

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
Optelecom-NKF, Inc.		03/05/2010	CORPORATION: DELAWARE

RECEIVING PARTY DATA

Name:	Draka Holding N.V.
Street Address:	De Boelelaan 7
Internal Address:	P.O. Box 75979
City:	Amsterdam
State/Country:	NETHERLANDS
Postal Code:	1083 HJ
Entity Type:	CORPORATION: FLORIDA

PROPERTY NUMBERS Total: 1

Property Type	Number	Word Mark
Registration Number:	3396244	SIQURA

CORRESPONDENCE DATA

Fax Number: (202)408-3141
Correspondence will be sent via US Mail when the fax attempt is unsuccessful.
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 Email: jpaterso@cscinfo.com
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 Address Line 1: 1090 Vermont Avenue NW, Suite 430
 Address Line 2: Attn: Jean Paterson
 Address Line 4: Washington, DISTRICT OF COLUMBIA 20005

ATTORNEY DOCKET NUMBER: 316308

DOMESTIC REPRESENTATIVE

Name:
 Address Line 1:

900159061

**TRADEMARK
 REEL: 004181 FRAME: 0547**

CH \$40.00 3396244

Address Line 2:
Address Line 3:
Address Line 4:

NAME OF SUBMITTER:

Jean Paterson

Signature:

/jep/

Date:

04/07/2010

Total Attachments: 38

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SECURITY AGREEMENT

between

OPTELECOM-NKE, INC.

and

DRAKA HOLDING N.V.

dated as of March 5, 2010

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SECURITY AGREEMENT

This SECURITY AGREEMENT, dated as of March 5, 2010 (as amended, replaced, amended and restated, supplemented or otherwise modified from time to time in accordance with the provisions hereof, this "Agreement") made by and among OPTELECOM-NKF, INC. (f/k/a Optelecom, Inc.), a Delaware corporation (the "Grantor"), as grantor, pledgor, assignor and debtor, in favor of DRAKA HOLDING N.V., a public company with limited liability organized under the laws of The Netherlands, as pledgee, assignee and secured party (in such capacities and together with any successors in such capacities, the "Secured Party").

RECITALS:

WHEREAS, the Grantor and the Secured Party have, in connection with the execution and delivery of this Agreement, entered into that certain Amended and Restated Subordinated Promissory Note, dated as of March 5, 2010 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Promissory Note"), amending and restating in its entirety the terms and obligations of the Grantor under that certain Subordinated Note dated March 8, 2005, as amended by the First Amendment thereto dated as of June 25, 2008, by the Grantor to the Secured Party (the "Original Note").

WHEREAS, the Grantor will receive substantial direct and indirect benefits from the amendment and restatement of the Original Note.

WHEREAS, this Agreement is given by the Grantor in favor of the Secured Party to secure the payment and performance of all of the Secured Obligations (as defined herein).

WHEREAS, it is a condition to the agreement of the Secured Party to consent to the restatement of the Original Note that the Grantor execute and deliver this Agreement.

NOW THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor and the Secured Party hereby agree as follows:

Article I

DEFINITIONS AND INTERPRETATION

Section 1.01 Definitions.

(a) Unless otherwise defined herein or in the Promissory Note, capitalized terms used herein that are defined in the UCC (as defined herein) shall have the meanings assigned to them in the UCC, including the following that are capitalized herein:

"Accounts"; "Chattel Paper"; "Commercial Tort Claim"; "Documents"; "Electronic Chattel Paper"; "Entitlement Order"; "Equipment"; "Financial Asset"; "Fixtures"; "General Intangibles"; "Goods"; "Instruments"; "Inventory"; "Investment Property"; "Letter of Credit Rights"; "Letters of Credit"; "Money"; "Payment Intangibles"; "Proceeds"; "Records"; "Supporting Obligations"; and "Tangible Chattel Paper".

(b) Terms used but not otherwise defined herein that are defined in the Promissory Note shall have the meanings given to them in the Promissory Note.

(c) The following terms shall have the following meanings:

“Affiliate” shall mean with respect to (x) any Person that is an Entity, (a) any Subsidiary of such Person and (b) any other Person at the time directly or indirectly controlling, controlled by or under direct or indirect common control with, such Person, and (y) any Person who is an individual, (a) such Person’s spouse or members of his or her immediate family, (b) a trust for the benefit of such Person, such Person’s spouse or a member of his or her immediate family, or (c) a custodian, trustee, executor or other fiduciary for the account of such Person, such Person’s spouse or a member of his or her immediate family.

“Agreement” has the meaning set forth in the Preamble hereof.

“Claims” means any and all property and other taxes, assessments and special assessments, levies, fees and all governmental charges imposed upon or assessed against, and landlords’, carriers’, mechanics’, workmen’s, repairmen’s, laborers’, materialmen’s, suppliers’ and warehousemen’s Liens and other claims arising by operation of law against, all or any portion of the Pledged Collateral.

“Collateral Support” means all property assigned, hypothecated or otherwise securing any Pledged Collateral and shall include any security agreement or other agreement granting a Lien or security interest in such property.

“Contested Liens” means, collectively, any Liens incurred in respect of any Claims to the extent that the amounts owing in respect thereof are not yet delinquent or are being contested in good faith and with proper reserves established with respect thereto in accordance with generally accepted accounting principles in the United States, and otherwise comply with the provisions of Section 4.12 hereof; *provided, however*, that such Liens shall in all respects be subject and subordinate in priority to the Lien and security interest created by this Agreement, except if and to the extent that the law or regulation creating, permitting or authorizing such Lien provides that such Lien must be superior to the Lien and security interest created and evidenced hereby.

“Contracts” means, collectively, with respect to the Grantor, the Intellectual Property Licenses, all sale, service, performance, equipment or property lease contracts, agreements and grants and all other contracts, agreements or grants (in each case, whether written or oral, or third party or intercompany), between the Grantor and any third party, and all assignments, amendments, restatements, supplements, extensions, renewals, replacements or modifications thereof.

“Copyrights” means, collectively, with respect to the Grantor, all copyrights (whether statutory or common law, whether established or registered in the United States or any other country or any political subdivision thereof, whether registered or unregistered and whether published or unpublished) including those listed in Schedule 2 hereof, all tangible embodiments of the foregoing and all copyright registrations and applications made by the Grantor, in each case, whether now owned or hereafter created or acquired by or assigned to the Grantor, together with any and all (i) rights and privileges arising under applicable law and international treaties

and conventions with respect to the Grantor'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.

"Entity" means any corporation, limited liability company, general or limited partnership, trust or other legal person other than an individual.

"Grantor" has the meaning set forth in the Preamble hereof.

"Intellectual Property Collateral" means, collectively, the Patents, Trademarks (excluding only United States 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, under applicable federal law, the registrability of such applications or the validity or enforceability of registrations issuing from such applications), Copyrights, Trade Secrets, Intellectual Property Licenses and all other industrial, intangible and intellectual property of any type, including mask works and industrial designs.

"Intellectual Property Licenses" means, collectively, with respect to the Grantor, all license and distribution agreements with, and covenants not to sue, any other party with respect to any Patent, Trademark, Copyright or Trade Secret or any other patent, trademark, copyright or trade secret, whether the Grantor 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, Copyrights or Trade Secrets or any other patent, trademark, copyright or trade secret.

"Intellectual Property Security Agreement" means an agreement in form reasonably satisfactory to the Secured Party executed by the Grantor for the purpose of perfecting, confirming, continuing, enforcing or protecting the security interest in Intellectual Property granted by the Grantor hereunder.

"Material Adverse Effect" means a material adverse effect upon the Grantor's properties, assets, financial condition or results of operations or its prospects.

"Material Intellectual Property Collateral" means, with respect to the Grantor, at any time, Intellectual Property Collateral owned by or licensed to the Grantor that is necessary or otherwise material to the finances or conduct of the business of the Grantor and its Subsidiaries, taken as a whole.

"Note Documents" means this Agreement and the Promissory Note, and each instrument or agreement executed by the Grantor pursuant to this Agreement or the Promissory Note.

"Organizational Documents" means the certificate of incorporation and by-laws or any comparable organizational documents of any corporate entity (including limited liability companies and partnerships).

"Patents" means, collectively, with respect to the Grantor, all patents issued or assigned to, and all patent applications and registrations made by, the Grantor, including those listed in Schedule 2 hereof (whether issued, established or registered or recorded in the United States or any other country or any political subdivision thereof) and all tangible embodiments of the foregoing, together with any and all (i) rights and privileges arising under applicable law and international treaties and conventions with respect to the Grantor's use of any 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.

"Person" shall mean any natural individual or any Entity.

"Pledged Collateral" has the meaning set forth in Section 2.01 hereof.

"Pledged Debt" means, with respect to the Grantor, all indebtedness or obligations (including any intercompany notes) from time to time owed to the Grantor by any obligor, including the indebtedness described in Schedule 3 hereof and issued by the obligors named therein, and all interest, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such indebtedness and all certificates, instruments or agreements evidencing such indebtedness, and all assignments, amendments, restatements, supplements, extensions, renewals, replacements or modifications thereof to the extent permitted pursuant to the terms hereof.

"Receivables" means all (i) Accounts, (ii) Chattel Paper, (iii) Payment Intangibles, (iv) Instruments, (v) General Intangibles, and (vi) to the extent not otherwise covered above, all other rights to payment, whether or not earned by performance, for goods or other property sold, leased, licensed, assigned or otherwise disposed of, or services rendered or to be rendered, regardless of how classified under the UCC together with all of the Grantor's rights, if any, in any goods or other property giving rise to such right to payment and all Collateral Support and Supporting Obligations related thereto and all Records relating thereto.

"Related Parties" means, with respect to any Person, such Person's Affiliates and the directors, officers, employees, partners, agents and advisors of it and its Affiliates.

"Required Priority" means, with respect to any Lien purported to be created in any Pledged Collateral pursuant to this Agreement, such Lien is the most senior lien to which such Pledged Collateral is subject (subject only to Liens permitted under the Promissory Note and Section 8.05 hereof).

"Secured Obligations" means (a) obligations of the Grantor from time to time arising under the Promissory Note or otherwise with respect to the due and punctual payment of (i) the

principal of and premium, if any, and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding (“Postpetition Interest”)) on the Promissory Note, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise and (ii) all other monetary obligations, including fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of the Grantor under the Note Documents and (b) the due and punctual performance of all covenants, agreements, duties, debts, obligations and liabilities of the Grantor under or pursuant to the Note Documents.

“Secured Party” has the meaning set forth in the Preamble.

“Trade Secrets” means, collectively, with respect to the Grantor, all know-how, trade secrets, manufacturing and production processes and techniques, inventions, research and development information, technical, marketing, financial and business data and databases, pricing and cost information, business and marketing plans, customer and supplier lists and information, all other confidential and proprietary information and all tangible embodiments of the foregoing, together with any and all (i) rights and privileges arising under applicable law and international treaties and conventions with respect to such trade secrets, (ii) 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 misappropriations thereof, (iii) rights corresponding thereto throughout the world and (iv) rights to sue for past, present or future misappropriations thereof.

“Trademarks” means, collectively, with respect to the Grantor, all trademarks (including service marks), slogans, logos, symbols, certification marks, collective marks, trade dress, uniform resource locators (URL’s), domain names, corporate names and trade names, whether statutory or common law, whether registered or unregistered and whether established or registered in the United States or any other country or any political subdivision thereof, including those listed in Schedule 2 hereof, that are owned by or assigned to the Grantor, all registrations and applications for the foregoing and all tangible embodiments of the foregoing, together with, in each case, the goodwill symbolized thereby and any and all (i) rights and privileges arising under applicable law and international treaties and conventions with respect to the Grantor’s use of any 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.

“UCC” means the Uniform Commercial Code as in effect from time to time in the State of Delaware; *provided, however*, that if by reason of mandatory provisions of law, any or all of the perfection or priority of the Secured Party’s security interest in any item or portion of the Pledged Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of Delaware, the term “UCC” means the Uniform Commercial Code as in

effect on the date hereof 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.

Section 1.02 Interpretation. Unless the context of this Agreement otherwise requires: (a) words of any gender include each other gender; and words using the singular or plural form also include the plural or singular form, respectively; (b) references to a "person" include a reference to any individual, firm, corporation, company, limited liability company, voluntary association, partnership, joint venture, trust, authority, or any other entity, whether incorporated or unincorporated; and any reference to any person in any capacity includes a reference to its successors and assigns in such capacity to the extent such succession or assignment is permitted or not prohibited hereunder; (c) the terms "hereof", "herein", "hereby", "hereto" and similar words refer to this entire Agreement and not any particular Section or other subdivision of this Agreement; (d) the words "include" and "including" shall be deemed to be followed by "without limitation" or "but not limited to", whether or not they are followed by such phrases or words of like import; (e) references to any agreement or document (including this Agreement) shall be construed as a reference to such agreement or document as amended, modified or supplemented and in effect from time to time; (f) references to days shall refer to calendar days; and references to weeks, months or years shall be to calendar weeks, months or years, respectively, unless expressly specified otherwise; and (g) the headings contained in this Agreement are inserted for convenience of reference only and shall not affect the interpretation of this Agreement.

Section 1.03 Resolution of Drafting Ambiguities. The Grantor acknowledges and agrees that it was represented by counsel in connection with the execution and delivery hereof, that it and its counsel reviewed and participated in the preparation and negotiation hereof and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party (i.e., the Secured Party) shall not be employed in the interpretation hereof.

Section 1.04 Schedules. The Secured Party and the Grantor agree that the Schedules hereof and all descriptions of Pledged Collateral, schedules, amendments and supplements thereto are and shall at all times remain a part of this Agreement.

Article II

GRANT OF SECURITY INTEREST

Section 2.01 Grant of Security Interest. As collateral security for the payment and performance in full of all the Secured Obligations, the Grantor hereby pledges and grants to the Secured Party a Lien on and security interest in and to all of the right, title and interest of the Grantor in, to and under the following property, wherever located, and whether now existing or hereafter arising or acquired from time to time (collectively, the "Pledged Collateral"):

- (i) all Accounts;
- (ii) all Equipment, Goods, Inventory and Fixtures;
- (iii) all Documents, Instruments and Chattel Paper;
- (iv) all Letters of Credit and Letter of Credit Rights;

(v) all Investment Property (excluding, however, for the purposes of this Agreement only, any voting stock of any Subsidiary of the Grantor that is a controlled foreign corporation (as defined in Section 957 of the Internal Revenue Code (a "CFC")));

(vi) all Intellectual Property Collateral;

(vii) the Commercial Tort Claims described on Schedule 5 hereof, as supplemented by any written notification given by the Grantor to the Secured Party pursuant to Section 3.02(d) hereof;

(viii) all General Intangibles;

(ix) all Supporting Obligations;

(x) all books and records relating to the Pledged Collateral; and

(xi) to the extent not covered by clauses (i) through (x) of this sentence (but excluding in any event for the purposes of this Agreement any voting stock of any Subsidiary of the Grantor that is a CFC), all other assets, personal property and rights of the Grantor, whether tangible or intangible, all Proceeds and products of each of the foregoing and all accessions to, substitutions and replacements for, and rents, profits and products of, each of the foregoing, and any and all Proceeds of any insurance, indemnity, warranty or guaranty payable to the Grantor from time to time with respect to any of the foregoing.

Section 2.02 Filings.

(a) The Grantor hereby irrevocably authorizes the Secured Party 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 Pledged Collateral, including (i) whether the Grantor is an organization, the type of organization and any organizational identification number issued to the Grantor and (ii) any financing or continuation statements or other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the security interest granted by the Grantor hereunder, without the signature of the Grantor where permitted by law, including the filing of a financing statement describing the Pledged Collateral as "all assets now owned or hereafter acquired by the Grantor or in which the Grantor otherwise has rights". The Grantor agrees to provide all information described in the immediately preceding sentence to the Secured Party promptly upon request by the Secured Party.

(b) The Grantor hereby further authorizes the Secured Party to file with the United States Patent and Trademark Office and the United States Copyright Office (and any successor office and any similar office in any United States state or other country) this Agreement, an Intellectual Property Security Agreement and other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the security interest granted by the Grantor hereunder, without the signature of the Grantor where permitted by law, and naming the Grantor as debtor and the Secured Party as secured party.

(c) The Grantor hereby ratifies its authorization for the Secured Party to file in any relevant jurisdiction any initial financing statements or amendments thereto relating to the Pledged Collateral if filed prior to the date hereof.

Article III
PERFECTION AND FURTHER ASSURANCES

Section 3.01 Maintenance of Perfected Security Interest. The Grantor agrees that at its sole cost and expense, the Grantor will maintain the security interest created by this Agreement in the Pledged Collateral as a perfected Required Priority security interest.

Section 3.02 Other Actions for Perfection. In order to further insure the attachment, perfection and priority of, and the ability of the Secured Party to enforce, the Secured Party's security interest in the Pledged Collateral, the Grantor represents and warrants as follows and agrees, in each case at the Grantor's own expense, to take the following actions with respect to the following Pledged Collateral:

(a) **Instruments and Tangible Chattel Paper.** (i) As of the date hereof, no amounts payable to the Grantor under or in connection with any of the Pledged Collateral are evidenced by any Instrument or Tangible Chattel Paper other than Instruments and Tangible Chattel Paper listed on Schedule 4 hereof and (ii) each Instrument and each item of Tangible Chattel Paper listed on Schedule 4 hereof has been properly endorsed, assigned and delivered to the Banks to the extent required by the Optelecom Revolver and otherwise to the Secured Party, accompanied by instruments of transfer or assignment duly executed in blank. If any amount then payable under or in connection with any of the Pledged Collateral shall be evidenced by any Instrument or Tangible Chattel Paper, and subject to the prior rights of the Banks pursuant to the Intercreditor Agreement, the Grantor shall promptly (but in any event within five Business Days after receipt thereof by the Grantor) endorse, assign and deliver the same to the Secured Party, accompanied by such instruments of transfer or assignment duly executed in blank as the Secured Party may from time to time specify.

(b) **Electronic Chattel Paper and Transferable Records.** As of the date hereof, no amount under or in connection with any of the Pledged Collateral is evidenced by any Electronic Chattel Paper or any "transferable record" (as that term is defined in Section 201 of the Federal Electronic Signatures in Global and National Commerce Act, or in Section 16 of the Uniform Electronic Transactions Act as in effect in any relevant jurisdiction) other than such Electronic Chattel Paper and transferable records listed on Schedule 4 hereof. Subject in each case to the prior rights of the Banks pursuant to the Intercreditor Agreement, the Grantor will maintain all (i) Electronic Chattel Paper so that the Secured Party has control of the Electronic Chattel Paper in the manner specified in Section 9-105 of the UCC and (ii) all transferable records so that the Secured Party has control of the transferable records in the manner specified in Section 16 of the Uniform Electronic Transactions Act, as in effect in the jurisdiction governing such transferable record.

(c) **Letter-of-Credit Rights.** If the Grantor is at any time a beneficiary under a Letter of Credit now or hereafter issued in favor of the Grantor other than Letters of Credit representing amounts in the aggregate for the Grantor of more than \$100,000, the Grantor shall promptly

notify the Secured Party thereof and the Grantor shall maintain all letter-of-credit rights assigned to the Secured Party so that the Secured Party has control of the letter-of-credit rights in the manner specified in Section 9-107 of the UCC.

(d) **Commercial Tort Claims.** On the date hereof, the Grantor does not hold any Commercial Tort Claim which might reasonably result in awarded damages (less any and all legal and other expenses incurred or reasonably expected to be incurred by the Grantor) in excess of \$100,000 that is not listed on Schedule 5. The Grantor will promptly give notice to the Secured Party of any Commercial Tort Claim that is commenced in the future and will immediately execute or otherwise authenticate a supplement to this Agreement, and otherwise take all necessary action, to subject such Commercial Tort Claim to the Required Priority security interest created under this Agreement.

(e) **Landlord's Access Agreements/Bailee Letters.** The Grantor shall use its commercially reasonable efforts to obtain as soon as practicable after the date hereof, with respect to each location where the Grantor maintains Pledged Collateral, a bailee letter and/or landlord access agreement, as applicable, and use commercially reasonable efforts to obtain a bailee letter, landlord access agreement and/or landlord's lien waiver, as applicable, from all such bailees and landlords, as applicable, who from time to time have possession of Pledged Collateral in the ordinary course of the Grantor's business and if requested by the Secured Party. A bailee's letter shall not be required if the value of the Pledged Collateral held by such bailee at the relevant location is less than \$100,000. A landlord access agreement and/or landlord's lien waiver shall not be required if the value of the Pledged Collateral held at the relevant leased location is less than \$100,000.

Section 3.03 Further Assurances. The Grantor shall take such further actions, and execute and/or deliver to the Secured Party such additional financing statements, amendments, assignments, agreements, supplements, powers and instruments, as the Secured Party may in its judgment deem necessary or appropriate in order to perfect, preserve and protect the security interest in the Pledged Collateral as provided herein and the rights and interests granted to the Secured Party hereunder, and enable the Secured Party to exercise and enforce its rights, powers and remedies hereunder with respect to any Pledged Collateral, including the filing of any financing statements, continuation statements and other documents under the Uniform Commercial Code (or other similar laws) in effect in any jurisdiction with respect to the security interest created hereby, and the filing of an Intellectual Property Security Agreement and supplemental Intellectual Property Security Agreements with the United States Patent and Trademark Office and the United States Copyright Office, all in form satisfactory to the Secured Party and in such offices wherever required by law to perfect, continue and maintain a valid, enforceable, Required Priority security interest in the Pledged Collateral as provided herein and to preserve the other rights and interests granted to the Secured Party hereunder, as against third parties, with respect to the Pledged Collateral. Without limiting the generality of the foregoing, but subject to applicable law, the Grantor shall make, execute, endorse, acknowledge, file or refile and/or deliver to the Secured Party from time to time upon request by the Secured Party such lists, schedules, descriptions and designations of the Pledged Collateral, statements, copies of warehouse receipts, bills of lading, documents of title, vouchers, invoices, schedules, confirmatory assignments, supplements, additional security agreements, conveyances, financing statements, transfer endorsements, powers of attorney, certificates, reports and other assurances

or instruments as the Secured Party shall reasonably request. If an Event of Default has occurred and is continuing, the Secured Party may institute and maintain, in its own name or in the name of the Grantor, such suits and proceedings as the Secured Party may deem necessary or expedient to prevent any impairment of the security interest in or the perfection thereof in the Pledged Collateral. All of the foregoing shall be at the sole cost and expense of the Grantor.

Article IV
REPRESENTATIONS, WARRANTIES AND COVENANTS

The Grantor represents, warrants and covenants as follows:

Section 4.01 Note Document Representations.

(a) **Existence.** The Grantor (i) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation, (ii) is duly qualified as a foreign corporation or other organization and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification except to the extent that the failure to qualify in such jurisdiction would not reasonably be expected to have a Material Adverse Effect and (iii) is in compliance with all requirements of law applicable to it, except to the extent that the failure to comply therewith would not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) **Power and Authorization.** The Grantor has the power and authority, and the legal right, to own or lease and operate its property, and to carry on the business as now conducted and as proposed to be conducted, and to execute, deliver and perform under the Note Documents. The Grantor has taken all necessary organizational action to authorize the execution, delivery and performance of the Note Documents. No consent or authorization of, filing with, notice to or other act by, or in respect of, any Governmental Authority or any other Person is required in connection with the execution, delivery, performance, validity or enforceability of the Note Documents, except the filings necessary to perfect the Secured Party's Lien on the Pledged Collateral. Each Note Document has been duly executed and delivered by the Grantor.

(c) **Enforceability.** This Agreement and the Promissory Note each constitutes, and each other Note Document when delivered hereunder will constitute, a legal, valid and binding obligation of the Grantor, enforceable against the Grantor in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

(d) **No Contravention.** The execution, delivery and performance of the Note Documents will not violate any requirement of law applicable to or any contractual obligation of the Grantor and will not result in, or require, the creation or imposition of any Lien on any of its properties or assets pursuant to any requirement of law or any such contractual obligation (other than the Liens created by this Agreement). All loans and other extensions of credit owed by Grantor to Manufacturers and Traders Trust Company or any other entity that constitutes a

"Bank" under the Original Note have been paid in full and all commitments of Manufacturers and Traders Trust Company or such entity have been terminated.

(e) **No Litigation.** No action, suit, litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or threatened by or against the Grantor or against any of its property or assets (i) with respect to any of the Note Documents or any of the transactions contemplated hereby or thereby, or (ii) that would reasonably be expected to have a Material Adverse Effect.

Section 4.02 Ownership of Property and No Other Liens. The Grantor has good title to, or a valid leasehold interest in, all its Pledged Collateral, and none of such property is subject to any Lien except for the security interest granted to the Secured Party and Liens as permitted by the Promissory Note. No person other than the Secured Party and the Banks (subject to the terms of the Intercreditor Agreement) has control or possession of all or any part of the Pledged Collateral, except as permitted by this Agreement and the Promissory Note.

Section 4.03 Perfected Required Priority Security Interest. This Agreement is effective to create in favor of the Secured Party, a legal, valid and enforceable security interest in the Pledged Collateral and the proceeds thereof, with the Required Priority.

Section 4.04 No Transfer of Pledged Collateral. The Grantor shall not sell, offer to sell, convey, assign or otherwise transfer, or grant any option with respect to, any of the Pledged Collateral pledged by it hereunder or any interest therein except as permitted by the Promissory Note.

Section 4.05 Claims Against Pledged Collateral. The Grantor shall, at its own cost and expense, defend title to the Pledged Collateral pledged by it hereunder and the Required Priority security interest and Lien granted to the Secured Party with respect thereto against all claims and demands of all persons at any time claiming any interest therein adverse to the Secured Party other than Liens permitted under the Promissory Note. Except as expressly permitted by this Agreement or the Promissory Note, there is no agreement to which the Grantor is a party, order, judgment or decree, and the Grantor shall not enter into any agreement or take any other action, that would restrict the transferability of any of the Pledged Collateral or otherwise impair or conflict with the Grantor's obligations or the rights of the Secured Party hereunder.

Section 4.06 Other Financing Statements. The Grantor has not executed, filed, nor authorized any third party to file any financing statement or other instrument similar in effect covering all or any part of the Pledged Collateral or listing the Grantor as debtor in any recording office, except such as have been filed in favor of the Secured Party pursuant to this Agreement or as otherwise permitted under this Agreement or the Promissory Note. The Grantor will not execute, authorize or permit to be filed in any recording office any financing statement or other instrument similar in effect covering all or any part of the Pledged Collateral or listing the Grantor as debtor with respect to all or any part of the Pledged Collateral, except financing statements and other instruments filed in respect of Liens permitted under the Promissory Note.

Section 4.07 Changes in Name, Jurisdiction of Organization, Etc. On the date hereof, the Grantor's type of organization, jurisdiction of organization, legal name, Federal Taxpayer Identification Number, organizational identification number (if any) and chief executive office or principal place of business are indicated next to its name in Schedule 1 hereof. The Grantor shall not, except upon not less than 30 days' prior written notice (in the form of an officer's certificate), or such lesser notice period agreed to by the Secured Party, to the Secured Party, and delivery to the Secured Party of all additional financing statements, information and other documents reasonably requested by the Secured Party to maintain the validity, perfection and priority of the security interests provided for herein:

- (i) change its legal name, identity, type of organization or corporate structure;
- (ii) change the location of its chief executive office or its principal place of business;
- (iii) change its Federal Taxpayer Identification Number or organizational identification number (if any); or
- (iv) change its jurisdiction of organization (in each case, including by merging with or into any other entity, reorganizing, organizing, dissolving, liquidating, reincorporating or incorporating in any other jurisdiction).

The Grantor shall, prior to any change described in the preceding sentence, take all actions satisfactory to the Secured Party to maintain the perfection and priority of the security interest of the Secured Party in the Pledged Collateral intended to be granted hereunder. The Grantor agrees to provide promptly the Secured Party with certified Organizational Documents reflecting any of the changes described in this Section 4.07. The Grantor also agrees to notify promptly the Secured Party of any change in the location of any office in which it maintains books or records relating to Pledged Collateral owned by it or any office or facility at which Pledged Collateral is located (including the establishment of any such new office or facility).

Section 4.08 Location of Inventory and Equipment. On the date hereof, the Inventory and the Equipment (other than mobile goods and goods in transit) of the Grantor are kept at locations listed in Schedule 1 hereof. The Grantor shall not move any Equipment or Inventory to any location, other than any location that is listed in Schedule 1 hereof except upon not less than 30 days' prior written notice, or such lesser notice period agreed to by the Secured Party, to the Secured Party, of its intention so to do, clearly describing such new location and providing such other information and documents to the Secured Party reasonably requested by the Secured Party to maintain the validity, perfection and priority of the security interests provided for herein. The Grantor shall, prior to any change described in the preceding sentence, take all actions satisfactory to the Secured Party to maintain the perfection and priority of the security interest of the Secured Party in the Pledged Collateral.

Section 4.09 Pledged Debt. Schedule 3 sets forth a complete and accurate list of all Pledged Debt held by the Grantor as of the date hereof. All of the Pledged Debt described on Schedule 3 has been duly authorized, authenticated or issued, and delivered and is the legal, valid and binding obligation of the issuers thereof, enforceable in accordance with their respective

terms (subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law)) and is not in default. The Pledged Debt constitutes all of the issued and outstanding intercompany indebtedness owing to the Grantor and if evidenced by one or more the promissory notes, such notes have been delivered to the Banks to the extent required by the Optelecom Revolver and otherwise to the Secured Party.

Section 4.10 Approvals. In the event that the Secured Party desires to exercise any remedies, voting or consensual rights or attorney-in-fact powers set forth in this Agreement and determines it necessary to obtain any approvals or consents of any Governmental Authority or any other person therefor, then, upon the request of the Secured Party, the Grantor agrees to assist the Secured Party in obtaining as soon as practicable any necessary approvals or consents for the exercise of any such remedies, rights and powers.

Section 4.11 Insurance. In the event that the proceeds of any insurance claim are paid to the Grantor after the Secured Party has exercised its right to foreclose on all or any part of the Pledged Collateral during the existence of an Event of Default, such proceeds shall be held in trust for the benefit of the Secured Party and immediately after receipt thereof shall be paid to the Secured Party for application against amounts due to Secured Party under the Promissory Note (subject to the prior rights of the Banks pursuant to the Intercreditor Agreement).

Section 4.12 Compliance With Laws. The Grantor represents and warrants that all Claims imposed upon or assessed against the Pledged Collateral have been paid and discharged except to the extent such Claims constitute a Lien not yet due and payable which is a Lien permitted by the Note Documents. In the event the Grantor shall fail to make such payment contemplated in the immediately preceding sentence, the Secured Party may (following notice to the Grantor, to the extent practicable) do so for the account of the Grantor and the Grantor shall promptly reimburse and indemnify the Secured Party for all costs and expenses incurred by the Secured Party under this Section 4.12. The Grantor shall comply with all requirements of law applicable to the Pledged Collateral the failure to comply with which would reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect.

Section 4.13 Intellectual Property. The Grantor represents, warrants and covenants as follows, as to itself and the Intellectual Property Collateral: (i) Schedule 2 lists all patents and pending applications, registered trademarks and pending applications, registered domain names, registered copyrights and pending applications and material Intellectual Property Licenses owned by the Grantor; and (ii) the consummation and performance of this Agreement will not result in the invalidity, unenforceability or impairment of any such Intellectual Property Collateral, or in default or termination of any material Intellectual Property License.

Article V

INTELLECTUAL PROPERTY COLLATERAL

Section 5.01 Intellectual Property License. For the purpose of enabling the Secured Party, during the continuance of an Event of Default, to exercise rights and remedies under Article VII hereof at such time as the Secured Party shall be lawfully entitled to exercise such

rights and remedies, and for no other purpose, the Grantor hereby grants to the Secured Party, to the extent of the Grantor's rights and effective only during the continuance of an Event of Default, an irrevocable, non-exclusive license to use and sublicense any of the Intellectual Property Collateral then owned by or licensed to the Grantor. Such license shall include access to all devices, products and media in which any of the Intellectual Property Collateral is embodied, embedded, recorded or stored and to all computer programs used for the compilation or printout hereof.

Section 5.02 Dealing With Intellectual Property. On a continuing basis, the Grantor shall, at its sole cost and expense,

(i) promptly following its becoming aware thereof, notify the Secured Party of any adverse determination in any proceeding or the institution of any proceeding in any federal, state or local court or administrative body or in the United States Patent and Trademark Office or the United States Copyright Office regarding the Grantor's claim of ownership in or right to use any of the Material Intellectual Property Collateral, the Grantor's right to register such Intellectual Property Collateral or its right to keep and maintain such registration in full force and effect,

(ii) maintain and protect the Material Intellectual Property Collateral as presently used and operated,

(iii) not permit to lapse or become abandoned any Material Intellectual Property Collateral as presently used and operated, and not settle or compromise any pending or future litigation or administrative proceeding with respect to such Intellectual Property Collateral, in each case except as shall be consistent with commercially reasonable business judgment,

(iv) upon the Grantor obtaining knowledge thereof, promptly notify the Secured Party in writing of any event which may be reasonably expected to materially and adversely affect the value or utility of any of the Material Intellectual Property Collateral, the ability of the Grantor or the Secured Party to dispose of the Intellectual Property Collateral or any portion thereof or the rights and remedies of the Secured Party in relation thereto including a levy or threat of levy or any legal process against the Intellectual Property Collateral or any portion thereof,

(v) not license the Intellectual Property Collateral, other than licenses entered into by the Grantor in, or incidental to, the ordinary course of business as previously conducted, or amend or permit the amendment of any of the licenses in a manner that materially and adversely affects the right to receive payments thereunder, or in any manner that would materially impair the value of the Intellectual Property Collateral or the Lien on and security interest in the Intellectual Property Collateral created therein hereby, without the consent of the Secured Party;

(vi) diligently keep adequate records respecting its Material Intellectual Property Collateral; and

(vii) furnish to the Secured Party from time to time upon the Secured Party's reasonable request therefor reasonably detailed statements and amended schedules further identifying and describing the Intellectual Property Collateral and such other materials evidencing or reports pertaining to the Intellectual Property Collateral as the Secured Party may from time to time reasonably request.

Section 5.03 Additional Intellectual Property. If the Grantor 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 registration, 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 clause (i) or (ii) of this Section 5.03 with respect to the Grantor 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. The Grantor shall promptly (i) provide to the Secured Party written notice of any of the foregoing and (ii) confirm the attachment of the Lien and security interest created by this Agreement to any rights described in clauses (i) and (ii) of the immediately preceding sentence of this Section 5.03 by execution of an instrument in form reasonably acceptable to the Secured Party and the filing of any instruments or statements as shall be reasonably necessary to create, preserve, protect or perfect the Secured Party's security interest in such Intellectual Property Collateral, including by execution and filing of a supplemental Intellectual Property Security Agreement in accordance with Section 3.03 hereof. Further, the Grantor authorizes the Secured Party to modify this Agreement by amending Schedule 2 hereof to include any such Intellectual Property Collateral of the Grantor.

Article VI RECEIVABLES

Section 6.01 Dealing With Receivables. The Grantor shall keep and maintain at its own cost and expense complete records of each Receivable, including records of all payments received, all credits granted thereon, all merchandise returned and all other documentation relating thereto. The Grantor shall, at the Grantor's sole cost and expense, upon the Secured Party's demand made at any time after the occurrence and during the continuance of any Event of Default, deliver copies of all tangible evidence of Receivables, including copies of all documents evidencing Receivables and any books and records relating thereto to the Secured Party or to its representatives.

Section 6.02 Modification of Receivables. Other than in the ordinary course of business consistent with its past practice, the Grantor will not (i) grant any extension of the time of payment of any Receivable, (ii) compromise or settle any Receivable for less than the full amount thereof, (iii) release, wholly or partially, any Person liable for the payment of any Receivable, (iv) allow any credit or discount whatsoever on any Receivable or (v) amend, supplement or modify any Receivable in any manner that could adversely affect the value thereof.

Article VII
REMEDIES

Section 7.01 Remedies. If any Event of Default shall have occurred and be continuing:

(a) The Secured Party may exercise in respect of the Pledged Collateral, in addition to the other rights and remedies provided for herein or in any other Note Document or otherwise available to it, all the rights and remedies of a secured party upon default under the UCC (whether or not the UCC applies to the affected Pledged Collateral) and also may:

(i) require the Grantor to, and the Grantor hereby agrees that it will at its expense and upon request of the Secured Party immediately, assemble the Pledged Collateral or any part thereof, as directed by the Secured Party and make it available to the Secured Party at a place and time to be designated by the Secured Party;

(ii) without notice except as specified below, sell, assign or grant a license to use the Pledged Collateral or any part thereof, in one or more parcels at public or private sale, at any of the Secured Party's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Secured Party may deem commercially reasonable;

(iii) occupy any premises owned or leased by the Grantor where the Pledged Collateral or any part thereof is assembled or located for a reasonable period in order to effectuate its rights and remedies hereunder or under law, without obligation to the Grantor in respect of such occupation; and

(iv) exercise any and all rights and remedies of the Grantor under or in connection with the Pledged Collateral, or otherwise in respect of the Pledged Collateral, including without limitation, (A) any and all rights of the Grantor to demand or otherwise require payment of any amount under, or performance of any provision of, the Contracts, the Receivables and the other Pledged Collateral, (B) exercise all other rights and remedies with respect to the Receivables and the other Pledged Collateral, including without limitation, those set forth in Section 9-607 of the UCC and (D) exercise any and all voting, consensual and other rights with respect to any Pledged Collateral.

The Grantor agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to the Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. To the extent permitted by applicable law, the Grantor waives all claims, damages and demands it may acquire against the Secured Party arising out of the exercise by it of any rights hereunder. The Secured Party shall not be obligated to make any sale of Pledged Collateral regardless of notice of sale having been given. The Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefore, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) All payments received by the Grantor in respect of the Pledged Collateral shall be received in trust for the benefit of the Secured Party, shall be segregated from other funds of the

Grantor and shall be forthwith paid over the Secured Party in the same form as so received (with any necessary indorsement).

(c) Upon the written demand of the Secured Party, the Grantor shall execute and deliver to the Secured Party an assignment or assignments of any or all of the Intellectual Property Collateral and such other documents and take such other actions as are necessary or appropriate to carry out the intent and purposes hereof. Within five Business Days of written notice thereafter from the Secured Party, the Grantor shall make available to the Secured Party, to the extent within the Grantor's power and authority, such personnel in the Grantor's employ on the date of the Event of Default as the Secured Party may reasonably designate to permit the Grantor to continue, directly or indirectly, to produce, advertise and sell the products and services sold by the Grantor under the Intellectual Property Collateral, and (subject as aforesaid) such persons shall be available to perform their prior functions on the Secured Party's behalf.

Section 7.02 No Waiver and Cumulative Remedies.

(a) The Secured Party shall not by any act (except by a written instrument pursuant to Section 8.05), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Event of Default. No failure on the part of the Secured Party to exercise, no course of dealing with respect to, and no delay on the part of the Secured Party in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power, privilege or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power, privilege or remedy; nor shall the Secured Party be required to look first to, enforce or exhaust any other security, collateral or guaranties. All rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies provided by law.

(b) In the event that the Secured Party shall have instituted any proceeding to enforce any right, power, privilege or remedy under this Agreement or any other Note Document by foreclosure, sale, entry or otherwise, and such proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Secured Party, then and in every such case, the Grantor and the Secured Party shall be restored to their respective former positions and rights hereunder with respect to the Pledged Collateral, and all rights, remedies, privileges and powers of the Secured Party shall continue as if no such proceeding had been instituted.

Section 7.03 Application of Proceeds. Upon the exercise by the Secured Party of its remedies hereunder, any proceeds received by the Secured Party in respect of any realization upon any Pledged Collateral shall be applied, together with any other sums then held by the Secured Party pursuant to this Agreement, against the outstanding Secured Obligations owned to the Secured Party, subject to the prior rights of the Banks pursuant to the Intercreditor Agreement.

Article VIII
MISCELLANEOUS

Section 8.01 Performance By Secured Party. If the Grantor shall fail to perform any covenants contained in this Agreement after giving effect to all applicable grace periods (including covenants to pay insurance, taxes and claims arising by operation of law in respect of the Pledged Collateral and to pay or perform the Grantor obligations under any Pledged Collateral) or if any representation or warranty on the part of the Grantor contained herein shall be breached, the Secured Party may (but shall not be obligated to) during the existence of an Event of Default, do the same or cause it to be done or remedy any such breach, and may make payments for such purpose; *provided, however*, that the Secured Party shall in no event be bound to inquire into the validity of any tax, Lien, imposition or other obligation which the Grantor fails to pay or perform as and when required hereby. Any and all amounts so paid by the Secured Party shall be reimbursed by the Grantor promptly upon demand by the Secured Party. Neither the provisions of this Section 8.01 nor any action taken by the Secured Party pursuant to the provisions of this Section 8.01 shall prevent any such failure to observe any covenant contained in this Agreement nor any breach of representation or warranty from constituting an Event of Default.

Section 8.02 Power of Attorney. The Grantor hereby appoints the Secured Party its attorney-in-fact, with full power and authority in the place and stead of the Grantor and in the name of the Grantor, or otherwise, from time to time during the existence of an Event of Default in the Secured Party's discretion to take any action and to execute any instrument consistent with the terms of the Note Documents which the Secured Party may deem necessary or advisable to accomplish the purposes hereof (but the Secured Party shall not be obligated to and shall have no liability to the Grantor or any third party for failure to so do or take action). The foregoing grant of authority is a power of attorney coupled with an interest and such appointment shall be irrevocable for the term hereof. The Grantor hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof.

Section 8.03 Continuing Security Interest and Assignment. This Agreement shall create a continuing security interest in the Pledged Collateral and shall (i) be binding upon the Grantor, its respective successors and assigns and (ii) inure, together with the rights and remedies of the Secured Party hereunder, to the benefit of the Secured Party and each of their respective permitted successors, transferees and assigns and their respective officers, directors, employees, affiliates, agents, advisors and controlling persons; *provided that*, the Grantor shall not assign or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of the Secured Party and any attempted assignment or transfer without such consent shall be null and void.

Section 8.04 Termination and Release.

(a) At such time as the Secured Obligations then due and owing shall have been paid in full (other than contingent indemnification obligations in which no claim has been made or is reasonably foreseeable), the Pledged Collateral shall be released from the Liens created hereby, and this Agreement and all obligations (other than those expressly stated to survive such termination) of the Secured Party and the Grantor hereunder shall terminate, all without delivery

of any instrument or performance of any act by any party, and all rights to the Pledged Collateral shall revert to the Grantor. At the request and sole expense of the Grantor following any such termination, the Secured Party shall deliver to the Grantor any Pledged Collateral held by the Secured Party hereunder, and execute and deliver to the Grantor such documents as the Grantor shall reasonably request to evidence such termination.

(b) If any of the Pledged Collateral shall be sold, transferred or otherwise disposed of by the Grantor in a transaction permitted by the Note Documents, then the Lien created pursuant to this Agreement in such Pledged Collateral shall be released, and the Secured Party, at the request and sole expense of the Grantor, shall execute and deliver to the Grantor all releases and other documents reasonably necessary or desirable for the release of the Liens created hereby on such Pledged Collateral; *provided that* the Grantor shall provide to the Secured Party evidence of such transaction's compliance with the Note Documents as the Secured Party shall reasonably request.

Section 8.05 Priority of Liens; Rights of Secured Party Subject to Intercreditor Agreement. The Liens granted hereunder shall be subject and subordinate to the Liens securing the Senior Indebtedness as provided in the Intercreditor Agreement. Notwithstanding any provision to the contrary in this Agreement, all the rights of the Secured Party in respect of the Pledged Collateral (including, without limitation, the right of the Secured Party to collect and apply the proceeds of Pledged Collateral pursuant to Article VII) are subject and subordinate to the rights of the Banks pursuant to the Intercreditor Agreement.

Section 8.06 Modification in Writing. None of the terms or provisions of this Agreement may amended, modified, supplemented, terminated or waived, and no consent to any departure by the Grantor therefrom shall be effective, except by a written instrument signed by the Secured Party in accordance with the terms of the Note Documents. Any amendment, modification or supplement of or to any provision hereof, any waiver of any provision hereof and any consent to any departure by the Grantor from the terms of any provision hereof in each case shall be effective only in the specific instance and for the specific purpose for which made or given.

Section 8.07 Notices. Unless otherwise provided herein, any notice or other communication required or permitted to be given under this Agreement shall be in writing and shall be addressed and given in the manner and become effective as set forth in the Promissory Note .

Section 8.08 Indemnity and Expenses.

(a) The Grantor hereby agrees to indemnify and hold harmless the Secured Party and each Related Party of the Secured Party (each such Person being called an "Indemnitee") from any losses, damages, liabilities, claims and related expenses (including the fees and expenses of any counsel for any Indemnitee), and shall indemnify and hold harmless each Indemnitee from all fees, expenses and time charges for attorneys who are employees of any Indemnitee, incurred by any Indemnitee or asserted against any Indemnitee by any third party or by the Grantor arising out of, in connection with or resulting from this Agreement (including, without limitation, enforcement of this Agreement) or any failure of any Secured Obligations to be the legal, valid,

and binding obligations of the Grantor enforceable against the Grantor in accordance with their terms, whether brought by a third party or by the Grantor, and regardless of whether any Indemnitee is a party thereto, provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (i) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnitee or (ii) result from a claim brought by the Grantor against an Indemnitee for breach of such Indemnitee's obligations hereunder or under any Note Document, if the Grantor has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

(b) To the fullest extent permitted by applicable law, each party hereto hereby agrees not to assert, and hereby waives, any claim against the other party or any other Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Note Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby. No Indemnitee shall be liable for any damages arising from the use of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Note Documents or the transactions contemplated hereby or thereby by unintended recipients.

(c) The Grantor agrees to pay or reimburse the Secured Party for all its costs and expenses incurred in collecting against the Grantor its Secured Obligations following the occurrence of any Event of Default or otherwise enforcing or preserving any rights under this Agreement and the other Note Documents to which the Grantor is a party, including the reasonable fees and other charges of counsel to the Secured Party.

(d) All amounts due under this Section shall be payable promptly upon demand therefor.

(e) Without prejudice to the survival of any other agreement of the Grantor under this Agreement or any other Note Documents, the agreements and obligations of the Grantor contained in this Section shall survive the payment in full of the obligations and all other amounts payable under this Agreement.

Section 8.09 Governing Law, Consent to Jurisdiction and Waiver of Jury Trial. Sections 9(g), 9(i) and 9(j) of the Promissory Note are incorporated herein, mutatis mutandis, as if a part hereof.

Section 8.10 Severability of Provisions. Any provision hereof which is invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without invalidating the remaining provisions hereof or affecting the validity, legality or enforceability of such provision in any other jurisdiction.

Section 8.11 Counterparts; Integration; Effectiveness. This Agreement and any amendments, waivers, consents or supplements hereto may be executed in counterparts (and by

different parties hereto in different counterparts), each of which shall constitute an original, but all taken together shall constitute a single contract. This Agreement and the other Note Documents, and any separate letter agreements with respect to fees payable to the Secured Party, constitute the entire contract among the parties with respect to the subject matter hereof and supersede all previous agreements and understandings, oral or written, with respect thereto. This Agreement shall become effective when it shall have been executed by the Secured Party and when the Secured Party shall have received counterparts hereof that together bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page to this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 8.12 No Release. Nothing set forth in this Agreement or any other Note Document, nor the exercise by the Secured Party of any of the rights or remedies hereunder, shall relieve the Grantor from the performance of any term, covenant, condition or agreement on the Grantor's part to be performed or observed under or in respect of any of the Pledged Collateral or from any liability to any person under or in respect of any of the Pledged Collateral or shall impose any obligation on the Secured Party to perform or observe any such term, covenant, condition or agreement on the Grantor's part to be so performed or observed or shall impose any liability on the Secured Party for any act or omission on the part of the Grantor relating thereto or for any breach of any representation or warranty on the part of the Grantor contained in this Agreement or the other Note Documents, or under or in respect of the Pledged Collateral or made in connection herewith or therewith. Anything herein to the contrary notwithstanding, the Secured Party shall not have any obligation or liability under any contracts, agreements and other documents included in the Pledged Collateral by reason of this Agreement, nor shall the Secured Party be obligated to perform any of the obligations or duties of the Grantor thereunder or to take any action to collect or enforce any such contract, agreement or other document included in the Pledged Collateral hereunder. The obligations of the Grantor contained in this Section 8.12 shall survive the termination hereof and the discharge of the Grantor's other obligations under this Agreement and the other Note Documents.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Grantor and the Secured Party have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first set forth above.

The Grantor:

OPTELCOM-NKF, INC.

By: 

Name: DAVID B. PATTERSON

Title: PRESIDENT & CEO

The Secured Party:

DRAKA HOLDING N.V.

By: 

Name: Frank F. Dorjee

Title: CEO



DISCLOSURE SCHEDULES

SCHEDULE 1

Addresses

The following is the location of the Grantor's chief executive office:

Street Address:	12920 Cloverleaf Center Drive
City or Town:	Germantown
State and Zip Code:	Maryland, 20874
Country:	USA

SCHEDULE 2

Intellectual Property

PATENTS

TITLE OF PATENT	PATENT NO.	FILING DATE	ISSUE DATE
OPTICAL SENSOR MULTIPLEXING SYSTEM	7,221,815	06/10/2005	05/22/2007
FIBER OPTIC REMOTE READING ENCODER	7,166,833	10/07/2004	01/23/2007
FLUOROPOLYMER COATING OF LITHIUM NIOBATE INTEGRATED OPTICAL DEVICES	6,372,284	06/11/1998	04/16/2002
WEDGE SIDE PUMPING FOR FIBER LASER AT PLURALITY OF TURNS	5,923,694	07/02/1997	07/13/1999
STRAIN BASED OPTICAL FIBER SYSTEMS	5,719,971	3/26/1996	02/17/1998
STRAIN BASED OPTICAL FIBER DEVICES	5,682,445	03/26/1996	10/28/1997

LASER THERMAL CONTROL USING THERMOELECTRIC COOLER	5,602,860	04/19/1995	02/11/1997
FOCUSED ACOUSTIC WAVE FIBER OPTIC REFLECTION MODULATOR	5,502,782	01/09/1995	03/26/1996
METHOD OF MANUFACTURE OF QUADRUPLE-WOUND FIBER OPTIC SENSING COIL	5,351,900	10/21/1992	10/04/1994
SUBMINIATURE FIBER OPTIC SUBMARINE CABLE AND METHOD OF MAKING	5,230,033	11/01/1984	07/20/1993
METHOD OF MAKING A SPOOL WOUND WITH OPTICAL FIBER	5,129,593	09/21/1990	07/14/1992
METHOD AND APPARATUS FOR CONTROLLING OPTICAL FIBER PAYOUT FROM THE INSIDE OF A WOUND PACKAGE OF OPTICAL FIBER	5,100,078	05/09/1991	03/31/1992

OPTICAL CABLE PAYOFF SYSTEM	4,991,793	07/11/1990	02/12/1991
COMMUNICATION LINK WINDING AND DISPENSING PROJECTILE	4,903,607	08/02/1988	02/27/1990
RETROREFLECTIVE OPTICAL COMMUNICATION SYSTEM	4,777,660	04/10/1987	10/11/1988
PROCESS AND APPARATUS FOR MEASURING AND EVANESCENT FIELD IN AN OPTICAL FIBER	4,725,137	10/28/1983	02/16/1988
OPTICAL CABLE CONNECTOR ASSEMBLY INCLUDING BREAKABLE LINK AND PROCESS USING SAME	4,721,355	06/22/1984	01/26/1988
OPTICAL FIBER SWITCH AND METHOD OF MAKING SAME	4,699,457	09/03/1985	10/13/1987
FREQUENCY SHIFTED CAVITY FOR ELECTROMAGNETIC RADIATION	4,697,888	04/21/1982	10/06/1987

ARMORED OPTICAL FIBER CABLE	4,696,542	12/07/1984	09/29/1987
FIBER OPTIC RECEIVER HAVING A COMBINED BASELINE CLAMP AND AUTOMATIC GAIN CONTROL DETECTOR	4,688,268	01/11/1984	08/18/1987
FIBER OPTIC RECEIVER HAVING A METHOD AND AN APPARATUS FOR DATA CLOCK EXTRACTION	4,679,252	01/11/1984	07/07/1987
PROCESS OF TUNING A GRATED OPTICAL FIBER AND THE TUNED OPTICAL FIBER	4,636,031	10/28/1983	01/13/1987
OPTICAL FIBER SUBMARINE CABLE AND METHOD OF MAKING	4,606,604	05/16/1984	08/19/1986
RUGGEDIZED GRATED OPTICAL FIBER	4,593,969	10/28/1983	06/10/1986
ACOUSTICALLY CONTROLLED FREQUENCY SHIFTED CAVITY FOR ELECTROMAGNETIC	4,586,184	10/21/1983	04/29/1986

RADIATION			
FIBER OPTIC ENERGY SENSOR AND OPTICAL DEMODULATION SYSTEM AND METHODS OF MAKING SAME	4,568,408	01/23/1984	02/04/1986
ARMORED OPTICAL FIBER CABLE	4,523,804	08/17/1982	06/18/1985
ARMORED CABLE CONTAINING A HERMETICALLY SEALED TUBE INCORPORATING AN OPTICAL FIBER	4,522,464	08/17/1982	06/11/1985
OPTICAL FIBER COATING APPARATUS	4,505,223	10/28/1983	03/19/1985
HERMETICALLY SEALED OPTICAL FIBER	4,504,112	08/17/1982	03/12/1985
ETCHING FOUNTAIN	4,469,544	10/28/1993	09/04/1984

FIBER OPTIC ENERGY SENSOR AND DEMODULATION SYSTEM AND METHOD OF MAKING SAME	4,468,091	07/28/1982	08/28/1984
A TOOL FOR CLEANING THE EXPOSED END OF AN OPTICAL FIBER	4,459,746	03/03/1982	07/17/1984
FIBER OPTIC ENERGY SENSOR AND OPTICAL DEMODULATION SYSTEM AND METHODS OF MAKING SAME	4,360,272	03/20/1980	11/23/1982
APPLICATIONS OF DUAL FUNCTION ELECTRO-OPTIC TRANSDUCER IN OPTICAL SIGNAL TRANSMISSION	4,281,253	08/29/1978	07/28/1981
METHOD AND APPARATUS FOR RADIANT ENERGY MODULATION IN OPTICAL FIBERS	4,268,116	10/26/1979	05/19/1981
QUENCHING OF PHASE-MATCHED SURFACE WAVES (SUBSTRATE MODES) IN LINBO3 MODULATORS	20030048974 Appl. No. 09159100	09/23/1998	03/13/2003

TRADEMARKS

TRADEMARK	REGISTRATION NO.	DATE ISSUED	SERVICES
SIQURA	3,396,244	03/16/2006	<p>International Classes 37 – Construction and Repair: Installation for others of partial and/or turnkey systems, namely, Internet Protocol based video surveillance systems 42 – Scientific, Computer & Legal (Miscellaneous): Computer consulting services for others, namely, in the field of hardware and software; design services for others, namely, in the field of hardware and software.</p>

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None

SCHEDULE 3

Pledged (Intercompany) Debt

Promissory Note in principal amount of US\$15,000,000 dated June 27, 2008, issued by Optelecom-NKF Holding B.V. to Optelecom-NKF, Inc.

SCHEDULE 4

Instruments and Chattel Paper

None, except as disclosed in Schedule 3.

SCHEDULE 5

Commercial Tort Claims

None