

RECORD & TRA

06-18-1998

U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office

Tab settings

100742235

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):

SYSTEMS ENGINEERING & MANAGEMENT
COMPANY

- Individual(s)
- General Partnership
- Corporation-State DE
- Other
- Association
- Limited Partnership

Additional name(s) of conveying party(ies) attached? Yes No

3. Nature of conveyance:

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

Execution Date: FEBRUARY 2, 1998

2. Name and address of receiving party(ies)

Name: UNION BANK OF CALIFORNIA, N.A.

Internal Address:

Street Address: 1980 SATURN STREET, #V03-492

City: MONTEREY PARK State: CA ZIP: 91755

- Individual(s) citizenship
- Association
- General Partnership
- Limited Partnership
- Corporation-State CA
- Other

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No

(Designations must be a separate document from assignment)

Additional name(s) & address(es) attached? Yes No

4. Application number(s) or patent number(s):

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

2,044,762

2,044,762

Additional numbers attached? Yes No

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

Name: LINDA PEACOCK/CSC

Internal Address:

Street Address: 80 STATE STREET

6TH FLOOR

City: ALBANY State: NY ZIP: 12207

6. Total number of applications and registrations involved: 2

7. Total fee (37 CFR 3.41).....\$ 5.00

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number:

(Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

9. Statement and signature.

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

LINDA PEACOCK

Name of Person Signing

Linda Peacock

Signature

6-4-98

Date

Total number of pages including cover sheet, attachments, and document: 19

TRADEMARK
NAME: 0738

US PATENT & TRADEMARK OFFICE
1998 JUN - 8 11:09
TRADEMARK FEE PROCESS RECEIVED
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SECURITY AGREEMENT - TRADEMARKS

THIS SECURITY AGREEMENT - TRADEMARKS (this "Agreement") is dated as of February 2, 1998, and is made by and between **SYSTEMS ENGINEERING & MANAGEMENT COMPANY**, doing business in California as Delaware Systems Engineering & Management Company, a Delaware corporation ("Borrower"), and **UNION BANK OF CALIFORNIA, N.A.** ("Bank"), with reference to the following:

A. Borrower and Bank are entering into or have entered into the Loan Agreement (as hereinafter defined).

B. To induce Bank to grant and continue the extensions of credit to Borrower under the Loan Agreement, Borrower desires to pledge, grant, transfer and assign to Bank, for its benefit, a security interest in the Collateral (as hereinafter defined), as security for the Secured Obligations (as hereinafter defined).

NOW, THEREFORE, in consideration of the foregoing recitals, Borrower hereby warrants and represents to, and covenants and agrees with, Bank, as follows:

1. Definitions and Construction.

(a) Definitions. As used in this Agreement:

"Agreement" shall mean this Security Agreement - Trademarks, together with any and all additions, alterations, amendments, changes, extensions, modifications, renewals, substitutions, and supplements hereto or hereof.

"Associated Goodwill" shall mean the goodwill of Borrower's business enterprises symbolized by the Trademarks and associated therewith.

"Books and Records" shall mean all Borrower's books and records, including accounting journals and ledgers, deposit account statements, computer programs, disk or tape files, printouts and other computer-prepared information, which in each case summarizes, evidences, provides information concerning, or is used or useful in connection with, all or any part of the Collateral.

"Chief Executive Office" shall mean the place where Borrower is deemed located pursuant to the provisions of Section 9103(3)(d) of the Code.

"Code" shall mean the California Uniform Commercial Code, as amended from time to time.

"Collateral" shall mean:

(i) Each of the Trademarks and rights and interests in Trademarks which are presently, or in the future may be, owned, held (whether pursuant to a license or otherwise) or used by Borrower, in whole or in part, in conducting its business (including, without limitation, the Trademarks specifically identified in Schedule A attached hereto), and including all Trademark Rights with respect thereto and all federal, state, and foreign Registrations therefor heretofore granted or applied for, the right (but not the obligation) to register claims under any state or federal trademark law or regulation or any trademark law or regulation of any foreign country, and to apply for, renew and extend Trademarks, Registrations and Trademark Rights, the right (but not the obligation) to sue or bring opposition or cancellation proceedings in the name of Borrower or otherwise for past, present and future infringements of the Trademarks, Registrations, Trademark Rights and all rights (but not obligations) corresponding thereto in the United States and any foreign country, and the Associated Goodwill; provided, however, that the rights and interests included herein shall include, without limitation, rights and interests pursuant to licensing or other contracts in favor of Borrower, pertaining to Trademarks, Registrations, or Trademark Rights presently or in the future owned or used by third parties but, in the case of third parties that are not affiliates of Borrower, only to the extent permitted by such licensing or other contracts and, if not so permitted, only with the consent of such third parties;

(ii) All general intangibles (as defined in Division 9 of the Code) relating to the Collateral referred to in clause (i) above;

(iii) The following documents and things in Borrower's possession, or subject to its demand for possession, related to the production and sale by Borrower or any subsidiary of Borrower, licensee or subcontractor, of products sold by or under the authority of Borrower in connection with the Trademarks or Trademark Rights subsequent to the date hereof:

(A) all products specification documents and production and quality control manuals used in the manufacture of products sold under or in connection with the Trademarks or Trademark Rights;

(B) all documents that reveal the name and address of all sources of supply, and all terms of purchase and delivery, for all materials and components used in the production of products sold under or in connection with the Trademarks or Trademark Rights; and

(C) all documents constituting or concerning the then current or proposed advertising and promotion by Borrower or its subsidiaries or licensees of products sold under or in connection with the Trademarks or Trademark Rights, including, by way of example and not limitation, all documents that reveal the media used or to be used and the cost of all such advertising conducted within the described period or planned for such products; and

(iv) All Proceeds.

"Event of Default" shall have the meaning ascribed thereto in the Loan Agreement.

"Loan Agreement" shall mean that certain Amended and Restated Loan Agreement, dated February 2, 1998, between Bank and Borrower, together with any and all additions, alterations, amendments, changes, extensions, modifications, renewals, substitutions, and supplements thereto.

"Proceeds" shall mean all proceeds (including proceeds of proceeds) of the Collateral and in any event shall include, any and all (i) rights, benefits, distributions, premiums, profits, dividends, interest, cash, instruments, documents of title, accounts, contract rights, inventory, equipment, general intangibles, deposit accounts, chattel paper and other property from time to time received, receivable, or otherwise distributed in respect of or in exchange for, or as a replacement of or a substitution for, any of the Collateral, (ii) "proceeds" as that term is used in Division 9 of the Code, (iii) proceeds of any insurance, indemnity, warranty or guaranty (including guaranties of delivery) payable from time to time with respect to any of the Collateral, (iv) payments (in any form whatsoever) made or due and payable to Borrower from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral, and (v) other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Registrations" shall mean all registrations and applications which have heretofore been or may hereafter be issued on any Trademark or applied for in the United States, any state thereof, or in any foreign country.

"Secured Obligations" shall mean any and all obligations, indebtedness and liability of every kind and character, owed to Bank, whether arising directly or indirectly out of or in connection with the Loan Agreement, any note, instrument, or document executed in connection therewith, or otherwise, and any modifications, amendments, extensions, restatements or renewals of, supplements to, or substitutions or replacements for, any one or more of the foregoing, and, without limiting the generality of the foregoing, including the Obligations (as defined in the Loan Agreement) and all such obligations, indebtedness and liability, whether for principal, interest (including interest that, but for the filing of a petition in bankruptcy with respect to the affected person or entity, would have accrued on the Secured Obligations), reimbursement obligations, fees, costs, expenses, premiums, charges, attorneys' fees, indemnities, whether heretofore, now, or hereafter made, incurred or created whether voluntary or involuntary and however arising, whether secured or unsecured (and if secured, regardless of the nature or extent of the security), whether or not now due, whether absolute or contingent, liquidated or unliquidated, or determined or undetermined, whether Borrower may be liable individually or jointly with others, and

whether recovery may be or hereafter become barred by any statute of limitations or become otherwise unenforceable for any reason whatsoever, including without limitation any act or failure to act by Bank.

"Trademark Rights" shall mean all common law and other rights in and to Trademarks in the United States, any state thereof, and in foreign countries.

"Trademarks" shall mean rights or interests in various intangible assets, including trademarks, service marks, designs, logotypes, indicia, trade names, corporate names, company names, business names, fictitious business names, trade styles and/or other source and/or business identifiers pertaining thereto.

Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Loan Agreement.

(b) Construction.

(i) Unless the context of this Agreement clearly requires otherwise, the plural includes the singular, the singular includes the plural, the part includes the whole, "including" is not limiting, and "or" has the inclusive meaning of the phrase "and/or." The words "hereof," "herein," "hereby," "hereunder," and other similar terms in this Agreement refer to this Agreement as a whole and not exclusively to any particular provision of this Agreement.

(ii) Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against Bank or Borrower, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by each of the parties and their counsel and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto.

2. Grant of Security; Conditional Assignment.

(a) Grant. Borrower hereby pledges, grants, transfers and assigns to Bank for its benefit, a first priority security interest in all of Borrower's right, title and interest in and to the Collateral to secure the Secured Obligations.

(b) Conditional Assignment. In addition to, and not by way of limitation of, the pledge, grant, transfer and assignment of the Collateral set forth above, Borrower hereby, effective upon the occurrence of an Event of Default and during the continuation thereof, grants, sells, conveys, transfers, assigns and sets over to Bank for its benefit all of Borrower's right, title and interest in and to the Collateral, including, but not limited to, Borrower's right, title and interest in and to the Trademarks, Registrations, Trademark Rights, and Associated Goodwill identified in Schedule A hereto.

3. Secured Obligations. This Agreement secures, and the Collateral is collateral security for, the prompt payment and performance in full when due, whether at stated maturity, by acceleration or otherwise (including amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. §362(a)), of all Secured Obligations.

4. New Trademark Registrations and Applications. If, at any time, Borrower shall obtain rights to any new Trademarks, or become entitled to the benefit of any Trademark Registration or application or any reissue, division, continuation, renewal, extension, or continuation-in-part of any Trademark Registration, the provisions of this Agreement shall automatically apply thereto. With respect to all of the foregoing rights or benefits, Borrower shall give to Bank prompt notice in writing thereof.

5. Indemnification. Borrower hereby agrees to indemnify and hold harmless Bank from any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including attorneys' fees) of any kind whatsoever that may be imposed on, incurred by or asserted against Bank in connection with, or in any way arising out of, any such suits, proceedings or other actions whether that claim is made by Borrower or any other person, and for any damages and lost profits that may be awarded as a consequence of any such suits, proceedings or other actions, in which, with respect to all of the above, an allegation of the liability, strict or otherwise, of Borrower is or may be made by any person who alleges or may allege having suffered damages as a consequence of alleged improper, imprudent, reckless or negligent use, howsoever arising or by whomsoever caused, of any Trademark.

6. Inspection Rights. Borrower hereby grants to Bank and its employees, representatives and agents the right to visit, during normal business hours upon prior reasonable notice to Borrower, Borrower's and any of its subsidiaries' or subcontractors' plants and facilities that manufacture, inspect or store products (or that have done so during the prior six month period) that are sold under any of the Trademarks, Registrations or Trademark Rights, and to inspect the products and quality control records relating thereto upon reasonable notice to Borrower and as often as may be reasonably requested.

7. Trademark Applications and Litigation.

(a) Borrower hereby covenants and agrees to diligently, through present counsel, or other counsel reasonably acceptable to Bank, make federal application on any existing or future registerable but unregistered Trademarks and Registrations, to file and prosecute opposition and cancellation proceedings, to renew the Trademarks and Registrations and to do any and all acts that are reasonably necessary or desirable to preserve and maintain all rights in all Trademarks and Registrations. Any expenses incurred in connection therewith shall be borne solely by

Borrower. Borrower may abandon any Trademark or Registration only if Borrower shall have obtained the prior written consent of Bank.

(b) Except as provided in Subsection (c) of this Section and notwithstanding Section 2 hereof, Borrower shall have the right to commence and prosecute in its own name, as the party in interest, for its own behalf and at its own expense, such suits, proceedings or other actions for infringement, unfair competition, dilution or other damage as are in its reasonable business judgment necessary to protect the Trademarks, the Registrations, the Trademark Rights, or the Associated Goodwill. Borrower shall promptly notify Bank in writing as to the commencement and prosecution of any such actions relating to Trademarks, Registrations, Trademark Rights and Associated Goodwill and shall provide Bank such information with respect thereto as may be reasonably requested. Bank shall provide all reasonable and necessary cooperation in connection with any such suit, proceeding or action, including, without limitation, joining as a necessary party. Borrower shall indemnify and hold harmless Bank from any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (including attorneys' fees) of any kind whatsoever that may be imposed on, incurred by or asserted against Bank in connection with or in any way arising out of such suits, proceedings or other actions.

(c) Upon the occurrence and during the continuation of an Event of Default, Bank shall have the right but shall in no way be obligated to bring suit in the name of Borrower or Bank to enforce the Trademarks, Registrations or Trademark Rights or any license thereunder. In the event of such suit, Borrower shall at the request of Bank do any and all lawful acts and execute any and all documents deemed necessary or desirable by Bank in aid of such enforcement and Borrowers shall promptly, upon demand, reimburse and indemnify Bank for all costs and expenses incurred by Bank in the exercise of its rights under this Subsection (c). If Bank shall elect not to bring suit to enforce the Trademarks, Registrations and Trademark Rights or any license thereunder, Borrower agrees to use all reasonable measures, whether by action, suit, proceeding or otherwise, to prevent the infringement of any of the Trademarks, Registrations and Trademark Rights by others and for that purpose agrees to diligently maintain any action, suit or proceeding against any Person so infringing necessary to prevent such infringement.

8. Amounts Payable in Respect of Collateral. Except as otherwise provided in this Section, Borrower shall continue to collect, at its own expense, all amounts due or to become due to Borrower in respect of the Collateral or any portion thereof. Bank is hereby given full power and authority, without notice or demand, upon the occurrence and during the continuation of an Event of Default, (i) to notify any and all obligors with respect to the Collateral or any portion thereof of the existence of the security interest created, and the conditional assignment effected hereby, and (ii) to demand, take, collect, sue for and receive for its own use, and in connection therewith, to enforce all rights and remedies with respect to, the Collateral or any portion thereof that Borrower could enforce if this Agreement had not been made; and Borrower hereby

ratifies any action which Bank shall lawfully take to enforce Bank's rights hereunder. Whether or not Bank shall have so notified any obligors, Borrower shall at its expense render all reasonable assistance to Bank in enforcing claims against such obligors.

9. Representations and Warranties. Borrower represents, warrants and covenants as follows:

(a) The Trademarks are subsisting and have not been adjudged invalid or unenforceable;

(b) Each of the Trademarks is valid and enforceable;

(c) No claim has been made that the use of any of the Trademarks does or may violate the rights of any third person;

(d) Borrower is the sole and exclusive owner of the entire and unencumbered right, title and interest in and to each of the Trademarks, free and clear of any liens, charges and encumbrances including, without limitation, pledges, assignments, licenses, registered user agreements and covenants by Borrower not to sue third persons;

(e) Borrower has the unqualified right to enter into this Agreement and perform its terms;

(f) Borrower has taken all steps it deems necessary or appropriate to be informed on a continuing basis of changes or potential changes affecting the Collateral, and Borrower agrees that Bank shall have no responsibility or liability for informing Borrower of any such changes or potential changes or for taking any action or omitting to take any action with respect thereto;

(g) All information herein or hereafter supplied to Bank by or on behalf of Borrower in writing with respect to the Collateral is, or in the case of information hereafter supplied will be, accurate and complete in all material respects;

(h) Except as shall have been disclosed to Bank in writing on the date hereof or shall have been waived or excused by Bank in writing pursuant to the provisions of Section 18 hereof, in the case of existing Collateral, except for foreign Trademarks, Applications and Registrations, this Agreement creates, and in the case of after-acquired Collateral, except for foreign Trademarks, Applications and Registrations, this Agreement will create at the time Borrower obtains rights in such after-acquired Collateral, in favor of Bank a valid and perfected first priority security interest in the Collateral in the United States, securing the payment and performance of the Secured Obligations, subject to the provisions of Sections 2 and 3 hereof, upon making the filings required to perfect the security interest granted hereunder in the United States, subject to

the rights created under the presently existing exclusive and nonexclusive licenses held by Borrower in the Collateral;

(i) A true and complete list of all material Trademarks, Registrations and Trademark Rights owned, held or used by Borrower, in whole or in part, in conducting its business (whether pursuant to a license or otherwise) is set forth in Schedule A hereto;

(j) Borrower will, consistent with past practice, use for the duration of this Agreement, proper statutory notice in the United States in connection with its use of each of the Trademarks, Registrations and Trademark Rights and will, consistent with past practice, use such proper statutory notice in all applicable jurisdictions located outside of the United States; and

(k) Borrower has used, uses and will continue to use for the duration of this Agreement, consistent standards of quality in its manufacture and sale of products and services sold under the Trademarks, Registrations and Trademark Rights.

10. Further Assurances.

(a) Borrower agrees that from time to time, at the expense of Borrower, Borrower will, subject to any prior licenses, encumbrances and restrictions and prospective licenses, encumbrances and restrictions permitted hereunder, promptly make, execute, acknowledge and deliver, and file and record in the proper filing and recording places (but with respect to foreign Collateral shall solely be required to use its best efforts, consistent with reasonable business judgment, to do the same), all instruments and documents, and take all further action, that may be necessary or desirable, or that Bank may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable Bank to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, Borrower will: (i) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as Bank may reasonably request, in order to perfect and preserve the security interests granted or purported to be granted hereby; (ii) at any reasonable time during normal business hours, upon demand by Bank, allow inspection of the Collateral by Bank, or persons designated by Bank; and (iii) appear in and defend any action or proceeding that may affect Borrower's title to or Bank's security interest in the Collateral; and (iv) at the request of Bank, mark conspicuously each of its records pertaining to the Collateral with a legend, in form and substance satisfactory to Bank indicating that such Collateral is subject to the security interest granted hereby.

(b) Borrower hereby authorizes Bank to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of Borrower where permitted by law. A carbon, photographic or other reproduction of this Agreement or any financing statement

covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law; provided, however, that nothing in this Agreement shall relieve Borrower of its obligations to file all necessary financing and continuation statements in order to perfect and protect the security interests granted or purported to be granted hereby and Bank shall have no responsibility to do such filing.

(c) Borrower will furnish to Bank from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as Bank may reasonably request.

11. Covenants of Borrower. Borrower shall:

(a) At all times keep at least one complete set of its records concerning all of the Collateral at its Chief Executive Office at 1430 Vantage Court, Vista, California 92083, and will not change the location of its Chief Executive Office or such records without giving Bank at least 30 days' prior written notice thereof or unless otherwise permitted under the terms of the Loan Agreement;

(b) Promptly, following its becoming aware thereof, notify Bank of the institution of, or any adverse determination in, any proceeding in the United States Patent and Trademark Office or any federal, state, local or foreign court regarding Borrower's claim of ownership in or right to use any of the Trademarks or Registrations, its right to register the name, or its right to keep and maintain such registration;

(c) Not permit the inclusion in any contract to which it becomes a party of any provisions that could or might in any way impair or prevent the creation of a security interest in Borrower's rights and interest in any property included within the definitions herein of the Trademarks, Registrations and Trademark Rights and Associated Goodwill acquired under such contracts;

(d) Properly maintain and care for the Collateral, except that Borrower may abandon any Trademark or Registration which is not actively used in Borrower's business and is not material to the operation of Borrower's business or the value of the Collateral;

(e) Continue to use the Trademarks in order to maintain the Trademarks in full force and effect and free from any allegations or claims of abandonment for nonuse and not do or permit to be done any act or omission to act whereby any Trademarks may become invalidated, abandoned or unenforceable, except that Borrower may abandon any Trademark that is not actively used in Borrower's business and is not material to the operation of Borrower's business or the value of the Collateral;

(f) Not grant or permit to exist any lien, charge or encumbrance upon or with respect to the Collateral or any portion thereof and will not execute any security agreement or financing statement covering any of the Collateral;

(g) Except as permitted under the Loan Agreement, except for licenses entered into in the ordinary course of Borrower's business, and subject to clause (e) above, not sell, license, or contract for sale or otherwise dispose of the Collateral or any portion thereof except in the name of Bank; and

(h) Upon any officer of Borrower obtaining knowledge thereof, promptly notify Bank in writing of any event that materially and adversely affects the value of the Collateral or any portion thereof materially useful or necessary in the business of Borrower or its affiliates, the ability of Borrower or Bank to dispose of the Collateral or any portion thereof or the rights and remedies of Bank in relation thereto including, without limitation, the levy of any legal process against the Collateral or any portion thereof.

12. Bank as Borrower's Attorney-in-Fact. Borrower hereby irrevocably appoints Bank as Borrower's attorney-in-fact, with full authority in the place and stead of Borrower and in the name of Borrower, Bank or otherwise, exercisable at Bank's discretion at any time after the occurrence of an Event of Default and during the continuation thereof, to take any action and to execute any instrument that Bank may reasonably deem necessary or advisable to accomplish the purposes of this Agreement (subject to the rights of Borrower and limitations of the rights of the Bank under this Agreement and the Loan Agreement), including:

(a) to obtain and adjust insurance required to be paid to Bank;

(b) to ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipt for moneys due and to become due under or in respect of any of the Collateral;

(c) to receive, endorse, and collect any drafts or other instruments, documents and chattel paper, in connection with clauses (a) and (b) above;

(d) to file any claims or take any action or institute any proceedings that Bank may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of Bank with respect to any of the Collateral; and

(e) generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Bank were the absolute owner thereof for all purposes, and to do, at Bank's option and Borrower's expense, at any time, or from time to time, all acts and things that Bank reasonably deems necessary to protect, preserve or realize upon the Collateral and the

Bank's security interest therein, in order to effect the intent of this Agreement, all as fully and effectively as Borrower might do.

13. Remedies upon Default.

(a) Upon the occurrence and during the continuation of any Event of Default, Bank may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Code (whether or not the Code applies to the affected items of Collateral), and Bank may also without notice (except as specified below) sell or otherwise dispose of the Collateral or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or at any of Bank's offices or elsewhere, for cash, on credit or for future delivery, at such time or times and at such price or prices and upon such other terms as Bank may deem commercially reasonable, irrespective of the impact of any such sales on the market price of the Collateral. To the maximum extent permitted by applicable law, Bank may be the purchaser of any or all of the Collateral at any such sale and shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold at any such public sale, to use and apply all or any part of the Secured Obligations owed to Bank on that portion of the Collateral subject to such sale or other disposition, as a credit on account of the purchase price of any Collateral payable by Bank at such sale. Each purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of Borrower, and Borrower hereby waives (to the extent permitted by law) all rights of redemption, stay and/or appraisal that it now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. Borrower agrees that, to the extent notice of sale shall be required by law, at least five (5) calendar days' notice to Borrower of the time and place of any public sale or the time after which a private sale is to be made shall constitute reasonable notification. Bank shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Bank may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Borrower hereby waives any claims against Bank arising because the price at which any Collateral may have been sold at such a private sale was less than the price that might have been obtained at a public sale, even if Bank accepts the first offer received and does not offer such Collateral to more than one offeree.

(b) Upon the occurrence of any Event of Default and upon the written demand of Bank, Borrower shall execute and deliver to Bank an assignment or assignments of the Trademarks, Registrations, Trademark Rights and Associated Goodwill and such other documents as are necessary or desirable to carry out the intent and purposes of this Agreement; provided, however, that the failure of Borrower to comply with such demand will not impair or affect the validity of the conditional assignment effected by Section 2 hereof and Borrower agrees that such an assignment (including, without limitation, the conditional assignment effected by Section 2 hereof)

shall be applied to reduce the Secured Obligations outstanding only to the extent that Bank receives cash proceeds in respect of the sale of, or other realization upon (including but not limited to a credit for the acquisition of), the Collateral.

14. Application of Proceeds. Upon the occurrence of any Event of Default, any cash held by Bank as Collateral and all cash Proceeds received by Bank in respect of any sale of, collection from, or other realization upon all or any part of the Collateral pursuant to the exercise by Bank of its remedies as a secured creditor hereunder shall be applied from time to time by Bank as follows:

First: To the payment of the costs and expenses of such sale, collection or other realization, and all expenses, liabilities and advances made or incurred by Bank in connection therewith and in connection with this Agreement, including without limitation, reasonable attorneys' fees;

Second: After payment in full of the amounts specified in the preceding subparagraph, to the payment of the Secured Obligations secured hereby in such order and priority as Bank may in its sole and absolute discretion determine; and

Third: After payment in full of the amounts specified in the preceding subparagraphs, to the payment to whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct, of any surplus then remaining from such Proceeds.

15. Bank; Duties; Standard of Care.

(a) Bank shall be entitled to the benefits of the Loan Agreement, and Bank shall be obligated, and shall have the right hereunder, to make requests and demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking action (including the release or substitution of any item of Collateral or any other matter with respect to this Agreement) solely in accordance with this Agreement and the Loan Agreement.

(b) If Borrower fails to perform any agreement contained herein, Bank may, but is not required to, itself perform, or cause performance of, such agreement, and the expenses of Bank incurred in connection therewith shall be payable by Borrower.

(c) The powers conferred on Bank hereunder are solely to protect its interests in the Collateral and shall not impose on it any duty to exercise such powers. Except as provided in Section 9207 of the Code, Bank shall have no duty as to the Collateral or and responsibility for taking any necessary steps to preserve rights against any parties with respect to any Collateral. Bank shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the

Collateral is accorded treatment substantially equal to that which Bank accords its own property.

16. Borrower Remains Liable. Anything herein to the contrary notwithstanding, (a) Borrower shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by Bank of any of the rights hereunder shall not release Borrower from any of its duties or obligations under the contracts and agreements included in the Collateral, and (c) Bank shall not have any obligation or liability under the contracts and agreements included in the Collateral by reason of this Agreement nor shall Bank be obligated to perform any of the obligations or duties of Borrower thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

17. CHOICE OF LAW AND CONSENT TO JURISDICTION. THE VALIDITY OF THIS AGREEMENT, ITS CONSTRUCTION, INTERPRETATION AND ENFORCEMENT, AND THE RIGHTS OF THE PARTIES HERETO, SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW, EXCEPT ONLY TO THE EXTENT THAT THE EXISTENCE, PERFECTION OR ENFORCEMENT OF THE SECURITY INTEREST HEREUNDER IN RESPECT OF ANY PART OF THE COLLATERAL AS TO ANY PERSON WHO IS NOT A PARTY TO, AND IS NOT OTHERWISE BOUND BY, THIS AGREEMENT IS GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THAT OF THE STATE OF CALIFORNIA. TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT SHALL BE DETERMINED PURSUANT TO THE TERMS OF THE ALTERNATIVE DISPUTE RESOLUTION AGREEMENT DATED FEBRUARY 2, 1998.

18. Amendments; etc. No amendment or waiver of any provision of this Agreement nor consent to any departure by Borrower herefrom, shall in any event be effective unless the same shall be in writing and signed by Bank in accordance with the terms of the Loan Agreement, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure on the part of Bank to exercise, and no delay in exercising any right under this Agreement, the Loan Agreement, or otherwise with respect to any of the Secured Obligations shall operate as a waiver thereof; nor shall any single or partial exercise of any right under this Agreement, the Loan Agreement, or otherwise with respect to any of the Secured Obligations preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided in this Agreement or otherwise with respect to any of the Secured Obligations are cumulative and not exclusive of any remedies provided by law.

19. Addresses for Notices. All notices and other communications provided for hereunder shall be made as provided in the Loan Agreement.

20. Continuing Security Interest. This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until the first to occur of (A) the indefeasible payment in full of the Secured Obligations, including the cash collateralization, expiration or cancellation of all Secured Obligations consisting of letters of credit and the full and final termination of any commitment to extend any financial accommodations under the Loan Agreement, or (B) the written release hereof by Bank, (ii) be binding upon Borrower, its successors and assigns and (iii) inure to the benefit of Bank and its successors, transferees and assigns. Without limiting the generality of the foregoing clause (iii), Bank may assign or otherwise transfer any indebtedness or other part or the whole of its part of the Secured Obligations held by it to any other person or entity, and such other benefits in respect thereof granted to Bank herein or otherwise, subject, however, to the provisions of the Loan Agreement. Upon the indefeasible payment in full of the Secured Obligations, including the cash collateralization, cancellation or expiration of all Secured Obligations consisting of letters of credit and the full and final termination of any commitment to extend financial accommodations under the Loan Agreement, the security interests granted hereby shall automatically terminate and all rights to the Collateral shall revert to Borrower. Notwithstanding anything to the contrary in this Agreement, upon the sale or other disposition of the Collateral or any portion thereof as may be permitted pursuant to the Loan Agreement, the security interest created pursuant to this Agreement in such Collateral may be terminated in whole or in part pursuant to the applicable provisions, if any, of the Loan Agreement. Upon any such termination, Bank will, at Borrower's expense, execute and deliver to Borrower such documents as Borrower shall reasonably request to evidence such termination.

21. Security Interest Absolute. To the maximum extent permitted by law, all rights of Bank and security interests hereunder, and all obligations of the Borrower hereunder, shall be absolute and unconditional irrespective of:

(a) any lack of validity or enforceability of any of the Secured Obligations or any other agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Secured Obligations, or any other amendment or waiver of or any consent to any departure from the Loan Agreement or any other agreement or instrument relating thereto;

(c) any exchange, release or non-perfection of any other collateral, or any release or amendment or waiver of or consent to departure from any guaranty for all or any of the Secured Obligations; or

(d) any other circumstances that might otherwise constitute a defense available to, or a discharge of, the Borrower or a third party pledgor.

To the maximum extent permitted by law, Borrower hereby waives any right to require Bank to (i) proceed against or exhaust any security held from Borrower; or (ii) pursue any other remedy in the Bank's power whatsoever.

22. Headings. Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement or be given any substantive effect.

23. Severability. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

24. Counterparts. This Agreement may be executed in one or more counterparts or duplicates, each of which shall be deemed an original and all of which together shall constitute one and the same agreement.

25. Waiver of Marshalling. Borrower acknowledges and agrees that in exercising any rights under or with respect to the Collateral, Bank (i) is under no obligation to marshal any Collateral pledged to it, (ii) may, in its absolute discretion, realize upon such Collateral in any order and in any manner it so elects, and (iii) may, in its absolute discretion, apply the proceeds of any or all of such Collateral to the Secured Obligations in any order and in any manner it so elects and Borrower waives any right to require Bank to marshal any Collateral, including, without limitation, any right pursuant to Sections 2899 and 3433 of the California Civil Code.

IN WITNESS WHEREOF, Borrower and Bank have caused this Agreement to be duly executed and delivered by their officers thereunto duly authorized as of the date first above written.

UNION BANK OF CALIFORNIA, N.A.

SYSTEMS ENGINEERING & MANAGEMENT COMPANY, doing business in California as Delaware Systems Engineering & Management Company, a Delaware Corporation

By: Bette M. Cole
Title: Vice President

By: William M. Thierup
Title: PRESIDENT

By: _____
Title: _____

By: Karen J. Chung
Title: V.P., Finance & Admin.

SCHEDULE A

TO

SECURITY AGREEMENT - TRADEMARKS

I. REGISTERED TRADEMARKS

<u>Registration No.</u>	<u>Date</u>	<u>Title & Description</u>
2,044,762	3/11/97	COPCAM FOR: PERSONAL VIDEO SURVEILLANCE SYSTEM, NAMELY, A BODY-WORN CAMERA WITH MICROPHONE AND A BODY-WORN TRANSMITTER TRANSMITTING TO A WIRELESS VIDEO/AUDIO LINK CONSISTING OF A HIGH RESOLUTION VIDEO RECEIVER AND A VIDEO RECORDER, IN CLASS 9 (U.S. CLS. 21, 23, 26, 36 AND 38)

FIRST USE 3-1-1995; IN COMMERCE 9-1-1995.

SN 74-673,403, FILED 5-12-1995.

2,044,921	3/11/97	PVSS FOR: BODY-WORN CAMERA WITH MICROPHONE AND A BODY-WORN TRANSMITTER TRANSMITTING TO A WIRELESS VIDEO/AUDIO LINK CONSISTING OF A HIGH RESOLUTION VIDEO RECEIVER AND A VIDEO RECORDER, IN CLASS 9 (U.S. CLS. 21, 23, 26, 36 AND 38).
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FIRST USE 6-1-1994; IN COMMERCE 10-1-1994.

SN 74-698,849, FILED 7-10-1995.

II. RECORDED APPLICATIONS FOR REGISTERED TRADEMARKS

III. UNRECORDED APPLICATIONS FOR REGISTERED TRADEMARKS

<u>Date of Application</u>	<u>Title & Description</u>
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IV. TRADEMARK LICENSE AGREEMENTS

1. _____

2. _____

