

04-13-2000

FORM PTO-1596
1-31-92U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office

Docket No.: 51566-014

101319968
ONLY

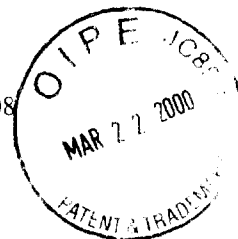
To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereto:

1. Name of Conveying Party(ies):

INTRACEL CORPORATION,
BARTELS, INC.,
PERIMMUNE HOLDINGS, INC. and
PERIMMUNE, INC.

3-22-00

2. Name and address of receiving party(ies):

Name: INTRACEL ACQUISITION HOLDING COMPANY,
LLCAddress: 2751 Centerville Road
Wilmington, Delaware 19808Additional name(s) of conveying party(ies) attached? ☐ Yes

3. Nature of Conveyance:

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

Execution Date: March 20, 2000

Additional name(s) & address(es) attached? ☐ Yes

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

If the document is being filed together with a new application, the execution date of the application is:

A. Patent Application No(s).

As set forth in Schedule II of the Security Agreement
enclosed herewith.

B. Patent No(s).

As set forth in Schedule II of the Security Agreement enclosed
herewith.Additional numbers attached? ☐ Yes5. Name and address of party to whom correspondence
concerning document should be mailed:

Name: MCDERMOTT, WILL & EMERY

Internal Address:

Street Address: 600 13th Street, N.W.

City: Washington State: DC Zip: 20005

6. Total number of applications and patents involved: 56

7. Total fee (37 CFR 3.41) \$2,240.00

- ☐ Enclosed
☒ Authorized to be charged to deposit account

8. Deposit account number:

500417

04/13/2000 TT0111 00000007 500417 5256532

01 FC:581 2240.00 CH

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.*

Willem F. Gadiano, Reg. No. 37,136

Name and Registration No. of Person Signing

Signature Reg No. 41,425

March 22, 2000

Date

Total number of pages comprising cover sheet: 1

CMB No. 0851-0011 (exp. 4/94)

PATENT
REEL: 010676 FRAME: 0788

CURRENT INTRACEL PATENTS (As of January 13, 2000)

SUBJECT MATTER	NUMBER	COUNTRY	STATUS
Methods for Detection and Quantification of Cell Subsets within Subpopulations of a Mixed Cell Population	5,256,532	US	Granted
	5,385,822	US	Granted
	0471792	Europe	Granted
	0471792	France	Granted
	0471792	Italy	Granted
	0471792	Great Britain	Granted
	0559738	Europe	Granted
	0559738	Belgium	Granted
	0559738	France	Granted
	0559738	Great Britain	Granted
	2095237	Canada	Pending
	501274	Japan	Pending
	69131181108	Germany	Granted
Immunoassay for Determination of Cells	5,374,531	US	Granted
	949109797	Europe	Pending
	06521300	Japan	Pending
Intracellular Immunization	08/099,870	US	Pending
Detection Reagent, Article and Immunoassay Method	5,561,045	US	Granted
	950644559	Brazil	Pending
	2180428	Canada	Pending
	951914774	China	Pending

CURRENT INTRACEL PATENTS (As of January 13, 2000)

SUBJECT MATTER	NUMBER	COUNTRY	STATUS
Radial Flow Assay, Delivering Member, Test Kit and Methods	08/177,733	US	Pending
	95064540	Brazil	Pending
	2180429	Canada	Pending
	95191473	China	Pending
Neutralizing Monoclonal Antibodies to Respiratory Syncytial Virus	09/043,522	US	Pending
	09/043,530	US	Pending
	2230127	Canada	Pending
	969316330	Europe	Pending
	969338102	Europe	Pending
Human Monoclonal Antibodies Specific for Activated CD4 Antigen, Polynucleotides Encoding the Antibodies, and Methods of Use Thereof	09/225,647	US	Pending
CTAA 81AV78, the Antigen Recognized by Human Monoclonal Antibody 81AV78	5,595,738	US	Granted
	92/04108	WO ¹	Filed
	952004653	Europe	Pending
	668686	Australia	Granted
	2102422	Canada	Pending
	934963	Finland	Pending
	93703413	Korea	Pending

¹ WO means "world" indicating that international filing was done through the Patent Cooperation Treaty

CURRENT INTRACEL PATENTS (As of January 13, 2000)

SUBJECT MATTER	NUMBER	COUNTRY	STATUS
In Vivo Binding Pair Pretargeting	5,807,534	US	Granted
	5,578,289	US	Granted
	08/461,267	US	Pending
	93/01858	WO	Filed
	661582	Australia	Granted
	2107558	Canada	Pending
	P005991	Indonesia	Pending
	934857	Finland	Filed
	51583093	Japan	Filed
	93793311	Korea	Filed
	933035	South Africa	Granted
	939062766	Europe	Pending
Chelating Agents for Attaching Metal Ions to Proteins	5,292,868	US	Granted
	5,488,126	US	Granted
	5,583,219	US	Granted
	5,808,003	US	Granted
	90/02910	WO	Filed
	0429644	Europe	Granted
	0429644	Belgium	Granted
	0429644	Switzerland	Granted
	0429644	Denmark	Granted
	0429644	Spain	Granted
	0429644	France	Granted
	0429644	Great Britain	Granted
	0429644	Italy	Granted
	0429644	The Netherlands	Granted
	0429644		Granted

CURRENT INTRACEL PATENTS
(As of January 13, 2000)

SUBJECT MATTER	NUMBER	COUNTRY	STATUS
New Polyaminocarboxylate Chelators	0429644	Sweden	Granted
	E128035	Austria	Granted
	638757	Australia	Granted
	2033086	Canada	Granted
	69022542	Germany	Granted
	68411	Ireland	Granted
	2865112	Japan	Granted
	91700100	Korea	Pending
	186799	Korea	Granted
	904047	South Africa	Granted
Alignment System to Overlay Abdominal Computer Aided Tomography and Magnetic Resonance Anatomy with Single Photon Emission Tomography	959079740	Europe	Pending
	692224	Australia	Granted
	2180662	Canada	Pending
	962772	Finland	Pending
	51856995	Japan	Pending
	96703633	Korea	Pending
Leukoregulin, An Antitumor Lymphokine, and its Therapeutic Uses	5,299,253	US	Granted
	5,082,657	US	Granted
	4,849,506	US	Granted
	85/00626	WO	Filed
	0179127	Europe	Granted
	0179127	Belgium	Granted
	0179127	Switzerland	Granted
	0179127	France	Granted

CURRENT INTRACEL PATENTS

(As of January 13, 2000)

SUBJECT MATTER	NUMBER	COUNTRY	STATUS
Monoclonal Antibodies specific To Leukoregulin Cell Surface Receptors	0179127	Italy	Granted
	0179127	Luxembourg	Granted
	0179127	The Netherlands	Granted
	0179127	Sweden	Granted
	E48617	Austria	Granted
	592529	Australia	Granted
	1163930	Canada	Granted
	P3574710	Germany	Granted
	170781	Denmark	Granted
	85867	Finland	Granted
	2562014	Japan	Granted
	170423	Norway	Granted
	641386	Australia	Granted
	170423	Denmark	Granted
	2564245	Japan	Granted
An In Vitro Method for Producing Antigen-Specific Human Monoclonal Antibodies	5,229,275	US	Granted
	0454225	Europe	Granted
	0454225	Belgium	Granted
	0454225	Switzerland	Granted
	0454225	Denmark	Granted
	0454225	Spain	Granted
	0454225	France	Granted
	0454225	Great Britain	Granted
	0454225	Italy	Granted
	0454225		Granted

CURRENT INTRACEL PATENTS (As of January 13, 2000)

SUBJECT MATTER	NUMBER	COUNTRY	STATUS
Immunoreactive Peptides of APO(A)	0454225	The Netherlands	Granted
	0454225	Sweden	Granted
	E123311	Austria	Granted
	647112	Australia	Granted
	2041213	Canada	Pending
	69110084	Germany	Granted
	97392	Finland	Granted
	3017162	Greece	Granted
	66523	Ireland	Granted
	151408	Korea	Granted
	912998	South Africa	Granted
	5,597,908	US	Granted
	5,708,138	US	Granted
	08/892,544	US	Pending
	5,786,156	US	Granted
	683508	Australia	Granted
	2138605	Canada	Pending
	945976	Finland	Pending
Method of Treating Bladder Cancer with a Keyhole Limpet Hemocyanin Composition with Enhanced Anti-Tumor Activity	P942209	Indonesia	Pending
	31889294	Japan	Pending
	9410145	South Africa	Pending
	942036534	Europe	Pending
	5,407,912	US	Granted
	5,855,919	US	Granted
	5,981,476	US	Granted

CURRENT INTRACEL PATENTS (As of January 13, 2000)

SUBJECT MATTER	NUMBER	COUNTRY	STATUS
	08/343,808	US	Pending
	681872	Australia	Granted
	2121296	Canada	Pending
	ID0002646	Indonesia	Granted
	ID0002646	Indonesia	Granted
	941725	Finland	Pending
	104838	Japan	Pending
	942510	South Africa	Granted
	942009978	Europe	Pending
Method for Purifying Chelator Conjugated Compounds	5,244,816	US	Granted
	90/05772	WO	Filed
	0495878	EP	Granted
	0495878	Belgium	Granted
	0495878	Switzerland	Granted
	0495878	Spain	Granted
	0495878	France	Granted
	0495878	Great Britain	Granted
	0495878	Italy	Granted
	0495878	Luxembourg	Granted
	0495878	The Netherlands	Granted
	E145560	Austria	Granted
	656717	Australia	Granted
	2069309	Canada	Pending
	69029274	Germany	Granted
	199200488	Denmark	Filed
	3022645	Greece	Granted
	51457290	Japan	Pending
	206060	Korea	Pending

CURRENT INTRACEL PATENTS (As of January 13, 2000)

SUBJECT MATTER	NUMBER	COUNTRY	STATUS
Tumor Associated Epitopes	235618	New Zealand	Granted
	95574	Portugal	Granted
	908095	South Africa	Granted
	08/478,591	US	Pending
	08/960,128	US	Pending
	96/09004	WO	Pending
	6046996	Australia	Pending
	2222551	Canada	Pending
	50142997	Japan	Filed
	97708886	Korea	Pending
Antigen Recognized by MCA 16-88		Europe	Pending
	5,338,832	US	Granted
	88/02245	WO	Filed
	0328578	Europe	Granted
	0328578	Belgium	Granted
	0328578	France	Granted
	0328578	Great Britain	Granted
	0328578	Italy	Granted
	0328578	Luxembourg	Granted
	0328578	The Netherlands	Granted
	0328578	Sweden	Granted
	E137674	Austria	Granted
	618209	Australia	Granted
	571017	Canada	Pending
	P3855280	Germany	Granted
	102589	Denmark	Pending

CURRENT INTRACEL PATENTS

(As of January 13, 2000)

SUBJECT MATTER	NUMBER	COUNTRY	STATUS
Human Monoclonal Antibody IgM 16-88, Cell Lines Producing It and Antigen Recognized Thereby	072186	Ireland	Pending
	50598388	Japan	Pending
	8847777	South Africa	Granted
Technetium-99m Labeling of Proteins	86958	Israel	Granted
	225280	New Zealand	Granted
	5,317,091	US	Granted
	92/01577	WO	Filed
	658403	Australia	Granted
	2104943	Canada	Pending
	933760	Finland	Pending
Chelator and Method for Purifying Chelator Conjugated Compounds	50740692	Japan	Pending
	0238558	Korea	Granted
	929078244	Europe	Pending
	07/419,871	US	Pending
Chelator IDAC-2 and Method for Purifying Chelator Conjugated Compounds	08/278,721	US	Pending
	5,800,802	US	Granted
	95/09285	WO	Filed
High Yield Preparation of Dimeric to Decameric Chitin Oligomers	95/9286741	Europe	Pending
	5,705,634	US	Granted
	96/02705	WO	Filed
	969085588	Europe	Pending

CURRENT INTRACEL PATENTS (As of January 13, 2000)

SUBJECT MATTER	NUMBER	COUNTRY	STATUS
Polymer Affinity Systems For The Delivery of Cytotoxic Materials and Other Compounds to Site of Disease	08/471,264	US	Pending
	08/937,558	US	Pending
	96/08852	WO	Filed
Imaging Infectious Foci With Human IgM 16-88	5,549,882	US	Granted
	08/701,420	US	Pending
Site Specific In Vivo Activation of Therapeutic Drugs	07/720,837	US	Pending
	5,433,955	US	Granted
	08/382,469	US	Pending
	0454783	Europe	Granted
	0454783	Belgium	Granted
	0454783	Switzerland	Granted
	0454783	Denmark	Granted
	0454783	Spain	Granted
	0454783	France	Granted
	0454783	Great Britain	Granted
	0454783	Ireland	Granted
	0454783	Italy	Granted
	0454783	Luxembourg	Granted
	E123414	Austria	Granted
	648015	Australia	Granted
	2025899	Canada	Pending
	69019959	Germany	Granted
	50311690	Japan	Pending
	185967	Korea	Granted
	912864	The Netherlands	Pending
	912864	Norway	Pending

CURRENT INTRACEL PATENTS (As of January 13, 2000)

SUBJECT MATTER	NUMBER	COUNTRY	STATUS
Active Specific Immunotherapy	5,484,596	US	Granted
	08/540,298	US	Pending
Tumor Associated Monoclonal Antibody	5,348,880	US	Granted
	5,474,755	US	Granted
Tumor Specific Monoclonal Antibodies	4,828,991	US	Granted
	4,997,762	US	Granted
	5,106,738	US	Granted
	5,180,814	US	Granted
	0151030	EP	Granted
	0151030	Belgium	Granted
	0151030	France	Granted
	0151030	Italy	Granted
	0151030	Luxembourg	Granted
	0151030	The Netherlands	Granted
	0151030	Sweden	Granted
	0151030	Great Britain	Granted
	E71410	Austria	Granted
	589531	Australia	Granted
	171896	Denmark	Granted
	P3585093	Germany	Granted
	539987	Spain	Granted
	539987	Israel	Granted
	91045	Israel	Granted
	850179	Greece	Granted
	2021518	Japan	Granted
	2516731	Japan	Granted
	210867	New Zealand	Granted
	79894	Portugal	Granted

CURRENT INTRACEL PATENTS (As of January 13, 2000)

SUBJECT MATTER

SUBJECT MATTER	NUMBER	COUNTRY	STATUS
CTAA 28A32, The Antigen Recognized by MCA 28A12	5,521,285	US	Granted
	0537168	Europe	Granted
	0537168	Belgium	Granted
	0537168	Spain	Granted
	0537168	France	Granted
	0537168	Great Britain	Granted
	0537168	Italy	Granted
	0537168	The Netherlands	Granted
	0537168	Luxembourg	Granted
	0537168	Sweden	Granted
	0537168	Switzerland	Granted
	660927	Australia	Granted
	2079601	Canada	Granted
	3020387	Greece	Pending
	50860491	Japan	Granted
	0206061	Korea	Pending
Tumor Associated Monoclonal Antibody 12JAV16			Granted
Monoclonal Antibody 88BV59, Subclones and Method of Making	5,495,002	US	Granted
	95/00581	WO	Filed
	959094723	EP	Pending
	651261	Australia	Granted
	698184	Australia	Granted
	2158572	Canada	Pending
	2083542	Canada	Pending
	925618	Finland	Pending
	954700	Finland	Pending
	P9203032	Hungary	Pending

CURRENT INTRACEL PATENTS (As of January 13, 2000)

SUBJECT MATTER	NUMBER	COUNTRY	STATUS
Anti-Tumor Vaccine	P005142	Indonesia	Pending
	103758	Israel	Granted
	52077895	Japan	Pending
	33196192	Japan	Pending
	924803	Norway	Pending
	2454433	New Zealand	Granted
	077177	Taiwan	Granted
	928880	South Africa	Granted
	95704282	Korea	Pending
	922038270	Europe	Pending
Tumor Associated Monoclonal Antibody 81AV78	635511	Australia	Granted
	92/04023	WO	Filed
	2029892	Australia	Pending
	935038	Finland	Pending
	2108767	Canada	Pending
Urethral Catheter and Catheterization Process	50017693	Japan	Pending
	5,120,316	US	Granted
	912023876	Europe	Pending

SECURITY AGREEMENT

SECURITY AGREEMENT, dated as of March 20, 2000 (as amended, supplemented, restated or otherwise modified from time to time, this "*Agreement*"), made by INTRACEL CORPORATION, a Delaware corporation ("*Intracel*"), BARTELS, INC., a Delaware corporation ("*Bartels*"), PERIMMUNE HOLDINGS, INC., a Delaware corporation ("*PerImmune Holdings*"), PERIMMUNE, INC., a Delaware corporation ("*PerImmune*", and together with Intracel, Bartels and PerImmune Holdings being referred to herein, collectively, as the "*Borrowers*"), and each of the Additional Collateral Grantors (as defined in Section 7.2(b) hereof) (such Additional Collateral Grantors and the Borrowers are collectively referred to herein as the "*Grantors*" and individually as a "*Grantor*"), in favor of INTRACEL ACQUISITION HOLDING COMPANY, LLC, a Delaware limited liability company (the "*Lender*").

WITNESSETH

WHEREAS, pursuant to a Term Loan Agreement, dated as of the date hereof (together with all amendments, supplements, restatements and other modifications, if any, from time to time thereafter made thereto, the "*Loan Agreement*"), by and among the Borrowers, the Additional Borrowers from time to time party thereto, and the Lender, the Lender has extended a Commitment (such capitalized term and all other capitalized terms not otherwise defined herein to have the meanings provided for in Article I) to make Advances to the Borrowers;

WHEREAS, as a condition precedent to the making of the initial Advances under the Loan Agreement, each Grantor is required to execute and deliver this Agreement; and

WHEREAS, each Grantor has duly authorized the execution, delivery and performance of this Agreement;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to induce the Lender to make Advances (including the initial Advances) to the Borrowers pursuant to the Loan Agreement, each Grantor agrees, for the benefit of the Lender, as follows:

ARTICLE I DEFINITIONS

SECTION 1.1. Certain Terms. The following terms (whether or not underscored) when used in this Agreement, including its preamble and recitals, shall have the following meanings (such definitions to be equally applicable to the singular and plural forms thereof):

"*Account Debtor*" means any Person obligated to pay any Receivable.

"Additional Collateral Grantors" is defined in clause (b) of Section 7.2.

"Assigned Agreements" is defined in clause (f) of Section 2.1.

"Borrowers" is defined in the preamble.

"Collateral" is defined in Section 2.1.

"Collateral Account" is defined in clause (b) of Section 4.1.2.

"Commodity Account" means an account maintained by a Commodity Intermediary in which a Commodity Contract is carried out for a Commodity Customer.

"Commodity Contract" means a commodity futures contract, an option on a commodity futures contract, a commodity option or any other contract that, in each case, is (a) traded on or subject to the rules of a board of trade that has been designated as a contract market for such a contract pursuant to the federal commodities laws or (b) traded on a foreign commodity board of trade, exchange or market, and is carried on the books of a Commodity Intermediary for a Commodity Customer.

"Commodity Customer" means a person for whom a Commodity Intermediary carries a Commodity Contract on its books.

"Commodity Intermediary" means (a) a Person who is registered as a futures commission merchant under the federal commodities laws or (b) a Person who in the ordinary course of its business provides clearance or settlement services for a board of trade that has been designated as a contract market pursuant to federal commodities laws.

"Computer Hardware and Software Collateral" means:

(a) all computer and other electronic data processing hardware, integrated computer systems, central processing units, memory units, display terminals, printers, features, computer elements, card readers, tape drives, hard and soft disk drives, cables, electrical supply hardware, generators, power equalizers, accessories and all peripheral devices and other related computer hardware;

(b) all software programs (including both source code, object code and all related applications and data files), whether now owned or hereafter acquired by each Grantor, designed for use on the computers and electronic data processing hardware described in clause (a) above;

(c) all licenses and leases of software programs;

(d) all firmware associated therewith;

(e) all documentation (including flow charts, logic diagrams, manuals, guides and specifications) with respect to such hardware, software and firmware described in the preceding clauses (a) through (c); and

(f) all rights with respect to all of the foregoing, including any and all copyrights, licenses, options, warranties, service contracts, program services, test rights, maintenance rights, support rights, improvement rights, renewal rights and indemnifications and any substitutions, replacements, additions or model conversions of any of the foregoing.

"Copyright Collateral" means all copyrights of each Grantor, whether statutory or common law, registered or unregistered, now or hereafter in force throughout the world including all of such Grantor's right, title and interest in and to all copyrights registered in the United States Copyright Office or anywhere else in the world and also including the copyrights referred to in Item A of Schedule IV attached hereto, and all applications for registration thereof, whether pending or in preparation, all copyright licenses, including each copyright license referred to in Item B of Schedule IV attached hereto, the right to sue for past, present and future infringements of any thereof, all rights corresponding thereto throughout the world, all extensions and renewals of any thereof and all proceeds of the foregoing, including licenses, royalties, income, payments, claims, damages and proceeds of suit.

"Entitlement Holder" means a Person identified in the records of a Securities Intermediary as the Person having a Security Entitlement against the Securities Intermediary. If a Person acquires a Security Entitlement by virtue of Section 8-501(b)(2) or (3) of the U.C.C., such person is the Entitlement Holder.

"Equipment" is defined in clause (a) of Section 2.1.

"Financial Asset" means (a) a Security, (b) an obligation of a Person or a share, participation or other interest in a Person or in property or an enterprise of a Person, which is, or is of a type, dealt with in or traded on financial markets, or which is recognized in any area in which it is issued or dealt in as a medium for investment or (c) any property that is held by a Securities Intermediary for another Person in a Securities Account if the Securities Intermediary has expressly agreed with the other Person that the property is to be treated as a Financial Asset under Article 8 of the U.C.C. As the context requires, the term Financial Asset shall mean either the interest itself or the means by which a Person's claim to it is evidenced, including a certificated or uncertificated Security, a certificate representing a Security or a Security Entitlement.

"Fixtures" means all items of Equipment, whether now owned or hereafter acquired, of any Grantor that become so related to particular real estate that an interest in them arises under any real estate law applicable thereto.

"Grantor" and **"Grantors"** are defined in the preamble.

"Intellectual Property Collateral" means, collectively, the Computer Hardware and Software Collateral, the Copyright Collateral, the Patent Collateral, the Trademark Collateral and the Trade Secrets Collateral.

"Inventory" is defined in clause (b) of Section 2.1.

"Investment Property" means all Securities (whether certificated or uncertificated), Security Entitlements, Securities Accounts, Commodity Contracts and Commodity Accounts of each Grantor, whether now owned or hereafter acquired by any Grantor.

"Lender" is defined in the preamble.

"Loan Agreement" is defined in the first recital.

"Obligations" means all obligations (monetary or otherwise) of the Borrowers and the Additional Borrowers arising under or in connection with the Loan Agreement, the Notes and each other Loan Document, including principal, interest (including post-default interest and interest accruing after the commencement of any bankruptcy, insolvency or similar proceeding described in Section 7.01(f) of the Loan Agreement, whether or not a claim for post-filing or post-petition interest is allowed in any such proceeding), reimbursement obligations, fees, indemnities, costs and expenses (including the fees and disbursements of counsel to the Lender required to be paid by the Borrowers) that are owing under the Loan Agreement and the other Loan Documents, in each case whether now existing or hereafter incurred, direct or indirect, absolute or contingent, and due or to become due.

"Patent Collateral" means:

(a) all letters patent and applications for letters patent throughout the world, including all patent applications in preparation for filing anywhere in the world and including each patent and patent application referred to in Item A of Schedule II attached hereto;

(b) all patent licenses, including each patent license referred to in Item B of Schedule II attached hereto;

(c) all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations of any of the items described in clauses (a) and (b) above; and

(d) all proceeds of, and rights associated with, the foregoing (including license royalties and proceeds of infringement suits), the right to sue third parties for past, present or future infringements of any patent or patent application, including any patent or patent application referred to in Item A of Schedule II attached hereto, and for breach or enforcement of any patent license, including any patent license referred to in Item B of Schedule II attached hereto, and all rights corresponding thereto throughout the world.

"Receivables" is defined in clause (c) of Section 2.1.

"Related Contracts" is defined in clause (c) of Section 2.1.

"Secured Obligations" is defined in Section 2.2.

"Securities" means any obligations of an issuer or any shares, participations or other interests in an issuer or in property or an enterprise of an issuer which (a) are represented by a certificate representing a security in bearer or registered form, or the transfer of which may be registered upon books maintained for that purpose by or on behalf of the issuer, (b) are one of a class or series or by its terms is divisible into a class or series of shares, participations, interests or obligations and (c) (i) are, or are of a type, dealt with or trade on securities exchanges or securities markets or (ii) are a medium for investment and by their terms expressly provide that they are a security governed by Article 8 of the U.C.C.

"Securities Account" shall mean an account to which a Financial Asset is or may be credited in accordance with an agreement under which the person maintaining the account undertakes to treat the person for whom the account is maintained as entitled to exercise rights that comprise the Financial Asset.

"Security Agreement Supplement" is defined in clause (b) of Section 7.2.

"Security Entitlements" shall mean the rights and property interests of an Entitlement Holder with respect to a Financial Asset.

"Security Intermediary" shall mean (a) a clearing corporation or (b) a person, including a bank or broker, that in the ordinary course of its business maintains securities accounts for others and is acting in that capacity.

"Trademark Collateral" means:

(a) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, certification marks, collective marks, logos, other source of business identifiers, prints and labels on which any of the foregoing have appeared or appear, designs and general intangibles of a like nature (all of the foregoing items in this clause (a) being collectively called a **"Trademark"**), now existing anywhere in the world or hereafter adopted or acquired, whether currently in use or not, all registrations and recordings thereof and all applications in connection therewith, whether pending or in preparation for filing, including registrations, recordings and applications in the United States Patent and Trademark Office or in any office or agency of the United States of America or any State thereof or any foreign country, including those referred to in Item A of Schedule III attached hereto;

(b) all Trademark licenses, including each Trademark license referred to in Item B of Schedule III attached hereto;

(c) all reissues, extensions or renewals of any of the items described in clauses (a) and (b) above;

(d) all of the goodwill of the business connected with the use of, and symbolized by the items described in, clauses (a) and (b) above; and

(e) all proceeds of, and rights associated with, the foregoing, including any claim by each Grantor against third parties for past, present or future infringement or dilution of any Trademark, Trademark registration or Trademark license, including any Trademark, Trademark registration or Trademark license referred to in Item B of Schedule III attached hereto, or for any injury to the goodwill associated with the use of any such Trademark or for breach or enforcement of any Trademark license.

"Trade Secrets Collateral" means common law and statutory trade secrets and all other confidential or proprietary information and all know-how obtained by or used in or contemplated at any time for use in the business of each Grantor (all of the foregoing being collectively called a *"Trade Secret"*), whether or not such Trade Secret has been reduced to a writing or other tangible form, including all documents and things embodying, incorporating or referring in any way to such Trade Secret, all Trade Secret licenses, including each Trade Secret license referred to in Schedule V attached hereto, and including the right to sue for and to enjoin and to collect damages for the actual or threatened misappropriation of any Trade Secret and for the breach or enforcement of any such Trade Secret license.

"U.C.C." means the Uniform Commercial Code as from time to time in effect in the State of New York or, with respect to any Collateral located in any state or jurisdiction other than the State of New York, the Uniform Commercial Code as from time to time in effect in such state or jurisdiction.

"Vehicles" is defined in clause (g) of Section 2.1.

SECTION 1.2. Loan Agreement Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Loan Agreement. In addition, as used herein, the words "include", "includes", and "including" shall be deemed to be followed by the phrase "without limitation".

SECTION 1.3. U.C.C. Definitions. Unless otherwise defined herein or the context otherwise requires, terms for which meanings are provided in the U.C.C. are used in this Agreement, including its preamble and recitals, with such meanings.

ARTICLE II SECURITY INTEREST

SECTION 2.1. Grant of Security. Each Grantor hereby assigns and pledges to the Lender, and hereby grants to the Lender a security interest in, all of its right, title and interest in and to the following, whether now or hereafter existing or acquired (the *"Collateral"*):

(a) all equipment in all of its forms of such Grantor, wherever located, including all machinery, components, parts and accessories installed thereon or affixed thereto and all parts thereof, all Fixtures and all accessions, additions, attachments, improvements, substitutions and replacements thereto and therefor, other than the equipment identified in Schedule VIII attached hereto (any and all of the foregoing being the "*Equipment*");

(b) all inventory in all of its forms of such Grantor, wherever located, including:

(i) all merchandise, goods and other personal property which are held for sale or lease, all raw materials and work in process therefor, finished goods thereof, and materials used or consumed in the manufacture or production thereof,

(ii) all goods in which such Grantor has an interest in mass or a joint or other interest or right of any kind (including goods in which such Grantor has an interest or right as consignee), and

(iii) all goods which are returned to or repossessed by such Grantor,

and all accessions thereto, products thereof and documents therefor (any and all such inventory, materials, goods, accessions, products and documents being the "*Inventory*");

(c) all accounts (including all bank accounts, collection accounts and concentration accounts, together with all funds held therein and all certificates and instruments, if any, from time to time representing or evidencing such accounts), contracts, contract rights, chattel paper, documents, instruments, rights to receive payment and general intangibles of such Grantor (including invoices, contracts, rights, accounts receivable, notes, refunds, indemnities, undertakings and all other obligations owing to such Grantor from any Person), whether or not arising out of or in connection with the sale or lease of goods or the rendering of services, and all rights of such Grantor now or hereafter existing in and to all security agreements, guaranties, leases and other contracts securing or otherwise relating to any such accounts, contracts, contract rights, chattel paper, documents, instruments, and general intangibles (any and all such accounts, contracts, contract rights, chattel paper, documents, instruments, and general intangibles being the "*Receivables*", and any and all such security agreements, guaranties, leases and other contracts being the "*Related Contracts*");

(d) all Intellectual Property Collateral and other general intangibles (other than general intangibles for money due or to become due and described in clause (c) above) of such Grantor;

(e) all Investment Property of such Grantor;

(f) all of such Grantor's right, title and interest in and to the agreements specified in Schedule VI attached hereto, as such agreements may be amended, supplemented, restated, replaced or otherwise modified from time to time (collectively, the "**Assigned Agreements**"), including (i) all rights of such Grantor to receive moneys due and to become due under or pursuant to the Assigned Agreements, (ii) all rights of such Grantor to receive proceeds of any insurance, indemnity, warranty or guaranty with respect to the Assigned Agreements, (iii) all claims of such Grantor for damages arising out of or for breach of or default under the Assigned Agreements and (iv) the right of such Grantor to terminate the Assigned Agreements, to perform thereunder and to compel performance and otherwise exercise all remedies thereunder;

(g) all trucks, cars and other motor vehicles owned or leased by such Grantor, wherever located, and including all machinery, components, parts and accessories installed thereon or affixed thereto, together with all accessions, additions, attachments, improvements, substitutions and replacements thereto and therefor, the foregoing to include, without limitation, the trucks, cars and motor vehicles identified in Schedule VII attached hereto (collectively, the "**Vehicles**");

(h) all books, records, writings, data bases, information and other property relating to, used or useful in connection with, evidencing, embodying, incorporating or referring to, any of the foregoing in this Section 2.1;

(i) all of such Grantor's other property and rights of every kind and description and interests therein; and

(j) all products, offspring, rents, issues, profits, returns, income and proceeds of and from any and all of the foregoing Collateral (including proceeds which constitute property of the types described in clauses (a) through (i) above, proceeds deposited from time to time in the Collateral Account of such Grantor, and, to the extent not otherwise included, all payments under insurance (whether or not the Lender is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral).

Notwithstanding the foregoing provisions of this Section 2.1, such grant of security interest shall not extend to, and the term "Collateral" shall not include, any Assigned Agreement to the extent that (A) such Assigned Agreement is not assignable or capable of being encumbered as a matter of law or under the terms thereof (but solely to the extent that any such restriction shall be enforceable under applicable law), without the consent of any party thereto (other than a Grantor) and (B) such consent has not been obtained; *provided, however*, that the foregoing grant of a security interest shall extend to, and the term "Collateral" shall include, (1) any and all proceeds of such Assigned Agreement to the extent that the assignment or encumbering of such proceeds is not so restricted and (2) upon any such consent of such party with respect to such otherwise excluded Assigned Agreement, thereafter such Assigned Agreement as well as any and all proceeds thereof that might theretofore have been excluded from such grant of a security interest and the term "Collateral".

SECTION 2.2. Security for Obligations. This Agreement secures the prompt payment in full of all Obligations, including all amounts payable by the Borrowers and the Additional Borrowers under or in connection with the Loan Agreement, the Notes and each other Loan Document, whether for principal, interest, costs, fees, expenses, indemnities or otherwise and whether now or hereafter existing (all of such obligations being the "*Secured Obligations*").

SECTION 2.3. Continuing Security Interest; Transfer of Notes. This Agreement shall create a continuing security interest in the Collateral and shall

(a) remain in full force and effect until payment in full in cash of all Secured Obligations and the termination of the Commitment;

(b) be binding upon each Grantor, its successors, transferees and assigns;
and

(c) inure, together with the rights and remedies hereunder, to the benefit of the Lender and its successors, transferees and assigns.

Without limiting the generality of the foregoing clause (c), the Lender may assign or otherwise transfer (in whole or in part) any Advances held by it to any other Person, and such other Person shall thereupon become vested with all the rights and benefits in respect thereof granted to the Lender under any Loan Document (including this Agreement) or otherwise, subject, however, to any contrary provisions in such assignment or transfer. Upon the indefeasible payment in full in cash of all Secured Obligations and the termination of the Commitment, the security interest granted herein shall terminate and all rights to the Collateral shall revert to the Grantors. Upon any such termination or release, the Lender will, at each Grantor's sole expense, execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such termination.

SECTION 2.4. Grantors Remains Liable. Anything herein to the contrary notwithstanding:

(a) each Grantor shall remain liable under the contracts and agreements included in the Collateral (including the Assigned Agreements) to the extent set forth therein, and shall perform all of its duties and obligations under such contracts and agreements to the same extent as if this Agreement had not been executed;

(b) each Grantor will comply in all material respects with all laws, rules and regulations relating to the ownership and operation of the Vehicles and the other Collateral, including, without limitation, all registration requirements under applicable laws, and shall pay when due all taxes, fees and assessments imposed on or with respect to the Vehicles and other Collateral, except to the extent the validity thereof is being contested in good faith by appropriate proceedings for which adequate reserves in accordance with GAAP have been set aside by such Grantor;

(c) the exercise by the Lender of any of its rights hereunder shall not release any Grantor from any of its duties or obligations under any such contracts or agreements included in the Collateral; and

(d) the Lender shall not have any obligation or liability under any such contracts or agreements included in the Collateral by reason of this Agreement, nor shall the Lender be obligated to perform any of the obligations or duties of any Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

SECTION 2.5. Security Interest Absolute. All rights of the Lender and the security interests granted to the Lender hereunder, and all obligations of each Grantor hereunder, shall be absolute and unconditional, irrespective of

(a) any lack of validity or enforceability of the Loan Agreement, any Note or any other Loan Document;

(b) the failure of the Lender:

(i) to assert any claim or demand or to enforce any right or remedy against any Borrower, any Additional Borrower or any other Person under the provisions of the Loan Agreement, any Note, any other Loan Document or otherwise; or

(ii) to exercise any right or remedy against any other guarantor of, or collateral securing, any Secured Obligation;

(c) 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 extension, compromise or renewal of any Secured Obligation, including any increase in the Secured Obligations resulting from the extension of additional credit to any Grantor or otherwise;

(d) any reduction, limitation, impairment or termination of any Secured Obligation for any reason, including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to (and each Grantor hereby waives any right to or claim of) any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality, nongenuineness, irregularity, compromise, unenforceability of, or any other event or occurrence affecting, any Secured Obligation or otherwise;

(e) any amendment to, rescission, waiver, or other modification of, or any consent to departure from, any of the terms of the Loan Agreement, any Note or any other Loan Document;

(f) any addition, exchange, release, surrender or non-perfection of any collateral (including the Collateral), or any amendment to or waiver or release of or

addition to or consent to departure from any guaranty, for any of the Secured Obligations; or

(g) any other circumstances which might otherwise constitute a defense available to, or a legal or equitable discharge of, any Borrower, any Additional Borrower or otherwise.

SECTION 2.6. Waiver of Subrogation. Each Grantor hereby irrevocably waives to the extent permitted by applicable law, until the irrevocable payment in full in cash of all Secured Obligations and the termination of the Commitment, any claim or other rights which it may now or hereafter acquire against any other Grantor that arises from the existence, payment, performance or enforcement of such Grantor's obligations under this Agreement, including any right of subrogation, reimbursement, exoneration, or indemnification, any right to participate in any claim or remedy against any other Grantor or any collateral which the Lender now has or hereafter acquires, whether or not such claim, remedy or right arises in equity, or under contract, statute or common law, including the right to take or receive from any other Grantor, directly or indirectly, in cash or other property or by set-off or in any manner, payment or security on account of such claim or other rights. If any amount shall be paid to any Grantor in violation of the preceding sentence, such amount shall be deemed to have been paid to the Lender, and shall forthwith be paid to the Lender to be credited and applied upon the Secured Obligations, whether matured or unmatured. Each Grantor acknowledges that it will receive direct and indirect benefits for the financing arrangements contemplated by the Loan Agreement and that the waiver set forth in this Section is knowingly made in contemplation of such benefits.

ARTICLE III REPRESENTATIONS AND WARRANTIES

SECTION 3.1. Representations and Warranties. Each Grantor represents and warrants unto the Lender as set forth in this Article.

SECTION 3.1.1. Location of Collateral, etc. All of the Equipment and Inventory of such Grantor are located at the places specified in Item A and Item B, respectively, of Schedule I hereto. None of the Equipment and Inventory has, within the four months preceding the date of this Agreement, been located at any place other than the places specified in Item A and Item B, respectively, of Schedule I hereto. The principal place of business and chief executive office of such Grantor and the office where such Grantor keeps its records concerning its Receivables, and the original copies of each Assigned Agreement and all originals of all chattel paper which evidence Receivables are located at the places specified in Item C of Schedule I hereto. Except as set forth in Item D of Schedule I hereto such Grantor has no trade names and during the 12-month period preceding the date hereof such Grantor has not been known by any legal name different from the one set forth on the signature page hereto, nor has such Grantor been the subject of any merger or other corporate reorganization. All of the Vehicles identified on Schedule VII hereto are duly titled and registered in the places specified therein, and the Grantor does not own or lease, directly or indirectly, on the date

hereof any other Vehicle. If the Collateral of such Grantor includes any Inventory located in the State of California, such Grantor is not a "retail merchant" within the meaning of Section 9102 of the Uniform Commercial Code - Secured Transactions of the State of California. None of the Receivables is evidenced by a promissory note or other instrument. Except as notified by such Grantor to the Lender in writing, such Grantor is not a party to any one or more Federal, state or local government contracts.

SECTION 3.1.2. Ownership, No Liens, etc. Such Grantor owns its portion of the Collateral free and clear of any Lien, except for the security interest created by this Agreement and except as otherwise permitted by Section 6.02(a) of the Loan Agreement. No effective financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any recording office, except (a) such as may have been filed in favor of the Lender relating to this Agreement and (b) financing statements in respect of Liens permitted under Section 6.02(a) of the Loan Agreement. The Grantor is the duly registered owner or lessee, as the case may be, of each Vehicle and, with respect to each Vehicle owned by such Grantor, has furnished to the Lender true, genuine original certificates of ownership issued by the relevant Department of Motor Vehicles with respect to each Vehicle, on which certificates of ownership the security interest of the Lender in each such Vehicle has been duly noted in accordance with all applicable laws.

SECTION 3.1.3. Possession and Control. Such Grantor has exclusive possession and control of its Equipment and Inventory, except to the extent any such Equipment or Inventory is located on leased property.

SECTION 3.1.4. Negotiable Documents, Instruments, Chattel Paper and Assigned Agreements. Such Grantor has, contemporaneously herewith, delivered to the Lender possession of all originals of all negotiable documents, instruments and chattel paper currently owned or held by such Grantor (duly endorsed in blank, if requested by the Lender) and true, correct and complete copies of each Assigned Agreement.

SECTION 3.1.5. Intellectual Property Collateral. With respect to any Intellectual Property Collateral that is material to the operations of any Grantor:

(a) such Intellectual Property Collateral is subsisting and has not been adjudged invalid or unenforceable, in whole or in part, and is valid and enforceable;

(b) such Grantor has made all necessary filings and recordations to protect its interest in such Intellectual Property Collateral, including recordations of all of its interests in the Patent Collateral and Trademark Collateral in the United States Patent and Trademark Office and in corresponding offices throughout the world and its claims to the Copyright Collateral in the United States Copyright Office and in corresponding offices throughout the world;

(c) in the case of any such Intellectual Property Collateral that is owned by such Grantor, such Grantor is the exclusive owner of the entire and unencumbered right, title and interest in and to such Intellectual Property Collateral and, except as

otherwise disclosed in the Information Statement, no claim has been made that the use of such Intellectual Property Collateral does or may violate the asserted rights of any third party;

(d) in the case of any such Intellectual Property Collateral that is licensed by such Grantor, such Grantor is in compliance with all the material terms of such license; and

(e) the Grantor has performed and will continue to perform all acts and has paid and will continue to pay all required fees and taxes to maintain each and every item of such Intellectual Property Collateral in full force and effect throughout the world, as applicable.

Such Grantor owns directly or is entitled to use by license or otherwise, all patents, Trademarks, Trade Secrets, copyrights, licenses, technology, know-how, processes and rights with respect to any of the foregoing used in or necessary for the conduct of such Grantor's business.

SECTION 3.1.6. Validity, etc. This Agreement creates a valid security interest in the Collateral, subject to no other Liens other than Liens permitted under Section 6.02(a) of the Loan Agreement, securing the payment of the Secured Obligations, and all filings and other actions necessary or desirable to perfect and protect such security interest have been duly taken (or, in the case of the filings referred to in Section 3.1.7, have been delivered to the Lender pursuant to Section 4.01(a)(iv) of the Loan Agreement).

SECTION 3.1.7. Authorization, Approval, etc. No authorization, approval or other action by, and no notice to or filing with, any Governmental Authority (other than the filing of financing statements in the U.C.C. filing offices of each jurisdiction referred to in Schedule I hereto, the filing of this Agreement with the United States Patent and Trademark Office and the filing of this Agreement with the United States Copyright Office) is required either

(a) for the grant by such Grantor of the security interest granted hereby or for the execution, delivery and performance of this Agreement by such Grantor; or

(b) for the perfection of or the exercise by the Lender of its rights and remedies hereunder.

SECTION 3.1.8. Due Execution, Validity, Etc. Such Grantor has full power and authority, and holds all requisite governmental licenses, permits and other approvals, to enter into and perform its obligations under this Agreement. The execution, delivery and performance by such Grantor of this Agreement does not contravene or result in a default under such Grantor's articles of incorporation or by-laws (or comparable organizational documents) or contravene or result in a default under any contractual restriction, Lien or governmental regulation or court decree or order binding on such Grantor other than under the 12% Notes and the Securities Purchase Agreement pursuant to which such notes were issued (which violations are covered by an agreement to forbear the exercise of remedies related

thereto). This Agreement has been duly executed and delivered on behalf of each Grantor and constitutes the legal, valid and binding obligation of each Grantor enforceable in accordance with its terms, subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditor's right generally, and subject to the effect of general principles of equity (regardless of whether considered in a proceeding in equity or at law). In addition, each representation and warranty of each Grantor contained in each Loan Document to which it is a party is true and correct (unless such representation and warranty is stated to relate solely to an earlier date, in which case such representation and warranty is true and correct as of such earlier date).

SECTION 3.1.9. Farm Products. None of the Collateral constitutes, or is the proceeds of, farm products.

SECTION 3.1.10. Assigned Agreements. The Assigned Agreements of such Grantor, true and complete copies of which have been furnished to the Lender, have been duly authorized, executed and delivered by such Grantor, are in full force and effect and are binding upon and enforceable against such Grantor in accordance with their terms. To the knowledge of such Grantor, there exists no default under any Assigned Agreement by any party thereto. With respect to each Assigned Agreement for which the Lender has requested such Grantor to obtain a written consent to assignment, each party to such Assigned Agreement other than such Grantor has executed and delivered to such Grantor a consent, in substantially the form of Exhibit A hereto, to the assignment of such Assigned Agreement to the Lender pursuant to this Agreement.

ARTICLE IV COVENANTS

SECTION 4.1. Certain Covenants. Each Grantor covenants and agrees that, so long as any portion of the Secured Obligations shall remain unpaid or the Lender shall have any outstanding Commitment, such Grantor will, unless the Lender shall otherwise consent in writing, perform the obligations set forth in this Section.

SECTION 4.1.1. As to Equipment and Inventory. Each Grantor hereby agrees that it shall

(a) keep all the Equipment and Inventory (other than Inventory sold in the ordinary course of business) at the places therefor specified in Section 3.1.1 or, upon 30 days' prior written notice to the Lender, at such other places in a jurisdiction where all representations and warranties set forth in Article III (including Section 3.1.5) shall be true and correct, and all action required pursuant to the first sentence of Section 4.1.8 shall have been taken with respect to the Equipment and Inventory;

(b) cause the Equipment to be maintained and preserved in the same condition, repair and working order as when new, ordinary wear and tear excepted, and make or cause to be made all repairs, replacements and other improvements in

connection therewith which are necessary so that such Grantor may properly conduct its business; and

(c) pay promptly when due all property and other taxes, assessments and governmental charges or levies imposed upon, and all claims (including claims for labor, materials and supplies) against, the Equipment and Inventory, except to the extent the validity thereof is being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP have been set aside.

SECTION 4.1.2. As to Receivables.

(a) Each Grantor shall keep its principal place of business and chief executive office and the office where it keeps its records concerning the Receivables, and all originals of all chattel paper which evidence Receivables, located at the places therefor specified in Section 3.1.1 or, upon 30 days' prior written notice to the Lender, at such other locations in a jurisdiction where all actions required by the first sentence of Section 4.1.8 shall have been taken with respect to the Receivables; not change its name except upon 30 days' prior written notice to the Lender; hold and preserve such records and chattel paper; and permit representatives of the Lender at any time during normal business hours, upon reasonable notice, to inspect and make abstracts from such records and chattel paper.

(b) Upon written notice by the Lender to any Grantor pursuant to this Section 4.1.2(b), all proceeds of Collateral received by such Grantor shall be delivered in kind to the Lender for deposit to a deposit account (the "*Collateral Account*") of such Grantor (but under the sole dominion and control of the Lender) maintained with a commercial or savings bank designated by the Lender, and such Grantor shall not commingle any such proceeds, and shall hold separate and apart from all other property, all such proceeds in express trust for the benefit of the Lender until delivery thereof is made to the Lender. The Lender will not give the notice referred to in the preceding sentence unless there shall have occurred and be continuing a Default of the nature referred to in Section 7.01(f) of the Loan Agreement or any Event of Default. No funds, other than proceeds of Collateral, will be deposited in the Collateral Account.

(c) The Lender shall have the right to apply any amount in the Collateral Account to the payment of any Secured Obligations which are due and payable or payable upon demand, or to the payment of any Secured Obligations at any time that any Event of Default shall exist. Subject to the rights of the Lender, each Grantor shall have the right on each Business Day, with respect to and to the extent of collected funds in the Collateral Account, to require the Lender to purchase any Permitted Investments, *provided* that, in the case of certificated securities, the Lender will retain possession thereof as Collateral and, in the case of other Investment Property, the Lender will take such actions, including registration of such Investment Property in its name, as it shall determine is necessary to perfect its security interest therein. The Lender may at any

time and shall promptly following any Grantor's request therefor, if no Default of the nature referred to in Section 7.01(f) of the Loan Agreement and no Event of Default has occurred and is continuing, transfer to such Grantor's general demand deposit account at its bank any or all of the collected funds in the Collateral Account; *provided, however*, that any such transfer shall not be deemed to be a waiver or modification of any of the Lender's rights under this Section 4.1.2(c). None of the Grantors will, without the Lender's prior written consent, grant any extension of the time of payment of any Receivable, compromise, compound or settle the same for less than the full amount thereof, release, wholly or partly, any Person liable for the payment thereof or allow any credit or discount whatsoever thereon, other than extensions, credits, discounts, compromises or settlements granted or made in the ordinary course of business and consistent with its current practices and in accordance with such prudent and standard practices used in industries that are the same as or similar to those in which such Grantor is engaged.

SECTION 4.1.3. As to Collateral.

(a) Until such time as the Lender shall notify the Grantors of the revocation of such power and authority after the occurrence and continuation of any Default of the nature referred to in Section 7.01(f) of the Loan Agreement or any Event of Default, each Grantor (i) may in the ordinary course of its business, at its own expense, sell, lease or furnish under the contracts of service any of the Inventory normally held by such Grantor for such purpose, and use and consume, in the ordinary course of its business, any raw materials, work in process or materials normally held by such Grantor for such purpose, and sell or otherwise dispose of any other Collateral to the extent permitted by Section 6.02(g) of the Loan Agreement, (ii) will, at its own expense, endeavor to collect, as and when due, all amounts due with respect to any of the Collateral, including the taking of such action with respect to such collection as the Lender may reasonably request or, in the absence of such request, as each Grantor may deem advisable, and (iii) may grant, in the ordinary course of business, to any party obligated on any of the Collateral, any rebate, refund or allowance to which such party may be lawfully entitled, and may accept, in connection therewith, the return of goods, the sale or lease of which shall have given rise to such Collateral. The Lender, however, may, at any time following the occurrence and during the continuance of any Default of the nature referred to in Section 7.01(f) of the Loan Agreement or any Event of Default, whether before or after any revocation of such power and authority or the maturity of any of the Secured Obligations, notify any parties obligated on any of the Collateral to make payment to the Lender of any amounts due or to become due thereunder and enforce collection of any of the Collateral by suit or otherwise and surrender, release, or exchange all or any part thereof, or compromise or extend or renew for any period (whether or not longer than the original period) any indebtedness thereunder or evidenced thereby. Upon request of the Lender after the occurrence and during the continuance of any Default of the nature referred to in Section 7.01(f) of the Loan Agreement or any Event of Default, each Grantor will, at its own expense, notify

any parties obligated on any of the Collateral to make payment to the Lender of any amounts due or to become due thereunder.

(b) The Lender is authorized to endorse, in the name of each Grantor, any item, howsoever received by the Lender, representing any payment on or other proceeds of any of the Collateral.

SECTION 4.1.4. As to Intellectual Property Collateral.

(a) No Grantor shall, unless such Grantor shall either (i) reasonably and in good faith determine (and notice of such determination shall have been delivered to the Lender) that any of the Patent Collateral is of negligible economic value to such Grantor, or (ii) have a valid business purpose to do otherwise, do any act, or omit to do any act, whereby any of the Patent Collateral may lapse or become abandoned or dedicated to the public or unenforceable.

(b) No Grantor shall, and no Grantor shall permit any of its licensees to, unless such Grantor shall either (i) reasonably and in good faith determine (and notice of such determination shall have been delivered to the Lender) that any of the Trademark Collateral is of negligible economic value to such Grantor, or (ii) have a valid business purpose to do otherwise,

(A) fail to continue to use any of the Trademark Collateral in order to maintain all of the Trademark Collateral in full force free from any claim of abandonment for non-use;

(B) fail to maintain as in the past the quality of products and services offered under all of the Trademark Collateral;

(C) fail to employ all of the Trademark Collateral registered with any Federal or state or foreign authority with an appropriate notice of such registration;

(D) adopt or use any other Trademark which is confusingly similar or a colorable imitation of any of the Trademark Collateral;

(E) use any of the Trademark Collateral registered with any Federal or state or foreign authority except for the uses for which registration or application for registration of such Trademark Collateral has been made; or

(F) do or permit any act or knowingly omit to do any act whereby any of the Trademark Collateral may lapse or become invalid or unenforceable.

(c) No Grantor shall, unless such Grantor shall either reasonably and in good faith determine (and notice of such determination shall have been delivered to the Lender) that any of the Copyright Collateral or any of the Trade Secrets Collateral is of

negligible economic value to such Grantor, or have a valid business purpose to do otherwise, do or permit any act or knowingly omit to do any act whereby any of the Copyright Collateral or any of the Trade Secrets Collateral may lapse or become invalid or unenforceable or placed in the public domain except upon expiration of the end of an unrenewable term of a registration thereof.

(d) Each Grantor shall notify the Lender immediately if it knows that any application or registration relating to any material item of the Intellectual Property Collateral may become abandoned or dedicated to the public or placed in the public domain or invalid or unenforceable, or of any adverse determination or development (including the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office or any foreign counterpart thereof or any court) regarding such Grantor's ownership of any of the Intellectual Property Collateral, its right to register the same or to keep and maintain and enforce the same.

(e) In no event shall any Grantor or any of its agents, employees, designees or licensees file an application for the registration of any Intellectual Property Collateral with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, unless it promptly informs the Lender and, upon request of the Lender, executes and delivers any and all agreements, instruments, documents and papers as the Lender may reasonably request to evidence the Lender's security interest in such Intellectual Property Collateral and the goodwill and general intangibles of such Grantor relating thereto or represented thereby.

(f) Each Grantor shall take all necessary steps, including in any proceeding before the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue any application (and to obtain the relevant registration) filed with respect to, and to maintain any registration of, the Intellectual Property Collateral, including the filing of applications for renewal, affidavits of use, affidavits of incontestability and opposition, interference and cancellation proceedings and the payment of fees and taxes (except to the extent that dedication, abandonment or invalidation is permitted under the foregoing clauses (a), (b) and (c)).

SECTION 4.1.5. Insurance. Each Grantor will maintain or cause to be maintained insurance as provided in Section 6.01(c) of the Loan Agreement. Upon the occurrence and during the continuance of any Default of the nature referred to in Section 7.01(f) of the Loan Agreement or any Event of Default, all proceeds of insurance maintained by each Grantor so covering the Collateral shall be retained by the Lender for application to the payment in full of the Secured Obligations. Each Grantor irrevocably makes, constitutes and appoints the Lender (and all officers, employees or agents designated by the Lender) as such Grantor's true and lawful agent (and attorney-in-fact) for the purpose, during the continuance of any Default of the nature referred to in Section 7.01(f) of the Loan Agreement or any Event of Default, of

making, settling and adjusting claims in respect of Collateral under policies of insurance, endorsing the name of such Grantor on any check, draft, instrument or other item of payment for the proceeds of such policies of insurance and for making all determinations and decisions with respect thereto. In the event that any Grantor at any time or times shall fail to obtain or maintain any of the policies of insurance required by Section 6.01(c) of the Loan Agreement or to pay any premium in whole or part relating thereto, the Lender may, without waiving or releasing any obligation or liability of the Grantors hereunder or any Default or Event of Default, in its sole discretion, obtain and maintain such policies of insurance and pay such premium and take any other actions with respect thereto as the Lender deems advisable. All sums disbursed by the Lender in connection with this Section 4.1.5, including reasonable attorneys' fees, court costs, expenses and other charges relating thereto, shall be payable, upon demand, by the Grantors to the Lender and shall be additional Secured Obligations secured hereby.

SECTION 4.1.6. Transfers and Other Liens. No Grantor shall:

(a) sell, assign (by operation of law or otherwise) or otherwise dispose of any of the Collateral, except as permitted by Section 4.1.3 hereof or Section 6.02(g) of the Loan Agreement; or

(b) create or suffer to exist any Lien upon or with respect to any of the Collateral, except for the security interest created by this Agreement and except those permitted by Section 6.02(a) of the Loan Agreement.

SECTION 4.1.7. As to the Assigned Agreements.

(a) Each Grantor shall at its expense:

(i) perform and observe in all material respects all the terms and provisions of the Assigned Agreements to be performed or observed by it, maintain the Assigned Agreements in full force and effect, enforce the Assigned Agreements in accordance with their terms and take all such action to such end as may be from time to time reasonably requested by the Lender; and

(ii) furnish to the Lender promptly upon receipt thereof copies of all notices, requests and other documents received by such Grantor under or pursuant to the Assigned Agreements, and from time to time furnish to the Lender such information and reports regarding the Assigned Agreements as the Lender may reasonably request.

(b) No Grantor shall, without the prior written consent of the Lender:

(i) cancel or terminate any Assigned Agreement or consent to or accept any cancellation or termination thereof;

(ii) amend or otherwise modify any Assigned Agreement or give any consent, waiver or approval thereunder;

(iii) waive any default under or breach of any Assigned Agreement;
or

(iv) take any other action in connection with any Assigned Agreement that would impair in any material respect the value of the interest or rights of such Grantor thereunder or that would impair in any material respect the interest or rights of the Lender.

SECTION 4.1.8. As to Vehicles. Each Grantor hereby agrees that

(a) it shall keep all the Vehicles identified on Schedule VII hereto in the locations specified therein, and will keep each certificate of ownership (duly evidencing the Lender's security interest in each such Vehicle) on file with the relevant Department of Motor Vehicles in each such jurisdiction, or, upon 30 days' prior notice to the Lender, at such other places in a jurisdiction where all the representations and warranties set forth in Article III (including Section 3.1.6) shall be true and correct, and all actions required pursuant to the first sentence of Section 4.1.9 shall have been taken with respect to the Vehicles;

(b) if it acquires any Vehicles other than the Vehicles specified on Schedule VII hereto, promptly (and, in any event, within five Business Days thereafter) notify the Lender of the same, and in the case of any owned Vehicles, duly cause to be noted on the relevant certificate of ownership the security interest of the Lender, file the relevant certificate of ownership with the relevant Department of Motor Vehicles and provide copies of the foregoing to the Lender. In addition to, and not in limitation of, the foregoing, the Grantor shall take all steps necessary so that the representation and warranties set forth in Article III (including Section 3.1.6) shall be true and correct, and all actions required pursuant to the first sentence of Section 4.1.9 shall have been taken with respect to the Vehicles;

(c) it shall cause the Vehicles to be maintained and preserved in good repair and working order, ordinary wear and tear excepted, and make necessary and proper repairs, renewals and replacements so that the business of the Grantor carried on in connection therewith may be properly conducted; and

(d) it shall pay promptly when due all property and other taxes, assessments and governmental charges or levies imposed upon or with respect to, and all claims (including claims resulting from the use or operation of the Vehicles) against or with respect to the Vehicles, except to the extent the validity thereof is being contested in good faith by appropriate proceedings for which adequate reserves in accordance with GAAP have been set aside by the Grantor.

SECTION 4.1.9. Further Assurances, etc. Each Grantor agrees that, from time to time at its own expense, such Grantor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Lender may reasonably request, in order to perfect, preserve and protect any security interest granted or purported to be granted hereby or to enable the Lender to exercise and enforce its rights and remedies hereunder with respect to any Collateral (including the obtaining of written consents to assignment of the nature referred to in Section 3.1.10 with respect to material contracts of such Grantor). Without limiting the generality of the foregoing, each Grantor will

(a) mark conspicuously each document included in the Inventory, each Assigned Agreement, each chattel paper included in the Receivables, each Related Contract and each of its records pertaining to the Collateral with a legend, in form and substance satisfactory to the Lender, indicating that such document, Assigned Agreement, chattel paper, Related Contract or Collateral is subject to the security interest granted hereby;

(b) if any Receivable shall be evidenced by a promissory note or other instrument, negotiable document or chattel paper, deliver and pledge to the Lender hereunder such promissory note, instrument, negotiable document or chattel paper duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Lender;

(c) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices (including any assignment of claim form under or pursuant to the federal assignment of claims statute, 31 U.S.C. § 3726, any successor or amended version thereof or any regulation promulgated under or pursuant to any version thereof), as may be necessary, or as the Lender may reasonably request, in order to perfect and preserve the security interests and other rights granted or purported to be granted to the Lender hereby; and

(d) furnish to the Lender, from time to time at the Lender's request, statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Lender may reasonably request, all in reasonable detail.

With respect to the foregoing and the grant of the security interest hereunder, each Grantor hereby authorizes the Lender to file one or more financing or continuation statements, and amendments thereto, and make filings with the United States Patent and Trademark Office or United States Copyright Office (or any successor office or any similar office in any other country), in such case for the purpose of perfecting, confining, continuing, enforcing or protecting the security interest granted by each Grantor, without the signature of any Grantor, and naming any Grantor or the Grantors as debtors and the Lender as secured party. 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.

SECTION 4.1.10. Inspections and Verification. The Lender shall have the right, at the Grantors' own cost and expense, to inspect the Collateral, all records related thereto (and to make extracts and copies from such records) and the premises upon which any of the Collateral is located, to discuss the Grantors' affairs with the officers of the Grantors and their independent accountants and to verify under reasonable procedures the validity, amount, quality, quantity, value, condition and status of, or any other matter relating to, the Collateral, including, in the case of Receivables or Collateral in the possession of any third Person, by contacting Account Debtors in the event of and during the continuance of an Event of Default or the third person possessing such Collateral for the purpose of making such a verification.

ARTICLE V THE LENDER

SECTION 5.1. Lender Appointed Attorney-in-Fact. Each Grantor hereby irrevocably constitutes and appoints the Lender and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, for the purpose of carrying out the terms of this Agreement, to take, upon the occurrence and during the continuance of any Default of the nature referred to in Section 7.01(f) of the Loan Agreement or any Event of Default, any and all appropriate action and to execute any and all documents and instruments that may be necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, each Grantor hereby gives the Lender the power and right, on behalf of such Grantor, without notice to or assent by such Grantor, upon the occurrence and during the continuance of any such Default or any Event of Default, to do any or all of the following:

(a) in the name of such Grantor or its own name, or otherwise, take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Receivable or with respect to any other Collateral and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Lender for the purpose of collecting any and all such moneys due under any Receivable or with respect to any other Collateral whenever payable;

(b) in the case of any Intellectual Property Collateral, execute and deliver, and have recorded, any and all agreements, instruments, documents and papers as the Lender may request to evidence the Lender's security interest in such Intellectual Property Collateral and the goodwill and general intangibles of such Grantor relating thereto or represented thereby;

(c) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repairs or any insurance called for by the terms of this Agreement and pay all or any part of the premiums therefor and the costs thereof;

(d) execute, in connection with any sale or other disposition provided for in Section 6.1, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(e) (i) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Lender or as the Lender shall direct; (ii) ask or demand for, collect, and receive payment of and give receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (iii) sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (iv) commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral; (v) defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; (vi) settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as the Lender may deem appropriate; (vii) notify, or require any Grantor to notify, Account Debtors to make payment directly to the Lender and change the post office box number or other address to which the Account Debtors make payments; (viii) assign any Intellectual Property Collateral (along with the goodwill of the business to which any such Intellectual Property Collateral pertains), throughout the world for such term or terms, on such conditions, and in such manner, as the Lender shall in its sole discretion determine; and (ix) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Lender were the absolute owner thereof for all purposes, and do, at the Lender's option and such Grantor's expense, at any time, or from time to time, all acts and things that the Lender deems necessary to protect, preserve or realize upon the Collateral and the Lender's security interests therein and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

Each Grantor hereby acknowledges, consents and agrees that the power of attorney granted pursuant to this Section is irrevocable and coupled with an interest.

SECTION 5.2. Lender May Perform. If any Grantor fails to perform any agreement contained herein, the Lender may itself perform, or cause performance of, such agreement, and the reasonable expenses of the Lender incurred in connection therewith shall be payable by such Grantor pursuant to Section 6.2.

SECTION 5.3. Lender Has No Duty. In addition to, and not in limitation of, Section 2.4, the powers conferred on the Lender hereunder are solely to protect its interest in the Collateral and shall not impose any duty on it to exercise any such powers. The Lender's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the U.C.C. or otherwise, shall be to deal with it in the same manner as the Lender deals with similar property for its own account. Neither the

Lender nor any of its officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof (including the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral). The Lender shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither the Lender nor any of its officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

ARTICLE VI REMEDIES

SECTION 6.1. Certain Remedies. If any Event of Default shall have occurred and be continuing:

(a) The Lender 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 U.C.C. and also may

(i) require each Grantor to, and each Grantor hereby agrees that it will, at its expense and upon the request of the Lender forthwith, assemble all or part of the Collateral as directed by the Lender and make it available to the Lender at a place to be designated by the Lender which is reasonably convenient to both parties;

(ii) without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon any Grantor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale, at any of the Lender's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Lender may deem commercially reasonable. Each Grantor agrees that, to the extent notice of sale shall be required by law, at least ten days' prior notice to such Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Lender shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Lender 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;

(iii) with respect to the Intellectual Property Collateral, on demand, to cause the security interest to become an assignment, transfer and conveyance of any of or all such Collateral by the applicable Grantors to the Lender, or to license or sublicense, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any such Collateral throughout the world on such terms and conditions and in such manner as the Lender shall determine (other than in violation of any then existing licensing arrangements to the extent that waivers cannot be obtained); and

(iv) with or without legal process and with or without prior notice or demand for performance, to take possession of the Collateral and without liability for trespass to enter any premises where the Collateral may be located for the purpose of taking possession of or removing the Collateral.

(b) All cash proceeds received by the Lender in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of the Lender, be held, to the extent permitted under applicable law, by the Lender as additional collateral security for all or any part of the Secured Obligations, and/or then or at any time thereafter shall be applied in whole or in part by the Lender against all or any part of the Secured Obligations in such manner as the Lender determines in its sole discretion. Any surplus of such cash or cash proceeds held by the Lender and remaining after payment in full of all the Secured Obligations, and the termination of the Commitment, shall be paid over to the Grantors or to whomsoever may be lawfully entitled to receive such surplus.

(c) The Lender may exercise any and all rights and remedies of each Grantor under or in connection with the Receivables, the Related Contracts and the Assigned Agreements or otherwise in respect of the Collateral, including any and all rights of such Grantor to demand or otherwise require payment of any amount under, or performance of any provision of, any Receivables, Related Contracts or Assigned Agreements.

SECTION 6.2. Indemnity and Expenses.

(a) Each Grantor agrees to jointly and severally indemnify the Lender from and against any and all claims, losses and liabilities arising out of or resulting from this Agreement (including enforcement of this Agreement), except claims, losses or liabilities resulting from the Lender's gross negligence or wilful misconduct as determined by a final judgment of a court of competent jurisdiction.

(b) Each Grantor will upon demand pay to the Lender the amount of any and all reasonable expenses, including the reasonable fees and disbursements of its counsel and of any experts and agents, which the Lender may incur in connection with

(i) the administration of this Agreement,

(ii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any of the Collateral,

(iii) the exercise or enforcement of any of the rights of the Lender hereunder, or

(iv) the failure by any Grantor to perform or observe any of the provisions hereof.

ARTICLE VII MISCELLANEOUS PROVISIONS

SECTION 7.1. Loan Document. This Agreement is a Loan Document executed pursuant to the Loan Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions thereof.

SECTION 7.2. Amendments, etc.; Additional Grantors; Successors and Assigns.

(a) No amendment to or waiver of any provision of this Agreement nor consent to any departure by any Grantor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Lender and, with respect to any such amendment, by the Grantors, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(b) Upon the execution and delivery by any Person of a security agreement supplement in substantially the form of Exhibit B hereto (each a "*Security Agreement Supplement*"), (i) such Person shall be referred to as an "*Additional Collateral Grantor*" and shall be and become a Grantor, and each reference in this Agreement to "Grantor" shall also mean and be a reference to such Additional Collateral Grantor and (ii) the schedule supplements attached to each Security Agreement Supplement shall be incorporated into and become a part of and supplement Schedules I through V hereto, as appropriate, and the Lender may attach such schedule supplements to such Schedules, and each reference to such Schedules shall mean and be a reference to such Schedules, as supplemented pursuant hereto. The Grantors shall cause each Additional Borrower to execute a Security Agreement Supplement on the date that such Additional Borrower executes and delivers to the Lender a Borrower Supplement Agreement pursuant to Section 6.01(i) of the Loan Agreement.

(c) This Agreement shall be binding upon each Grantor and its successors, transferees and assigns and shall inure to the benefit of and be enforceable by the Lender and its successors, transferees and assigns; *provided, however*, that no Grantor may assign its obligations hereunder without the prior written consent of the Lender.

SECTION 7.3. Addresses for Notices. All notices and other communications provided for hereunder shall be in writing and mailed, delivered or transmitted by facsimile to either party hereto at the address set forth in the Loan Agreement, or at such other address as

shall be designated by such party in a written notice to each other party. Any notice, if mailed and properly addressed with postage prepaid, shall be deemed given three Business Days after posting; any notice sent by prepaid overnight express mail shall be deemed delivered on the next following Business Day; and any notice transmitted by facsimile shall be deemed given upon electronic confirmation of transmission by the sender thereof.

SECTION 7.4. Section Captions. Section captions used in this Agreement are for convenience of reference only, and shall not affect the construction of this Agreement.

SECTION 7.5. Severability. Wherever possible each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

SECTION 7.6. Counterparts. This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

SECTION 7.7. Governing Law, Entire Agreement, etc. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, EXCEPT TO THE EXTENT THAT THE VALIDITY OR PERFECTION OF THE SECURITY INTEREST HEREUNDER, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS CONSTITUTE THE ENTIRE UNDERSTANDING AMONG THE PARTIES HERETO WITH RESPECT TO THE SUBJECT MATTER HEREOF AND SUPERSEDE ANY PRIOR AGREEMENTS, WRITTEN OR ORAL, WITH RESPECT THERETO.

SECTION 7.8. Forum Selection and Consent to Jurisdiction. ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF THE LENDER OR ANY GRANTOR SHALL BE BROUGHT AND MAINTAINED IN THE FEDERAL AND STATE COURTS LOCATED IN THE BOROUGH OF MANHATTAN OF THE STATE OF NEW YORK; *PROVIDED, HOWEVER,* THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY SHALL BE BROUGHT, AT THE LENDER'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. EACH GRANTOR HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF SUCH COURTS FOR THE PURPOSE OF ANY SUCH LITIGATION AS SET FORTH ABOVE AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN


CONNECTION WITH SUCH LITIGATION SUBJECT TO ANY RIGHTS OF APPEAL OF ANY JUDGMENT RENDERED BY THE HIGHEST COURT IN THE STATE OF NEW YORK OR THE UNITED STATES DISTRICT COURT FOR THE STATE OF NEW YORK, AS THE CASE MAY BE. EACH GRANTOR FURTHER IRREVOCABLY CONSENTS TO SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF NEW YORK. EACH GRANTOR HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY HAVE OR HEREAFTER MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. TO THE EXTENT THAT ANY GRANTOR HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, SUCH GRANTOR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY IRREVOCABLY WAIVES SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS AGREEMENT.

SECTION 7.9. Waiver of Jury Trial. THE LENDER AND EACH GRANTOR HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF THE LENDER OR ANY GRANTOR. EACH GRANTOR ACKNOWLEDGES AND AGREES THAT IT HAS RECEIVED FULL AND SUFFICIENT CONSIDERATION FOR THIS PROVISION (AND EACH OTHER PROVISION OF EACH OTHER LOAN DOCUMENT TO WHICH IT IS A PARTY) AND THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE LENDER ENTERING INTO THE LOAN AGREEMENT AND EACH SUCH OTHER LOAN DOCUMENT. IN NO EVENT SHALL THE LENDER BE LIABLE FOR ANY CONSEQUENTIAL DAMAGES WHICH MAY BE ALLEGED IN CONNECTION HERewith OR THE TRANSACTIONS CONTEMPLATED HEREBY.


SECTION 7.10 Waiver of Certain Claims. TO THE EXTENT PERMITTED BY APPLICABLE LAW, NO GRANTOR SHALL ASSERT, AND HEREBY WAIVES, ANY CLAIM AGAINST THE LENDER ON ANY THEORY OF LIABILITY FOR SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES (AS OPPOSED TO DIRECT OR ACTUAL DAMAGES) ARISING OUT OF, IN CONNECTION WITH, OR AS A RESULT OF, THIS AGREEMENT OR ANY INSTRUMENT CONTEMPLATED HEREBY.

IN WITNESS WHEREOF, each Grantor has caused this Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.


INTRACEL CORPORATION

By 
Name: M.G. HANNA JR.
Title: Chairman & Interim CEO


BARTELS, INC.

By 
Name: M.G. HANNA JR.
Title: Chairman & Interim CEO

PERIMMUNE HOLDINGS, INC.

By 
Name: M.G. HANNA JR.
Title: Chairman & Interim CEO

PERIMMUNE, INC.

By 
Name: M.G. HANNA JR.
Title: Chairman & Interim CEO

Acknowledged and Accepted:

INTRACEL ACQUISITION HOLDING COMPANY, LLC

By: 

Name:

Title:

Charles Lindsay
PRESIDENT

NYK 607759-2.051566.0014

SCHEDULE I to SECURITY AGREEMENT

Item A. Location of Equipment

<u>Grantor</u>	<u>Mailing Address</u>	<u>County</u>	<u>State/Province</u>
Bartels	2005 NW Sammamish Road, #107, Issaquah, WA 98027	King	Washington
Intracel	2005 NW Sammamish Road, #107, Issaquah, WA 98027	King	Washington
Intracel - Canada	13351 Commerce Parkway, Suite 1113, Richmond, BC V6V-2X7 Canada	n/a	Vancouver
PerImmune Holdings, Inc.	1330 Piccard Drive, Rockville, MD 20850	Montgomery	Maryland
PerImmune, Inc.	1330 Piccard Drive, Rockville, MD 20850	Montgomery	Maryland

Item B. Location of Inventory

<u>Grantor</u>	<u>Mailing Address</u>	<u>County</u>	<u>State</u>
Bartels	2005 NW Sammamish Road, #107, Issaquah, WA 98027	King	Washington
Intracel	2005 NW Sammamish Road, #107, Issaquah, WA 98027	King	Washington
Intracel - Canada	13351 Commerce Parkway, Suite 1113, Richmond, BC V6V-2X7 Canada	n/a	Vancouver
PerImmune Holdings, Inc.	1330 Piccard Drive, Rockville, MD 20850	Montgomery	Maryland
PerImmune, Inc.	1330 Piccard Drive, Rockville, MD 20850	Montgomery	Maryland

Item C. Principal Place of Business/Chief Executive Office

PerImmune, Inc.	1330 Piccard Drive, Rockville, MD 20850	Montgomery	Maryland
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Item D. Trade Names

<u>Grantor</u>	<u>Trade Names</u>	<u>Other Legal Names</u>	<u>Mergers, etc.</u>
Bartels	Bartels	n/a	na/
Intracel	Intracel	n/a	n/a
Intracel - Canada	Intracel-Canada	n/a	n/a
PerImmune Holdings, Inc.	PerImmune Holdings, Inc.	n/a	n/a
PerImmune, Inc.	PerImmune, Inc.	n/a	n/a

SCHEDULE III to SECURITY AGREEMENT

**Trademarks of
Intracel Corporation;
PerImmune, Inc.;
PerImmune Holdings, Inc.; and
Bartels, Inc.
(As of 2/10/00)**

AccuD_x

ASL_{ka}

Apo-Tek Lp(a)

Apo-Tek Apo E

BCI Immune Activator

Biovitro Registered In U.S.

Flextrans Registered In U.S.

HumaRAD-HN

HumaRAD-OV

HumaRESP

HumaSPECT Registered In U.S.

HumaSTAPH

HumAT4

HumaENTERO

HumaLYM

KLH Immune Activator

OncoVAX Registered In U.S., United Kingdom, Denmark, Ireland, Sweden, Finland,
Benelux, Germany and France

Zymmune - Registered In U.S., Australia, United Kingdom, Japan, Benelux, Germany,
Korea, Israel, Mexico, Taiwan, Italy, China, France, Spain, Greece,
Thailand, Brazil and Switzerland. Inactive In Canada.

Zynaxis Registered In France and Switzerland

SCHEDULE IV TO SECURITY AGREEMENT

Copyrights

None.

SCHEDULE V TO SECURITY AGREEMENT

A. Trade Secrets and Proprietary Information of Intracel Corporation

Hollow Fiber antibody production
Purification process for human monoclonal antibodies of multiple isotypes
HumaSPECT manufacturing process
OncoVAX manufacturing process
BRI-2 cell culture media formulation
Radiolabeling process for HumaSPECT and HumaRAD
KLH Limpet aquaculture process and exsanguination methods.

B. Trade Secrets and Proprietary Information of Bartels, Inc.

None

C. Trade Secrets and Proprietary Information of PerImmune Holdings, Inc.

None

D. Trade Secrets and Proprietary Information of PerImmune, Inc.

None

Schedule VI

Assigned Agreements

**Research, Collaboration and Distribution Agreement between PerImmune, Inc. and
Mentor Corporation, dated as of December 22, 1997**

**Distribution Agreement between PerImmune, Inc. and Mentor Corporation, dated as of
June 16, 1997**

SCHEDULE VII to SECURITY AGREEMENT

Vehicles

<u>Make</u>	<u>Title and Registration with Department of Motor Vehicles</u>	<u>Owned or Leased</u>	<u>License No.</u>	<u>Registration No.</u>
Chevrolet (Converted Van)	Registered Owner: Bartels, Inc.	Owned	83805W (WA)	2GBJG31MOH411667 5
Chevrolet (Van)	Registered Owner: Bartels, Inc.	Owned	57771N (WA)	2GCEG25H8K4125460
Lincoln (Navigator)	Registered Owner: First Union Bank of Maryland c/o PerImmune	Leased	M062360 (MD)	5LMPU28L4WLJ2770 4
Chevrolet (Van)	Registered Owner: Bionetics Research, Inc.	Owned	984951 (MD)	1GCEG25K1H7120013

SCHEDULE VIII
to
Security Agreement

Equipment

NYK 624906-1.051566.0014

**SCHEDULE VIII to
Security Agreement**

EQUIPMENT

All "Collateral" as defined in the Loan and Security Agreement, dated September 30, 1997, by the Washington Economic Development Finance Authority, Intracel Corporation, and Transamerica Business Credit Corporation.

FORM OF CONSENT AND AGREEMENT

The undersigned hereby acknowledges notice of, and consents to the granting of a security interest in favor of, Intracel Acquisition Holding Company, LLC, a Delaware limited liability company (together with its successors, transferees and assigns, the "*Lender*"), pursuant to the Security Agreement, dated as of March __, 2000 (as amended, supplemented or otherwise modified from time to time, the "*Security Agreement*"), by Intracel Corporation, Bartels, Inc., PerImmune Holdings, Inc., PerImmune, Inc., and certain other persons (collectively referred to as the "*Grantors*" and individually as a "*Grantor*"), and hereby agrees with the Lender that, upon the receipt of a written notice from the Lender that it is exercising its rights under the _____ Agreement, dated _____, 19__ (the "*Assigned Agreement*"):

(a) The undersigned will make all payments to be made by it under or in connection with the Assigned Agreement directly to Lender or as otherwise specified by the Lender. All such payments shall be made by the undersigned irrespective of, and without deduction for, any counterclaim, defense, recoupment or set-off and shall be final, and the undersigned will not seek to recover from the Lender or any person it is acting on behalf of for any reason any such payment once made.

(b) The Lender shall be entitled to exercise any and all rights and remedies of each Grantor under the Assigned Agreement in accordance with the terms of the Security Agreement, and the undersigned shall comply in all respects with such exercise.

(c) The undersigned will not, without the prior written consent of the Lender, cancel or terminate the Assigned Agreement or consent to or accept any cancellation or termination thereof (whether as a result of a bankruptcy or insolvency proceeding in respect of any Grantor, or otherwise), *provided* that the applicable Grantor (or the Lender or its representatives on behalf of such Grantor) continues to perform its obligations under the Assigned Agreement.

This Consent and Agreement shall be binding upon the undersigned and its successors and assigns, and shall inure to the benefit of the Lender and its successors, transferees and assigns. This Consent and Agreement shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the undersigned has duly executed this Consent and Agreement as of the date set opposite its name below.

Dated: _____, 20__

[NAME OF OBLIGOR]

By: _____

Name:

Title:

EXHIBIT B
to
Security Agreement

FORM OF SECURITY AGREEMENT SUPPLEMENT

Intracel Acquisition Holding Company, LLC
2751 Centerville Road
Wilmington, Delaware 19808
Attention: President

Re: Intracel Corporation

Ladies and Gentlemen:

Reference is made to the Security Agreement, dated as of March __, 2000 (as amended, supplemented or otherwise modified from time to time, the "*Security Agreement*"; the terms defined therein being used herein as therein defined), by Intracel Corporation, Bartels, Inc., PerImmune Holdings, Inc., PerImmune, Inc., and the Additional Collateral Grantors from time to time party thereto (the foregoing being collectively referred to as the "*Grantors*" and individually as a "*Grantor*"), in favor of Intracel Acquisition Holding Company, LLC, a Delaware limited liability company (the "*Lender*").

The undersigned hereby agrees, as of the date first above written, to become a Grantor under the Security Agreement as if it were an original party thereto and agrees that each reference in the Security Agreement to a "Grantor" shall also mean and be a reference to the undersigned.

The undersigned hereby assigns and pledges to the Lender, and hereby grants to the Lender, as collateral for the Secured Obligations, a pledge and assignment of, and a security interest in, all of the right, title and interest of the undersigned in and to its Collateral, whether now owned or hereafter acquired, subject to all of the terms and provisions of the Security Agreement, as if such Collateral of the undersigned had been subject to the Security Agreement on the date of its original execution.

The undersigned has attached hereto supplements to Schedules I through VI to the Security Agreement, and the undersigned hereby certifies that such supplements have been

prepared by the undersigned in substantially the form of the Schedules to the Security Agreement and are accurate and complete as of the date first above written.

The undersigned hereby makes each representation and warranty set forth in Article III of the Security Agreement as to itself and as to its Collateral to the same extent as each other Grantor and hereby agrees to be bound as a Grantor by all of the terms and provisions of the Security Agreement to the same extent as all other Grantors.

This letter shall be governed by and construed in accordance with the laws of the State of New York.

Very truly yours,

[NAME OF ADDITIONAL
GRANTOR]

By: _____

Name:

Title:

Address:

Acknowledged and Accepted:

INTRACEL ACQUISITION HOLDING COMPANY, LLC

By: _____

Name:

Title: