

PATENT ASSIGNMENT

Electronic Version v1.1
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	SECURITY AGREEMENT
CONVEYING PARTY DATA	
Name	Execution Date
STARFIRE SYSTEMS, INC.	10/28/2008
RECEIVING PARTY DATA	
Name:	PALLADIUM EQUITY PARTNERS III, L.P.
Street Address:	1270 Avenue of the Americas, Suite 2200
Internal Address:	Rockefeller Center
City:	New York
State/Country:	NEW YORK
Postal Code:	10020
Name:	PHILIP M. GROSS
Street Address:	654 Hermitage Circle
City:	Palm Beach Gardens
State/Country:	FLORIDA
Postal Code:	33410
Name:	HENRY J. MACDONALD
Street Address:	3 Beacon Hill Drive
City:	Saratoga Springs
State/Country:	NEW YORK
Postal Code:	12866
Name:	RICHARD M. SABURRO
Street Address:	145 Church Street
City:	Saratoga Springs
State/Country:	NEW YORK
Postal Code:	12866
Name:	COUNTER POINT VENTURES FUND LP

CH \$840.00 6471918

Street Address:	3000 Troy-Schenectady Road
City:	Schenectady
State/Country:	NEW YORK
Postal Code:	12309

PROPERTY NUMBERS Total: 21

Property Type	Number
Patent Number:	6471918
Patent Number:	7029634
Application Number:	09944236
Patent Number:	5153295
Application Number:	10340027
Application Number:	11157540
Application Number:	11954036
Application Number:	11954033
Application Number:	11257905
Application Number:	60758711
Application Number:	11612890
Application Number:	60825644
Application Number:	12440605
Application Number:	60845353
Application Number:	60886444
Application Number:	12440603
Application Number:	60869452
Application Number:	11861620
Application Number:	10316472
Patent Number:	6730802
Patent Number:	6809041

CORRESPONDENCE DATA

Fax Number: (213)430-6407
Correspondence will be sent via US Mail when the fax attempt is unsuccessful.
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Email: nkhatryan@omm.com
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Address Line 1: 400 South Hope Street
Address Line 4: Los Angeles, CALIFORNIA 90071

ATTORNEY DOCKET NUMBER:	647440-37
NAME OF SUBMITTER:	Narine Khachatryan
<p>Total Attachments: 32</p> <p>source=Amended_And_Restated_Security_Agreement#page1.tif source=Amended_And_Restated_Security_Agreement#page2.tif source=Amended_And_Restated_Security_Agreement#page3.tif source=Amended_And_Restated_Security_Agreement#page4.tif source=Amended_And_Restated_Security_Agreement#page5.tif source=Amended_And_Restated_Security_Agreement#page6.tif source=Amended_And_Restated_Security_Agreement#page7.tif source=Amended_And_Restated_Security_Agreement#page8.tif source=Amended_And_Restated_Security_Agreement#page9.tif source=Amended_And_Restated_Security_Agreement#page10.tif source=Amended_And_Restated_Security_Agreement#page11.tif source=Amended_And_Restated_Security_Agreement#page12.tif source=Amended_And_Restated_Security_Agreement#page13.tif source=Amended_And_Restated_Security_Agreement#page14.tif source=Amended_And_Restated_Security_Agreement#page15.tif source=Amended_And_Restated_Security_Agreement#page16.tif source=Amended_And_Restated_Security_Agreement#page17.tif source=Amended_And_Restated_Security_Agreement#page18.tif source=Amended_And_Restated_Security_Agreement#page19.tif source=Amended_And_Restated_Security_Agreement#page20.tif source=Amended_And_Restated_Security_Agreement#page21.tif source=Amended_And_Restated_Security_Agreement#page22.tif source=Amended_And_Restated_Security_Agreement#page23.tif source=Amended_And_Restated_Security_Agreement#page24.tif source=Amended_And_Restated_Security_Agreement#page25.tif source=Amended_And_Restated_Security_Agreement#page26.tif source=Amended_And_Restated_Security_Agreement#page27.tif source=Amended_And_Restated_Security_Agreement#page28.tif source=Amended_And_Restated_Security_Agreement#page29.tif source=Amended_And_Restated_Security_Agreement#page30.tif source=Amended_And_Restated_Security_Agreement#page31.tif source=Amended_And_Restated_Security_Agreement#page32.tif</p>	

AMENDED AND RESTATED SECURITY AGREEMENT

AMENDED AND RESTATED SECURITY AGREEMENT, dated as of October 28, 2008 (this "Agreement"), by and among Starfire Systems, Inc., a Delaware corporation (the "Company"), Palladium Equity Partners III, L.P., a Delaware limited partnership ("Agent") and the Lenders listed on the signature pages hereof ("Lenders").

WITNESSETH:

WHEREAS, Lenders have agreed to make loans to the Company (the "Loans");

WHEREAS, in connection with the Loans, the Company has issued to Lenders certain Convertible Senior Secured Bridge Notes, including, for the avoidance of doubt, the \$2,000,000 Convertible Senior Secured Bridge Note dated March 14, 2008, issued by the Company in favor of Agent, as amended (the "Notes");

WHEREAS, in order to induce Lenders to make the Loans, the Company has agreed to grant a continuing Lien on the Collateral (as hereinafter defined) to secure the Obligations;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. DEFINED TERMS.

(a) All capitalized terms used but not otherwise defined herein have the meanings given to them in the Notes. All other capitalized terms contained in this Agreement and not defined in the Notes, unless the context indicates otherwise, have the meanings provided for by the Code to the extent the same are used or defined therein; provided, however, that to the extent that the Code is used to define any term herein and such term is defined differently in different Articles of the Code, the definition of such term contained in Article 9 of the Code shall govern. In addition to those terms defined elsewhere in this Agreement, as used in this Agreement, the following terms shall have the following meanings:

"Account Debtor" means any Person who may become obligated to the Company under, with respect to, or on account of, an Account, Chattel Paper or General Intangible (including a payment intangible).

"Code" means the Delaware Uniform Commercial Code, as in effect from time to time; provided, however, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection, priority, or remedies with respect to Lenders' Lien on any Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of Delaware, the term "Code" shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority, or remedies; provided further, however, that all references herein to the Code shall mean Article 9 of the Code, unless otherwise indicated.

"Copyrights" means all of the following now owned or hereafter adopted or acquired by the Company: (a) all copyrights and General Intangibles of like nature (whether

registered or unregistered), all registrations and recordings thereof, and all applications in connection therewith, including all registrations, recordings and applications in the United States Copyright Office or in any similar office or agency of the United States, any state or territory thereof, or any other country or any political subdivision thereof, and (b) all reissues, extensions or renewals thereof.

“Copyright License” means any and all rights now owned or hereafter acquired by the Company under any written agreement granting any right to use any Copyright or Copyright registration.

“Copyright Security Agreements” means the Copyright Security Agreements made in favor of Lenders by the Company, if any.

“Governmental Authority” means any nation or government, any state or other political subdivision thereof, and any agency, department or other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Letter-of-Credit Rights” means “letter-of-credit rights” as such term is defined in the Code, now owned or hereafter acquired by the Company, including rights to payment or performance under a letter of credit, whether or not the Company, as beneficiary, has demanded or is entitled to demand payment or performance.

“Lien” means any mortgage or deed of trust, deed to secure debt pledge, hypothecation, assignment, deposit arrangement, lien, charge, claim, security interest, easement or encumbrance, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any lease or title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement perfecting a security interest under the Code or comparable law of any jurisdiction).

“Loan Documents” means this Agreement, the Notes and all other agreements, instruments, documents and certificates executed and delivered to, or in favor of, Lenders and including all other pledges, powers of attorney, consents, assignments, contracts, notices, letter of credit agreements and all other written matter whether heretofore, now or hereafter executed by or on behalf of the Company, or any employee of the Company, and delivered to Lenders in connection with this Agreement or the transactions contemplated thereby. Any reference in this Agreement or any other Loan Document to a Loan Document shall include all appendices, exhibits or schedules thereto, and all amendments, restatements, supplements or other modifications thereto, and shall refer to this Agreement or such Loan Document as the same may be in effect at any and all times such reference becomes operative.

“Obligations” means all loans, advances, debts, liabilities and obligations, for the performance of covenants, tasks or duties or for payment of monetary amounts (whether or not such performance is then required or contingent, or such amounts are liquidated or determinable) owing by the Company to Lenders, and all covenants and duties regarding such amounts, of any kind or nature, present or future, whether or not evidenced by any note, agreement, letter of credit agreement or other instrument, arising under this Agreement, the Notes or any Loan Document. This term includes all principal, interest (including all interest that accrues after the commencement of any case or proceeding by or against the Company in bankruptcy, whether or

not allowed in such case or proceeding), expenses, attorneys' fees, and any other sum chargeable to the Company under this Agreement, the Notes or any Loan Document.

"Patents" means all of the following in which the Company now holds or hereafter acquires any interest: (a) all letters patent of the United States or any other country, all registrations and recordings thereof, and all applications for letters patent of the United States or of any other country, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State or any other country, and (b) all reissues, continuations, continuations-in-part or extensions thereof.

"Patent License" means rights under any written agreement now owned or hereafter acquired by the Company granting any right with respect to any invention on which a Patent is in existence.

"Patent Security Agreements" means the Patent Security Agreements made in favor of Lenders by the Company, if any.

"Person" means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, public benefit corporation, other entity or government (whether federal, state, county, city, municipal, local, foreign, or otherwise, including any instrumentality, division, agency, body or department thereof).

"Termination Date" means the date on which all Obligations (other than contingent indemnities and expense reimbursement obligations for which no claim has been made) under this Agreement, the Notes and the other Loan Documents have been completely discharged.

"Trademarks" means all of the following now owned or hereafter existing or adopted or acquired by the Company: (a) all trademarks, trade names, corporate names, business names, trade styles, service marks, logos, other source or business identifiers, prints and labels on which any of the foregoing have appeared or appear, designs and general intangibles of like nature (whether registered or unregistered), all registrations and recordings thereof, and all applications in connection therewith, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state or territory thereof, or any other country or any political subdivision thereof; (b) all reissues, extensions or renewals thereof; and (c) all goodwill associated with or symbolized by any of the foregoing.

"Trademark License" means rights under any written agreement now owned or hereafter acquired by the Company granting any right to use any Trademark.

"Trademark Security Agreements" means the Trademark Security Agreements made in favor of Lenders, by the Company, if any.

"Uniform Commercial Code jurisdiction" means any jurisdiction that has adopted all or substantially all of Article 9 as contained in the 2000 Official Text of the Uniform Commercial Code, as recommended by the National Conference of Commissioners on Uniform State Laws and the American Law Institute, together with any subsequent amendments or modifications to the Official Text.

2. GRANT OF LIEN.

(a) To secure the prompt and complete payment, performance and observance of all of the Obligations, the Company hereby grants, assigns, conveys, mortgages, pledges, hypothecates and transfers to Lenders, a Lien upon all of its right, title and interest in, to and under all personal property and other assets, whether now owned by or owing to, or hereafter acquired by, or arising in favor of, the Company (including under any trade names, styles, or derivations thereof), and whether owned or consigned by or to, or leased from or to, the Company, and regardless of where located (all of which being hereinafter collectively referred to as the "Collateral"), including:

- (i) all Accounts;
- (ii) all Chattel Paper;
- (iii) all Documents;
- (iv) all General Intangibles (including payment intangibles and Software);
- (v) all Goods (including Inventory, Equipment and Fixtures);
- (vi) all Instruments;
- (vii) all Investment Property;
- (viii) all Deposit Accounts of the Company and all other bank accounts and all deposits therein;
- (ix) all money, cash or cash equivalents of the Company;
- (x) all Supporting Obligations and Letter-of-Credit Rights of the Company;
- (xi) all commercial tort claims; and
- (xii) to the extent not otherwise included, all Proceeds, tort claims, insurance claims and other rights to payments not otherwise included in the foregoing and products of the foregoing and all accessions to, substitutions, and replacements for, and rents and profits of, each of the foregoing.

Notwithstanding the foregoing, this Section 2(a) of this Agreement shall not constitute a grant of a security interest in any property (and any such property shall not constitute Collateral) to the extent that (1) such grant of a security interest is prohibited by any requirement of law of a Governmental Authority, (2) requires the consent of any Governmental Authority to the extent such consent has not been obtained, or (3) is prohibited by, constitutes a breach or default under, results in the termination of, or requires any consent not obtained under any contract, license, agreement, instrument, or other document evidencing or giving rise to such property or, in the case of any Investment Property, any applicable shareholder or similar agreement, except, in each case provided in (1) to (3), to the extent that such requirement of law or the term of such contract, license, agreement, instrument, or other document or shareholder or

similar agreement providing for such prohibition, breach, default, or termination or requiring such consents is ineffective under applicable law (including Sections 9-406, 9-407, 9-408 and 9-409 of the UCC in any relevant jurisdiction); provided, however, that the foregoing exclusion shall not in any way limit, impair, or otherwise affect Lenders' continuing security interest upon any right, title, or interest of the Company in or to (i) monies due or to become due in respect of such contract, license, agreement, instrument, or other document or (ii) any and all proceeds from the sale, transfer, assignment, license, lease, or other disposition of such contract, license, agreement, instrument or other document.

(b) In addition, to secure the prompt and complete payment, performance and observance of the Obligations and in order to induce Lenders as aforesaid, the Company hereby grants to Lenders a right of set-off against the property of the Company held by Lenders, consisting of Collateral described above in Section 2(a) now or hereafter in the possession or custody of or in transit to Lenders, for any purpose, including safekeeping, collection or pledge, for the account of the Company, or as to which the Company may have any right or power.

3. ADMINISTRATIVE AGENT.

(a) Appointment and Authorization of Administrative Agent. Each of the Lenders hereby irrevocably appoints Agent to act on its behalf as administrative agent hereunder and under the other Loan Documents and authorizes Agent to take such actions on its behalf and to exercise such powers as are delegated to Agent by the terms hereof and thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Section 3 are solely for the benefit of Agent and Lenders, and the Company shall not have rights as a third party beneficiary of any of such provisions.

(b) Rights as a Lender. Agent shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as Agent hereunder in its individual capacity.

(c) Exculpatory Provisions. Agent shall not have any duties, responsibilities or obligations except as expressly set forth herein and in the other Loan Documents, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Documents or otherwise exist against Agent. Without limiting the generality of the foregoing, Agent:

(i) shall not be subject to any fiduciary or other implied duties, regardless of whether an Event of Default has occurred and is continuing;

(ii) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that Agent is required to exercise as directed in writing by Lenders holding at least fifty percent (50%) of the outstanding principal balance of the Notes (the "Required Lenders") (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), provided that Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose Agent to liability or that is contrary to any Loan Document or applicable law;

(iii) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Company that is communicated to or obtained by Agent in any capacity; and

(iv) shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders (or, if so specified by this Agreement, all or other Lenders) as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Required Lenders (or, if so specified by this Agreement, all or other Lenders), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Notes.

(v) shall be deemed not to have knowledge of any Event of Default unless and until written notice describing such Event of Default is given to Agent by the Company or a Lender. Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Event of Default or (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document.

(d) Reliance by Administrative Agent. Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. Agent may consult with legal counsel, independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

(e) Delegation of Duties. Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by Agent. Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective authorized officers. The exculpatory provisions of this Section 3 shall apply to any such sub-agent and to the authorized officers of Agent and any such sub-agent.

(f) Resignation of Agent. Agent may at any time give notice of its resignation to Lenders and the Company. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Company, to appoint a successor. If no such successor shall have been so appointed by the Required Lenders and shall have

accepted such appointment within 30 days after the retiring Agent gives notice of its resignation, then the retiring Agent may on behalf of Lenders, appoint a successor Agent; provided that if Agent shall notify the Company and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (1) the retiring Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by Agent on behalf of the Lenders under any of the Loan Documents, the retiring Agent shall continue to hold such collateral security until such time as a successor Agent is appointed) and (2) all payments, communications and determinations provided to be made by, to or through Agent shall instead be made by or to each Lender directly, until such time as the Required Lenders appoint a successor Agent as provided for above in this Section 3(f). Upon the acceptance of a successor's appointment as Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Agent, and the retiring Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this Section 3). The fees payable by the Company to a successor Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Company and such successor. After the retiring Agent's resignation hereunder and under the other Loan Documents, the provisions of this Section 3 shall continue in effect for the benefit of such retiring Agent, its sub-agents and their respective authorized officers in respect of any actions taken or omitted to be taken by any of them while the retiring Agent was acting as Agent.

(g) Non-Reliance on Agent and Other Lenders. Each Lender acknowledges that it has, independently and without reliance upon Agent or any other Lender based on such documents and information as it has deemed appropriate, made its own analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon Agent or any other Lender or any of their authorized officers and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

(h) Administrative Agent May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company, Agent (irrespective of whether the principal of the Notes shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether Agent shall have made any demand on the Company) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(i) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Notes and all other obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of Lenders and Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of Lenders and Agent and their respective agents and counsel and all other amounts due Lenders and Agent under the Loan Documents allowed in such judicial proceeding; and

(ii) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to Agent and, in the event that Agent shall consent to the making of such payments directly to Lenders, to pay to Agent any amount due for the reasonable compensation, expenses, disbursements and advances of Agent and its agents and counsel, and any other amounts due under the Loan Documents. Nothing contained herein shall be deemed to authorize Agent to arrange or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the obligations of the Company or the rights of any Lender or to authorize Agent to vote in respect of the claim of any Lender in any such proceeding.

(i) Collateral Matters.

(i) Each Lender hereby agrees, and each holder of any Note by the acceptance thereof will be deemed to agree, that any action taken by the Required Lenders, in accordance with the provisions of this Agreement and the exercise by the Required Lenders of the powers set forth herein or therein, together with such other powers as are reasonably incidental thereto, shall be authorized and binding upon all of the Lenders. Agent is hereby authorized (but not obligated) on behalf of all of Lenders, without the necessity of any notice to or further consent from any Lender from time to time prior to, an Event of Default, to take any action with respect to this Agreement which may be necessary to perfect and maintain perfected liens upon the Collateral granted pursuant to this Agreement.

(ii) Each Lender hereby irrevocably authorizes Agent, at its option and in its discretion,

(A) to release any lien on any property granted to or held by Agent under any Loan Document (A) upon payment in full or conversion of all the Notes or (B) in connection with any foreclosure sale or other disposition of Collateral after the occurrence of an Event of Default; and

(B) to subordinate any lien on any property granted to or held by Agent under any Loan Document to the holder of any lien on such property that is permitted by this Agreement or any other Loan Document.

Upon request by Agent at any time, each Lender will confirm in writing Agent's authority to release or subordinate its interest in particular types or items of Collateral pursuant to this Section 3(i).

(iii) Subject to Section 3(i)(ii), Agent shall (and is hereby irrevocably authorized by each Lender, to execute such documents as may be necessary to evidence the release or subordination of the liens granted to Agent for the benefit of Agent and Lenders herein or pursuant hereto upon the applicable Collateral; provided that (i) Agent shall not be required to execute any such document on terms which, in Agent's opinion, would expose Agent to or create any liability or entail any consequence other than the release or subordination of such Liens without recourse or warranty and (ii) such release or subordination shall not in any manner discharge, affect or impair the obligations of the

Company or any liens upon all interests retained by the Company, including the proceeds of the sale, all of which shall continue to constitute part of the Collateral. In the event of any sale or transfer of Collateral, or any foreclosure with respect to any of the Collateral, Agent shall be authorized to deduct all expenses reasonably incurred by Agent from the proceeds of any such sale, transfer or foreclosure.

(iv) Agent shall have no obligation whatsoever to any Lender or any other Person to assure that the Collateral exists or is owned by the Company or is cared for, protected or insured or that the liens granted to Agent herein or pursuant hereto have been properly or sufficiently or lawfully created, perfected, protected or enforced or are entitled to any particular priority, or to exercise or to continue exercising at all or in any manner or under any duty of care, disclosure or fidelity any of the rights, authorities and powers granted or available to Agent in this Section 3(i) or in any of this Agreement, it being understood and agreed that in respect of the Collateral, or any act, omission or event related thereto, Agent may act in any manner it may deem appropriate, in its sole discretion, given Agent's own interest in the Collateral as one of Lenders and that Agent shall have no duty or liability whatsoever to Lenders.

(v) Each Lender hereby appoints each other Lender as agent for the purpose of perfecting Lenders' security interest in assets which, in accordance with the Code can be perfected only by possession. Should any Lender (other than Agent) obtain possession of any such Collateral, such Lender shall notify Agent thereof, and, promptly upon Agent's request therefor shall deliver such Collateral to Agent or in accordance with Agent's instructions.

4. LENDERS' RIGHTS; LIMITATIONS ON LENDERS' OBLIGATIONS.

(a) It is expressly agreed by the Company that, anything herein to the contrary notwithstanding, the Company shall remain liable under each of its Contracts and each of its Licenses to observe and perform all the conditions and obligations to be observed and performed by it thereunder. No Lender shall have any obligation or liability under any Contract or License by reason of or arising out of this Agreement or the granting herein of a Lien thereon or the receipt by such Lender of any payment relating to any Contract or License pursuant hereto. No Lender shall be required or obligated in any manner to perform or fulfill any of the obligations of the Company under or pursuant to any Contract or License, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it or the sufficiency of any performance by any party under any Contract or License, or to present or file any claims, or to take any action to collect or enforce any performance or the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

(b) Agent may, at any time after an Event of Default has occurred and is continuing and without prior notice to the Company, notify Account Debtors and other Persons obligated on the Collateral that Lenders have a security interest therein and that payments shall be made directly to Agent on behalf of Lenders. Upon the request of Agent or any Lender, the Company shall so notify Account Debtors and other Persons obligated on Collateral. Once any such notice has been given to any Account Debtor or other Person obligated on the Collateral, the Company shall not give any contrary notice to such Account Debtor or other Person without Agent's prior written consent.

(c) Agent may at any time, upon advance written notice to the Company, in Agent's own name, in the name of a nominee of Agent or in the name of the Company communicate (by mail, telephone, facsimile, or otherwise) with Account Debtors, parties to Contracts and obligors in respect of Instruments to verify with such Persons, to Agent's satisfaction, the existence, amount, terms of, and any other matter relating to, Accounts, Instruments, Chattel Paper, and/or payment intangibles. If an Event of Default shall have occurred and be continuing, the Company, at its own expense, shall cause the independent certified public accountants then engaged by it to prepare and deliver to Agent at any time and from time to time promptly upon Agent's request the following reports with respect to the Company: (i) a reconciliation of all Accounts; (ii) an aging of all Accounts; (iii) trial balances; and (iv) a test verification of such Accounts as Agent may request. The Company, at its own expense, shall deliver to Agent the results of each physical verification, if any, which the Company may in its discretion have made, or caused any other Person to have made on its behalf, of all or any portion of its Inventory.

5. REPRESENTATIONS AND WARRANTIES. The Company represents and warrants that:

(a) The Company has rights in and the power to transfer each item of the Collateral upon which it purports to grant a Lien hereunder free and clear of any and all Liens other than Liens set forth on Schedule I hereto.

(b) No effective security agreement, financing statement, equivalent security or Lien instrument or continuation statement covering all or any part of the Collateral is on file or of record in any public office, except such as may have been filed (i) by the Company in favor of Lenders pursuant to this Agreement, the Notes or the other Loan Documents, and (ii) in connection with any other Liens set forth on Schedule I hereto.

(c) This Agreement is effective to create a valid and continuing Lien and, upon the filing of the appropriate financing statements listed on Schedule II hereto (as it may be updated from time to time by delivery of a new Schedule II or a supplement to Schedule II by the Company to Agent in accordance with Section 6(m)), a perfected Lien in favor of Lenders on the Collateral with respect to which a Lien may be perfected by filing pursuant to the Code. Such Lien is prior to all other Liens, except Liens set forth on Schedule I hereto that would be prior to Liens in favor of Lenders as a matter of law, and is enforceable as such against any and all creditors of and purchasers from the Company (other than purchasers and lessees of Inventory in the ordinary course of business and non-exclusive licensees of General Intangibles in the ordinary course of business). All action by the Company necessary or desirable to protect and perfect such Lien on each item of the Collateral except certain bank accounts, real estate, fixtures and motor vehicles has been duly taken.

(d) All action by the Company necessary or desirable to protect and perfect the Lien of Lenders on all Instruments, Letter-of-Credit Rights and Chattel Paper (including the delivery of all originals thereof to Agent and the legending of all Chattel Paper as required by Section 6(b) hereof) has been duly taken. The Lien of Lenders on such Collateral is prior to all other Liens, except Liens set forth on Schedule I hereto that would be prior to the Liens in favor of Lenders as a matter of law, and is enforceable as such against any and all creditors of and purchasers from the Company.

(e) The Company's name as it appears in official filings in the state of its incorporation or other organization, the type of entity of the Company, the organizational identification number issued by the Company's state of incorporation or organization or a statement that no such number has been issued, the Company's state of organization or incorporation, the location of the Company's chief executive office, principal place of business, offices, all warehouses and premises where Collateral is stored or located, and the locations of its books and records concerning the Collateral are set forth on Schedule III hereto (as such Schedules may be updated from time to time by delivery of a new such Schedule III, as applicable or a supplement to such Schedule III as applicable by the Company to Agent in accordance with Section 6(m)). The Company has only one state of incorporation or organization.

(f) The Company does not have any interest in, or title to, any Patent, Trademark or Copyright except as set forth in Schedule IV hereto (as it may be updated from time to time by delivery of a new Schedule IV or a supplement to Schedule IV by the Company to Agent in accordance with Section 6(m)). This Agreement is effective to create a valid and continuing Lien on and, upon filing of the Copyright Security Agreements with the United States Copyright Office and filing of the applicable UCC financing statements, the Patent Security Agreements and the Trademark Security Agreements with the United States Patent and Trademark Office, perfected Liens in favor of Lenders on the Company's Patents, Trademarks and Copyrights and such perfected Liens are enforceable as such as against any and all creditors of and purchasers from the Company, except Liens set forth on Schedule I. Upon the filing of the Copyright Security Agreements with the United States Copyright Office, the filing of the Patent Security Agreements and the Trademark Security Agreements with the United States Patent and Trademark Office, and the filing of appropriate financing statements listed on Schedule II hereto, all action necessary or desirable to protect and perfect Lenders' Lien on the Company's Patents, Trademarks or Copyrights shall have been duly taken.

(g) The Company shall deliver to Agent a motor vehicle certificate of title for all motor vehicles from time to time owned by it to the extent that the book value of such motor vehicles exceeds \$50,000 and shall cause those title certificates to be filed (with Lenders' Lien noted thereon) in the appropriate state motor vehicle filing office.

6. COVENANTS. The Company covenants and agrees with Agent and Lenders that from and after the date of this Agreement and until the Termination Date:

(a) Further Assurances; Pledge of Instruments; Chattel Paper.

(i) At any time and from time to time, upon the written request of Agent and at the sole expense of the Company, the Company shall promptly and duly execute and deliver any and all such further instruments and documents and take such further actions as Agent may deem desirable to obtain the full benefits of this Agreement and of the rights and powers herein granted, including (A) using its commercially reasonable efforts to secure all consents and approvals necessary or appropriate for the assignment to or for the benefit of Lenders of any License or Contract held by the Company and to enforce the security interests granted hereunder and (B) filing any financing or continuation statements under the Code with respect to the Liens granted hereunder or under any other Loan Document as to those jurisdictions that are not Uniform Commercial Code jurisdictions.

(ii) Unless Agent shall otherwise consent in writing (which consent may be revoked), the Company shall deliver to Agent all Collateral with a value in excess of \$50,000 consisting of negotiable Documents, certificated securities, Chattel Paper, and Instruments (in each case, accompanied by stock powers, allonges, or other instruments of transfer executed in blank) promptly after the Company receives the same.

(iii) If the Company is or becomes the beneficiary of a letter of credit, the Company shall promptly and in any event within two (2) business days after becoming a beneficiary, notify Agent thereof and enter into a tri-party agreement with Agent and the issuer and/or confirmation bank with respect to Letter-of-Credit Rights assigning such Letter-of-Credit Rights to Agent or Lenders and directing all payments thereunder to the Collection Account, all in form and substance reasonably satisfactory to Agent.

(iv) The Company shall take all steps necessary to grant Agent control of all electronic chattel paper in accordance with the Code and all "transferable records" as defined in each of the Uniform Electronic Transactions Act and the Electronic Signatures in Global and National Commerce Act.

(v) The Company hereby irrevocably authorizes Agent at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto that: (a) indicate the Collateral (i) as all assets of such the Company or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the Code or such jurisdiction or (ii) as being of an equal or lesser scope or with greater detail; and (b) contain any other information required by part 5 of Article 9 of the Code for the sufficiency or filing office acceptance of any financing statement or amendment, including (i) whether the Company is an organization, the type of organization and any organization identification number issued to the Company and (ii) in the case of a financing statement filed as a fixture filing or indicating Collateral as as-extracted collateral or timber to be cut, a sufficient description of real property to which the Collateral relates. The Company agrees to furnish any such information to Agent promptly upon request. The Company also ratifies its authorization for Agent to have filed in any Uniform Commercial Code jurisdiction any initial financing statements or amendments thereto if filed prior to the date hereof.

(vi) The Company shall promptly and in any event within five (5) Business Days after the same is acquired by it, notify Agent of any commercial tort claim (as defined in the Code) acquired by it and unless otherwise consented by Agent, the Company shall enter into a supplement to this Agreement, granting to Agent a Lien in such commercial tort claim.

(b) Maintenance of Records. The Company shall keep and maintain, at its own cost and expense, satisfactory and complete records of the Collateral, including a record of any and all payments received and any and all credits granted with respect to the Collateral and all other dealings with the Collateral. The Company shall mark its books and records pertaining to the Collateral to evidence this Agreement and the Liens granted hereby. If the Company retains possession of any Chattel Paper or Instruments with Agent's consent, such Chattel Paper and Instruments shall be marked with the following legend: "This writing and the obligations

evidenced or secured hereby are subject to a security agreement among Starfire Systems, Inc., Palladium Equity Partners III, LP and certain other parties.”

(c) Covenants Regarding Patent, Trademark and Copyright Collateral.

(i) The Company shall notify Agent immediately if it knows or has reason to know that any application or registration relating to any Patent, Trademark or Copyright (now or hereafter existing) may become abandoned or dedicated, 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 court) regarding the Company’s ownership of any Patent, Trademark, or Copyright, its right to register the same, or to keep and maintain the same; provided that this shall not apply to Patents, Trademarks, and Copyrights worth less than \$50,000.

(ii) In no event shall the Company, either directly or through any agent, employee, licensee or designee, file an application for the registration of any Patent, Trademark or Copyright with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency without giving Agent written notice thereof no later than fifteen (15) days afterwards, and, upon request of Agent, the Company shall execute and deliver any and all Patent Security Agreements, Copyright Security Agreements or Trademark Security Agreements as Agent may request to evidence Lenders’ Lien on such Patent, Trademark or Copyright, and the General Intangibles of the Company relating thereto or represented thereby.

(iii) The Company shall take all actions necessary or requested by Agent to maintain and pursue each application, to obtain the relevant registration, and to maintain the registration of each of the Patents, Trademarks and Copyrights (now or hereafter existing), including the filing of applications for renewal, affidavits of use, affidavits of noncontestability, and opposition and interference and cancellation proceedings, provided that this shall not apply to Patents, Trademarks and Copyrights worth less than \$50,000.

(iv) In the event that any of the Patent, Trademark or Copyright Collateral is infringed upon, or misappropriated or diluted by a third party, the Company shall comply with Section 6(a)(vi) of this Agreement. The Company shall, unless it shall reasonably determine that such Patent, Trademark or Copyright Collateral is not material to the conduct of its business or operations, promptly sue for infringement, misappropriation, or dilution and to recover any and all damages for such infringement, misappropriation, or dilution, or take other commercially reasonable actions in lieu thereof, and after the occurrence and during the continuance of an Event of Default, shall take such other actions as Agent shall deem appropriate under the circumstances to protect such Patent, Trademark, or Copyright Collateral.

(d) Indemnification. In any suit, proceeding or action brought by Agent relating to any Collateral for any sum owing with respect thereto or to enforce any rights or claims of Agent or Lenders with respect thereto, the Company will save, indemnify, and keep Agent and Lenders harmless from and against all expense (including reasonable attorneys’ fees and expenses), loss, or damage suffered by reason of any defense, setoff, counterclaim, recoupment, or reduction of liability whatsoever of the Account Debtor or other Person obligated

on the Collateral, arising out of a breach by the Company of any obligation thereunder or arising out of any other agreement, indebtedness, or liability at any time owing to, or in favor of, such obligor or its successors from the Company, except in the case of Agent or Lenders, to the extent such expense, loss, or damage is attributable solely to the gross negligence or willful misconduct of Agent or Lenders as finally determined by a court of competent jurisdiction. All such obligations of the Company shall be and remain enforceable against and only against the Company and shall not be enforceable against Agent or Lenders.

(e) Compliance with Terms of Accounts, etc. In all material respects, the Company will perform and comply with all obligations in respect of the Collateral and all other agreements to which it is a party or by which it is bound relating to the Collateral.

(f) Limitation on Liens on Collateral. The Company will not create, permit, or suffer to exist, and the Company will defend the Collateral against, and take such other action as is necessary to remove, any Lien on the Collateral except Liens set forth on Schedule I hereto, and will defend the right, title, and interest of Lenders in and to any of the Company's rights under the Collateral against the claims and demands of all Persons whomsoever.

(g) Limitations on Disposition. The Company will not sell, license, lease, transfer, or otherwise dispose of any of the Collateral, or attempt or contract to do so except for (a) the sale of Inventory in the ordinary course of business, (b) the sale or other disposition by the Company of Equipment or Fixtures that are obsolete or no longer used or useful in the Company's business and (c) the sale of Investments in the ordinary course of business.

(h) Further Identification of Collateral. The Company will, if so requested by Agent, furnish to Agent, as often as Agent reasonably requests, statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as Agent may reasonably request, all in such detail as Agent may specify.

(i) Notices. The Company will advise Agent promptly, in reasonable detail, (i) of any Lien or claim made or asserted against any of the Collateral and (ii) of the occurrence of any other event which would have a material adverse effect on the aggregate value of the Collateral or on the Liens created hereunder or under any other Loan Document.

(j) Good Standing Certificates. The Company shall upon Agent's request, provide to Agent a certificate of good standing from its state of incorporation or organization.

(k) No Reincorporation. The Company shall not reincorporate or reorganize itself under the laws of any jurisdiction other than the jurisdiction in which it is incorporated or organized as of the date hereof without the prior written consent of Agent.

(l) Terminations; Amendments Not Authorized. The Company acknowledges that it is not authorized to file any financing statement or amendment or termination statement with respect to any financing statement without the prior written consent of Agent and agrees that it will not do so without the prior written consent of Agent, subject to the Company rights under Section 9-509(d)(2) of the Code.

(m) Supplemental Disclosure. From time to time the Company may supplement each Schedule hereto, or any representation herein, with respect to any matter hereafter arising which, if existing or occurring at the date of this Agreement, would have been

required to be set forth or described in such Schedule or as an exception to such representation or which is necessary to correct any information in such Schedule or representation which has been rendered inaccurate thereby (and, in the case of any supplements to any Schedule, such Schedule shall be appropriately marked to show the changes made therein); provided that (a) no such supplement to any such Schedule or representation shall be or be deemed a waiver of any Event of Default resulting from the matters disclosed therein, except as consented to by Agent in writing; and (b) no supplement shall be required or permitted as to representations and warranties that relate solely to the Closing Date.

7. REMEDIES; RIGHTS UPON DEFAULT.

(a) In addition to all other rights and remedies granted to Agent or Lenders under this Agreement, the Notes, the other Loan Documents and under any other instrument or agreement securing, evidencing or relating to any of the Obligations, if any Event of Default shall have occurred and be continuing, Agent may exercise all rights and remedies of a secured party under the Code. Without limiting the generality of the foregoing, the Company expressly agrees that in any such event Agent, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon the Company or any other Person (all and each of which demands, advertisements, and notices are hereby expressly waived to the maximum extent permitted by the Code and other applicable law), may forthwith enter upon the premises of the Company where any Collateral is located through self-help, without judicial process, without first obtaining a final judgment, or giving the Company or any other Person notice and opportunity for a hearing on Agent's claim or action and may collect, receive, assemble, process, appropriate, and realize upon the Collateral, or any part thereof, and may forthwith sell, lease, license, assign, give an option or options to purchase, or sell or otherwise dispose of and deliver said Collateral (or contract to do so), or any part thereof, in one or more parcels at a public or private sale or sales, at any exchange at such prices as it may deem acceptable, for cash or on credit or for future delivery without assumption of any credit risk. Agent shall have the right upon any such public sale or sales and, to the extent permitted by law, upon any such private sale or sales, to purchase for Agent and Lenders' benefit the whole or any part of said Collateral so sold, free of any right or equity of redemption, which equity of redemption each the Company hereby releases. Such sales may be adjourned and continued from time to time with or without notice. Agent shall have the right to conduct such sales on any of the Company's premises or elsewhere and shall have the right to use any of the Company's premises without charge for such time or times as Agent deems necessary or advisable.

If any Event of Default shall have occurred and be continuing, the Company further agrees, at Agent's request, to assemble the Collateral and make it available to Agent at a place or places designated by Agent which are reasonably convenient to Agent and the Company, whether at the Company's premises or elsewhere. Until Agent is able to effect a sale, lease, or other disposition of Collateral, Agent shall have the right to hold or use Collateral, or any part thereof, to the extent that it deems appropriate for the purpose of preserving Collateral or its value or for any other purpose deemed appropriate by Agent. Agent shall have no obligation to the Company to maintain or preserve the rights of the Company as against third parties with respect to Collateral while Collateral is in the possession of Agent. Agent may, if it so elects, seek the appointment of a receiver or keeper to take possession of Collateral and to enforce any of Agent's remedies, with respect to such appointment without prior notice or hearing as to such appointment. Agent shall apply the net proceeds of any such collection,

recovery, receipt, appropriation, realization or sale to the Obligations as provided in the Notes, and only after so paying over such net proceeds, and after the payment by Agent of any other amount required by any provision of law, need Agent account for the surplus, if any, to any the Company. To the maximum extent permitted by applicable law, the Company waives all claims, damages, and demands against Agent arising out of the repossession, retention, or sale of the Collateral except such as arise solely out of the gross negligence or willful misconduct of Agent as finally determined by a court of competent jurisdiction. The Company agrees that ten (10) days' prior notice by Agent of the time and place of any public sale or of the time after which a private sale may take place is reasonable notification of such matters. The Company shall remain liable for any deficiency if the proceeds of any sale or disposition of the Collateral are insufficient to pay all Obligations, including any attorneys' fees and other expenses incurred Agent to collect such deficiency.

(b) Except as otherwise specifically provided herein, the Company hereby waives presentment, demand, protest, or any notice (to the maximum extent permitted by applicable law) of any kind in connection with this Agreement or any Collateral.

(c) To the extent that applicable law imposes duties on Agent to exercise remedies in a commercially reasonable manner, the Company acknowledges and agrees that it is not commercially unreasonable for Agent (i) to fail to incur expenses reasonably deemed significant by Agent to prepare Collateral for disposition or otherwise to complete raw material or work in process into finished goods or other finished products for disposition, (ii) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (iii) to fail to exercise collection remedies against Account Debtors or other Persons obligated on Collateral or to remove Liens on or any adverse claims against Collateral, (iv) to exercise collection remedies against Account Debtors and other Persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (v) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (vi) to contact other Persons, whether or not in the same business as the Company, for expressions of interest in acquiring all or any portion of such Collateral, (vii) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the Collateral is of a specialized nature, (viii) to dispose of Collateral by utilizing internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capacity of doing so, or that match buyers and sellers of assets, (ix) to dispose of assets in wholesale rather than retail markets, (x) to disclaim disposition warranties, such as title, possession or quiet enjoyment, (xi) to purchase insurance or credit enhancements to insure Agent and Lenders against risks of loss, collection, or disposition of Collateral or to provide to Agent a guaranteed return from the collection or disposition of Collateral, or (xii) to the extent deemed appropriate by Agent, to obtain the services of other brokers, investment bankers, consultants, and other professionals to assist Agent in the collection or disposition of any of the Collateral. The Company acknowledges that the purpose of this Section 6(c) is to provide non-exhaustive indications of what actions or omissions by Agent would not be commercially unreasonable in Agent's exercise of remedies against the Collateral and that other actions or omissions by Agent shall not be deemed commercially unreasonable solely on account of not being indicated in this Section 6(c). Without limitation upon the foregoing, nothing contained in this Section 6(c) shall be construed to grant any rights to the Company or to impose any duties on Agent that would not

have been granted or imposed by this Agreement or by applicable law in the absence of this Section 6(c).

(d) Agent and Lenders shall not be required to make any demand upon, or pursue or exhaust any of their rights or remedies against, the Company, any other obligor, guarantor, pledgor or any other Person with respect to the payment of the Obligations or to pursue or exhaust any of their rights or remedies with respect to any Collateral therefor or any direct or indirect guarantee thereof. Neither Agent, nor any Lender shall be required to marshal the Collateral or any guarantee of the Obligations or to resort to the Collateral or any such guarantee in any particular order, and all of its and their rights hereunder or under any other Loan Document shall be cumulative. To the extent it may lawfully do so, the Company absolutely and irrevocably waives and relinquishes the benefit and advantage of, and covenants not to assert against Agent or any Lender, any valuation, stay, appraisal, extension, redemption, or similar laws and any and all rights or defenses it may have as a surety now or hereafter existing which, but for this provision, might be applicable to the sale of any Collateral made under the judgment, order or decree of any court, or privately under the power of sale conferred by this Agreement, or otherwise.

8. GRANT OF LICENSE TO USE INTELLECTUAL PROPERTY. For the purpose of enabling Agent to exercise rights and remedies under Section 7 hereof (including, without limiting the terms of Section 7 hereof, in order to take possession of, hold, preserve, process, assemble, prepare for sale, market for sale, sell, or otherwise dispose of Collateral) at such time as Agent shall be lawfully entitled to exercise such rights and remedies, the Company hereby grants to Agent, effective upon and during the continuation of an Event of Default an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to the Company) to use, license, or sublicense any Intellectual Property now owned or hereafter acquired by the Company, and wherever the same may be located, and including in such license access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof.

9. LIMITATION ON AGENT'S DUTY IN RESPECT OF COLLATERAL. Agent shall use reasonable care with respect to the Collateral in its possession or under its control. Agent shall not have any other duty as to any Collateral in its possession or control or in the possession or control of any agent or nominee Agent, or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto.

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

11. NOTICES. Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration, or other communication shall or may be given to or served upon any of the parties by any other party, or whenever any of the parties desires to give and serve upon any other party any communication with respect to this Agreement, each such notice, demand, request, consent, approval, declaration, or other communication shall be in writing and shall be given in the manner, and deemed received, as provided for in the Notes.

12. SEVERABILITY. Whenever possible, each provision of this Agreement shall be interpreted in a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable 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. This Agreement is to be read, construed and applied together with the Notes and the other Loan Documents which, taken together, set forth the complete understanding and agreement of Agent, Lenders and the Company with respect to the matters referred to herein and therein.

13. NO WAIVER; CUMULATIVE REMEDIES. Neither Agent nor any Lender shall by any act, delay, omission, or otherwise be deemed to have waived any of its rights or remedies hereunder, and no waiver shall be valid unless in writing, signed by Agent and then only to the extent therein set forth. A waiver by Agent of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which Agent would otherwise have had on any future occasion. No failure to exercise nor any delay in exercising on the part of Agent or any Lender, any right, power, or privilege hereunder, shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or future exercise thereof or the exercise of any other right, power or privilege. The rights and remedies hereunder provided are cumulative and may be exercised singly or concurrently and are not exclusive of any rights and remedies provided by law. None of the terms or provisions of this Agreement may be waived, altered, modified, or amended except by an instrument in writing, duly executed by Agent and the Company.

14. LIMITATION BY LAW. All rights, remedies, and powers provided in this Agreement may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law and all the provisions of this Agreement are intended to be subject to all applicable mandatory provisions of law that may be controlling and to be limited to the extent necessary so that they shall not render this Agreement invalid, unenforceable, in whole or in part, or not entitled to be recorded, registered, or filed under the provisions of any applicable law.

15. TERMINATION OF THIS AGREEMENT. Subject to Section 10 hereof, this Agreement shall terminate upon the Termination Date.

16. SUCCESSORS AND ASSIGNS. This Agreement and all obligations of the Company hereunder shall be binding upon the successors and assigns of each the Company (including any debtor-in-possession on behalf of the Company) and shall, together with the rights and remedies of Agent and Lenders, hereunder, inure to the benefit of Agent and Lenders, all future holders of any instrument evidencing any of the Obligations and their respective successors and assigns. No sales of participations, other sales, assignments, transfers, or other dispositions of any agreement governing or instrument evidencing the Obligations or any portion thereof or interest therein shall in any manner impair the Lien granted to Lenders, for the benefit

of Lenders, hereunder. The Company may not assign, sell, hypothecate, or otherwise transfer any interest in or obligation under this Agreement.

17. COUNTERPARTS. This Agreement may be authenticated in any number of separate counterparts, each of which shall collectively and separately constitute one and the same agreement. This Agreement may be authenticated by manual signature, facsimile or, if approved in writing by Agent, electronic means, all of which shall be equally valid.

18. GOVERNING LAW. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN ANY OF THE LOAN DOCUMENTS, IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THIS AGREEMENT AND THE OBLIGATIONS ARISING HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE, AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. THE COMPANY HEREBY CONSENTS AND AGREES THAT THE STATE OR FEDERAL COURTS LOCATED IN NEW YORK COUNTY, CITY OF NEW YORK, NEW YORK, SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN THE COMPANY, AGENT AND LENDERS PERTAINING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS, PROVIDED, THAT AGENT, LENDERS AND THE COMPANY ACKNOWLEDGE THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF NEW YORK COUNTY, AND, PROVIDED, FURTHER, NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE AGENT FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF LENDERS. THE COMPANY EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND THE COMPANY HEREBY WAIVES ANY OBJECTION WHICH IT MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS AND HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. THE COMPANY HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT, AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINTS, AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO THE COMPANY AT THE ADDRESS SET FORTH ON SCHEDULE III(V) HERETO AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF ACTUAL RECEIPT THEREOF OR THREE (3) DAYS AFTER DEPOSIT IN THE U.S. MAILED, PROPER POSTAGE PREPAID.

19. WAIVER OF JURY TRIAL. BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT DISPUTES

ARISING HEREUNDER OR RELATING HERETO BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, AMONG AGENT, LENDERS, AND THE COMPANY ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED IN CONNECTION WITH, THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS RELATED HERETO OR THERETO.

20. SECTION TITLES. The Section titles contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

21. NO STRICT CONSTRUCTION. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

22. ADVICE OF COUNSEL. Each of the parties represents to each other party hereto that it has discussed this Agreement and, specifically, the provisions of Section 18 and Section 19, with its counsel.

23. BENEFIT OF LENDERS. All Liens granted or contemplated hereby shall be for the benefit of Lenders and all proceeds or payments realized from Collateral in accordance herewith shall be applied to the Obligations in accordance with the terms of this Agreement.

24. CONTROL. Notwithstanding anything herein to the contrary, this Agreement and the transactions contemplated hereby do not and shall not constitute, create, or have the effect of constituting or creating, directly or indirectly, actual or practical ownership by Lenders of the Company or any issuer of the Collateral or control, affirmative or negative, direct or indirect, by Agent or Lenders over the management or any aspect of the day-to-day operation of the Company or any such issuer, which control remains in the Company, each such issuer, and their respective boards of directors, partners, and officers (as appropriate); provided, however, that if Agent becomes the owner of any partnership interest or other equity or ownership interest in any issuer, whether through foreclosure or otherwise, Agent shall be entitled to exercise such legal rights as it may have by being an owner of such partnership interest or other equity or ownership interest.

25. FURTHER APPROVALS REQUIRED. (a) In connection with the exercise by Agent or any Lender of its rights hereunder that effects the disposition of or use of any Collateral, it may be necessary to obtain the prior consent or approval of Governmental Authorities and other Persons to a transfer or assignment of Collateral.

(b) The Company hereby agrees, during the continuance of an Event of Default, to execute, deliver, and file all applications, certificates, filings, instruments, and other documents (including without limitation any application for an assignment or transfer of control or ownership) that maybe necessary or appropriate, in Agent's opinion, to obtain such consents,


waivers, or approvals. The Company further agrees to use its best efforts to obtain the foregoing consents, waivers, and approvals, including receipt of consents, waivers, and approvals under applicable agreements prior to a Default or Event of Default. The Company acknowledges that there is no adequate remedy at law for failure by it to comply with the provisions of this Section 25(b) and that such failure would not be adequately compensable in damages, and therefore agrees that this Section 25(b) may be specifically enforced.

26. PRIOR AGREEMENT. This Agreement amends and restates in its entirety that certain Security Agreement dated as of March 14, 2008 between the Company and Agent (such prior agreement, as the same may have heretofore been amended, supplemented, restated or otherwise modified from time to time, the "Original Security Agreement"). This Agreement is not intended to, and shall not, terminate or release any security interest, mortgage, lien or other encumbrance granted to or in favor of Agent under or pursuant to the Original Security Agreement, all of which security interests, mortgages, liens and other encumbrances are hereby reaffirmed and ratified by the Company and shall continue in full force and effect as amended and restated by this Agreement.

[signature pages follow]

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed and delivered by its duly authorized officer as of the date first set forth above.

STARFIRE SYSTEMS, INC.

By: 
Name: Richard M. Sciburro
Title: President and CEO

[Starfire Systems, Inc. Signature Page to Amended and Restated Security Agreement]

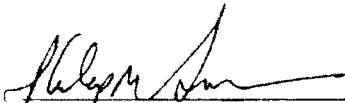
PALLADIUM EQUITY PARTNERS III, L.P.

By: Palladium Capital Management III, L.L.C.
its General Partner

By: 
Name: Peter A. Joseph
Title: Managing Director


[Palladium Equity Partners, III, L.P. Signature Page to
Amended and Restated Security Agreement]

INVESTORS

By: 
Name: Philip M. Gross
Address: 654 HERMITAGE Circle
Palm Beach Gardens, FL 33410

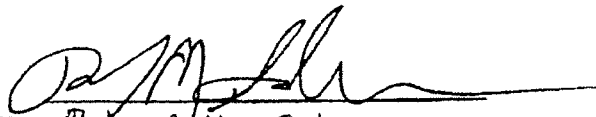
[Investor's Signature Page to Amended and Restated Security Agreement]

INVESTORS

By: 
Name: HENRY J. MACDONATO
Address: 3 BEACON HILL DR.
SARATOGA SPRINGS, NY 12866

[Investor's Signature Page to Amended and Restated Security Agreement]

INVESTORS

By: 
Name: Richard M Sabuco
Address: 145 Church Street
Saratoga Springs, NY 12866

[Investor's Signature Page to Amended and Restated Security Agreement]

INVESTORS

By: Walter L. Robb
Name: Counter Point Ventures Fund LP
Address: 3000 Troy Rd
Schenectady NY 12309

[Investor's Signature Page to Amended and Restated Security Agreement]

SCHEDULE I

PERMITTED LIENS

UCC Filings with the New York Secretary of State

Filing Date	Number	Secured Party	Collateral
May 20, 1996	099965	Marine Midland Bank	blanket lien
December 24, 1998	270621 (amendment of 099965)	Marine Midland Bank	blanket lien (subordinate to financing statement to AI Tech Trust Fund)
January 16, 2001	018655 (continuation of 099965)	HSBC Bank USA formerly known as Marine Midland Bank	
March 5, 2006	200603055214096 (continuation of 099965)	HSBC Bank USA	
December 29, 1998	272816	New York Job Development Authority as Administrator of the AI Tech Trust Fund	blanket lien
February 22, 1999	035880 (assignment of 272816)	Greystone Servicing Corporation, Inc.	
July 24, 2003	200307241371452 (continuation of 272816)	Greystone Servicing Corporation, Inc.	

UCC Filings with the Delaware Secretary of State

Filing Date	Number	Secured Party	Collateral
March 19, 2008	80969996	Palladium Equity Partners III, L.P.	blanket lien

SCHEDULE II

FILING JURISDICTIONS

DEBTOR
Starfire Systems, Inc.

LOCATION
Delaware Secretary of State

SCHEDULE III

**SCHEDULE OF OFFICES, LOCATIONS OF COLLATERAL
AND RECORDS CONCERNING COLLATERAL**

- I. The Company's official name: **Starfire Systems, Inc.**
- II. Type of entity (e.g. corporation, partnership, business trust, limited partnership, limited liability company): **corporation**
- III. Organizational identification number issued by the Company's state of incorporation or organization or a statement that no such number has been issued: **4448314**
- IV. State of Organization or Incorporation of the Company: **Delaware**
- V. Chief Executive Office and principal place of business of the Company: **10 Hermes Road, Malta, New York 12020**
- VI. Corporate Offices of the Company: **10 Hermes Road, Malta, New York 12020**
- VII. Warehouses: **None**
- VIII. Other Premises at which Collateral is Stored or Located: **None**
- IX. Locations of Records Concerning Collateral: **10 Hermes Road, Malta, New York 12020**

SCHEDULE IV

PATENTS, TRADEMARKS AND COPYRIGHTS

Counsel:	Counsel Code:	Name:	Patent #	Application #	File Date	Patent Issue
Hoffman	STAR-0002	Filter, regeneration, and soot-removing Systems and applications	US/6471918 B1	9631794	8/3/2000	10/29/2002
Hoffman	EP		EPI341594	1956171.1	Filed 8/2/01	3/7/2007
Hoffman	PCT		1341594	PCT/US01/41547	Filed 8/2/01	3/7/2007
Hoffman	FR		1341594	1341594	8/2/2001	3/7/2007
Hoffman	DE		60127171.8	1341594	8/2/2001	3/7/2007
Hoffman	IT		1341594	1341594	8/2/2001	3/7/2007
Hoffman	SW		1341594	1341594	8/2/2001	3/7/2007
Hoffman	UK		1341594	1341594	8/2/2001	3/7/2007
Hoffman	STAR-0003	Filter System and Particulate Filter Unit Therefor	US 7,029,634	09/944779	Filed 8/31/2001	4/18/2006
Hoffman	STAR-0004	Ceramic Bonded Abrasive		09/944236	Filed 8/31/2001	Abandoned 8/8/03
Hoffman	PCT	Ceramic Bonded Abrasive		PCT/US02/27603	Filed 8/30/2002	Abandoned
Hoffman	STAR-0005	Carbosilane Polymer Precursors to silicon carbide ceramics	5,153,295	07/556,599	Filed 7/20/1990	10/6/1992
Hoffman	STAR-0006	Ceramic Forming Polymer Derived Ceramic Composite and Methods		10/340027	Filed 1/10/2003	
Hoffman	PCT			PCT/US04/000604	1/9/2004	
Hoffman	PCT-CIP1			PCT/US2006/024062	6/21/2006	Abandoned
Hoffman	CIP			11/157,540	6/21/2005	Abandoned
Hoffman	EP			4701263.8	1/9/2004	Abandoned
Hoffman	CIP-EP			6785230.1	1/17/2008	Abandoned
Hoffman	CIP-DIV 1			11/954,036	12/11/2007	Going Abandoned
Hoffman	CIP-DIV 2			11/954,033	12/11/2007	Going Abandoned
Hoffman	CIP-KR			PCT-2008-7001679	Filed 1/21/08	Abandoned
Carter	1456-7	Silicon Carbide Precursor and the uses thereof		20070093587		
Carter	PCT				Filed 10/23/2006	
Carter	PCT CN			PCT/US2006/060148	4/25/2008	
Carter	Korea			10-2008-7011590	5/15/2008	
Carter	EP			6839501.1	7/3/2008 / 4/21/08	
Hoffman	STAR-0010PV	Composition, Preparation of Polycarbosilanes and their uses		60/758711	1/13/2006	
Hoffman	US			11/1612890	12/19/2006	
Hoffman	PCT			PCT/US07/060366	Filed 1/11/2007	
Hoffman	EP			7710056.8	8/13/2008	
Hoffman	TW			96100870	1/10/2007	
Hoffman	STAR-0011 PV	Synthetic Process for Cyclic Organosilanes		60/825,644	Filed 9/14/06	
Hoffman	US			12/440605	3/10/2009	

Hoffman	EP			7842396.9	9/13/2007	
Hoffman	JP			Not yet assigned	3/13/2009	
Hoffman	KR			10-2009-7006908	4/3/2009	
Hoffman	SW			1067/08	9/13/2007	
Hoffman	PCT			PCT/US07/78364	9/13/2007	
STAR-0012 PV						
Hoffman	STAR-0012 PV	Polymer Compositions with tailored silicon, carbon, hydrogen, and Oxygen ratios for optimized properties		60/845353	PV filed 9/18/06 - expired 9/18/07	
Hoffman	CIP-PV			60/886444	1/24/2007	
Hoffman	US			12/440603	3/10/2009	
Hoffman	EP			7842691.3	9/18/2007	
Hoffman	JP			Not yet assigned	3/18/2009	
Hoffman	KR			10-2009-7008037	4/20/2009	
Hoffman	PCT			PCT/US07/78770	9/18/2007	
STAR-0013						
Hoffman	STAR-0013	Brake Rotor with Ceramic Matrix Composite Friction Surface Plates		60/869452	12/11/2006	
Hoffman	PCT			PCT/US07/82379	10/24/2007	
Hoffman	US			11/861620	9/26/2007	
STAR-0015 PCT						
Hoffman	STAR-0015 PCT	Process for Preparing Silicon Oxycarbide Polymer Compositions and Derivative Compositions thereof		PCT/US07/78764	PCT filed 9/18/07	Abandoned

Title	Where?	Descriptor	Date Filed	Serial #	Registered #	Status
STARBlade	US	Brake Rotors - all	1/13/2006	76653335	3203324	REGISTERED 1/30/2007
STARBlade EP	Europe	Brake Rotors - all	10/11/2005		546158	2/1/2006
STARBlade CDA	Canada	Brake Rotors - all	7/12/2006	1308904		
STARBoard	US	Electronics Packaging cores	1/13/2006	76653336	3200182	REGISTERED - 1/23/2007
STARBoard CDA	Canada	Electronics Packaging cores	7/12/2006	1308910		
Miscellaneous Design	US	Starfire Logo	10/14/2003	76557309	3039009	REGISTERED 1/10/2006
Starfire Systems + Logo	US	Name + Logo	9/22/2003	76545835	2927393	REGISTERED 2/22/2005
Polyramic	US	Class of organic/inorganic polymers	4/23/2007	77163606	3364966	Registered 1/8/2008
POLYRAMIC EP	Europe	Class of organic/inorganic polymers	9/19/2007			

PATENT

RECORDED: 05/28/2009

REEL: 022746 FRAME: 0421