

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
Fairchild Industrial Products Company		07/29/2005	CORPORATION: DELAWARE
FIPC Acquisition LLC		07/29/2005	Limited Liability Company: DELAWARE

RECEIVING PARTY DATA

Name:	Patriot Capital Funding, Inc.
Street Address:	Sixty One Wilton Road, Second Floor
City:	Westport
State/Country:	CONNECTICUT
Postal Code:	06880
Entity Type:	CORPORATION: DELAWARE

PROPERTY NUMBERS Total: 6

Property Type	Number	Word Mark
Registration Number:	2028920	VARI-CHAIN
Registration Number:	2030211	CUBIC
Registration Number:	2075266	KENDALL
Registration Number:	2087075	F FAIRCHILD INDUSTRIAL PRODUCTS COMPANY
Registration Number:	2131727	SPECON
Registration Number:	2294907	F FAIRCHILD INDUSTRIAL PRODUCTS COMPANY

CORRESPONDENCE DATA

Fax Number: (404)881-7777

Correspondence will be sent via US Mail when the fax attempt is unsuccessful.

Phone: 404-881-7000

Email: ipatl@alston.com

Correspondent Name: Wendy L. Robertson, Esq.

Address Line 1: 1201 W. Peachtree Street

TRADEMARK

REEL: 003158 FRAME: 0484

900032015

OP \$165.00 2028920

Address Line 2: c/o Alston & Bird LLP
Address Line 4: Atlanta, GEORGIA 30309-3424

NAME OF SUBMITTER: Wendy L. Robertson

Signature: /Wendy L. Robertson/

Date: 09/12/2005

Total Attachments: 25

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**SECURITY AGREEMENT
RE: PATENTS TRADEMARKS AND COPYRIGHTS**

THIS SECURITY AGREEMENT RE: PATENTS, TRADEMARKS AND COPYRIGHTS (as amended, modified, supplemented, renewed or restated from time to time, this "Agreement"), dated as of July 29, 2005 is made by FAIRCHILD INDUSTRIAL PRODUCTS COMPANY, a Delaware corporation ("OpCo") and FIPC ACQUISITION LLC, a Delaware limited liability company ("Parent", together with Fairchild, the "Grantors"), in favor of PATRIOT CAPITAL FUNDING, INC., a Delaware corporation, for itself and as agent for the benefit of Lenders (defined in the Loan Agreement referred to below), their respective successors and assigns ("Secured Party").

RECITALS:

A. Pursuant to the Loan and Security Agreement, dated of even date herewith, among OpCo, Parent, the other Grantors party thereto, the Lenders party thereto and the Secured Party (the "Loan Agreement"), the Lenders have agreed to make certain Loans and financial accommodations available to OpCo and Parent. Capitalized terms used herein without definition shall be defined in the manner set forth in the Loan Agreement.

B. In order to induce the Lenders to make the Loans in accordance with the Loan Agreement, and in consideration therefor, the Grantors have agreed to grant to the Secured Party, its successor and assigns, for itself and as agent for the Lenders, a lien on and security interest in all of the Grantors' assets and properties, whether now or hereafter existing, owned or acquired, pursuant to the terms of this Agreement and certain other documents, instruments and agreements in order to secure (i) the due and punctual payment of (A) the principal and interest (including, without limitation, interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans and the Notes whether now existing or hereafter arising, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, and (B) all obligations of the Grantors under the Loans, the Notes, the Loan Agreement, this Agreement or the other Security Documents or any other Financing Agreement whether now existing or hereafter arising, including without limitation, fees, attorneys' fees, costs, expenses and indemnities, whether primary, secondary, direct, absolute or contingent, joint or several, fixed or otherwise (including, without limitation, monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding regardless of whether allowed or allowable in such proceeding), (ii) the due and punctual performance of the covenants, agreements, obligations and liabilities whether now existing or hereafter arising, direct or indirect, due or to become due, of the Grantors individually or collectively under or pursuant to the Loans, the Notes, the Loan Agreement, this Agreement or the other Security Documents or any other Financing Agreements, and (iii) the Liabilities (collectively, the "Secured Obligations").

C. It is a condition precedent to making of the Loans by the Lenders that the Grantors, jointly and severally, execute and deliver this Agreement.

NOW, THEREFORE, for and in consideration of the covenants and provisions set forth herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantors, jointly and severally agree as follows:

Section 1. Grant of Security Interest in the Collateral; Obligations Secured. (a) The Grantors hereby:

(1) mortgage, pledge and grant to the Secured Party, its successor and assigns, for itself and as agent for the Lenders, a security interest in, and acknowledge and agree that the Secured Party, its successor and assigns, for itself and as agent for the Lenders, has and shall continue to have a continuing security interest in, any and all right, title and interest of the Grantors, whether now existing or hereafter acquired or arising, in and to the following:

(i) **Patents.** Patents, whether now owned or hereafter acquired, or in which Grantors now have or hereafter acquire any rights (the term "Patent" means and includes (A) all letters patent of the United States of America or any other country or any political subdivision thereof, now existing or hereafter acquired, all registrations and recordings thereof, and all applications for letters patent of the United States of America or any other country or any political subdivision thereof, now existing or hereafter acquired, including without limitation registrations, recordings and applications therefor in the United States Patent and Trademark Office or any other country or any political subdivision thereof and (B) all reissues, continuations, continuations-in-part or extensions thereof), including without limitation each Patent listed on Schedule A-1 hereto, and all of the inventions now or hereafter described and claimed in the Grantors' Patents;

(ii) **Patent Licenses.** Patent Licenses, whether now owned or hereafter acquired, or in which the Grantors now have or hereafter acquire any rights (the term "Patent Licenses" means and includes any written agreement granting to any person any right to exploit, use or practice any invention on which a Patent is owned by another person), including without limitation each Patent License listed on Schedule A-2 hereto, and all royalties and other sums due or to become due under or in respect of the Grantors' Patent Licenses, together with the right to sue for and collect all such royalties and other sums;

(iii) **Trademarks.** Trademarks, whether now owned or hereafter acquired, or in which the Grantors now have or hereafter acquire any rights (the term "Trademarks" means and includes (A) all trademarks, trade names, trade styles, service marks and logos, all prints and labels on which said trademarks, trade names, trade styles, service marks and logos have appeared or appear and all designs and general intangibles of like nature, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, including without limitation registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States of America, any state thereof or any other

country or any political subdivision thereof and (B) all renewals thereof), including without limitation each Trademark application and registration listed on Schedule B-1 hereto, and all of the goodwill of the business connected with the use of, and symbolized by, each Trademark;

(iv) **Trademark Licenses.** Trademark Licenses, whether now owned or hereafter acquired, or in which the Grantors now have or hereafter acquire any rights (the term "Trademark Licenses" means and includes any written agreement granting to any person any right to use or exploit any Trademark or Trademark registration of another person), including without limitation the agreements described in Schedule B-2 hereto, and all of the goodwill of the business connected with the use of, and symbolized by, each Trademark licensed and all royalties and other sums due or to become due under or in respect of the Grantors' Trademark Licenses, together with the right to sue for and collect all such royalties and other sums;

(v) **Copyrights.** Copyrights and Copyright registrations, whether now owned or hereafter acquired, or in which the Grantors now have or hereafter acquire any rights (the term "Copyrights" means and includes (A) all original works of authorship fixed in any tangible medium of expression, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, including without limitation registrations, recordings and applications in the United States Copyright Office or in any similar office or agency of the United States of America, any state thereof or any other country or any political subdivision thereof and (B) all renewals thereof), including without limitation each Copyright registration listed on Schedule C-1 hereto;

(vi) **Copyright Licenses.** Copyright Licenses, whether now owned or hereafter acquired, or in which the Grantors now have or hereafter acquire any rights (the term "Copyright Licenses" means and includes any written agreement granting to any person any right to use or exploit any Copyright or Copyright registration of another person), including without limitation the agreements described in Schedule C-2 hereto, and all royalties and other sums due or to become due under or in respect of the Grantors' Copyright Licenses, together with the right to sue for and collect all such royalties and other sums; and

(vii) **Proceeds and Products.** All proceeds and products of the foregoing and all insurance of the foregoing and proceeds thereof, whether now existing or hereafter arising, including without limitation (A) any claim of the Grantors against third parties for damages by reason of past, present or future infringement of any Patent or any Patent licensed under any Patent License, (B) any claims by the Grantors against third parties for damages by reason of past, present or future infringement or dilution of any Trademark or of any Trademark licensed under any Trademark License, or for injury to the goodwill of the business connected with the use of, or symbolized by, any Trademark or of any

Trademark licensed under any Trademark License, (C) any claim of the Grantors against third parties for damages by reason of past, present or future infringement of any Copyright or any Copyright licensed under any Copyright License, and (D) any claim of the Grantors against third parties for damages by reason of past, present or future infringement of any Copyright or any Copyright licensed under any Copyright License, and (E) any claim by the Grantors against third parties for damages by reason of past, present or future misappropriation or wrongful use or disclosure of any trade secret or other property or right described above or of any such trade secret or other property or right licensed under any license or agreement described above, and together with the right to sue for and collect the damages described in the immediately preceding clauses (A), (B), (C) and (D);

all of the foregoing being herein sometimes referred to as the "Collateral"; and

(2) in furtherance of granting such security interest, grants, bargains, sells, transfers, conveys and assigns as security to the Secured Party, its successor and assigns, for itself and as agent for the Lenders, the Patents, the Patent Licenses, the Copyrights and the Copyright Licenses. Notwithstanding anything herein to the contrary, this Agreement shall not operate as a sale, transfer, conveyance or other assignment to Secured Party of any applications by the Grantors for a Trademark based on an intent to use the same if and so long as such application is pending and not matured into a registered Trademark (such pending applications which are based on intent to use being hereinafter referred to collectively as "Intent-To-Use Applications"), but rather, if and so long as the Grantors Intent-To-Use Application is pending this Agreement shall operate only to create a security interest for collateral purposes in favor of Secured Party, its successor and assigns, for itself and as agent for the Lenders, on such Intent-To-Use Application as collateral security for the Secured Obligations.

(b) This Agreement, including the security interest granted hereunder, is made and given to secure, and shall secure, the prompt payment or performance in full when due, whether by lapse of time, acceleration or otherwise, of the Secured Obligations.

Section 2. Continuing Agreement; Termination and Release. This Agreement is made for collateral purposes only. This Agreement shall be a continuing agreement in every respect and shall remain in full force and effect until all of the Secured Obligations shall have been fully paid and satisfied. Upon such termination of this Agreement, the Secured Party shall, upon the request and at the expense of the Grantors, forthwith release, assign and transfer, without recourse, and, to the extent applicable, deliver, against receipt and without recourse to the Secured Party, such of the Collateral as may then be in the possession of the Secured Party and as shall not have been sold or otherwise applied pursuant to the terms hereof to or on the order of the Grantors. Said release, assignment, transfer and delivery shall include an instrument in form recordable in the United States Patent and Trademark Office and the United States Copyright Office by which the Secured Party shall terminate, release and, without representation, recourse or warranty, reassign to the Grantors all rights in each Patent, Patent License, Trademark, Trademark License, Copyright and Copyright License, including each registration

thereof and application therefor, conveyed and transferred to the Secured Party pursuant to this Agreement.

Section 3. No Release. Nothing set forth in this Agreement shall relieve the Grantors from the performance of any term, covenant, condition or agreement on the Grantors' part to be performed or observed under or in respect of any of the Collateral or from any liability to any party under or in respect of any of the Collateral or impose any obligation on the Secured Party to perform or observe any such term, covenant, condition or agreement on the Grantors' parts to be so performed or observed or impose any liability on the Secured Party for any act or omission on the part of the Grantors relative thereto or for any breach of any representation or warranty on the part of the Grantors contained in this Agreement or under or in respect of the Collateral or made in connection herewith or therewith.

Section 4. Use of Collateral. Notwithstanding anything to the contrary contained herein, until a Default or an Event of Default exists and until otherwise notified by the Secured Party, the Grantors may continue to exploit, license, use, enjoy and protect the Collateral throughout the world and the Secured Party shall from time to time execute and deliver, upon written request of the Grantors, any and all instruments, certificates or other documents, in the form so requested, necessary or appropriate in the reasonable judgment of the Grantors to enable the Grantors to continue to exploit, license, use, enjoy and protect the Collateral throughout the world. In furtherance of the foregoing but subject to Sections 9 and 10 hereof, the Secured Party grants to the Grantors an exclusive, perpetual, world-wide, royalty-free right and license, with the right to exploit, license, use, enjoy and protect the Patents, the Patent Licenses, the Copyrights and the Copyright Licenses for any and all purposes.

Section 5. Representations and Warranties of the Grantors. The Grantors hereby represent and warrant to the Secured Party as follows:

(a) The Grantors are, and, as to the Collateral acquired by any of them from time to time after the date hereof, the Grantors will be, the owner or, as applicable, licensee of all the Collateral. The Grantors' rights in the Collateral are and shall remain free and clear of any lien, pledge, security interest, encumbrance, assignment, collateral assignment or charge of any kind, including without limitation any filing of, or agreement to file, a financing statement as Grantors under the Uniform Commercial Code or any similar statute, except for the lien and security interest created by this Agreement and Permitted Liens. The Grantors have made no previous assignment, conveyance, transfer or agreement in conflict with the liens granted hereby. The Grantors further represent and warrant to the Secured Party that Schedules A-1, A-2, B-1, B-2, C-1 and C-2 hereto, respectively, are true and correct lists of all Patents, Patent Licenses, Trademarks, Trademark Licenses, Copyrights and Copyright Licenses owned or used by the Grantors as of the date hereof and that Schedules A-1, A 2, B-1, B-2, C-1 and C-2 are true and correct with respect to the matters set forth therein as of the date hereof.

(b) The Grantors have made all necessary filings and recordations to protect their interests in the Collateral in each case to the extent a failure to do so could reasonably be expected to have a Material Adverse Effect.

(c) Each Grantor owns or possesses (or will be licensed or otherwise have the full right to use) all intellectual property that is necessary for the operation of its business, without any known conflict with the rights of others which could be expected to have a Material Adverse Effect. Except as set forth on Part 12 of Exhibit 6 to the Loan Agreement, no product of any Grantor infringes upon any intellectual property owned by any other Person and no claim or litigation is pending or (to the knowledge of any Grantor) threatened against or affecting such Person, contesting its right to sell or to use any product or material, in any case which could reasonably be expected to have a Material Adverse Effect. As of the Closing Date, except as set forth on Part 12 of Exhibit 6 to the Loan Agreement, to the knowledge of the Grantors, there is no violation by any Person of any right of any Grantor with respect to any material patent, trademark, trade name, service mark, copyright or license owned or used by such Grantor.

(d) Upon appropriate filings and the acceptance thereof in the appropriate offices under the Uniform Commercial Code, in the United States Patent and Trademark Office and the United States Copyright Office, this Agreement will create a valid and duly perfected lien on and security interest in the Collateral located in the United States of America effective against purchasers from and creditors of the Grantors, subject to no prior liens or encumbrances other than Permitted Liens.

Section 6. Covenants and Agreements of the Grantors. The Grantors hereby covenant and agree with the Secured Party as follows:

(a) On a continuing basis, the Grantors will, at the expense of the Grantors, subject to any prior licenses, encumbrances and restrictions and prospective licenses, encumbrances and restrictions permitted hereunder, make, execute, acknowledge and deliver, and file and record in the proper filing and recording places within the United States of America, all such instruments, including without limitation appropriate financing and continuation statements and collateral agreements, and take all such action as may reasonably be deemed necessary by the Secured Party (i) to carry out the intent and purposes of this Agreement, (ii) to assure and confirm to the Secured Party the grant or perfection of the security interest in the Collateral intended to be created hereby, subject to no prior Liens or encumbrances other than Permitted Liens, for the benefit of the Secured Party or (iii) to enable the Secured Party to exercise and enforce its rights and remedies hereunder with respect to the Collateral.

(b) Without limiting the generality of the foregoing paragraph (a) of this Section 6, the Grantors (i) will not enter into any agreement that would impair or conflict with the Grantors' obligations hereunder; (ii) will, promptly following its becoming aware thereof, notify the Secured Party of (x) any final adverse determination in any proceeding in the United States Patent and Trademark Office or the United States Copyright Office that could reasonably be expected to have a Material Adverse Effect or (y) the institution of any proceeding or any adverse determination in any federal, state, local or foreign court or administrative body regarding the Grantors' claims of ownership in or right to use any of the Collateral, its right to register any such Collateral or its right

to keep and maintain such registration, in each case, that could reasonably be expected to have a Material Adverse Effect; (iii) will preserve and maintain all rights in the Collateral, unless no longer used in the ordinary course of the Grantors' business or no longer deemed necessary to the Grantors' business; (iv) will not grant or permit to exist any lien or encumbrance upon or with respect to the Collateral or any portion thereof except Permitted Liens and will not execute any security agreement or financing statement covering any of the Collateral except in favor of the Secured Party or the holders of a Permitted Lien; (v) will not permit to lapse or become abandoned (unless no longer used in the ordinary course of the Grantors' business or no longer deemed necessary to the Grantors' business), or settle or compromise any pending or future material litigation or material administrative proceeding with respect to any Collateral that could reasonably be expected to have a Material Adverse Effect without the prior written consent of the Secured Party (which consent shall not be unreasonably withheld), or, except for licenses of Collateral in the ordinary course of business, contract for sale or otherwise sell, convey, assign or dispose of, or grant any option with respect to, the Collateral or any portion thereof; (vi) upon the Grantors obtaining knowledge thereof, will promptly notify the Secured Party in writing of any event that could reasonably be expected to have a Material Adverse Effect on the value of the Collateral (taken as a whole), the ability of the Grantors or the Secured Party to dispose of any such Collateral (taken as a whole) or the rights and remedies of the Secured Party in relation thereto, including without limitation a levy or threat of levy or any legal process against any such Collateral that could reasonably be expected to have a Material Adverse Effect; (vii) will diligently keep reasonable records respecting the Collateral; (viii) hereby authorizes the Secured Party, in its sole discretion, to file one or more financing or continuation statements relative to all or any part of the Collateral without the signature of the Grantors where permitted by law (and the Secured Party agrees to provide the Grantors notice after any such filing is made pursuant to this clause (viii)), provided the failure to give such notice shall not affect the validity or enforceability of the relevant filing; (ix) will furnish to the Secured Party from time to time statements and schedules further identifying and describing the Collateral and such other materials evidencing or reports pertaining to the Collateral as the Secured Party may reasonably request, all in reasonable detail; (x) will pay when due any and all taxes, levies, maintenance fees, charges, assessments, licenses fees and similar taxes or impositions payable in respect of the Collateral except to the extent being contested in good faith by appropriate proceedings which prevent the enforcement of the matter being contested (and for which the Grantors have established adequate reserves) and do not interfere with the business of the Grantors in the ordinary course or unless no longer necessary to the Grantors' business; and (xi) comply with all laws, rules and regulations applicable to the Collateral except as could not reasonably be expected to have a Material Adverse Effect.

(c) If, before the Secured Obligations shall have been paid and satisfied in full, the Grantors shall obtain any rights to or become entitled to the benefit of any new patent, patent application, service mark, trade name, trademark, trademark application, trademark registration, copyright, copyright application, copyright registration, license renewal or extension, or patent for any reissue, division, continuation, renewal, extension, or continuation-in-part of any Patent or any improvement on any Patent, the provisions of

this Agreement shall automatically apply thereto and the same shall automatically constitute Collateral and be and become subject to the assignment, lien and security interest created hereby, as the case may be, without further action by any party, all to the same extent and with the same force and effect as if the same had originally been Collateral hereunder. If the Grantors so obtain or become entitled to any of the rights described above which are material, the Grantors shall promptly give written notice thereof to the Secured Party. The Grantors agree to confirm the attachment of the lien and security interest created hereby to any such rights described above by execution of instruments, including, without limitation, instruments for recordation with the United States Patent and Trademark Office and the United States Copyright Office, in form and substance acceptable to the Secured Party.

(d) The Grantors shall promptly notify the Secured Party of any future Collateral and, upon receipt of such notice by the Secured Party, Schedules A-1, A-2, B-1, B-2, C-1 and C-2 hereto shall be deemed amended to include reference to any such future Collateral.

(e) The Grantors shall prosecute diligently applications for the Patents, Trademarks and Copyrights now or hereafter pending and make application on unpatented but patentable inventions and registrable but unregistered Trademarks and Copyrights, that, in each case, in the Grantor's reasonable judgment would be materially beneficial to the business of the Grantors in the ordinary course as presently, and as now contemplated will be, conducted, file and prosecute opposition and cancellation proceedings and perform all acts necessary to preserve and maintain all rights in the Collateral, unless as to any Patent, Trademark or Copyright, in the reasonable judgment of the Grantors, such Patent, Trademark or Copyright has become immaterial or obsolete to such business of the Grantors. Any expenses incurred in connection with such actions shall be borne by the Grantors.

(f) The Grantors shall not abandon any right to file any material patent application, trademark application, service mark application, copyright application, patent, trademark or copyright that is necessary to Grantor's business without the prior written consent of the Secured Party, which consent shall not be unreasonably withheld.

Section 7. Supplements; Further Assurances. The Grantors (i) agree that they will join with the Secured Party in executing and, at their own expense, file and refile, or permit the Secured Party to file and refile, such financing statements, continuation statements and other instruments and documents (including without limitation this Agreement) in such offices (including without limitation the United States Patent and Trademark Office and the United States Copyright Office) as the Secured Party may reasonably deem necessary in order to perfect and preserve the rights and interests granted to the Secured Party hereunder and (ii) hereby authorize the Secured Party to file and refile such instruments and documents and any other instruments or documents related thereto without the signature of the Grantors where permitted by law and (iii) agree to do such further acts and things, and to execute and deliver to the Secured Party such additional instruments and documents, as the Secured Party may require to carry into effect the purposes of this Agreement or to better assure and confirm unto the Secured

Party its respective rights, powers and remedies hereunder. All of the foregoing are to be at the sole cost of the Grantors. Any reasonable costs of the foregoing incurred by the Secured Party shall be payable by the Grantors upon demand, together with interest thereon from the date of incurrence until so paid, and shall constitute additional Secured Obligations.

Section 8. The Secured Party May Perform. If the Grantors fail to perform any agreement contained herein after receipt of a written request to do so from the Secured Party, the Secured Party may itself (upon ten (10) days' prior written notice to the Grantors unless the Secured Party in good faith determines that immediate payment or performance is reasonably necessary to protect or preserve the Collateral), but shall not be obligated to, perform, or cause performance of, such agreement, and the reasonable expenses of the Secured Party, including, without limitation, the reasonable fees and expenses of its counsel, so incurred in connection therewith shall be payable by the Grantors.

Section 9. Remedies. While a Default or an Event of Default exists, the Secured Party shall have, in addition to all other rights provided herein, in the Loan Agreement or by law, the rights and remedies of a Secured Party under the Uniform Commercial Code, and further the Secured Party may, without demand and without advertisement, notice (except as required by law), hearing or process of law, all of which the Grantors hereby waive, at any time or times, sell and deliver any or all of the Collateral at public or private sale, for cash, upon credit or otherwise, at such prices and upon such terms as the Secured Party deems advisable, in its sole discretion. In addition to all other sums due the Secured Party hereunder, the Grantors shall pay the Secured Party all reasonable costs and expenses incurred by the Secured Party, including, without limitation, reasonable attorneys' fees and court costs, in obtaining, liquidating or enforcing payment of the Collateral or the Secured Obligations or in the prosecution or defense of any action or proceeding by or against the Secured Party or the Grantors concerning any matter arising out of or connected with this Agreement or the Collateral or the Secured Obligations.

Without in any way limiting the foregoing, while a Default or an Event of Default exists, the Secured Party may to the full extent permitted by Governmental Requirements, with ten (10) days' prior notice to the Grantors, and without advertisement, notice, hearing or process of law of any kind, all of which the Grantors hereby waive, (i) exercise any and all rights as beneficial and legal owner of the Collateral, including without limitation any and all consensual rights and powers with respect to the Collateral and (ii) sell or assign or grant a license to use, or cause to be sold or assigned or a license granted to use, any or all of the Collateral or any part hereof, in each case free of all rights and claims of the Grantors therein and thereto, but subject to any existing licenses in the Collateral permitted under the terms of this Agreement. In that connection, the Secured Party shall have the right to cause any or all of the Collateral to be transferred of record into the name of the Secured Party or its nominee as well as the right to impose (i) such limitations and restrictions on the sale or assignment of the Collateral as the Secured Party may deem to be necessary or appropriate to comply with any law, rule or regulation, whether federal, state or local, having applicability to the sale or assignment and (ii) requirements for any necessary governmental approvals.

Failure by the Secured Party to exercise any right, remedy or option under this Agreement or any other agreement between the Grantors and the Secured Party or provided by

law, or delay by the Secured Party in exercising the same, shall not operate as a waiver; no waiver shall be effective unless it is in writing, signed by the party against whom such waiver is sought to be enforced and then only to the extent specifically stated. Neither the Secured Party nor any party acting as attorney for the Secured Party shall be liable hereunder for any acts or omissions or for any error of judgment or mistake of fact or law other than their gross negligence or willful misconduct. The rights and remedies of the Secured Party under this Agreement shall be cumulative and not exclusive of any other right or remedy which the Secured Party may have.

Section 10. Power of Attorney. The Grantors hereby irrevocably appoint the Secured Party, its nominee, or any other person whom the Secured Party may designate as the Grantors' attorney-in-fact, with full authority in the place and stead of the Grantors and in the name of the Grantors, the Secured Party or otherwise, while a Default or an Event of Default exists, or if the Grantors fail to perform any agreement contained herein within ten (10) days after the Secured Party's written request, then to the extent necessary to enable the Secured Party to perform such agreement itself, from time to time in the Secured Party's discretion, to take any action and to execute any instrument which the Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement, including without limitation to record an assignment of the Trademarks and Trademark Licenses, if any, to the Secured Party with the United States Patent and Trademark Office, to prosecute diligently any Patent, Trademark or Copyright or any application for Patents, Trademarks or Copyrights pending as of the date of this Agreement or thereafter until the Secured Obligations shall have been paid in full, to make application on unpatented but patentable inventions and registrable but unregistered Trademarks or Copyrights, to file and prosecute opposition and cancellation proceedings, to do all other acts necessary or desirable to preserve all rights in Collateral and otherwise to file any claims or take any action or institute any proceedings which the Secured Party may deem necessary or desirable to accomplish the purpose of this Agreement. The Grantors hereby ratify and approve all acts of any such attorney and agree that neither the Secured Party nor any such attorneys will be liable for any acts or omissions nor for any error of judgment or mistake of fact or law other than their gross negligence or willful misconduct. The foregoing power of attorney, being coupled with an interest, is irrevocable until the Secured Obligations have been fully paid and satisfied.

Section 11. Application of Proceeds. Unless the Secured Party otherwise directs, the proceeds of any sale of Collateral pursuant to this Agreement or otherwise, as any Collateral consisting of cash, shall be applied after receipt by the Secured Party as follows:

First, to the payment of all reasonable costs, fees and expenses of the Secured Party and its agents, representatives and attorneys incurred in connection with such sale or with the retaking, holding, handling, preparing for sale (or other disposition) of the Collateral or otherwise in connection with any Notes, this Agreement or any of the Secured Obligations, including without limitation, the reasonable fees and expenses of the Secured Party's agents and attorneys' and costs of any proceeding (whether at trial, appellate or administrative levels), if any, incurred by the Secured Party in so doing;

Second, to the payment of the Secured Obligations in such order as the Secured Party may determine in accordance with the applicable provisions of the Loan Agreement;

Third, to be held by the Secured Party in an amount reasonably necessary to satisfy the Secured Obligations that are then contingent or unliquidated; and

Fourth, any balance remaining after the Secured Obligations shall have been paid in full shall be paid over to the Grantors or to whomsoever may be lawfully entitled to receive the same.

Section 12. Effectiveness. This Agreement shall take effect immediately upon execution by the Grantors.

Section 13. Indemnity; Reimbursement of Secured Party; Deficiency. In connection with the Collateral, this Agreement and the administration and enforcement or exercise of any right or remedy granted to the Secured Party hereunder or under the other Financing Agreements or applicable laws, the Grantors, jointly and severally agree, subject to the limitations set forth hereafter (a) to indemnify, defend and hold harmless the Secured Party from and against any and all claims, demands, losses, judgments and liabilities (including without limitation, liabilities for penalties) of whatever nature, relating thereto or resulting therefrom, and (b) to reimburse the Secured Party for all reasonable costs and expenses, including without limitation, the reasonable fees and disbursements of attorneys, relating thereto or resulting therefrom. The foregoing indemnity agreement includes all reasonable costs incurred by the Secured Party in connection with any litigation relating to the Collateral whether or not the Secured Party shall be a party to such litigation, including without limitation, the reasonable fees and disbursements of attorneys for the Secured Party, and any out-of-pocket costs incurred by the Secured Party in appearing as a witness or in otherwise complying with legal process served upon it. The obligations of Grantors in this Section 13 are limited to the extent claims for indemnity, defense, or reimbursement do not arise from the gross negligence or willful misconduct of the Secured Party. In no event shall the Secured Party be liable, in the absence of gross negligence or willful misconduct on its part, for any matter or thing, and the Grantors hereby release the Secured Party from any and all claims, causes of action and demands. All indemnity obligations contained in this Section 13 and elsewhere in this Agreement shall survive the termination of this Agreement. After application of the proceeds by the Secured Party pursuant to Section 11 hereof, the Grantors shall remain liable to the Secured Party for any deficiency. To the extent that the foregoing undertakings may be unenforceable for any reason, the Grantors agree to make the maximum contribution to the payment and satisfaction of indemnified liabilities set forth in this Section 13 that is permissible under applicable law.

14. Continuing Lien. It is the intent of the parties hereto that (a) this Agreement shall constitute a continuing agreement as to any and all future, as well as existing transactions, among the Grantors, the Lenders and the Secured Party under or in connection with the Financing Agreements, and (b) the security interest provided for herein shall attach to after-acquired as well as existing Collateral.

15. Termination. Upon the payment in full in cash or performance and satisfaction in full of the Secured Obligations, the Secured Party shall reassign, redeliver and release (or cause to be so reassigned, redelivered and released), without recourse upon or warranty by the Secured Party, and at the sole expense of the Grantors, to the Grantors, against receipt therefor, such of the Collateral (if any) as shall not have been sold or otherwise applied by the Secured

Party pursuant to the terms hereof and not theretofore reassigned, redelivered and released to the Grantors, together with appropriate instruments of reassignment and release.

16. **Notices.** All notices, requests and other communications hereunder shall be in writing (including facsimile transmission or similar writing) and shall be given in accordance with the terms of the Loan Agreement.

17. **Successors and Assigns.** Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party, and all covenants, promises and agreements by or on behalf of the Secured Party that are contained in this Agreement shall bind and inure to the benefit of its respective successors and assigns. The Grantors may not assign or transfer any of their rights or obligations hereunder without the prior written consent of the Secured Party.

18. **Governing Law.** THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THAT WOULD RESULT IN THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION.

19. **Waivers.** No failure or delay of the Secured Party in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or future exercise thereof or the exercise of any other right or power. The rights and remedies of the Secured Party hereunder are cumulative and not exclusive of any rights or remedies which they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Grantors therefrom shall in any event be effective unless the same shall be authorized as provided in Section 20, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Grantors in any case shall entitle the Grantors to any other or further notice or demand in similar or other circumstances.

20. **Amendments.** Neither this Agreement nor any provision hereof may be amended or modified except pursuant to an agreement or agreements in writing entered into by the Grantors and the Secured Party.

21. **Severability.** In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein or therein shall not in any way be affected or impaired thereby.

22. **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but all of which when taken together shall constitute but one contract, and shall become effective when copies hereof which, when taken together, bear the signatures of each of the parties hereto shall be delivered or mailed to the Secured Party.

23. **Headings.** Article and Section headings used herein are for convenience of reference only and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

24. Jurisdiction, Consent to Service of Process.

(a) THE GRANTORS HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMIT, FOR THEMSELVES AND THEIR PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF ANY NEW YORK STATE COURT OR FEDERAL COURT OF THE UNITED STATES OF AMERICA SITTING IN THE BOROUGH OF MANHATTAN IN THE STATE OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE NOTES OR ANY OTHER FINANCING AGREEMENTS, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH STATE OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT SHALL AFFECT ANY RIGHT THAT SECURED PARTY AND LENDERS MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT, THE NOTES OR ANY OTHER FINANCING AGREEMENT AGAINST THE GRANTORS OR THEIR PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(b) THE GRANTORS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE, TO THE FULLEST EXTENT THEY MAY LEGALLY AND EFFECTIVELY DO SO, ANY OBJECTION THAT THEY MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE NOTES OR ANY OTHER FINANCING AGREEMENT IN ANY STATE OR FEDERAL COURT. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(c) EACH PARTY TO THIS AGREEMENT IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN THE LOAN AGREEMENT. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY TO THIS AGREEMENT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

25. Jury Trial Waiver. THE GRANTORS HEREBY IRREVOCABLY WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING (I) TO ENFORCE OR DEFEND ANY RIGHTS UNDER OR IN CONNECTION WITH THIS AGREEMENT, OR (II) ARISING FROM ANY DISPUTE OR CONTROVERSY IN CONNECTION WITH OR RELATED TO THIS AGREEMENT AND AGREES THAT ANY SUCH ACTION OR COUNTERCLAIM SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

26. **Subordination Agreement/ Interpretation.** The Secured Party, each Lender and each Grantor have entered into a Subordination Agreement. To the extent that any provision contained herein conflicts with any provision contained in the Subordination Agreement, the Subordination Agreement shall control. In the event of a conflict between this Agreement and the Loan Agreement, the terms of the Loan Agreement shall control.

27. **Miscellaneous.** Reference to a Section is, unless otherwise stated, a reference to a section hereof, as the case may be. Section captions used in this Agreement are for convenience only, and shall not affect the construction of this Agreement. The words "hereof," "herein," "hereto" and "hereunder" and words of similar purport when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. Unless otherwise defined therein, all terms defined in this Agreement shall have the defined meanings when used in any certificate or other documents made or delivered pursuant hereto.

[Signatures on Next Page(s)]

IN WITNESS WHEREOF, the Grantors have executed this Security Agreement Re: Patents, Trademarks and Copyrights as of the date first above written.

GRANTORS:

**FAIRCHILD INDUSTRIAL PRODUCTS
COMPANY**

By: Mark L. Cuthbert
Name: MARK L CUTHBERT
Title: CEO

FIPC ACQUISITION LLC

By: [Signature]
Name: Jason Maye
Title: Vice President

Accepted and agreed to by the Secured Party as of the date first above written.

SECURED PARTY:

PATRIOT CAPITAL FUNDING, INC.
a Delaware corporation, as Agent

By: R. P. Buchanan
Name: Richard P. Buchanan
Title: President

By: Matthew Cohen
Name: Matthew Cohen
Title: Senior Vice President

STATE OF)
) SS
COUNTY OF)

I, the undersigned, a Notary Public in and for said County, in the State aforesaid, do hereby certify that _____ of Fairchild Industrial Products Company, a Delaware corporation who is personally known to me to be the same person whose name is subscribed to the foregoing instrument as such officer, appeared before me this day in person and acknowledged that he signed and delivered the said instrument as his own free and voluntary act and as the free and voluntary act and deed of said corporation for the uses and purposes therein set forth.

Given under my hand and notarial seal, this ____ day of _____, 20__

(Notarial Seal)

Notary Public

(Type or Print Name)

My Commission Expires: _____

Signature Page to Senior Security Agreement Re: Patents, Trademarks and Copyrights

TRADEMARK
REEL: 003158 FRAME: 0501

Signature Page to Senior Security Agreement Re: Patents, Trademarks and Copyrights

STATE OF

) SS

COUNTY OF

)

I, the undersigned, a Notary Public in and for said County, in the State aforesaid, do hereby certify that Jason Meyer, Vice-President of FIPC Acquisition LLC, a(n) _____, who is personally known to me to be the same person whose name is subscribed to the foregoing instrument as such officer, appeared before me this day in person and acknowledged that he signed and delivered the said instrument as his own free and voluntary act and as the free and voluntary act and deed of said corporation for the uses and purposes therein set forth.

Given under my hand and notarial seal, this 28th day of July, 2005.

Marsha Robinson-Page
Notary Public

(Notarial Seal)

MARSHA ROBINSON-PAGE
Notary Public, State of New York
No. 01RO6091398

Marsha Robinson-Page
(Type or Print Name)

Qualified in Queens County
Commission Expires April 28, 2007

My Commission Expires: _____

STATE OF Connecticut)
) SS
COUNTY OF Fairfield)

I, the undersigned, a Notary Public in and for said County, in the State aforesaid, do hereby certify that Richard P. Buckanavage and Matthew Colucci, the President and Vice President, respectively, of Patriot Capital Funding, Inc., a Delaware corporation, who is personally known to me to be the same person whose name is subscribed to the foregoing instrument as such officer, appeared before me this day in person and acknowledged that he signed and delivered the said instrument as his own free and voluntary act and as the free and voluntary act and deed of said bank for the uses and purposes therein set forth.

Given under my hand and notarial seal, this 29th day of July, 2005.


Notary Public

(Notarial Seal)

Chrissie Neves
(Type or Print Name)

My Commission Expires: _____

My Commission Exp. Jan. 31, 2006

SCHEDULE A-1
TO SECURITY AGREEMENT
RE: PATENTS, TRADEMARKS AND COPYRIGHTS

U.S. Patent Numbers
And Pending U.S. Patent Application Numbers

<u>Patent No.</u>	<u>Title</u>	<u>Owner</u>
5,074,826	Variable Speed Transmission	Fairchild Industrial Products Company
Design 327.840	Flexible Leaf Suspension Spring (T6000)	Fairchild Industrial Products Company
5,469,877	Electric to Pneumatic Transducer (T7800)	Fairchild Industrial Products Company
[D 312,120	Manifold Valve Unit	Fairchild Industrial Products Company]

<u>Pending Patent No.</u>	<u>Title</u>	<u>Owner</u>
Provisional Patent 60/638,559	[Encapsulation of piezo electric biomorph]	Fairchild Industrial Products Company

SCHEDULE A-2
TO SECURITY AGREEMENT
RE: PATENTS, TRADEMARKS AND COPYRIGHTS

Patent Licenses

Ownership/License Agreement by and between the Company and MagnaDrive Corporation,
dated as of April 25, 2001.

SCHEDULE B-1
TO SECURITY AGREEMENT
RE: PATENTS, TRADEMARKS AND COPYRIGHTS

Registered U.S. Trademarks

<u>Registered U.S. Trademarks</u>	<u>Registration Reg. No.</u>	<u>Date Granted</u>
VARI-CHAIN and Design	2,028,920	01/07/97
CUBIC (stylized)	2,030,211	01/14/97
KENDALL	2,075,266	07/01/97
FAIRCHILD INDUSTRIAL PRODUCTS COMPANY and Design	2,087,075	08/12/97
SPECON and Design	2,131,727	01/27/98
FAIRCHILD INDUSTRIAL PRODUCTS COMPANY and Design	2,294,907	11/30/99

Registered French Trademarks

<u>Registered French Trademarks</u>	<u>Registration Reg. No.</u>	<u>Date Granted</u>
VARI-CHAIN and Design	1,503,092	12/13/88
KENDALL	1,503,093	12/13/88
SPECON (stylized)	1,503,094	12/13/88
GOVERNAIRE	1,503,095	12/13/88

SCHEDULE B-2
TO SECURITY AGREEMENT
RE: PATENTS, TRADEMARKS AND COPYRIGHTS

Trademark Licenses

None.

SCHEDULE C-1
TO SECURITY AGREEMENT
RE: PATENTS, TRADEMARKS AND COPYRIGHTS

Registered U.S. Copyrights and Copyright Applications

None.

SCHEDULE C-2
TO SECURITY AGREEMENT
RE: PATENTS, TRADEMARKS AND COPYRIGHTS

Copyright Licenses

None.