

TRADEMARK ASSIGNMENT

Electronic Version v1.1
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	Security Agreement dated 2/12/2010-Secured Parties subordinated any security interest that they may have in property of Debtor to the security interest of Silicon Valley Bank in accordance with a certain Subordination Agreement

CONVEYING PARTY DATA

Name	Formerly	Execution Date	Entity Type
Hi-G-Tek Inc.		02/12/2010	CORPORATION: DELAWARE

RECEIVING PARTY DATA

Name:	L Capital Partners SBIC, LP
Street Address:	10 East 53rd Street, 37th Floor
City:	New York
State/Country:	NEW YORK
Postal Code:	10022
Entity Type:	LIMITED PARTNERSHIP: DELAWARE

Name:	Battelle Ventures, L.P.
Street Address:	103 Carnegie Center, Suite 100
City:	Princeton
State/Country:	NEW JERSEY
Postal Code:	08540
Entity Type:	LIMITED PARTNERSHIP: DELAWARE

Name:	Innovation Valley Partners, L.P.
Street Address:	103 Carnegie Center, Suite 100
City:	Princeton
State/Country:	NEW JERSEY
Postal Code:	08540
Entity Type:	LIMITED PARTNERSHIP: DELAWARE

Name:	Mondem Holdings Company
Street Address:	9 Mitchell Grant Way
City:	Bedford
State/Country:	MASSACHUSETTS

TRADEMARK

900156530

REEL: 004163 FRAME: 0023

CH \$115.00 2384524

Postal Code:	01730
Entity Type:	CORPORATION: CANADA

Name:	Doug Maine
Street Address:	142 Sarles Street
City:	Bedford Corners
State/Country:	NEW YORK
Postal Code:	10549
Entity Type:	INDIVIDUAL: UNITED STATES

PROPERTY NUMBERS Total: 4

Property Type	Number	Word Mark
Registration Number:	2384524	HI-G-TAG
Registration Number:	2376471	HI-G-WAY
Registration Number:	2376472	HI-G-SEAL
Serial Number:	76227326	DATASEAL

CORRESPONDENCE DATA

Fax Number: (949)475-4754
Correspondence will be sent via US Mail when the fax attempt is unsuccessful.
Phone: 949-451-3800
Email: skann@gibsondunn.com
Correspondent Name: Stephanie S. Kann
Address Line 1: 3161 Michelson Drive
Address Line 2: Gibson, Dunn & Crutcher LLP
Address Line 4: Irvine, CALIFORNIA 92612

ATTORNEY DOCKET NUMBER:	56569-00007
NAME OF SUBMITTER:	Stephanie S. Kann
Signature:	/stephanie s. kann/
Date:	03/08/2010

Total Attachments: 35

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HI-G-TEK INC.

SECURITY AGREEMENT

THIS SECURITY AGREEMENT, dated as of February 12, 2010 ("*Agreement*"), is made among HI-G-TEK INC., a Delaware corporation ("*Grantor*"), the persons and entities named on the Schedule of Secured Parties attached hereto (individually a "*Secured Party*," and collectively the "*Secured Parties*"), and L Capital Partners SBIC, LP ("*L Capital*") and Battelle Ventures, L.P. ("*Battelle Ventures*," and collectively with L Capital, the "*Collateral Agent*").

RECITALS

A. Pursuant to that certain Secured Subordinated Convertible Note and Warrant Purchase Agreement, dated as of even date herewith (as the same may from time to time be amended, modified, supplemented or restated, the "*Purchase Agreement*"), by and between Grantor and the Secured Parties, the Secured Parties have committed to make certain advances of money and to extend certain financial accommodation to Grantor from time to time (collectively, the "*Loans*") which Loans will be evidenced by certain Secured Subordinated Convertible Promissory Notes (each, a "*Note*" and, collectively, the "*Notes*") made by Grantor payable to a Secured Party.

B. The Secured Parties are willing to commit to make the Loans to Grantor, but only upon the condition, among others, that Grantor shall have executed and delivered to the Secured Parties this Agreement.

AGREEMENT

NOW, THEREFORE, in order to induce the Secured Parties to commit to make the Loans and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, Grantor hereby represents, warrants, covenants and agrees as follows:

1. **DEFINED TERMS.** When used in this Agreement, the following terms shall have the following meanings (such meanings being equally applicable to both the singular and plural forms of the terms defined). All capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Purchase Agreement and in the Notes:

"*Collateral*" shall have the meaning assigned to such term in Section 2 of this Agreement.

"*Contracts*" mean all contracts (including any customer, vendor, supplier, service or maintenance contract), leases, licenses, undertakings, purchase orders, permits, franchise agreements or other agreements (other than any right evidenced by Chattel Paper, Documents or Instruments), whether in written or electronic form, in or under which Grantor now holds or hereafter acquires any right, title or interest, including, without limitation, with respect to an Account, any agreement relating to the terms of payment or the terms of performance thereof.

"*Copyright License*" means any agreement, whether in written or electronic form, in which Grantor now holds or hereafter acquires any interest, granting any right in or to any Copyright or Copyright registration (whether Grantor is the licensee or the licensor thereunder) including, without limitation, licenses pursuant to which Grantor has obtained the exclusive right to use a copyright owned by a third party.

"Copyrights" mean all of the following now owned or hereafter acquired or created (as a work for hire for the benefit of Grantor) by Grantor or in which Grantor now holds or hereafter acquires or receives any right or interest, in whole or in part: (a) all copyrights, whether registered or unregistered, held pursuant to the laws of the United States, any State thereof or any other country; (b) registrations, applications, recordings and proceedings in the United States Copyright Office or in any similar office or agency of the United States, any State thereof or any other country; (c) any continuations, renewals or extensions thereof; (d) any registrations to be issued in any pending applications, and shall include any right or interest in and to work protectable by any of the foregoing which are presently or in the future owned, created or authorized (as a work for hire for the benefit of Grantor) or acquired by Grantor, in whole or in part; (e) prior versions of works covered by copyright and all works based upon, derived from or incorporating such works; (f) income, royalties, damages, claims and payments now and hereafter due and/or payable with respect to copyrights, including, without limitation, damages, claims and recoveries for past, present or future infringement; (g) rights to sue for past, present and future infringements of any copyright; and (h) any other rights corresponding to any of the foregoing rights throughout the world.

"Intellectual Property" means any intellectual property, in any medium, of any kind or nature whatsoever, now or hereafter owned or acquired or received by Grantor or in which Grantor now holds or hereafter acquires or receives any right or interest, and shall include, in any event, any Copyright, Trademark, Patent, trade secret, customer list, internet domain name (including any right related to the registration thereof), proprietary or confidential information, mask work, source, object or other programming code, invention (whether or not patented or patentable), technical information, procedure, design, knowledge, know-how, software, data base, data, skill, expertise, recipe, experience, process, model, drawing, material or record.

"Investment" means any beneficial ownership interest in any Person (including any stock, partnership interest or other equity or debt securities issued by any Person), and any loan, advance or capital contribution to any Person.

"License" means any Copyright License, Patent License, Trademark License or other license of rights or interests, whether in-bound or out-bound, whether in written or electronic form, now or hereafter owned or acquired or received by Grantor or in which Grantor now holds or hereafter acquires or receives any right or interest, and shall include any renewals or extensions of any of the foregoing thereof.

"Lien" means any mortgage, lien (statutory or otherwise), deed of trust, charge, pledge, assignment, hypothecation, deposit arrangement, security interest or other encumbrance.

"Patent License" means any agreement, whether in written or electronic form, in which Grantor now holds or hereafter acquires any interest, granting any right with respect to any invention on which a Patent is in existence (whether Grantor is the licensee or the licensor thereunder).

"Patents" mean all of the following in which Grantor now holds or hereafter acquires any interest: (a) all letters patent of the United States or any other country, all registrations and recordings thereof and all applications for letters patent of the United States or any other country, including, without limitation, registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country; (b) all reissues, divisions, continuations, renewals, continuations-in-part or extensions thereof; (c) all petty patents, divisionals and patents of addition; (d) all patents to issue in any such applications; (e) income, royalties, damages, claims and payments now and hereafter due and/or payable with respect to patents, including, without limitation, damages, claims and recoveries for past, present or future infringement; and (f) rights to sue for past, present and future infringements of any patent.

"Permitted Distributions" mean (a) the conversion by Grantor of any of its convertible securities into other securities pursuant to the terms thereof, and payments in cash for any fractional shares of such convertible securities, and (b) any payments made on indebtedness permitted pursuant to this Agreement and the Purchase Agreement.

"Permitted Investments" mean (a) Investments (if any) shown on the Schedule A and existing on the date hereof, (b) marketable direct obligations issued or unconditionally guaranteed by the United States or its agency or any State maturing within 1 year from its acquisition, (c) commercial paper maturing no more than 1 year after its creation and having the highest rating from either Standard & Poor's Corporation or Moody's Investors Service, Inc., (d) bank certificates of deposit issued maturing no more than 1 year after issue, (e) investments consisting of (i) travel advances and employee relocation loans and other employee loans and advances in the ordinary course of business and (ii) to the extent in the ordinary course of business consistent with past practice, loans to employees relating to the purchase of equity securities of Grantor or its Subsidiaries pursuant to employee stock purchase plans agreements approved by the Grantor's Board of Directors in an aggregate amount not more than \$10,000 in any fiscal year, (f) investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with customers or suppliers arising in the ordinary course of Grantor's business, (g) investments consisting of prepaid royalties and other customary credit extensions to customers and suppliers who are not affiliates, in the ordinary course of business, and (h) investments pursuant to investment policy guidelines approved or adopted by the Grantor's Board of Directors.

"Permitted Liens" mean: (a) any Liens existing on the date of this Agreement and set forth on Schedule B attached hereto; (b) Liens for taxes, fees, assessments or other governmental charges or levies, either not delinquent or being contested in good faith by appropriate proceedings, provided the same have no priority over any of the Secured Parties' security interests; (c) Liens (i) upon or in any Equipment acquired or held by Grantor to secure the purchase price of such Equipment or indebtedness incurred solely for the purpose of financing the acquisition of such Equipment or (ii) existing on such Equipment at the time of its acquisition, provided that the Lien is confined solely to the Equipment so acquired, improvements thereon and the Proceeds of such Equipment; (d) leases or subleases and licenses or sublicenses granted to others in the ordinary course of Grantor's business if such are otherwise permitted under this Agreement; (e) any right, title or interest of a licensor under a license provided that such license or sublicense does not prohibit the grant of the security interest granted hereunder; (f) Liens arising from judgments, decrees or attachments to the extent and only so long as such judgment, decree or attachment has not caused or resulted in any Event of Default (as defined in the Notes); (g) easements, reservations, rights-of-way, restrictions, minor defects or irregularities in title and other similar Liens affecting real property not interfering in any material respect with the ordinary conduct of the business of Grantor; (h) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods; (i) Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of setoff or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; (j) Liens securing claims or demands of materialmen, artisans, mechanics, carriers, warehousemen, landlord and other like Persons arising in the ordinary course of Grantor's business and imposed without action of such parties; (k) Liens incurred in connection with the extension, renewal or refinancing of the indebtedness secured by Liens of the type described in clauses (a) and (j) above, provided that any extension, renewal or replacement Lien shall be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness being extended, renewed or refinanced does not increase; and (l) Liens in favor of the Secured Parties arising from or in connection with the Purchase Agreement.

"Person" means any person, corporation, partnership, limited liability company or other entity.

"**Secured Obligations**" mean (a) the obligation of Grantor to repay the Secured Parties all of the unpaid principal amount of, and accrued interest on (including any interest that accrues after the commencement of bankruptcy), the Loans, (b) the obligation of Grantor to pay any fees, costs and expenses of the Secured Parties under the Purchase Agreement, the Notes or under Section 6(c) hereof and (c) all other indebtedness, liabilities and obligations of Grantor to the Secured Parties, whether now existing or hereafter incurred, arising from or in connection with the Purchase Agreement or the Notes.

"**Subsidiary**" means any Person with respect to which Grantor owns or controls, either directly or indirectly, at least 50% of the outstanding voting securities, including each entity listed on Schedule 1 hereto.

"**Trademark License**" means any agreement, whether in written or electronic form, in which Grantor now holds or hereafter acquires any interest, granting any right in and to any Trademark or Trademark registration (whether Grantor is the licensee or the licensor thereunder).

"**Trademarks**" means any of the following in which Grantor now holds or hereafter acquires any interest: (a) any trademarks, tradenames, corporate names, company names, business names, trade styles, service marks, logos, other source or business identifiers, prints and labels on which any of the foregoing have appeared or appear, designs and general intangibles of like nature, now existing or hereafter adopted or acquired, all registrations and recordings thereof and any applications in connection therewith, including, without limitation, registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country (collectively, the "Marks"); (b) any reissues, extensions or renewals thereof; (c) the goodwill of the business symbolized by or associated with the Marks; (d) income, royalties, damages, claims and payments now and hereafter due and/or payable with respect to the Marks, including, without limitation, damages, claims and recoveries for past, present or future infringement; and (e) rights to sue for past, present and future infringements of the Marks.

"**UCC**" means the Uniform Commercial Code as the same may, from time to time, be in effect in the State of Delaware; provided, however, in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of the Secured Parties' security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of Delaware, the term "UCC" shall mean the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such attachment, perfection of priority and for purposes of definitions related to such provisions.

In addition, the following terms shall be defined terms having the meaning set forth for such terms in the UCC: "Account" (including health-care-insurance receivables), "Account Debtor", "Chattel Paper" (including tangible and electronic chattel paper), "Commercial Tort Claims", "Commodity Account", "Deposit Account", "Documents", "Equipment" (including all accessions and additions thereto), "Fixtures", "General Intangible" (including payment intangibles and software), "Instrument", "Inventory" (including all goods held for sale or lease or to be furnished under a contract of service, and including returns and repossessions), "Investment Property" (including securities and securities entitlements), "Letter-of-Credit Right" (whether or not the letter of credit is evidenced by a writing), "Payment Intangibles", "Proceeds", "Promissory Notes", "Securities Account", and "Supporting Obligations." Each of the foregoing defined terms shall include all of such items now owned, or hereafter acquired, by Grantor.

2. GRANT OF SECURITY INTEREST. As collateral security for the prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of all the Secured Obligations (other than inchoate indemnity obligations) and in order to induce the Secured Parties to cause the Loans to be made, Grantor hereby grants to the Secured Parties, a security interest (the "**Security**

Interest") in all of Grantor's right, title and interest in and to, and a Lien upon, the following assets, whether now owned or hereafter acquired, (all of which being collectively referred to herein as the "**Collateral**"):

- (a) All Accounts of Grantor;
- (b) All Chattel Paper of Grantor;
- (c) All Commercial Tort Claims of Grantor;
- (d) All Contracts of Grantor;
- (e) All Deposit Accounts of Grantor;
- (f) All Documents of Grantor;
- (g) All Equipment of Grantor;
- (h) All Fixtures of Grantor;
- (i) All General Intangibles of Grantor, including, without limitation, Payment Intangibles, all Copyrights, Patents, Trademarks, Licenses, designs, drawings, technical information, marketing plans, customer lists, trade secrets, proprietary or confidential information, inventions (whether or not patentable), procedures, know-how, models and data;
- (j) All Instruments of Grantor, including, without limitation, Promissory Notes;
- (k) All Inventory of Grantor;
- (l) All Investment Property of Grantor;
- (m) All Letter-of Credit Rights of Grantor;
- (n) All Supporting Obligations of Grantor;
- (o) All other goods and personal property of Grantor, wherever located, whether tangible or intangible, and whether now owned or hereafter acquired, existing, leased or consigned by or to Grantor; and
- (p) To the extent not otherwise included, all Proceeds of each of the foregoing and all accessions to, substitutions and replacements for and rents, profits and products of each of the foregoing.

Notwithstanding the foregoing provisions of this Section 2, the grant, assignment and transfer of a security interest as provided herein shall not extend to, and the term "**Collateral**" shall not include any Contract, Instrument or Chattel Paper in which Grantor has any right, title or interest if and to the extent such Contract, Instrument or Chattel Paper includes a provision containing a restriction on assignment such that the creation of a security interest in the right, title or interest of Grantor therein would be prohibited and would, in and of itself, cause or result in a default thereunder enabling another party to such Contract, Instrument or Chattel Paper to enforce any remedy with respect thereto; *provided* that the foregoing exclusion shall not apply if (i) such prohibition has been waived or such other person has otherwise consented to the creation hereunder of a security interest in such Contract, Instrument or Chattel Paper or (ii) such prohibition would

be rendered ineffective pursuant to Sections 9-406, 9-407 or 9-408 of the UCC, as applicable and as then in effect in any relevant jurisdiction, or any other applicable law (including the Bankruptcy Code) or principles of equity); *provided further* that immediately upon the ineffectiveness, lapse or termination of any such provision, the Collateral shall include, and Grantor shall be deemed to have granted a security interest in, all its rights, title and interests in and to such Contract, Instrument or Chattel Paper as if such provision had never been in effect; and *provided further that* the foregoing exclusion shall in no way be construed so as to limit, impair or otherwise affect the Secured Party's unconditional continuing security interest in and to all rights, title and interests of Grantor in or to any payment obligations or other rights to receive monies due or to become due under any such Contract, Instrument or Chattel Paper and in any such monies and other proceeds of such Contract, Instrument or Chattel Paper. Furthermore, the security interest granted in the Collateral shall not include more than 65% of the issued and outstanding voting capital stock of any Subsidiary that is incorporated or organized in a jurisdiction other than the United States or any state or territory thereof if to do so would cause the Grantor adverse tax consequences under Internal Revenue Code Section 956 (or any successor statute).

If Grantor shall at any time acquire a Commercial Tort Claim in an aggregate amount in excess of \$10,000, Grantor shall promptly notify the Collateral Agent in a writing signed by Grantor of the brief details thereof and grant to the Secured Parties in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to the Collateral Agent.

Secured Parties' security interest in the Collateral shall continue (i) until the termination of this Agreement pursuant to Section 11.2 hereof or (ii) upon a disposition of the Collateral otherwise permitted in this Agreement, whereupon such security interest shall terminate and the Secured Parties shall release their security interest in such Collateral and, at Grantor's sole cost and expense, execute such documents and take such further actions as may be reasonably necessary to effect the release contemplated hereunder, including, without limitation, duly executing and delivering termination statements for filing in all relevant jurisdictions under the UCC.

The Secured Parties hereby confirm that the Security Interest is subordinate to the security interest of Silicon Valley Bank securing the indebtedness of the Grantor arising under that certain Loan and Security Agreement between the Grantor and Silicon Valley Bank, as amended. Each Secured Party hereby confirms that it has executed and become a party to that certain Subordination Agreement, effecting the subordination of the Security Interest to the security interest of Silicon Valley Bank.

3. RIGHTS OF THE SECURED PARTIES; COLLECTION OF ACCOUNTS.

(a) Notwithstanding anything contained in this Agreement to the contrary, Grantor expressly agrees that it shall remain liable under each of its Contracts, Chattel Paper, Documents, Instruments and each of its Licenses to observe and perform all the conditions and obligations to be observed and performed by it thereunder and that it shall perform all of its duties and obligations thereunder, all in accordance with and pursuant to the terms and provisions of each such Contract, Chattel Paper, Document, Instrument or License. The Secured Parties shall not have any obligation or liability under any Contract, Chattel Paper, Document, Instrument or License by reason of or arising out of this Agreement or the granting to the Secured Parties of a Lien therein or the receipt by the Secured Parties of any payment relating to any Contract, Chattel Paper, Document, Instrument or License pursuant hereto, nor shall the Secured Parties be required or obligated in any manner to perform or fulfill any of the obligations of Grantor under or pursuant to any Contract, Chattel Paper, Document, Instrument or License, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it or the sufficiency of any performance by any party under any Contract, Chattel Paper, Document, Instrument or License, or to present or file any claim, or to take any action to collect or enforce any performance or the

payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

(b) The Secured Parties authorize Grantor to collect its Accounts, provided that such collection is performed in a prudent and businesslike manner, and the Collateral Agent may, upon the occurrence and during the continuation of any Event of Default and without notice, limit or terminate said authority at any time. Upon the occurrence and during the continuance of any Event of Default, at the request of the Collateral Agent, Grantor shall deliver all original and other documents evidencing and relating to the performance of labor or service which created such Accounts, including, without limitation, all original orders, invoices and shipping receipts.

(c) The Collateral Agent may at any time, upon the occurrence and during the continuance of any Event of Default, without notifying Grantor of its intention to do so, notify Account Debtors of Grantor, parties to the Contracts of Grantor, obligors in respect of Instruments of Grantor and obligors in respect of Chattel Paper of Grantor that the Accounts and the right, title and interest of Grantor in and under such Contracts, Instruments and Chattel Paper have been assigned to the Secured Parties and that payments shall be made directly to the Secured Parties as specified in such notice. Upon the request of the Collateral Agent, Grantor shall so notify such Account Debtors, parties to such Contracts, obligors in respect of such Instruments and obligors in respect of such Chattel Paper. Upon the occurrence and during the continuance of any Event of Default, the Collateral Agent may, in the respective names of the Secured Parties or in the name of others, communicate with such Account Debtors, parties to such Contracts, obligors in respect of such Instruments and obligors in respect of such Chattel Paper to verify with such parties, to the Collateral Agent's satisfaction, the existence, amount and terms of any such Accounts, Contracts, Instruments or Chattel Paper.

(d) Grantor hereby irrevocably appoints the Collateral Agent (and any of its designated officers or employees) as Grantor's true and lawful attorney to (a) dispose of the Collateral upon the occurrence and during the continuance of any Event of Default and (b) perfect and continue the perfection of the Secured Parties' security interests in the Collateral (including without limitation to modify, in its sole but reasonable discretion, any intellectual property security agreement given by Grantor in favor of the Secured Parties in order to reflect a change in Grantor's intellectual property).

4. REPRESENTATIONS AND WARRANTIES. Grantor hereby represents and warrants to the Secured Parties that:

(a) Grantor is the sole legal and equitable owner of each item of the Collateral in which it purports to grant a security interest hereunder, having good and marketable title thereto, free and clear of any and all Liens except for Permitted Liens.

(b) No effective security agreement, financing statement, equivalent security or lien instrument or continuation statement covering all or any part of the Collateral exists, except such as may have been filed by Grantor in favor of the Secured Parties pursuant to this Agreement except for Permitted Liens.

(c) This Agreement creates a legal and valid security interest on and in all of the Collateral in which Grantor now has rights. Upon the filing of a UCC-1 financing statement in the filing office of the Delaware Secretary of State, the Secured Parties have (or in the case of after-acquired Collateral, at the time Grantor acquires rights therein, will have) a valid and perfected security interest in the Collateral to the extent that a security interest in the Collateral can be perfected by filing a financing statement under the UCC.

(d) Grantor's chief executive office, principal place of business, and the place where Grantor maintains its records concerning the Collateral are presently located at the address set forth on the signature page hereof. The State (or if not a state, the other jurisdiction) under whose law such registered organization was organized is set forth on the signature page hereof. The Collateral is presently located at the addresses set forth on Schedule C.

(e) The name and address of each depository institution at which Grantor maintains any Deposit Account and the account number and account name of each such Deposit Account is listed on Schedule D attached hereto. The name and address of each securities intermediary or commodity intermediary at which Grantor maintains any Securities Account or Commodity Account and the account number and account name is listed on Schedule D attached hereto. Grantor agrees to amend Schedule D from time to time within five (5) business days after opening any additional Deposit Account, Securities Account or Commodity Account, or closing or changing the account name or number on any existing Deposit Account, Securities Account, or Commodity Account.

(f) Grantor is the sole holder of record and the sole beneficial owner of all certificated securities and uncertificated securities pledged to the Secured Parties by Grantor under Section 2 of this Agreement, free and clear of any adverse claim, as defined in Section 8-102(a)(1) of the UCC, except for the Lien created in favor of the Secured Parties by this Agreement and Permitted Liens.

(g) None of the Investment Property of Grantor has been transferred in violation of the securities registration, securities disclosure or similar laws of any jurisdiction to which such transfer may be subject.

(h) All Copyrights, Copyright Licenses, Patents, Patent Licenses, Trademarks and Trademark Licenses now owned, held or in which Grantor otherwise has any interest are listed on Schedule E attached hereto. Grantor shall amend Schedule E from time to time within twenty (20) business days after the filing of any application for a Patent, Trademark or Copyright or the issuance of any Patent or registration of any Trademark or Copyright to reflect any additions to or deletions from this list. Except as set forth on Schedule E, none of the Patents, Trademarks or Copyrights has been licensed to any third party.

5. COVENANTS. Grantor covenants and agrees with the Secured Parties that from and after the date of this Agreement and until the Secured Obligations (other than inchoate indemnity obligations) have been performed and paid in full:

5.1 Disposition of Collateral. Grantor shall not, without written consent from the Collateral Agent, sell, lease, transfer or otherwise dispose of any of the Collateral, or attempt or contract to do so, other than (a) the sale of Inventory, (b) the granting of non-exclusive Licenses, (c) the disposal of worn-out or obsolete Equipment, all in the ordinary course of Grantor's business, (d) the making of Permitted Distributions, (e) the making, after the date hereof, of Permitted Investments, and (f) sales, leases, transfers or other disposals not otherwise permitted in this Agreement, which in the aggregate do not exceed \$10,000 in any fiscal year.

5.2 Change of Jurisdiction of Organization, Relocation of Business or Collateral. Grantor shall not, without prompt written notice to the Collateral Agent, change its jurisdiction of organization or relocate its chief executive office or principal place of business to any address not previously provided to the Secured Parties pursuant to Section 4(d) above. Grantor shall not, without prompt written notice to the Collateral Agent, relocate its records, or allow the relocation of any Collateral (in an aggregate amount in excess of \$10,000 or as otherwise allowed pursuant to Section 5.1 immediately above) to any address not previously provided to the Secured Parties pursuant to Section 4(d) above.

5.3 Limitation on Liens on Collateral. Grantor shall not, without written consent from the Collateral Agent, directly or indirectly, create, permit or suffer to exist, and shall defend the Collateral against and take such other action as is necessary to remove, any Lien on the Collateral, except Permitted Liens.

5.4 Insurance. Grantor shall maintain insurance policies insuring the Collateral against loss or damage from such risks and in such amounts and forms and with such companies as are customarily maintained by businesses similar to Grantor, and such policies shall name the Secured Parties as additional insured and shall contain a lender loss payee endorsement and such other provisions as the Secured Parties may reasonably specify.

5.5 Taxes, Assessments, Etc. Grantor shall pay promptly when due, or timely file extensions for the payment of, all property and other taxes, assessments and government charges or levies imposed upon, and all claims (including claims for labor, materials and supplies) against, the Equipment, Fixtures or Inventory, except to the extent the validity thereof is being contested in good faith and adequate reserves are being maintained in connection therewith.

5.6 Maintenance of Records. Grantor shall keep and maintain at its own cost and expense satisfactory and complete records of the Collateral.

5.7 Registration of Intellectual Property Rights. The Grantor shall not register any Copyrights with the United States Copyright Office unless it (i) has given at least fifteen (15) days' prior notice to the Collateral Agent of its intent to register such Copyrights and has provided the Collateral Agent with a copy of the application it intends to file with the United States Copyright Office (excluding exhibits thereto), and (ii) executes a short-form security agreement or such other documents as the Collateral Agent may reasonably request in order to maintain the perfection and priority of the Secured Parties' security interest in the Copyrights proposed to be registered with the United States Copyright Office, and (iii) records such security documents with the United States Copyright Office contemporaneously with filing the Copyright application(s) with the United States Copyright Office. The Grantor shall promptly provide to the Collateral Agent a copy of the Copyright application(s) so filed with the United States Copyright Office, together with evidence of the recording of the security documents necessary for the Secured Parties to maintain the perfection and priority of their security interest in such Copyrights. The Grantor shall promptly, and in no event later than twenty (20) business days after filing thereof, provide the Collateral Agent with a copy of any applications for registration of Trademarks or Patents filed with the United States Patent and Trademark Office, and a duly executed short form security agreement or such other documents as requested by the Secured Parties for filing with the United States Patent and Trademark Office to maintain the perfection and priority of the security interest of the Secured Parties in such Trademarks or Patents.

5.8 Notification Regarding Changes in Intellectual Property. Grantor shall promptly advise the Collateral Agent of any subsequent ownership right or interest of the Grantor in or to any Copyright, Patent, Trademark or License not specified on Schedule E hereto and shall consent to the amendment of Schedule E, as necessary, to reflect any addition or deletion to such ownership rights.

5.9 Defense of Intellectual Property. Grantor shall (i) protect, defend and maintain the validity and enforceability of the Copyrights, Patents, Trademarks and other Intellectual Property, (ii) use its best efforts to detect infringements of the Copyrights, Patents, Trademarks and other Intellectual Property and promptly advise the Collateral Agent in writing of material infringements detected and (iii) not allow any Copyrights, Patents, Trademarks or other Intellectual Property Rights to be abandoned,

forfeited or dedicated to the public without the written consent of the Collateral Agent, unless reasonable business practice would determine that any such abandonment is appropriate.

5.10 Further Assurances; Pledge of Instruments. At any time and from time to time, upon the written request of the Collateral Agent, and at the sole expense of Grantor, Grantor shall promptly and duly execute and deliver any and all such further instruments and documents and take such further action as the Collateral Agent may reasonably deem necessary or desirable to obtain the full benefits of this Agreement, including, without limitation, (a) using its best efforts to secure all consents and approvals necessary or appropriate for the grant of a security interest to the Secured Parties in any Contract, License, Chattel Paper, Document or Instrument held by Grantor or in which Grantor has any right or interest not heretofore assigned, (b) executing, delivering and causing to be filed any financing or continuation statements under the UCC with respect to the security interests granted hereby, (c) filing or cooperating with the Secured Parties in filing any forms or other documents required to be recorded with the United States Patent and Trademark Office, United States Copyright Office, or any actions, filings, recordings or registrations in any foreign jurisdiction or under any international treaty, required to secure or protect the Secured Parties interest in Grantor's Collateral, (d) transferring Grantor's Collateral to a Secured Party's possession (if a security interest in such Collateral can be perfected by possession), (e) at the Collateral Agent's reasonable request, placing the interest of the Secured Parties as lienholder on the certificate of title (or similar evidence of ownership) of any vehicle, watercraft or other Equipment constituting Collateral owned by Grantor which is covered by a certificate of title (or similar evidence of ownership), (f) executing and delivering and causing the applicable depository institution, securities intermediary, commodity intermediary or issuer or nominated party under a letter of credit to execute and deliver a collateral control agreement with respect to each new Deposit Account, Securities Account or Commodity Account or Letter-of-Credit Right in or to which Grantor has any right or interest in order to perfect the security interest created hereunder in favor of the Secured Parties (including giving the Secured Parties "control" over such Collateral within the meaning of the applicable provisions of Article 8 and Article 9 of the UCC), (g) at the Collateral Agent's reasonable request, executing and delivering or causing to be delivered written notice to insurers of the Secured Parties' security interest in, or claim in or under, any policy of insurance (including unearned premiums) and (h) at the Collateral Agent's reasonable request, using its best efforts to obtain acknowledgments from bailees having possession of any Collateral and waivers of liens from landlords and mortgagees of any location where any of the Collateral may from time to time be stored or located. Grantor also hereby authorizes the Collateral Agent to file any such financing or continuation statement without the signature of Grantor. If any amount payable under or in connection with any of the Collateral is or shall become evidenced by any Instrument, such Instrument, other than checks and notes received in the ordinary course of business and any Instrument in the outstanding or stated amount of less than \$10,000, shall be duly endorsed in a manner reasonably satisfactory to the Collateral Agent and delivered to Collateral Agent promptly and in any event within five (5) business days of Grantor's receipt thereof.

6. RIGHTS AND REMEDIES UPON THE OCCURRENCE OF AN EVENT OF DEFAULT.

(a) After any Event of Default shall have occurred and while such Event of Default is continuing, the Collateral Agent may exercise in addition to all other rights and remedies granted to it under this Agreement or under the Purchase Agreement or any Note, all rights and remedies of a secured party under the UCC. Without limiting the generality of the foregoing, Grantor expressly agrees that in any such event the Collateral Agent, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon Grantor or any other Person (all and each of which demands, advertisements and notices are hereby expressly waived to the maximum extent permitted by the UCC and other applicable law), may (i) reclaim, take possession, recover, store, maintain, finish, repair, prepare for sale or lease, shop, advertise for sale or lease and sell or lease (in the manner provided herein) the Collateral, and in connection with the liquidation of the Collateral and collection of the accounts receivable pledged as Collateral, use any Patent, Trademark, Copyright,

Intellectual Property or process used or owned by Grantor, and in furtherance thereof, Grantor hereby grants to the Collateral Agent a world-wide, royalty free, irrevocable license to such Patents, Trademarks, Copyrights, Intellectual Property or other process used or owned by Grantor in connection with the exercise of remedies hereunder, including collection of any accounts receivable pledged as Collateral, and (ii) forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and may forthwith sell, lease, assign, give an option or options to purchase or sell or otherwise dispose of and deliver said Collateral (or contract to do so), or any part thereof, in one or more parcels at public or private sale or sales, at any exchange or broker's board or at the Collateral Agent's offices or elsewhere at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. To the extent Grantor has the right to do so, Grantor authorizes the Collateral Agent, on the terms set forth in this Section 6 to enter the premises where the Collateral is located, to take possession of the Collateral, or any part of it, and to pay, purchase, contract, or compromise any encumbrance, charge, or lien which, in the opinion of the Collateral Agent, appears to be prior or superior to the security interests granted hereunder. The Collateral Agent shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of said Collateral so sold, free of any right or equity of redemption, which equity of redemption Grantor hereby releases. Grantor further agrees, at the Collateral Agent's request, to assemble its Collateral and make it available to the Collateral Agent at places which the Collateral Agent shall reasonably select, whether at Grantor's premises or elsewhere. The Collateral Agent shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale as provided in Section 6(e), below, with Grantor remaining liable for any deficiency remaining unpaid after such application, and only after so paying over such net proceeds and after the payment by the Secured Parties of any other amount required by any provision of law, need the Secured Parties account for the surplus, if any, to Grantor. To the maximum extent permitted by applicable law, Grantor waives all claims, damages, and demands against the Collateral Agent and the Secured Parties arising out of the repossession, retention or sale of the Collateral. Grantor agrees that the Collateral Agent need not give more than ten (10) days' notice of the time and place of any public sale or of the time after which a private sale may take place and that such notice is reasonable notification of such matters. Grantor shall remain liable for any deficiency if the proceeds of any sale or disposition of the Collateral are insufficient to pay all amounts to which the Secured Parties are entitled from Grantor, Grantor also being liable for the reasonable attorneys' fees and costs of any attorneys employed by the Secured Parties to collect such deficiency.

(b) Grantor agrees that in any sale of any of such Collateral, whether at a foreclosure sale or otherwise, the Collateral Agent is hereby authorized to comply with any limitation or restriction in connection with such sale as it may be advised by counsel is necessary in order to avoid any violation of applicable law (including compliance with such procedures as may restrict the number of prospective bidders and purchasers, require that such prospective bidders and purchasers have certain qualifications and restrict such prospective bidders and purchasers to Persons who will represent and agree that they are purchasing for their own account for investment and not with a view to the distribution or resale of such Collateral), or in order to obtain any required approval of the sale or of the purchaser by any governmental authority, and Grantor further agrees that such compliance shall not result in such sale being considered or deemed not to have been made in a commercially reasonable manner, nor shall the Collateral Agent be liable nor accountable to Grantor for any discount allowed by the reason of the fact that such Collateral is sold in compliance with any such limitation or restriction.

(c) Grantor also agrees to pay all fees, costs and expenses of the Collateral Agent and the Secured Parties, including, without limitation, reasonable attorneys' fees, incurred in connection with the enforcement of any of the Collateral Agent's or the Secured Parties' rights and remedies hereunder.

(d) Grantor hereby waives presentment, demand, protest or any notice (to the maximum extent permitted by applicable law) of any kind in connection with this Agreement or any Collateral.

(e) The Proceeds of any sale, disposition or other realization upon all or any part of the Collateral shall be distributed by the Collateral Agent in the following order of priorities:

FIRST, to the Collateral Agent in an amount sufficient to pay in full the reasonable costs of the Collateral Agent in connection with such sale, disposition or other realization, including all fees, costs, expenses, liabilities and advances incurred or made by the Collateral Agent in connection therewith, including, without limitation, reasonable attorneys' fees;

SECOND, to the Secured Parties in an amount sufficient to pay in full the reasonable costs of the Secured Parties in connection with such sale, disposition or other realization, including all fees, costs, expenses, liabilities and advances incurred or made by the Secured Parties in connection therewith, including, without limitation, reasonable attorneys' fees;

THIRD, to the Secured Parties in an amount equal to the then unpaid Secured Obligations (other than inchoate indemnity obligations); and

FINALLY, upon payment in full of the Secured Obligations (other than inchoate indemnity obligations), to Grantor or its representatives, in accordance with the UCC or as a court of competent jurisdiction may direct.

7. INDEMNITY. Grantor agrees to defend, indemnify and hold harmless the Collateral Agent and each of the Secured Parties and their respective officers, employees, and agents (each an "*Indemnified Person*") against (a) all obligations, demands, claims, and liabilities claimed or asserted by any other Person in connection with the transactions contemplated by this Agreement and (b) all losses or expenses in any way suffered, incurred, or paid by the Collateral Agent and/or any Secured Party as a result of or in any way arising out of, following or consequential to transactions between the Collateral Agent, the Secured Parties and/or Grantor, whether under this Agreement or otherwise (including without limitation, reasonable attorneys fees and expenses), except for losses arising from or out of any Indemnified Person's gross negligence or willful misconduct.

8. LIMITATION ON THE COLLATERAL AGENT'S DUTY IN RESPECT OF COLLATERAL. The Collateral Agent shall be deemed to have acted reasonably in the custody, preservation and disposition of any of the Collateral if it takes such action as Grantor requests in writing, but failure of the Collateral Agent to comply with any such request shall not in itself be deemed a failure to act reasonably; and no failure of the Collateral Agent to do any act not so requested shall be deemed a failure to act reasonably.

9. REINSTATEMENT. This Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against Grantor for liquidation or reorganization, should Grantor become insolvent or make an assignment for the benefit of creditors or should a receiver or trustee be appointed for all or any significant part of Grantor's property and assets, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Secured Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Secured Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Secured Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

10. UNEQUAL PAYMENT BY GRANTOR. Each Secured Party agrees that if it shall, through the exercise of any right granted to the Secured Parties under the Purchase Agreement, any Note or by applicable law, including, but not limited to any right of set-off, any secured claim under Section 506 of the

Bankruptcy Code or any other security or interest arising from, or in lieu of such secured claim, and received by such Secured Party under any applicable bankruptcy, insolvency or other similar law, or otherwise, obtain payment in respect of its Loan(s) which is in excess of its respective pro rata share of payments on account of all of the Loans made by the Secured Parties, such Secured Party shall forthwith (a) notify the other Secured Parties of such fact, and (b) make such dispositions and arrangements with each other Secured Party with respect to such excess until the amount of such excess has been exhausted and as shall result in each Secured Party receiving in respect of the amounts due such Secured Party under this Agreement its ratable share of such payments. The term "Loan" as used in this paragraph shall include accrued interest thereon.

11. MISCELLANEOUS.

11.1 No Waiver; Cumulative Remedies.

(a) The Secured Parties shall not by any act, delay, omission or otherwise be deemed to have waived any of their respective rights or remedies hereunder, nor shall any single or partial exercise of any right or remedy hereunder on any one occasion preclude the further exercise thereof or the exercise of any other right or remedy.

(b) The rights and remedies hereunder provided are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights and remedies provided by law.

(c) None of the terms or provisions of this Agreement may be waived, altered, modified or amended except by an instrument in writing, duly executed by Grantor and the Required Purchasers.

11.2 Termination of this Agreement. Subject to Section 9 hereof, this Agreement shall terminate upon the earlier of (i) payment and performance in full of the Secured Obligations, and (ii) the conversion of the Notes into shares of the Company's Series B-3 Preferred Stock, *provided, however* that Grantor's obligations in Section 7 and the terms and provisions of Section 12 shall survive any termination of this Agreement.

11.3 Successor and Assigns. This Agreement and all obligations of Grantor hereunder shall be binding upon the successors and assigns of Grantor, and shall, together with the rights and remedies of the Secured Parties hereunder, inure to the benefit of the Secured Parties, any future holder of any of the Notes and their respective successors and assigns. Grantor may not assign this Agreement without the written consent of the Required Purchasers. Each of the Secured Parties may assign this Agreement and its rights hereunder at any time with the consent of the Required Purchasers and without the consent of the Grantor. No sales of participations, other sales, assignments, transfers or other dispositions of any agreement governing or instrument evidencing the Secured Obligations or any portion thereof or interest therein shall in any manner affect the Lien granted to the Secured Parties hereunder.

11.4 Governing Law; Jury Trial Waiver. This Agreement and all acts and transactions pursuant hereto shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to principles of conflicts of laws. The Grantor and each of the Secured Parties hereby irrevocably consent to the exclusive jurisdiction of any federal or state court located in the State of Delaware, and consent that all service of process be sent by nationally recognized overnight courier service directed to such party at such party's address set forth herein and service so made will be deemed to be completed on the business day after deposit with such courier. The Grantor and each of the Secured Parties acknowledge and agree that the venue provided above is the most convenient forum for the Grantor and each Secured Party. The Grantor and each Secured Party waive any objection to venue and any objection based on a more convenient forum in any action instituted under this Agreement. **THE GRANTOR AND**

THE SECURED PARTIES MUTUALLY HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY AND ALL RIGHTS THAT THEY MAY NOW OR HEREAFTER HAVE UNDER THE LAWS OF THE UNITED STATES OF AMERICA OR ANY STATE THEREOF TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM BASED HEREON, ARISING OUT OF, UNDER OR 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 OR ANY SECURED PARTY RELATING TO ENFORCEMENT OF THIS AGREEMENT. EXCEPT AS PROHIBITED BY APPLICABLE LAW, THE GRANTOR HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LITIGATION RELATING TO ENFORCEMENT OF THIS AGREEMENT ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR ANY DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES. THIS WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR THE SECURED PARTIES TO MAKE FUNDS AVAILABLE TO THE GRANTOR UNDER THE PURCHASE AGREEMENT.

11.5 Notices. Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient upon delivery, when delivered personally or by a nationally-recognized delivery service (such as Federal Express or UPS) or confirmed facsimile, or seventy-two (72) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and in all cases addressed to the party to be notified at such party's address or facsimile number as set forth on the signature pages hereto or as subsequently modified by written notice. If notice is given to the Maker, a copy (which shall not constitute notice) shall also be sent to Seyfarth Shaw LLP, 620 Eighth Avenue, New York, New York 10018-1405, Attention: Charles M. Modlin and if notice is given to any Secured Party or to the Collateral Agent, a copy (which shall not constitute notice) shall also be sent to (i) Gibson Dunn & Crutcher LLP, 200 Park Avenue, New York, NY 10166, Attn: Sean Griffiths, and (ii) McCarter & English, LLP, Four Gateway Center, 100 Mulberry Street, Newark, New Jersey 07102, Attn: David F. Broderick.

11.6 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument. This Agreement may be executed by facsimile signatures.

12. COLLATERAL AGENT.

12.1 Appointment. Each Secured Party hereby appoints L Capital and Battelle Ventures to collectively act as the Collateral Agent for the Secured Parties under this Agreement, to serve from the date hereof until the termination of this Agreement. Any action taken by the Collateral Agent shall require the written consent of both L Capital and Battelle Ventures. Notwithstanding anything to the contrary in this Agreement, the Collateral Agent may be removed or replaced with the written consent of the Required Purchasers.

12.2 Powers and Duties of Collateral Agent, Indemnity by Secured Parties. Each Secured Party hereby irrevocably authorizes the Collateral Agent to take such action and to exercise such powers hereunder as provided herein, including without limitation any action taken to enforce the security interest of Secured Parties in the Collateral (a "*Collateral Enforcement Action*") or as requested in writing by the Required Purchasers, together with such powers as are reasonably incidental thereto. The Collateral Agent may execute any of its duties hereunder by or through agents or employees and shall be entitled to request and act in reliance upon the advise of counsel concerning all matters pertaining to its duties

hereunder and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance therewith. Without the consent of the Collateral Agent no Secured Party shall enforce any rights in respect of the Collateral, whether under this Agreement or pursuant to the rights of a secured party under the UCC. The Collateral Agent shall have the right to resign as Collateral Agent with reasonable notice to the Secured Parties.

12.3 Indemnity of Collateral Agent. Neither the Collateral Agent nor any of its partners, directors, members, officers, agents, designees or employees (collectively, "*Indemnified Persons*") shall be liable or responsible to any Secured Party for any action taken or omitted to be taken by Collateral Agent or any other such Indemnified Persons hereunder or under any related agreement, instrument or document, nor shall any Indemnified Person be liable or responsible to the Secured Parties for (i) the validity, effectiveness, sufficiency, enforceability or enforcement of the Notes, this Agreement or any instrument or document delivered hereunder or relating hereto or thereto; (ii) the title of the Grantor to any of the Collateral or the freedom of any of the Collateral from any prior or other liens or security interests; (iii) the determination, verification or enforcement of the Grantor's compliance with any of the terms and conditions of this Agreement; (iv) the failure by the Grantor to deliver any instrument, agreement, financing statement or other document required to be delivered pursuant to the terms hereof; (v) the receipt, disbursement, waiver, extension or other handling of payments or proceeds made or received with respect to the Collateral, the servicing of the Collateral or the enforcement or the collection of any amounts owing with respect to the Collateral; or (vi) acts or omissions with respect to the exercise of any rights or remedies granted to the Collateral Agent hereunder, whether on its own behalf or on the behalf of the Secured Parties.

12.4 Collateral Agent Expenses. Each of the Secured Parties agrees to pay to the Collateral Agent, promptly on demand, its pro rata share (determined with respect to the principal amount of such Secured Party's Loan(s) compared to the aggregate principal amount of all Loans) of all fees, taxes and expenses incurred in connection with the operation and enforcement of this Agreement, the Notes or any related agreement or document. Each of the Secured Parties hereby agrees to hold the Collateral Agent harmless, and to indemnify the Indemnified Persons from and against any and all loss, damage, taxes, expense or liability which may be incurred by such Indemnified Persons under this Agreement and the transactions contemplated hereby and any related agreement or other instrument or document, as the case may be, unless such liability shall be caused by the willful misconduct or gross negligence of such Indemnified Persons.

12.5 No Reliance. Each Secured Party represents to the Collateral Agent that it has made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and credit worthiness of the Grantor, and made its own decision to enter into this Agreement and to extend credit to the Grantor independently based on such documents and information as it has deemed appropriate and without reliance upon the Collateral Agent or any of its partners, directors, members, officers, agents, designees or employees. Each Secured Party agrees that the Collateral Agent shall not have any duty or responsibility to provide any Secured Party with any credit or other information concerning the business, prospects, operations, property, financial and other condition or credit worthiness of the Grantor.

12.6 Material Inducement. The agreements, covenants, indemnities and other terms of this Section 12 constitute a material inducement for the Collateral Agent to act as Collateral Agent hereunder.

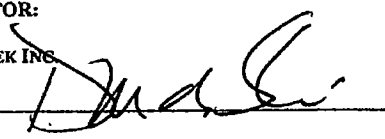
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IN WITNESS WHEREOF, the parties have executed this SECURITY AGREEMENT as of the date first written above.

GRANTOR:

HI-G-TEK INC

By: _____



Name: Donald deLaski

Title: Chief Executive Officer and President

Address: _____

Telephone: _____

Facsimile: _____

[Signature page to Security Agreement]

IN WITNESS WHEREOF, the parties have executed this SECURITY AGREEMENT as of the date first written above.

COLLATERAL AGENT:

L CAPITAL PARTNERS SBIC, LP

By: 

Name: JONATHAN LEITERSDORF

Title: PARTNER

Address: 10 East 53rd Street, 37th Floor
New York, NY 10022

BATTELLE VENTURES, L.P.

By: _____

Name: _____

Title: VICE

Address: 103 Carnegie Center, Suite 100
Princeton, NJ 08540

[Signature page to Security Agreement]

IN WITNESS WHEREOF, the parties have executed this SECURITY AGREEMENT as of the date first written above.

COLLATERAL AGENT:

L CAPITAL PARTNERS SBIC, LP

By: _____

Name: _____

Title: _____

Address: 10 East 53rd Street, 37th Floor
New York, NY 10022

BATTELLE VENTURES, L.P.

By: Ron Taylor-Smith

Name: RALPH E. TAYLOR-SMITH

Title: Ron Taylor-Smith

Address: 103 Carnegie Center, Suite 100
Princeton, NJ 08540

[Signature page to Security Agreement]

IN WITNESS WHEREOF, the parties have executed this SECURITY AGREEMENT as of the date first written above.

SECURED PARTIES:

L CAPITAL PARTNERS SBIC, LP

By: 

Name: JONATHAN LETTERISORE

Title: PARTNER

Address: 10 East 53rd Street, 37th Floor
New York, NY 10022

BATTELLE VENTURES, L.P.

By: _____

Name: _____

Title: _____

Address: 103 Carnegie Center, Suite 100
Princeton, NJ 08540

INNOVATION VALLEY PARTNERS, L.P.

By: _____

Name: _____

Title: _____

Address: 103 Carnegie Center, Suite 100
Princeton, NJ 08540

[Signature page to Security Agreement]

IN WITNESS WHEREOF, the parties have executed this SECURITY AGREEMENT as of the date first written above.

SECURED PARTIES:

L CAPITAL PARTNERS SBIC, LP

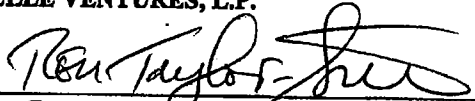
By: _____

Name: _____

Title: _____

Address: 10 East 53rd Street, 37th Floor
New York, NY 10022

BATTELLE VENTURES, L.P.


By: 

Name: RALPH E. TAYLOR-SMITH

Title: GENERAL PARTNER

Address: 103 Carnegie Center, Suite 100
Princeton, NJ 08540

INNOVATION VALLEY PARTNERS, L.P.

By: 

Name: RALPH E. TAYLOR-SMITH

Title: GENERAL PARTNER

Address: 103 Carnegie Center, Suite 100
Princeton, NJ 08540

[Signature page to Security Agreement]

IN WITNESS WHEREOF, the parties have executed this SECURITY AGREEMENT as of the date first written above.

SECURED PARTIES:

MONDEM HOLDINGS COMPANY

By: Joseph Katz

Name: Joseph Katz

Title: V. P.

Address: 9 Mitchell Grant Way
Bedford MA 01730

DOUG MAINE

Address:

[Signature page to Security Agreement]

IN WITNESS WHEREOF, the parties have executed this SECURITY AGREEMENT as of the date first written above.

SECURED PARTIES:

MONDEM HOLDINGS COMPANY

By: _____

Name: _____

Title: _____

Address: _____

DOUG MAINE

Doug L. Maine

Address:

[Signature page to Security Agreement]

SCHEDULE OF SECURED PARTIES

L Capital Partners SBIC, LP

Battelle Ventures, L.P.

Innovation Valley Partners, L.P.

Mondem Holdings Company

Doug Maine

SCHEDULE 1
SUBSIDIARIES

Hi-G-Tek Ltd., an Israeli company

NY1 26608218.2 / 57456-000005

TRADEMARK
REEL: 004163 FRAME: 0049

SCHEDULE A
PERMITTED INVESTMENTS

None.

NY1 26608218.2 / 57456-000005

TRADEMARK
REEL: 004163 FRAME: 0050

SCHEDULE B

LIENS EXISTING ON THE DATE OF THIS AGREEMENT

[REDACTED]

SCHEDULE C

LOCATIONS OF COLLATERAL

[REDACTED]

SCHEDULE D

LOCATION OF DEPOSIT ACCOUNT AND SECURITIES ACCOUNTS

[REDACTED]

SCHEDULE E
INTELLECTUAL PROPERTY

NY1 26608218.2 / 57456-000005

TRADEMARK
REEL: 004163 FRAME: 0054

INTELLECTUAL PROPERTY

Hi-G-Tek Patents

Patent Name	Description	Filed in:	PAT. #, App. #	Filing Date	Grant Date	Status
1 Changing indica in an elec tag when tamper with (UAS). Electronic Tag (IL). RF Tag (EU)	Electronic Tag with sealing indication, and Electronic seal.	Israel USA Europe	119509 6,002,343 98303590.8	28/10/99 11/3/97 14/12/99 7/5/98	18/5/00 14/12/99	Approved Approved Cancelled
2 Tag System	Electronic Filer sealed with elec. Tag and elec. Seal.	Israel USA	121250 6,078,258	7/7/97 7/7/98	1/5/00 20/6/00	Approved Approved
3 Anti Theft electronic Tag	Electronic Tag to secure valuable Pictures.	Israel USA Europe UK France Germany	124331 6,255,958 EP0955617B1 EP0955617	5/5/98 3/3/99 24/2/99	9/12/04 3/7/01 3/11/04	Approved Approved Approved Validated Abandoned Abandoned
4 Weapon Tag	A system to electronically tag Weapons.	Israel USA Europe	124362 6,226,913 EP0955618A2	7/5/98 5/5/99	8/5/01 08/05/01	Cancelled Approved Cancelled
5 Fueling System (see Note 2)	Automatic Refueling System with elec. Tags by RF.	Israel USA Europe Germany UK	123708 6,116,298 EP 0943 584 B1 69903871.5	17/3/98 3/3/99 24/2/99	1/2/04 12/9/00 13/11/02 13/11/02	Approved Approved Approved Validated Validated
6 Reserved	N/A	N/A	N/A	N/A	N/A	N/A
7 Electronic Monitoring Apparatus	An electronic Seal integrated with the carrying case or container.	Israel USA Europe	126008 6,281,793 B1 99202820.9	31/8/98 30/8/99 31/8/98	1/2/04 28/8/01	Approved Approved Pending
8 Elec. Filament netting	A secured net for sealing pallets.	Israel USA	126007 6,144,298	31/8/98 30/8/99	27/10/02 7/11/00	Approved Approved

NY1 26608218.2 / 57456-000005

Patent Name	Description	Filed in:	PAT. #, App. #	Filing Date	Grant Date	Status
9	Self locking seal (US) / Electronic Sack Seal (IL) An embedded electronic lock to lock the seal wire.	Europe Germany UK Israel USA H.K. Europe UK Germany France Spain Holland U.S.A	EP 0983 917B1 69902130.8 0983917 125644 6,243,005 HK 1025653 0978812	31/8/99 13/8/04 3/8/99 3/8/00 12/4/06 15/6/06 15/6/06 15/6/06 15/6/06 9/10/90	17/7/02 17/7/02 17/7/02 13/8/04 5/6/01 12/4/06	Approved Validated Validated Approved Approved Hold Approved Validation Validation Validation Validation Validation Approved
10	Electronic Security Device - (see Note 1) Electronic Seal.	U.S.A	5097253	9/10/90	17/3/92	Approved
11	Computerized Fluid Supply systems (US,IL) / Fluid Supply system with tank identification reader (EU) - (see Note 2) A modular way to mount a reader on a nozzle	Israel US Europe Germany UK	132858 6394150B1 1099664 60001207.7-08 1099664	9/11/99 10/11/00 10/11/00	7/10/03 28/5/02 15/1/03 15/1/03 15/1/03	Approved Approved Approved Validated Validated
12	Apparatus and methods for cellular communication Communication protocol on the high frequency link	U.S.A	6,960,999	28/4/2000	1/11/05	Approved
13	Seal System - (see Note 3) Bolt and Elec. Sealing	USA	6,069,563	4/3/97	30/5/00 03/05/00	Approved
14	Electronic Locking Combined bolt with sealing wire	USA	6,778,083 B2	27/8/02	17/8/04	Approved
15	Smart Container Monitoring System Combined RF with GPS & GSM Sys.	USA	6,753,775 B2	27/8/02	22/6/04	Approved
16	Tamper resist electronic Seal Combined bolt sealing wire & sensing	PCT USA Japan Korea	IL03/01051 7,042,354 B2 2004-558335 2005-7010699	Dec.02 11/12/02 13/6/05 10/6/05	9/5/06	Expired Approved Pending Pending

NY1 266082.18.2 / 57456-000005

Patent Name	Description	Filed in:	PAT. #, App. #	Filing Date	Grant Date	Status
		China Singapore Hong Kong	0380109679.8 200503762-7 06110102.8	11/8/05 10/6/05 12.9.06		Pending Approved Pending
17 Carrier for Elec. Container seal		Israel	137516	25/7/00		Pending
18 Electronic Padlock	Combined RF & sensing seal with padlock	Provisional		April 2004		Expired
19 Hi-G-Park wireless monitoring system	Combined car tag with signaling flag	Provisional		June 2004		Expired
20 Safe flow wireless	Monitoring of fluid tankers	Provisional		July 04		Expired
21 Electronic Locking Seal	Combined bolt with sealing wire. Expansion of the patent in line 14	PCT USA EU Korea China Japan Singapore Hong Kong	IL03/00677 Ap 10/526,102 037911559-2215 2005-7003245 03824695.3 2004-532637 200501130-9 06105338.1 67780	14/8/03 24/2/05 29/3/05 25/2/05 14/8/03 25/2/05 14/8/03 9/5/06		Expired Filed Pending Pending Pending Pending Pending Pending Pending
22 Smart Container Monitoring System	Combined RF with GPS & GSM Sys. Expansion of the patent in line 15	PCT USA EU Korea China Japan Singapore Hong Kong	IL03/00676 Ap 10/526,318 03791154.2-2215 2005-7003242 03824609.0 2004-532636 200501131-7 06105086.8	14/8/03 25/2/05 29/3/05 25/2/05 25/4/05 28/2/05 14/8/03 28/4/06		Filed Pending Pending Pending Pending Pending Approved Pending
23 Remotely Monitorable Elec. Locking Device	Remotely monitored seal for nets and sacks.	US Prov PCT USA Israel Singapore Japan EU India	60/624263 IL 2005/001144 11/666/978 182913 200703178-4 05802342.5 4240/DELNP/2007 4240/DELNP/2007	2/11/04 1/11/05 1/5/07 1/11/05 1/11/05 1/11/05 1/11/05 4/6/07		Filed Filed Pending Pending Pending Pending Pending Pending

NY1 26608218.2 / 57456-000005

Patent Name	Description	Filed in:	PAT. #, App. #	Filing Date	Grant Date	Status
		S Korea China	200580045695.4 Docketed, ready for examination	1/11/05 1/11/05 4/2/08		Pending Pending
24	Smart Container Monitoring System CIP of #22 - PCT IL03/00676	CIP PCT USA EU Israel India Singapore Japan Korea China	11/078,240 IL 2006/000224 11/908,208 185820 7793/delnp/2007 200706641-8 2008500335 1020077023236 200680015927.6	10/3/05 21/2/06 10/9/07 09/09/07 10/10/07 21/2/07 10/9/07 10/10/07 9/11/07		Pending Pending Pending Pending Pending Pending Filed Pending Pending
25	Monitorable Locking Assemblies	PCT USA Israel Singapore EU India	IL05/000357 10/593,553 178214 200606500-7 1735879 5444/delnp/2006 Docketed, ready for examination Docketed, ready for examination	8/8/07 20/09/06 30/3/05 27/12/06 19/09/06 08/08/07 12/07/06		Filed Pending Pending Pending Pending Pending
26	Tamper electronic Seal USA continuation of US SN 10/316978	USA	11/371,805	9/3/06		Filed
27	Remote Visual Incent. Sys	USA Prov		21/6/06		Abandoned
28	A Remotely Monitorable Closure Assembly	USA Prov IL PCT	60/874,028 IL 2007/001502	7/12/06 5/12/07		Filed Pending
29	Valve Cover Lock	USA Provi PCT ISR	60/959,342 IL2008/000955 Docketed, ready for examination	12/7/07 10/7/08 12/7/06		Filed Filed

NY1 26608218.2 / 57456-000005

Patent Name	Description	Filed in:	P.A.T. #, App. #	Filing Date	Grant Date	Status
30 Cable Monitoring Lock	A lock seal for truck sealing cable	USA Provi	62582 60/964,343 Docketed, ready for examination	12/7/07 9/8/07		Filed
31 Apparatus for Locking Gas Canisters	A mechanism to lock valve on the gas cylinder	USA Provi PCT	60/990,349 Docketed, ready for examination	27/11/07		Filed

[REDACTED]

Hi-G-Tek Trademarks

Trademark	Description	Filing Date	Filed in	PAT. #, App. #	Status	Hi-G Ref.	Trans to INC
1 HI-G-TAG		12/9/2000 4/11/1998	USA Israel	2,384,524 114104	Approved 30019		19/10/06
2 HI-G-WAY		15/8/2000 4/11/1998	USA Israel	2,376,471 114101	Approved 28302		19/10/06
3 HI-G-SEAL		15/8/2000 13/10/1998	USA Israel	2,376,472 114103	Approved 30020		19/10/06
4 Hi-G-Lock		13/10/1998	Israel	114102	Approved 28303		19/10/06
5 DATASEAL		6/10/2004	USA Canada	76/227,326 TMA621,972	Approved 51081		In process
					Approved 51082		

NY1 26608218.2 / 57456-000005