, use or consume Inventory in the ordinary course of the Companies' business, excluding, however, any sale or transfer made in partial or total satisfaction of indebtedness for borrowed money.

3.1.3 The Companies shall keep complete and accurate records of current stock, cost and sales records of the Inventory, itemizing the types and quantities of Inventory and the cost and selling price thereof.

3.1.4 The Companies shall, at the reasonable request of the Collateral Agent, deliver to the Collateral Agent any and all evidence (if any) of ownership of, certificates of title to, or other documents evidencing any interest in any and all of the Inventory.

### 3.2 Equipment:

3.2.1 All Equipment is in the possession of the Companies at Companies' Chief Places of Business or Companies' Other Places of Business, if any. The Companies shall notify the Collateral Agent at least ten (10) Business Days before making any change in the location where the Equipment is or may be kept. If any Equipment is or shall be affixed to any real estate, including any buildings owned or leased by the Companies or used by the Companies in the operation of their business, upon request by the Collateral Agent, the Companies shall make commercially reasonable efforts to provide the Collateral Agent with disclaimers and waivers necessary to make the security interest in such Equipment valid against the Companies and other persons holding an interest in such real estate.

3.2.2 Except as permitted by the Note Purchase Agreement, the Companies shall keep and maintain all Equipment in good operating condition and repair, make all reasonably necessary repairs thereto and replacement of parts thereof so that the value and operating efficiency thereof shall at all times be maintained and preserved, subject to normal wear and tear. The Companies shall keep complete and accurate books and records with respect to Equipment including maintenance records.

3.2.3 The Companies shall at the request of the Collateral Agent deliver to the Collateral Agent any and all evidence of ownership of, and certificates of title to all of the Equipment and the Companies shall not, without the prior written consent of the Collateral Agent, sell, lease or in any other manner dispose of any Equipment, unless (i) such Equipment is immediately substituted with Equipment of equal or greater utility and value, (ii) such Equipment is obsolete, worn out or surplus property, or (iii) unless allowed pursuant to the Note Purchase Agreement.

### 3.3 Accounts:

3.3.1 The location of the chief executive offices and chief places of business of the Companies are Companies' Chief Places of Business. All records pertaining to the Accounts (including computer records) and all returns of Inventory are kept at such Chief Places of Business or at the offices of Companies' accountants. The Companies shall notify the Collateral Agent at least thirty (30) Business Days before making any change in the location of the Companies' Chief Places of Business or in the location where records pertaining to Accounts or returns of Inventory are kept.

3.3.2 All books, records and documents relating to any of the Accounts (including computer records) are and shall be genuine and shall accurately reflect the amount owing at maturity on each of such Accounts.

3.3.3 Until an Event of Default occurs, the Companies shall collect the Accounts. Any proceeds of Accounts shall, at the Collateral Agent's election upon the occurrence of and during the continuation of an Event of Default be immediately delivered to the Collateral Agent in the form received, except for necessary endorsements to permit collection.



3.3.4 The Companies shall be deemed to have warranted as to each such Account that such Account and all papers and documents relating thereto are genuine and in all material respects what they purport to be, and that each such Account (i) represents the obligation of the account debtor thereon for the unpaid amount owed by such account debtor for the sale and delivery by the Companies of the goods or the performance by the Companies of the services listed therein, (ii) are the only original writings evidencing and embodying such obligation of the account debtor named therein, (iii) evidences true and undisputed obligations and not subject to any defenses, set-offs or counterclaims known to the Companies, or stamp or other taxes, except as shall be disclosed to the Collateral Agent, and (iv) is in compliance with and conforms with all applicable federal, state and local laws and applicable laws of any relevant foreign jurisdiction. The Companies shall use their best efforts to take all steps necessary to preserve the liability of each account debtor, guarantor, endorser, obligor or secondary party on or with respect to the Accounts, subject to customary account settlement and dispute resolution practices, but further subject to the limitations set forth in the Note Purchase Agreement.

3.3.5 The Companies shall keep and maintain, at the Companies' own cost and expense, reasonably satisfactory and complete records of the Accounts, including, but not limited to, records of all payments received, all credits granted thereon, all merchandise returned and all other dealings therewith, and the Companies shall make the same available to the Collateral Agent, as the representative of the Holders, in accordance with the terms of Section 5.3 of the Note Purchase Agreement. After the occurrence and during the continuation of an Event of Default, at the request of the Collateral Agent, the Companies shall legend, in form and manner satisfactory to the Collateral Agent, the Accounts and other books, records and documents of the Companies evidencing or pertaining to Accounts with an appropriate reference to the fact that the Accounts have been assigned to the Collateral Agent and that the Collateral Agent has a security interest therein.

3.3.6 The Companies shall not rescind or cancel any indebtedness evidenced by any Account or modify any material term thereof or make any material adjustment with respect thereto, or extend or review the same, or compromise or settle any dispute, claim, suit or legal proceeding relating thereto, or sell any Account or interest therein, without the prior written consent of the Collateral Agent, except for rescissions, cancellations, compromises or settlements which, in the aggregate, do not exceed the sum of \$250,000 in any fiscal year of the Companies or as permitted by the Note Purchase Agreement.

3.3.7 The Companies shall duly fulfill all material obligations on its part to be fulfilled under or in connection with the Accounts and shall do nothing to impair the rights of the Collateral Agent in the Accounts.

3.3.8 The Companies shall endeavor to collect or cause to be collected from (and otherwise exercise its rights as against) the account debtors on each Account, as and when due (including, without limitation, Accounts which are delinquent, such Accounts to be collected in accordance with generally accepted and lawful collection procedures), any and all amounts owing under or on account of such Accounts, except as permitted by Section 3.3.6. The costs and expense (including reasonable attorneys' fees) of collection, whether incurred by the Companies or the Collateral Agent, shall be borne by the Companies.

3.3.9 The Companies shall, promptly upon learning thereof, report to the Collateral Agent all claims made or disputes asserted by any account debtor or other obligor on any Account (or instruments relating thereto) on which there is owing in the aggregate more

than \$1,000,000 in United States currency (or the equivalent thereof in other currencies) and any other matters materially adversely affecting the value, enforceability or collectibility of any Accounts in excess of \$1,000,000.

3.3.10 After the occurrence of an Event of Default and so long as such Event of Default shall continue uncured or unwaived, the Collateral Agent is authorized and empowered in its sole discretion to accept the return of the goods, if any, represented by any Account or contract rights, without notice to or consent by the Companies, all without discharging or in any way affecting the Companies' liability hereunder or on the Obligations, provided, that the Collateral Agent agrees that it will endeavor to give the Companies notice of any such acceptance within a reasonable period of time thereafter.

3.3.11 After the occurrence of an Event of Default and so long as such Event of Default shall continue, the Collateral Agent shall have the right, without notice to (unless specifically provided for herein) or assent by the Companies, but without affecting the Obligations, in the name of the Companies or in the name of the Collateral Agent or otherwise, to the maximum extent permitted by law,; (i) to notify any or all account debtors under any or all of the Accounts to make payment thereof directly to the Collateral Agent for the account of the Companies or the Collateral Agent and to require the Companies to forthwith give similar notice to said account debtors; (ii) to demand, collect, sue for, receive, compound and give acquittance for the Accounts or any part thereof; (iii) to extend the time of payment of, compromise or settle for cash, credit or otherwise, and upon any terms and conditions, any of the Accounts; (iv) to endorse the name of the Companies on any checks, drafts or other orders or instruments for the payment of monies payable to the Companies which shall be issued in respect of any Account; (v) to file any claims and commence, maintain or discontinue any actions, suits or other proceedings deemed by the Companies to be necessary or advisable for the purpose of collecting or enforcing payment of any Account; (vi) to execute any instrument and do any and all other things necessary and proper to protect and preserve and realize upon the Accounts and the other rights contemplated hereby; (vii) to require the Companies to forthwith account for and transmit to the Collateral Agent in the same form as received (but together with all necessary endorsements) all proceeds (other than physical property) of collection of Accounts received by and, until so transmitted, to hold the same for the Collateral Agent and not commingle such proceeds with any other funds of the Companies; (viii) to require the Companies to deliver, at the Companies' expense, any or all papers, documents, correspondence, records and computer programs and tapes and other electronic data processing software evidencing or relating to the Accounts to the Collateral Agent at a place designated by the Collateral Agent (and after delivery thereof the Companies shall have no further claim to or interest in such Accounts); (ix) to notify the post office authorities to change the address for delivery of mail addressed to the Companies to such address as the Collateral Agent may designate; and (x) to do all other acts and things necessary to carry out this Agreement. The Collateral Agent shall not be obligated to do any of the acts hereinabove authorized, but in the event that the Collateral Agent elects to do any such act, the Collateral Agent shall not be responsible to the Companies except for its gross negligence or willful misconduct, and the Collateral Agent agrees that it will endeavor to give notice to the Companies of any such election or action within a reasonable period after any such election or action.

3.3.12 If any of the Accounts becomes evidenced by a promissory note or similar instrument in the sum of more than \$100,000 in United States currency (or the equivalent thereto in any other current currencies), the Companies shall notify the Collateral Agent thereof, and upon request by the Collateral Agent shall promptly deliver such instrument

to the Collateral Agent appropriately assigned or endorsed to the order of the Collateral Agent, in a form reasonably satisfactory to the Collateral Agent as further security for the payment in full of the Obligations.

### 3.4 Chattel Paper:

The Companies shall not create any Chattel Paper having a value in excess of \$50,000 without placing a legend on the Chattel Paper acceptable to the Collateral Agent indicating that the Collateral Agent has a security interest in such Chattel Paper.

### 3.5 Control Agreements:

The Companies will cooperate with the Collateral Agent in obtaining a control agreement(s) in form and substance reasonably satisfactory to the Collateral Agent with respect to any Collateral consisting of (i) Deposit Accounts and (ii) Investment Property in securities accounts, except (a) any accounts for payroll, benefits or withholding tax and (b) any Deposit Account the funds in which are manually or automatically transferred on no less than a daily basis (other than any day that is not a Business Day) into a Deposit Account for which the Collateral Agent or an affiliate thereof is the depository institution or with respect to which a control agreement in form and substance reasonably satisfactory to the Collateral Agent is in place.

### 3.6 Investment Property:

3.6.1 Until notified by the Collateral Agent while an Event of Default exists, the Companies shall retain the right to vote or otherwise exercise any rights relating to any of the Companies' Investment Property in a manner not inconsistent with the terms of this Agreement. If the Companies, as registered holder of such Investment Property, receive (i) any dividend or other distribution in cash or other property in connection with the liquidation or dissolution of the issuer of or in substitution of, or in exchange for, such Investment Property, or in connection with the redemption or payment of such Investment Property, or (ii) any stock certificates or other certificated Investment Property for Collateral with a value in excess of \$25,000 and all stock of its Subsidiaries, option or right, or otherwise, subject to the terms of the Intercreditor Agreement, the Companies agree to accept the same for the Collateral Agent and to deliver the same forthwith to the Collateral Agent or its designee, in the exact form received, with the Companies' endorsement or reassignment when necessary, to be held by the Collateral Agent as Collateral provided, however, that clause (i) shall apply only at the request of the Collateral Agent while an Event of Default exists.

3.6.2 Upon request of the Collateral Agent, the Companies shall (i) deliver all of such the Companies' Investment Property for Collateral with a value in excess of \$25,000 represented by certificates and all stock of its Subsidiaries, if any, to the Collateral Agent to hold pursuant to the terms of this Agreement, and (ii) after the occurrence and during the continuation of an Event of Default register in the name of the Collateral Agent or its designee any uncertificated Investment Property or the Collateral Agent's security interest therein on the books maintained by or on behalf of the issuer thereof or the depository therefor.

3.7 Commercial Tort Claims. As of the date hereof, each Company hereby represents and warrants that it holds no Commercial Tort Claims other than those listed in Schedule 3.7 hereto. If any Company shall at any time hold or acquire a Commercial Tort Claim, such Company shall immediately notify the Collateral Agent in writing signed by such Company of the brief details thereof. The requirements of the preceding sentence shall not apply to the extent that the amount of such Commercial Tort Claim, together with the amount of

all other Commercial Tort Claims held by the Companies in which the Collateral Agent does not have a security interest, does not exceed \$200,000 in the aggregate for all of the Companies.

3.8 Intellectual Property. If any Company shall at any time after the date hereof (i) obtain any rights to any additional Intellectual Property Collateral or (ii) become entitled to the benefit of any additional Intellectual Property Collateral or any renewal or extension thereof, including any reissue, division, continuation, or continuation-in-part of any Intellectual Property Collateral, or any improvement on any Intellectual Property Collateral, the provisions hereof shall automatically apply thereto and any such item enumerated in the preceding clause (i) or (ii) shall automatically constitute Intellectual Property Collateral as if such would have constituted Intellectual Property Collateral at the time of execution hereof and be subject to the Lien and security interest created by this Agreement without further action by any party; provided that the foregoing shall only occur if the grant of any such security interest would not constitute or result in (a) the abandonment, invalidation or unenforceability of any right, title or interest of any Company therein, or (b) a breach or termination pursuant to the terms of, or a default under, agreements granting any such rights. Each Company shall provide to the Collateral Agent written notice on an annual basis of any U.S. registered Intellectual Property Collateral and confirm the attachment of the Lien and security interest created by this Agreement to any rights described in clauses (i) and (ii) above by execution of an instrument in form reasonably acceptable to the Collateral Agent and the filing of any instruments or statements as shall be reasonably necessary to create, preserve, protect or perfect the Collateral Agent's security interest in such Intellectual Property Collateral.

#### SECTION 4. GRANT OF SECURITY INTEREST

To secure the payment and performance of the Obligations, the Companies hereby pledge, assign and transfer to the Collateral Agent, and grant to the Collateral Agent, a security interest in and to all of the Collateral, but only for so long as the Obligations are outstanding and subject to the terms of the Intercreditor Agreement and the Note Purchase Agreement. Following repayment in full of the Obligations, this Agreement shall terminate and the Collateral Agent shall release its security interest in the Collateral.

#### SECTION 5. GENERAL COVENANTS

The Companies covenant and agree that so long as any Obligations remain outstanding:

5.1 Information and Access. The Companies shall permit the Collateral Agent, through its authorized attorneys, accountants and representatives, to inspect and examine the Collateral and books, accounts, records, ledgers and assets of every kind and description of the Companies with respect thereto at all reasonable times and upon reasonable notice consistent with Section 5.3 of the Note Purchase Agreement. The Companies shall provide the Collateral Agent with such information, invoices and schedules as the Collateral Agent may from time to time reasonably require, all in form reasonably satisfactory to the Collateral Agent.

5.2 Continuing Assurances. The Companies shall at any time and from time to time upon request of the Collateral Agent, subject to the terms of the Intercreditor Agreement, execute and deliver to the Collateral Agent, in form and substance reasonably satisfactory to the Collateral Agent, such documents as the Collateral Agent shall deem necessary or desirable to perfect or maintain perfected the security interest of the Collateral Agent in the Collateral under, or which may be necessary to comply with, the provisions of the laws of the State of New York, or the law of any other jurisdiction or entity in which or with

which the Companies may then be conducting business or in which any of the Collateral may be located.

## SECTION 6. EVENTS OF DEFAULT AND ACCELERATION

6.1 Events of Default. The occurrence of an Event of Default or Events of Default under the Note Purchase Agreement shall constitute an "Event of Default" or "Events of Default" hereunder.

## SECTION 7. RIGHTS AND REMEDIES

The Collateral Agent shall have all of the rights and remedies enumerated herein after the occurrence of any Event of Default and so long as such Event of Default shall continue uncured or unwaived:

7.1 Power of Attorney. The Collateral Agent, and any officer or agent of the Collateral Agent, is hereby constituted and appointed as true and lawful attorney-in-fact of the Companies with power, to the maximum extent permitted by applicable law: (a) to notify or require the Companies to notify any and all account debtors or parties against which the Companies have a claim that the Accounts have been assigned to the Collateral Agent and/or that the Collateral Agent has a security interest therein and that all payments should be made to the Collateral Agent; (b) to endorse the name of the Companies upon any instruments of payment (including payments made under any policy of insurance) that may come into possession of the Collateral Agent in full or part payment of any amount owing to the Collateral Agent; (c) to sign and endorse the name of the Companies upon any invoice, freight or express bill, bill of lading, storage or warehouse receipt, drafts against account debtors or other obligors and to sign and endorse the name of the Companies on any assignments, verifications and notices in connection with Accounts, any instrument or document relating thereto or to rights of the Companies therein; (d) to notify the postal authorities to change the address for delivery of mail of the Companies to an address designated by the Collateral Agent and to receive, open and dispose of all mail addressed to the Companies; (e) to send requests for verifications to account debtors or other obligors; (f) to sell, assign, sue for, collect or compromise payment of all or any part of the Collateral in the name of the Companies or in its own name or make any other disposition of Collateral, or any part thereof, which disposition may be for cash, credit or any combination thereof, and the Collateral Agent may purchase all or any part of the Collateral at public or, if permitted by law, private sale, and in lieu of actual payment of such purchase price, may set-off the amount of such price against the Obligations; granting to the Collateral Agent, as the attorney-in-fact of the Companies, full power of substitution and full power to do any and all things necessary to be done in and about the premises as fully and effectually as the Companies might or could do but for this appointment, and hereby ratifying all that said attorney-in-fact shall lawfully do or cause to be done by virtue hereof. Neither the Collateral Agent nor its agents shall be liable for any acts or omissions or for any error of judgment or mistake of fact or law in its capacity as such attorney-in-fact, except as a result of its gross negligence or willful misconduct. This power of attorney is coupled with an interest and shall be irrevocable so long as any Obligations shall remain outstanding.

7.2 Collateral and Premises. The Collateral Agent shall have the right to enter and/or remain upon any of the premises of the Companies without any obligation to pay rent to the Companies or others, or any other place or places where any of the Collateral is located and kept and: (a) remove Collateral therefrom to the premises of the Collateral Agent or any agent of the Collateral Agent, for such time as the Collateral Agent may desire, in order

to maintain, collect, sell and/or liquidate the Collateral, or (b) use such premises, together with materials, supplies, books and records of the Companies, to maintain possession and/or the condition of the Collateral, and to prepare the Collateral for selling, liquidating or collecting. The Collateral Agent may require the Companies to assemble the Collateral and make it available to the Collateral Agent at a place to be designated by the Collateral Agent which is reasonably convenient to both parties.

7.3 Set-off. The Collateral Agent shall have the right to set-off any and all deposits or other sums at any time or times credited by or due from the Collateral Agent to the Companies, whether in a special account or other account or represented by a certificate of deposit (whether or not matured) which deposits and other sums shall at all times constitute additional security for the Obligations and may be set-off against all or any part of the Obligations at any time except the Collateral Agent shall have no right of set-off against accounts used solely for payment of payroll, employee benefits or withholding taxes.

7.4 Rights under Uniform Commercial Code. The Collateral Agent shall have, in addition to any other rights and remedies contained in this Agreement, the Note Purchase Agreement, the Notes, and any other agreements, guaranties, notes, instruments and documents heretofore, now or at any time or times hereafter executed by the Companies and delivered to the Collateral Agent in connection with the Note Purchase Agreement, all of the rights and remedies of a lender under the UCC, all of which rights and remedies shall be cumulative, and none exclusive, to the extent permitted by law.

7.5 Notice of Sale. Any notice required to be given by the Collateral Agent of a sale or other disposition or other intended action by the Collateral Agent with respect to any of the Collateral, or otherwise, made in accordance with the terms of this Agreement, at least ten (10) days prior to such proposed action, shall constitute fair and reasonable notice to the Companies of any such action. In the event that any of the Collateral is used in conjunction with any real estate, the sale of the Collateral in conjunction with and as one parcel with any such real estate of the Companies, shall be deemed to be a commercially reasonable manner of sale. The net proceeds realized by the Collateral Agent upon any such sale other disposition, after deduction of the expenses of retaking, holding, preparing for sale, selling or the like and reasonable attorneys' fees and any other expenses incurred by the Collateral Agent in connection with such sale or disposition, shall be applied toward satisfaction of the Obligations hereunder, subject to the Intercreditor Agreement. The Collateral Agent shall account to the Companies for any surplus realized upon such sale or other disposition and the Companies shall remain liable for any deficiency. The commencement of any action, legal or equitable, shall not affect the security interest of the Collateral Agent in the Collateral until the Obligations hereunder or any judgment therefor are fully paid.

7.6 Use and Operation of Collateral. To the extent permitted by law, the Collateral Agent shall have the right and power after the occurrence and during the continuation of an Event of Default and so long as such Event of Default continues hereunder to take possession of all or any part of the Collateral, and to exclude the Companies and all persons claiming under the Companies wholly or partly therefrom, and thereafter to hold, store, and/or use, operate, manage and control the same. Upon any such taking of possession, the Collateral Agent may, from time to time, at the expense of the Companies, make all such repairs, replacements, alterations, additions and improvements to and of the Collateral as the Collateral Agent may reasonably deem proper. In such case, the Collateral Agent shall have the right to manage and control the Collateral and to carry on the business and to exercise all rights and powers of the Companies in respect thereto as the Collateral Agent shall reasonably

deem best, including the right to enter into any and all such agreements with respect to the leasing and/or operation of the Collateral or any part thereof as the Collateral Agent may reasonably deem fit; and the Collateral Agent shall be entitled to collect and receive all rents, issues, profits, fees, revenues and other income of the same and every part thereof. Such rents, issues, profits, fees, revenues and other income shall be applied to pay the expenses of holding and operating the Collateral and of conducting the business thereof, and of all maintenance, repairs, replacements, alterations, additions and improvements, and to make all payments which the Collateral Agent may be required or may elect to make, if any, for taxes, assessments, insurance and other charges upon the Collateral or any part thereof, and all other payments which the Collateral Agent may be required or authorized to make under any provision of this Agreement (including legal costs and attorneys' fees). The remainder of such rents, issues, profits, fees, revenues and other income shall be applied to the payment of the Obligations in such order or priority as the Collateral Agent shall determine and, unless otherwise provided by law or by a court of competent jurisdiction, any surplus shall be paid over to the Companies.

## SECTION 8. GENERAL PROVISIONS

8.1 Absence of Waiver. The failure of the Collateral Agent at any time or times hereafter to require strict performance by the Companies of any of the provisions, warranties, terms and conditions contained in this Agreement or in any other agreement, guaranty, note, instrument or document now or at any time or times hereafter executed by the Companies and delivered to the Collateral Agent shall not waive, affect or diminish any right of the Collateral Agent at any time or times hereafter to demand strict performance thereof; and no rights of the Collateral Agent hereunder shall be deemed to have been waived by any act or knowledge of the Collateral Agent, its agents, officers or employees, unless such waiver is contained in an instrument in writing signed by an officer of the Collateral Agent and directed to the Companies specifying such waiver. No waiver by the Collateral Agent of any of its rights shall operate as a waiver of any other of its rights or any of its rights on a future occasion.

8.2 Notices. Except as otherwise specified herein or by notice, all notices, communications and demands hereunder shall be in writing and sent by certified mail, return receipt requested, or by overnight delivery service, with all charges prepaid, to the applicable party or parties at the addresses set forth below, or by facsimile transmission (including, without limitation, computer generated facsimile), promptly confirmed in writing sent by first class mail, to the facsimile numbers and addresses set forth below:

(a) If to the Companies, to: American Dryer Holdings, Inc.  
c/o Stonebridge Partners  
81 Main Street, 5<sup>th</sup> Floor  
White Plains, New York 10601  
Fax: (914) 682-0834  
Attn: Stephen A. Hanna

with a copy to: O'Melveny & Myers LLP  
7 Times Square  
New York, New York 10036  
Fax: (212) 326-2061  
Attn: Todd R. Triller, Esq.

(b) If to the Collateral Agent, to:

Wilmington Trust Company  
Rodney Square North  
110 North Market Street  
Wilmington, DE 19890  
Facsimile No.: 302-636-4145  
Attn: James A. Hanley

with a copy to:

Charles H. Jeanfreau  
Covington & Burling LLP  
The New York Times Building  
620 Eighth Avenue  
New York, NY 10018  
Facsimile No.: (646) 441-9186

or, as to each party, at such other address as shall be designated by such party in a written notice to other parties given in accordance with this Section at least three (3) Business Days in advance thereof. All such notices and correspondence shall be deemed given upon the earliest to occur of (i) actual receipt, (ii) if sent by certified mail, three (3) Business Days after being postmarked, (iii) if sent by facsimile, when receipt of such transmission is acknowledged.

8.3 Merger of Understandings. This Agreement contains the entire understanding between the parties hereto with respect to the Collateral and such understanding shall not be modified except in writing signed by or on behalf of the parties hereto.

8.4 Successors and Assigns. The provisions of this Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the Collateral Agent and the Companies, provided, however, the Companies may not assign any of their rights or delegate any of their obligations hereunder without the prior written consent of the Collateral Agent.

8.5 Interpretation. This Agreement is and shall be deemed to be a contract entered into and made pursuant to the laws of the State of New York, except with respect to the perfection of the security interests granted herein, and shall in all respects be governed, construed, applied and enforced in accordance with the laws of said State (including Section 5-1401 of the General Obligations of the State of New York), without resort to its conflict of laws rules. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument. The section and paragraph headings herein are included for convenience only and shall not be deemed to be a part of this Agreement.

8.6 Fees and Expenses. If prior hereto and/or at any time or times hereafter the Collateral Agent shall employ counsel in connection with the execution and consummation of the transactions contemplated by this Agreement or to commence, defend or intervene, file a petition, complaint, answer, motion or other pleadings, or to take any other action in or with respect to any suit or proceeding (bankruptcy or otherwise) relating to this Agreement, the Collateral or any other agreement, guaranty, note, instrument or document heretofore, now or at any time or times hereafter executed by the Companies and delivered to the Collateral Agent, or to protect, collect, lease, sell, take possession of or liquidate any of the Collateral, or to attempt to enforce any security interest in any of the Collateral, or to enforce any rights of the Collateral Agent hereunder, whether before or after the occurrence of any Event of Default, or



to collect any of the Obligations, then in any of such events, all of the reasonable attorneys' fees arising from such services, and any reasonable out of pocket expenses, costs and charge relating thereto, shall be part of the Obligations, payable on demand and secured by the Collateral.

#### SECTION 9. FILINGS

Each Company hereby irrevocably authorizes the Collateral Agent at any time and from time to time to file in any relevant jurisdiction any financing statements (including fixture filings) and amendments thereto that contain the information required by Article 9 of the Uniform Commercial Code of each applicable jurisdiction for the filing of any financing statement or amendment relating to the Collateral, including (i) whether such Company is an organization, the type of organization and any organizational identification number issued to such Company (to the extent such information is required for such financing statement), (ii) any financing or continuation statements or other documents without the signature of such Company where permitted by law, including the filing of a financing statement describing the Collateral as "all assets now owned or hereafter acquired by the Company or in which Company otherwise has rights" and (iii) in the case of a financing statement filed as a fixture filing or covering Collateral constituting minerals or the like to be extracted or timber to be cut, a sufficient description of the real property to which such Collateral relates. Each Company agrees to provide all information described in the immediately preceding sentence to the Collateral Agent promptly upon request by the Collateral Agent. Each Company hereby ratifies its authorization for the Collateral Agent to file in any relevant jurisdiction any financing statements relating to the Collateral if filed prior to the date hereof. Each Company hereby further authorizes the Collateral Agent to file filings with the United States Patent and Trademark Office or United States Copyright Office (or any successor office or any similar office in any other country), including this Agreement, or other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the security interest granted by such Company hereunder, without the signature of such Company, and naming such Company, as debtor, and the Collateral Agent, as secured party.

#### SECTION 10. JOINDER OF ADDITIONAL COMPANIES.

The Companies shall cause each Subsidiary of a Company which, from time to time, after the date hereof shall be required to pledge any assets to the Collateral Agent pursuant to the provisions of the Note Purchase Agreement, to execute and deliver to the Collateral Agent a joinder agreement in a form reasonably acceptable to the Collateral Agent and provide the Collateral Agent with the necessary information to supplement the schedules to this Security Agreement, in each case, within thirty (30) days of the date of which it was acquired or created and, upon such execution and delivery, such Subsidiary shall constitute a "Company" for all purposes hereunder with the same force and effect as if originally named as a Company herein. The execution and delivery of such joinder agreement shall not require the consent of any other Company hereunder. The rights and obligations of each Company hereunder shall remain in full force and effect notwithstanding the additional of any new Company as a party to this Agreement.

#### SECTION 11. WAIVER OF TRIAL BY JURY; PERSONAL SERVICE

IN THE EVENT THAT THE COLLATERAL AGENT BRINGS ANY ACTION OR PROCEEDING IN CONNECTION HEREWITH IN ANY COURT OF RECORD OF THE STATE OF NEW YORK OR ANY UNITED STATES COURT OF RECORD FOR ANY DISTRICT LOCATED IN SAID STATE, COMPANIES HEREBY IRREVOCABLY CONSENT TO AND CONFER PERSONAL

JURISDICTION OF SUCH COURT OVER THE COMPANIES BY SUCH COURT. THE COMPANIES AND THE COLLATERAL AGENT MUTUALLY HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM BASED HEREON, ARISING OUT OF, UNDER OR IN CONNECTION HEREWITH OR ANY OTHER TRANSACTION DOCUMENTS CONTEMPLATED TO BE EXECUTED IN CONNECTION WITH THIS AGREEMENT OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY, INCLUDING, WITHOUT LIMITATION, ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS OR ACTIONS OF THE COLLATERAL AGENT RELATING TO THE ADMINISTRATION OF THE NOTES OR ENFORCEMENT OF THE TRANSACTION DOCUMENTS, AND AGREE THAT NEITHER PARTY WILL SEEK TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. THIS WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR THE COLLATERAL AGENT TO ACCEPT THIS AGREEMENT.

#### SECTION 12. INTERCREDITOR AGREEMENT

Notwithstanding anything herein to the contrary, the Collateral Agent and each Company acknowledges that the Lien and security interest granted to the Collateral Agent pursuant to this Agreement and the other Security Documents and the exercise of any right or remedy by Collateral Agent thereunder and the obligations of the Companies under this Agreement and the other Security Documents are subject to the provisions of the Intercreditor Agreement. In the event of any conflict between the terms of the Intercreditor Agreement and the Security Documents, the terms of the Intercreditor Agreement shall govern and control.

IN WITNESS WHEREOF, the parties hereto, by their duly authorized representatives, have executed this Agreement on the date first above written.

COMPANIES:

Witness:

Carl A. Thur

AMERICAN DRYER ACQUISITION, INC.

By:

Steph A. Hanna  
Name: Stephen A. Hanna  
Its: Secretary + VP

Witness:

Carl A. Thur

AMERICAN DRYER CORPORATION

By:

Steph A. Hanna  
Name: Stephen A. Hanna  
Its: ~~Secretary~~ Authorized Signatory

Witness:

Carl A. Thur

AMERICAN DRYER HOLDINGS, INC.

By:

Steph A. Hanna  
Name: Stephen A. Hanna  
Its: Secretary + VP

Signature page to Security Agreement

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Witness:

\_\_\_\_\_

COLLATERAL AGENT:

WILMINGTON TRUST COMPANY

By: \_\_\_\_\_

Name:

Its:

  
**James A. Hanley**  
Assistant Vice President

*Signature page to Security Agreement*

**Schedule 1**

**American Dryer Holdings, Inc.**

Chief Places of Business:

American Dryer Holdings, Inc.  
c/o Stonebridge Partners  
81 Main Street, 5th Floor  
White Plains, New York 10601

Federal Tax Identification Numbers: 26-2929623

Other Places of Business: None.

State of Organization: Delaware

Other Names: None.

**American Dryer Acquisition, Inc.**

Chief Places of Business:

American Dryer Acquisition, Inc.  
c/o Stonebridge Partners  
81 Main Street, 5th Floor  
White Plains, New York 10601

Federal Tax Identification Numbers: 26-2929452

Other Places of Business: None.

State of Organization: Delaware

Other Names: None.

**American Dryer Corporation**

Chief Places of Business:

88 Currant Road  
Fall River, Massachusetts 02720

Federal Tax Identification Numbers: 04-2382700

Other Places of Business: 1190 Davol Street, Fall River, Massachusetts 02720 (warehouse space leased from Bear Brothers, LLC which lease to be terminated at closing. There are certain washers in this location which will be moved to 88 Current Road location in an orderly fashion after closing).

State of Organization: Massachusetts

Other Names: None.

**Schedule 3.7**

**Commercial Tort Claims**

None.