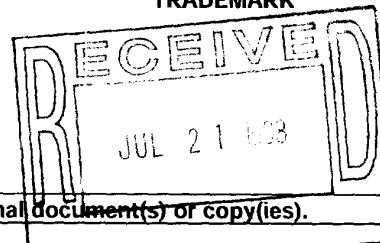


07-27-1998



100775834

RECORDATION FORM COVER SHEET
TRADEMARKS ONLY



MRB 7-21-98

TO: The Commissioner of Patents and Trademarks: Please record the attached original document(s) or copy(ies).

Submission Type

- New
- Resubmission (Non-Recordation)
Document ID # _____
- Correction of PTO Error
Reel # _____ Frame # _____
- Corrective Document
Reel # _____ Frame # _____

Conveyance Type

- Assignment License
 - Security Agreement Nunc Pro Tunc Assignment
 - Merger Change of Name
 - Other _____
- Effective Date
Month Day Year

Conveying Party

Mark if additional names of conveying parties attached

Name Integrated Orthopaedics, Inc.

Execution Date
Month Day Year
7.10.98

Formerly _____

- Individual General Partnership Limited Partnership Corporation Association
- Other _____

Citizenship/State of Incorporation/Organization Texas

Receiving Party

Mark if additional names of receiving parties attached

Name NationsBank, N.A.

DBA/AKATA _____

Composed of _____

Address (line 1) 700 Louisiana Street

Address (line 2) 7th Floor

Address (line 3) Houston

Texas

77002

- Individual General Partnership Limited Partnership
- Corporation Association

Other National Banking Association

Citizenship/State of Incorporation/Organization _____

If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached. (Designation must be a separate document from Assignment.)

07/23/1998 SSMITH 00000146 75215770

FOR OFFICE USE ONLY

01 FC:481
02 FC:482

40.00 OP
175.00 OP

Public burden reporting for this collection of information is estimated to average approximately 30 minutes per Cover Sheet to be recorded, including time for reviewing the document and gathering the data needed to complete the Cover Sheet. Send comments regarding this burden estimate to the U.S. Patent and Trademark Office, Chief Information Officer, Washington, D.C. 20231 and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Paperwork Reduction Project (0651-0027), Washington, D.C. 20503. See OMB Information Collection Budget Package 0651-0027, Patent and Trademark Assignment Practice. DO NOT SEND REQUESTS TO RECORD ASSIGNMENT DOCUMENTS TO THIS ADDRESS.

Mail documents to be recorded with required cover sheet(s) information to:
Commissioner of Patents and Trademarks, Box Assignments, Washington, D.C. 20231

REEL: 1759 FRAME: 0842

Domestic Representative Name and Address

Enter for the first Receiving Party only.

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Correspondent Name and Address

Area Code and Telephone Number

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Pages

Enter the total number of pages of the attached conveyance document including any attachments.

#

Trademark Application Number(s) or Registration Number(s)

Mark if additional numbers attached

Enter either the Trademark Application Number or the Registration Number (DO NOT ENTER BOTH numbers for the same property).

Trademark Application Number(s)

Registration Number(s)

Number of Properties

Enter the total number of properties involved.

#

Fee Amount

Fee Amount for Properties Listed (37 CFR 3.41):

\$

Method of Payment:

Enclosed

Deposit Account

Deposit Account

(Enter for payment by deposit account or if additional fees can be charged to the account.)

Deposit Account Number:

#

Authorization to charge additional fees:

Yes

No

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. Charges to deposit account are authorized, as indicated herein.

Jeffrey M. Becker

Name of Person Signing

Jeffrey M. Becker
Signature

July 17, 1998
Date Signed

PLEDGE, ASSIGNMENT, AND SECURITY AGREEMENT

THIS PLEDGE, ASSIGNMENT, AND SECURITY AGREEMENT (the "*Security Agreement*") is executed as of July 10, 1998 by INTEGRATED ORTHOPAEDICS, INC., a Texas corporation (whether doing business in its own name or in one or more of the tradenames listed on *Annex A* hereto, "*Debtor*"), and NATIONSBANK, N.A., a national banking association, (in its capacity as "*Administrative Agent*" for the Lenders (hereafter defined)), as "*Secured Party*."

WHEREAS, Debtor, NationsBank, N.A., as Administrative Agent (including its permitted successors and assigns in such capacity, the "*Administrative Agent*"), and the Lenders now or hereafter party to the Revolving Credit Agreement (including their respective permitted successors and assigns, the "*Lenders*") have entered into a Revolving Credit Agreement, dated as of July 10, 1998 (as amended, modified, supplemented, or restated from time to time, the "*Credit Agreement*");

WHEREAS, this Security Agreement is integral to the transactions contemplated by the Loan Papers, and the execution and delivery thereof is a condition precedent to Lenders' obligations to extend credit under the Loan Papers.

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which are hereby acknowledged, Debtor and Secured Party hereby agree as follows:

1. REFERENCE TO CREDIT AGREEMENT. To the extent referred to herein, including without limitation, in paragraphs 5(a), 6(a), 7, 9(a) and 9(b), the terms, conditions, and provisions of the Credit Agreement are incorporated herein by reference, the same as if set forth herein verbatim, which terms, conditions, and provisions shall continue to be in full force and effect hereunder so long as Lenders are obligated to lend under the Credit Agreement and thereafter until the Obligation is paid and performed in full.

2. CERTAIN DEFINITIONS. Unless otherwise defined herein, or the context hereof otherwise requires, each term defined in the Credit Agreement or in the UCC is used in this Security Agreement with the same meaning; *provided that*; (a) if the definition given to such term in the Credit Agreement conflicts with the definition given to such term in the UCC, the Credit Agreement definition shall control to the extent legally allowable; and (b) if any definition given to such term in *Chapter 9* of the UCC conflicts with the definition given to such term in any other chapter of the UCC, the *Chapter 9* definition shall prevail. As used herein, the following terms have the meanings indicated:

Collateral has the meaning set forth in *Paragraph 4* hereof.

Obligor means any Person obligated with respect to any of the Collateral, whether as an account debtor, obligor on an instrument, issuer of securities, or otherwise.

Partnership means any partnership issuing a Partnership Interest.

Pledged Securities means, collectively, the Pledged Shares, the Partnership Interests (whether or not a security), and any other Collateral constituting securities.

Security Interest means the security interest granted and the pledge and assignment made under *Paragraph 3* hereof.

UCC means the Uniform Commercial Code as enacted in the State of Texas or other applicable jurisdiction, as amended at the time in question.

3. SECURITY INTEREST. In order to secure the full and complete payment and performance of the Obligation when due, Debtor hereby grants to Secured Party a Security Interest in all of Debtor's Rights, titles, and interests in and to the Collateral and pledges, collaterally transfers, and assigns the Collateral to Secured Party, all upon and subject to the terms and conditions of this Security Agreement. Such Security Interest is granted and pledge and assignment are made as security only and shall not subject Secured Party to, or transfer or in any way affect or modify, any obligation of Debtor with respect to any of the Collateral or any transaction involving or giving rise thereto. If the grant, pledge, or collateral transfer or assignment of any specific item of the Collateral is expressly prohibited by any contract, then the Security Interest created hereby nonetheless remains effective to the extent allowed by *UCC* § 9.318 or other applicable Law, but is otherwise limited by that prohibition.

4. COLLATERAL. As used herein, the term "*Collateral*" means the following items and types of property now owned or in the future acquired by Debtor:

(a) All present and future accounts, contract Rights, general intangibles, chattel paper, documents, instruments, inventory, investment property, equipment, fixtures, money and other goods, wherever located, now owned or hereafter acquired by such Debtor, and any and all present and future Tax refunds of any kind whatsoever to which any Debtor is now or shall hereafter become entitled.

(b) All present and future issued and outstanding shares of capital stock or other equity or investment securities now owned or hereafter acquired by such Debtor, including, without limitation, all capital stock of the Subsidiaries of such Debtor as more particularly listed on *Annex B* hereto, *together with* all distributions thereon, all cash and noncash proceeds thereof, and any securities issued in substitution or replacement thereof (collectively, the "*Pledged Shares*").

(c) All Rights, titles, and interests of such Debtor in and to all promissory notes and other instruments payable to such Debtor, now or hereafter existing, including, without limitation, any promissory notes or inter-company notes listed on *Annex B* (collectively, the "*Collateral Notes*"), all Rights titles, interests, and Liens Debtor may have or be or become entitled to under all present and future security agreements, pledge agreements, deeds of trust, mortgages, guarantees, or other documents assuring or securing payment of the Collateral Notes (the "*Collateral Note Security*") in, to, and under all other loan and collateral documents relating to such instruments.

(d) All present and future Rights, titles, interests, and Liens (but none of the obligations) now owned or hereafter acquired by such Debtor in any partnership or joint venture, including, without limitation, the partnerships listed on *Annex B* hereof (collectively, the "*Partnership Interests*").

(e) The balance of every deposit account of such Debtor and any other claim of such Debtor against any depository, now or hereafter existing, whether liquidated or unliquidated, including, without limitation, certificates of deposit, and other deposit instruments (collectively, the "*Deposit Accounts*").

(f) All present and future automobiles, trucks, truck tractors, trailers, semi-trailers, or other motor vehicles or rolling stock, now owned or hereafter acquired by such Debtor (collectively, the "**Vehicles**").

(g) All present and future Rights, awards, and judgments to which such Debtor is entitled under any Litigation (whether arising in equity, contract, or tort) now existing or hereafter arising.

(h) All present and future Rights (including, without limitation, the Right to sue for past, present, or future infringements), titles, and interests of such Debtor in and to all trademark applications, trademarks, corporate names, company names, tradenames, business names, fictitious business names, tradestyles, service marks, logos, other source of business identifiers, copyrights, designs, Rights or licenses to use any trademarks, and all registrations and recordings thereof, including, without limitation, such Debtor's trademarks listed on **Annex B** hereto (collectively, the "**Trademarks**"), and the goodwill of each business to which each Trademark relates.

(i) All present and future Rights (including, without limitation, the Right to sue for past, present, and future infringements), titles, and interests of such Debtor in and to all patents, patent applications, utility models, industrial models, designs, and any other forms of industrial intellectual property, including all grants, applications, reissues, continuations, and divisions with respect thereto and any Rights to use, manufacture, or sell any patent, including, without limitation, the patents listed on **Annex B** hereto (collectively, the "**Patents**").

(j) All present and future increases, profits, combinations, reclassifications, improvements, and products of, accessions, attachments, and other additions to, tools, parts, and equipment used in connection with, and substitutes and replacements for, all or part of the Collateral heretofore described.

(k) All present and future accounts, contract rights, general intangibles, chattel paper, documents, instruments, cash and noncash proceeds, and other Rights arising from or by virtue of, or from the voluntary or involuntary sale or other disposition of, or collections with respect to, or insurance proceeds payable with respect to, or proceeds payable by virtue of warranty or other claims against the manufacturer of, or claims against any other Person with respect to, all or any part of the Collateral heretofore described in this clause or otherwise.

(l) All present and future security for the payment to any Company of any of the Collateral heretofore described and goods which gave or will give rise to any of such Collateral or are evidenced, identified, or represented therein or thereby.

The description of the Collateral contained in this **Paragraph 4** shall not be deemed to permit any action prohibited by this Security Agreement or by the terms incorporated in this Security Agreement. Furthermore, notwithstanding any contrary provision, Debtor agrees that, if, but for the application of this paragraph, granting a Security Interest in the Collateral would constitute a fraudulent conveyance under *11 U.S.C. § 548* or a fraudulent conveyance or transfer under any state fraudulent conveyance, fraudulent transfer, or similar Law in effect from time to time (each a "**fraudulent conveyance**"), then the Security Interest remains enforceable to the maximum extent possible without causing such Security Interest to be a fraudulent conveyance, and this Security Agreement is automatically amended to carry out the intent of this paragraph.

5. REPRESENTATIONS AND WARRANTIES. Debtor represents and warrants to Secured Party that:

(a) Credit Agreement. Certain representations and warranties in the Credit Agreement are applicable to it or its assets or operations, and each such representation and warranty is true and correct.

(b) Binding Obligation. This Security Agreement creates a legal, valid, and binding Lien in and to the Collateral in favor of Secured Party and enforceable against Debtor. For Collateral in which the Security Interest may be perfected by the filing of Financing Statements, once those Financing Statements have been properly filed in the jurisdictions described on *Annex A* hereto, the Security Interest in that Collateral will be fully perfected. Once perfected and, in the case of investment property or instruments, upon possession or “control” (within the meaning of *Sections 8-106 and 9-115* of the UCC) by Secured Party, the Security Interest will constitute a first-priority Lien on the Collateral, subject only to Permitted Liens. The creation of the Security Interest does not require the consent of any Person that has not been obtained.

(c) Location; Other Names. Debtor’s place of business and chief executive office is where Debtor is entitled to receive notices hereunder; the present and foreseeable location of Debtor’s books and records concerning any of the Collateral that is accounts is as set forth on *Annex A* hereto, and the location of all other Collateral, including, without limitation, Debtor’s inventory and equipment, is as set forth on *Annex A* hereto (but the failure of such description to be accurate or complete shall not impair the Security Interest in such Collateral); and, except as noted on *Annex A* hereto, all such books, records, and Collateral are in Debtor’s possession. Debtor has not used or transacted business under any other corporate or tradename in the five year period preceding the date hereof, except as noted on *Annex A* hereto.

(d) Securities. All Collateral that is Pledged Securities is duly authorized, validly issued, fully paid, and non-assessable, and the transfer thereof is not subject to any restrictions, other than restrictions imposed by applicable securities and corporate Laws. The Pledged Shares issued by the Subsidiaries (other than IOI Management Services of Pennsylvania, Inc. [“*IOI Pennsylvania*”]) to Debtor constitute one hundred percent (100%) of the issued and outstanding common stock or other equity interests of such Subsidiaries. The Pledged Shares issued by IOI Pennsylvania to Debtor, if any, constitute (i) as of the date hereof, eighty-five and seventy-one hundredths percent (85.71%), and (ii) as of the date of the initial Borrowing or the issuance of the initial LC under the Credit Agreement, one hundred percent (100%) of the issued and outstanding common stock or other equity interests of IOI Pennsylvania. Debtor has good title to the securities, free and clear of all liens and encumbrances thereon (except for the Security Interest created hereby), and has delivered to Secured Party all stock certificates, promissory notes, bonds, debentures, or other instruments or documents representing or evidencing the securities, together with corresponding assignment or transfer powers duly executed in blank by Debtor, and such powers have been duly and validly executed and are binding and enforceable against Debtor in accordance with their terms; and the pledge of the securities in accordance with the terms hereof creates a valid and perfected first priority security interest in the securities securing payment of the Obligation.

(e) Partnerships and Partnership Interests. Each Partnership issuing a Partnership Interest, is duly organized, currently existing, and in good standing under all applicable Laws; there have been no amendments, modifications, or supplements to any agreement or certificate

creating any Partnership or any material contract relating to the Partnerships, of which Secured Party has not been advised in writing; no default or potential default by the Partnership or, to the knowledge of the Partnership or Debtor, by any other Person has occurred under the terms of any contract relating to any Partnership which could result in a Material Adverse Event; and no approval or consent of the partners of any Partnership is required as a condition to the validity and enforceability of the Security Interest created hereby or the consummation of the transactions contemplated hereby which has not been duly obtained by Debtor. Debtor has good title to the Partnership Interests free and clear of all liens and encumbrances (except for the Security Interest granted hereby). The Partnership Interests are validly issued, fully paid, and nonassessable and are not subject to statutory, contractual, or other restrictions governing their transfer, ownership, or control, except as set forth in the partnership agreements or applicable securities Laws.

(f) Governmental Authority. No authorization, approval, or other action by, and no notice to or filing with, any Governmental Authority is required either (i) for the pledge by Debtor of the Pledged Securities pursuant to this Security Agreement or for the execution, delivery, or performance of this Security Agreement by Debtor, or (ii) for the exercise by Secured Party of the voting or other Rights provided for in this Security Agreement or the remedies in respect of the Collateral pursuant to this Security Agreement (except as may be required in connection with the disposition of the Pledged Securities by Laws affecting the offering and sale of securities generally).

(g) Accounts. All Collateral that is accounts, contract Rights, chattel paper, instruments, or general intangibles is free from any claim for credit, deduction, or allowance of an Obligor and free from any defense, dispute, setoff, or counterclaim, and there is no extension or indulgence with respect thereto, except for those occurring in the ordinary course of Debtor's business which, individually or in the aggregate, could not result in a Material Adverse Event.

(h) Instruments, Chattel Paper, Collateral Notes, and Collateral Note Security. All instruments and chattel paper, including, without limitation, the Collateral Notes, have been delivered to Secured Party, together with corresponding endorsements duly executed by Debtor in favor of Secured Party, and such endorsements have been duly and validly executed and are binding and enforceable against Debtor in accordance with their terms. Each Collateral Note and the documents evidencing the Collateral Note Security are in full force and effect; there have been no renewals or extensions of, or amendments, modifications, or supplements to, any thereof about which the Secured Party has not been advised in writing; and no default or potential default has occurred and is continuing under any such Collateral Note or documents evidencing the Collateral Note Security, except as disclosed on *Annex C* hereto.

(i) Maintenance of Collateral. All tangible Collateral is in good repair and condition, ordinary wear and tear excepted, and none thereof is a fixture, except for fixtures to the extent set forth in Debtor's Current Financials, and certain (but not all) leasehold improvements made by Debtor in the ordinary course of its business, and included as leasehold improvements in Debtor's Current Financials. No portion of the Collateral consisting of medical equipment is so affixed to any real property as to constitute a fixture under applicable Laws.

(j) Liens. Debtor owns all presently existing Collateral, and will acquire all hereafter-acquired Collateral, free and clear of all Liens, except Permitted Liens.

(k) Deposit Accounts. With respect to the Deposit Accounts, (i) Debtor maintains each such Deposit Account with the banks listed on *Annex D* hereto, (ii) Debtor has the legal

right to pledge and assign to Secured Party the funds deposited and to be deposited in the Deposit Accounts; and (iii) the Deposit Accounts listed on *Annex D* represent all material bank accounts of Debtor, including without limitation, all material operating accounts of Debtor, and all certificates of deposit or other deposit instruments of Debtor.

The foregoing representations and warranties will be true and correct in all respects with respect to any additional Collateral or additional specific descriptions of certain Collateral delivered to Secured Party in the future by Debtor.

The failure of any of these representations or warranties to be accurate and complete does not impair the Security Interest in any Collateral.

6. COVENANTS. So long as Lenders are committed to extend credit to Debtor under the Credit Agreement and until the Obligation is paid and performed in full, Debtor covenants and agrees with Secured Party that Debtor will:

(a) Credit Agreement. (i) Comply with, perform, and be bound by all covenants and agreements in the Credit Agreement that are applicable to it, its assets, or its operations, each of which is hereby ratified and confirmed (**INCLUDING, WITHOUT LIMITATION, THE INDEMNIFICATION AND RELATED PROVISIONS IN SECTION 11.11 OF THE CREDIT AGREEMENT**); AND (ii) **CONSENT TO AND APPROVE THE VENUE, SERVICE OF PROCESS, AND WAIVER OF JURY TRIAL PROVISIONS OF SECTION 13.10 OF THE CREDIT AGREEMENT.**

(b) Record of Collateral. Maintain, at the place where Debtor is entitled to receive notices under the Loan Papers, a current record of where all Collateral is located, permit representatives of Secured Party at any time during normal business hours to inspect and make abstracts from such records (subject to the applicable provisions of Section 9.4 of the Credit Agreement), and furnish to Secured Party, at such intervals as Secured Party may request, such documents, lists, descriptions, certificates, and other information as may be necessary or proper to keep Secured Party informed with respect to the identity, location, status, condition, and value of the Collateral.

(c) Perform Obligations. Except as otherwise expressly provided in the Credit Agreement, fully perform all of Debtor's duties under and in connection with each transaction to which the Collateral, or any part thereof, relates, so that the amounts thereof shall actually become payable in their entirety to Secured Party.

(d) Notices. (i) Promptly notify Secured Party of (A) any change in any fact or circumstances represented or warranted by Debtor with respect to any of the Collateral or Obligation, and (B) any claim, action, or proceeding affecting title to all or any of the Collateral or the Security Interest and, at the request of Secured Party, appear in and defend, at Debtor's expense, any such action or proceeding; and (ii) give Secured Party thirty (30) days written notice before any proposed (A) relocation of its principal place of business or chief executive office, (B) change of its name, identity, or corporate structure, (C) relocation of the place where its books and records concerning its accounts are kept, and (D) relocation of any Collateral (*other than* delivery of inventory in the ordinary course of business to third party contractors for processing and sales of inventory in the ordinary course of business or as permitted by the Credit Agreement) to a location not described on the attached *Annex A*. Prior to making any of the changes

contemplated in *clause (ii)* preceding, Secured Party shall execute and deliver all such additional documents and perform all additional acts as Secured Party, in its reasonable discretion, may request in order to continue or maintain the existence and priority of the Security Interests in all of the Collateral.

(e) Collateral in Trust. Hold in trust (and not commingle with other assets of Debtor) for Secured Party all Collateral that is chattel paper, instruments, Collateral Notes, Pledged Securities, or documents at any time received by Debtor, and promptly deliver same to Secured Party, unless Secured Party at its option (which may be evidenced only by a writing signed by Secured Party stating that Secured Party elects to permit Debtor to so retain) permits Debtor to retain the same, but any chattel paper, instruments, Collateral Notes, or documents so retained shall be marked to state that they are assigned to Secured Party; each such instrument shall be endorsed to the order of Secured Party (but the failure of same to be so marked or endorsed shall not impair the Security Interest thereon).

(f) Further Assurances. At Debtor's expense and Secured Party's request, before or after a Default or Potential Default, (i) from time to time promptly execute and deliver to Secured Party all such other assignments, certificates, supplemental documents, and financing statements, and do all other acts or things as Secured Party may reasonably request in order to more fully create, evidence, perfect, continue, and preserve the priority of the Security Interest; and (ii) pay all filing fees in connection with any financing, continuation, or termination statement or other instrument with respect to the Security Interests.

(g) Estoppel and Other Agreements and Matters. Either (unless waived by Secured Party in its sole judgment without requiring approval of any other Lender) (i) use commercially reasonable efforts to cause the landlord or lessor for each location where any of its inventory or equipment is maintained to execute and deliver to Secured Party an estoppel and subordination agreement in such form as may be reasonably acceptable to Secured Party and its counsel, or (ii) deliver to Secured Party a legal opinion or other evidence (in each case that is reasonably satisfactory to Secured Party and its counsel) that neither the applicable lease nor the Laws of the jurisdiction in which that location is situated provide for contractual, common law, or statutory landlord's Liens that is senior to or *pari passu* with the Security Interest.

(h) Certificates of Title. Subject to the provisions of Section 6.5 of the Credit Agreement, upon the request of Secured Party, if certificates of title are issued or outstanding with respect to any of the Vehicles or other Collateral, cause the Security Interest to be properly noted thereon.

(i) Impairment of Collateral. Not use any of the Collateral, or permit the same to be used, for any unlawful purpose, in any manner that is reasonably likely to adversely impair the value or usefulness of the Collateral, or in any manner inconsistent with the provisions or requirements of any policy of insurance thereon nor affix or install any accessories, equipment, or device on the Collateral or on any component thereof if such addition will impair the original intended function or use of the Collateral or such component.

(j) Modifications to Agreements. Not modify or substitute, or permit the modification or substitution of, any Collateral Note or any document evidencing the Collateral Note Security or contract to which any of the Collateral which is accounts relates, nor extend or grant

indulgences regarding any account which is Collateral, other than such modifications or indulgences as are reasonable and customary in the industry in which Debtor is engaged.

(k) Securities. Not sell, exchange, or otherwise dispose of, or grant any option, warrant, or other Right with respect to, any of the Pledged Shares; cause each Subsidiary not to issue any stock or other securities in addition to or in substitution for the Pledged Shares issued by the Subsidiaries, except to Debtor; pledge hereunder, immediately upon Debtor's acquisition (directly or indirectly) thereof, any and all additional shares of stock or other securities of the Subsidiaries or any other issuer of Securities issued to Debtor; and take any action necessary, required, or requested by Secured Party to allow Secured Party to fully enforce its Security Interest in the Pledged Shares, including, without limitation, the filing of any claims with any court, liquidator, trustee, custodian, receiver, or other like person or party.

(l) Partnerships and Partnership Interests. (i) Promptly perform, observe, and otherwise comply in all material respects with each and every covenant, agreement, requirement, and condition set forth in the contracts and agreements creating or relating to any Partnership; (ii) do or cause to be done all things necessary or appropriate to keep the Partnerships in full force and effect and the Rights of Debtor and Secured Party thereunder unimpaired; (iii) not consent to any Partnership selling, leasing, or disposing of substantially all of its assets in a single transaction or a series of transactions; (iv) notify Secured Party of the occurrence of any default under any contract or agreement creating or relating to the Partnerships promptly upon obtaining knowledge thereof; and not consent to the amendment, modification, surrender, impairment, forfeiture, cancellation, dissolution, or termination of any Partnership, or material agreement relating thereto; (v) not transfer, sell, or assign any of the Partnership Interests or any part thereof; (vi) cause each Partnership to refrain from granting any partnership interests in addition to or in substitution for the Partnership Interests granted by the Partnerships, except to Debtor; (vii) pledge hereunder, immediately upon Debtor's acquisition (directly or indirectly) thereof, any and all additional Partnership Interests of any Partnership granted to Debtor; and (viii) take any action necessary, required, or requested by Secured Party to allow Secured Party to fully enforce its Security Interest in the Partnership Interests, including, without limitation, the filing of any claims with any court, liquidator, trustee, custodian, receiver, or other like person or party.

(m) Depository Bank. With respect to Deposit Accounts, (i) maintain the Deposit Accounts at one or more of the banks (a "*depository bank*") described on *Annex D* or such additional depository banks as have complied with *item (iv)* hereof; (ii) at the request of Administrative Agent, when Administrative Agent deems itself insecure deliver to Administrative Agent, a letter substantially in the form of *Annex E* hereto with respect to Secured Party's Rights in such Deposit Account, executed by each depository bank or such other letter acceptable to Administrative Agent; (iii) deliver to Secured Party all certificates or instruments, if any, now or hereafter representing or evidencing the Deposit Accounts, accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to Secured Party; and (iv) notify Secured Party prior to establishing any additional Deposit Accounts and, at the request of Administrative Agent, obtain from such depository bank an executed letter substantially in the form of *Annex E* and deliver the same to Secured Party.

7. DEFAULT; REMEDIES. If a Default exists, Secured Party may, at its election (but subject to the terms and conditions of the Credit Agreement), exercise any and all Rights available to a secured party under the UCC, in addition to any and all other Rights afforded by the Loan Papers, at Law, in equity, or otherwise, including, without limitation, (a) requiring Debtor to assemble all or part of the Collateral and make it available to Secured Party at a place to be designated by Secured Party which is

reasonably convenient to Debtor and Secured Party, (b) surrendering any policies of insurance on all or part of the Collateral and receiving and applying the unearned premiums as a credit on the Obligation, and (c) applying by appropriate judicial proceedings for appointment of a receiver for all or part of the Collateral (and Debtor hereby consents to any such appointment), and (d) applying to the Obligation any cash held by Secured Party under this Security Agreement, including, without limitation, any cash in the Cash Collateral Account (as hereinafter defined). Notwithstanding the foregoing, Secured Party will not exercise any remedies against the assets of Debtor unless it has given at least ten days written notification to Debtor.

(a) Notice. Reasonable notification of the time and place of any public sale of the Collateral, or reasonable notification of the time after which any private sale or other intended disposition of the Collateral is to be made, shall be sent to Debtor and to any other Person entitled to notice under the UCC; *provided, that* if any of the Collateral threatens to decline speedily in value or is of the type customarily sold on a recognized market, Secured Party may sell or otherwise dispose of the Collateral without notification, advertisement, or other notice of any kind. It is agreed that notice sent or given not less than ten (10) Business Days prior to the taking of the action to which the notice relates is reasonable notification and notice for the purposes of this subparagraph.

(b) Sales of Pledged Securities.

(i) Debtor agrees that, because of the Securities Act of 1933, as amended, or the rules and regulations promulgated thereunder (collectively, the "*Securities Act*"), or any other Laws or regulations, and for other reasons, there may be legal or practical restrictions or limitations affecting Secured Party in any attempts to dispose of certain portions of the Pledged Securities and for the enforcement of its Rights. For these reasons, Secured Party is hereby authorized by Debtor, but not obligated, upon the occurrence and during the continuation of a Default, to sell all or any part of the Pledged Securities at private sale, subject to investment letter or in any other manner which will not require the Pledged Securities, or any part thereof, to be registered in accordance with the Securities Act or any other Laws or regulations, at a reasonable price at such private sale or other distribution in the manner mentioned above. Debtor understands that Secured Party may in its discretion approach a limited number of potential purchasers and that a sale under such circumstances may yield a lower price for the Pledged Securities, or any part thereof, than would otherwise be obtainable if such Collateral were either afforded to a larger number of potential purchasers, registered under the Securities Act, or sold in the open market. Debtor agrees that any such private sale made under this *Paragraph 7(b)* shall be deemed to have been made in a commercially reasonable manner, and that Secured Party has no obligation to delay the sale of any Pledged Securities to permit the issuer thereof to register it for public sale under any applicable federal or state securities Laws.

(ii) Secured Party is authorized, in connection with any such sale, (A) to restrict the prospective bidders on or purchasers of any of the Pledged Securities to a limited number of sophisticated investors who will represent and agree that they are purchasing for their own account for investment and not with a view to the distribution or sale of any of such Pledged Securities, and (B) to impose such other limitations or conditions in connection with any such sale as Secured Party reasonably deems necessary in order to comply with applicable Law. Debtor covenants and agrees that it will execute and deliver such documents and take such other action as Secured Party reasonably deems

necessary in order that any such sale may be made in compliance with applicable Law. Upon any such sale Secured Party shall have the right to deliver, assign, and transfer to the purchaser thereof the Pledged Securities so sold. Each purchaser at any such sale shall hold the Pledged Securities so sold absolutely, free from any claim or Right of Debtor of whatsoever kind, including any equity or right of redemption of Debtor. Debtor, to the extent permitted by applicable Law, hereby specifically waives all rights of redemption, stay, or appraisal which it has or may have under any Law now existing or hereafter enacted.

(iii) Debtor agrees that ten (10) days' written notice from Secured Party to Debtor of Secured Party's intention to make any such public or private sale or sale at a broker's board or on a securities exchange shall constitute "*reasonable notification*" within the meaning of *Section 9-504(c)* of the UCC. Such notice shall (A) in case of a public sale, state the time and place fixed for such sale, (B) in case of sale at a broker's board or on a securities exchange, state the board or exchange at which such a sale is to be made and the day on which the Pledged Securities, or the portion thereof so being sold, will first be offered to sale at such board or exchange, and (C) in the case of a private sale, state the day after which such sale may be consummated. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as Secured Party may fix in the notice of such sale. At any such sale, the Pledged Securities may be sold in one lot as an entirety or in separate lots, as Secured Party may reasonably determine. Secured Party shall not be obligated to make any such sale pursuant to any such notice. Secured Party may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the same may be so adjourned.

(iv) In case of any sale of all or any part of the Pledged Securities on credit or for future delivery, the Pledged Securities so sold may be retained by Secured Party until the selling price is paid by the purchaser thereof, but Secured Party shall not incur any liability in case of the failure of such purchaser to take up and pay for the Pledged Securities so sold and in case of any such failure, such Pledged Securities may again be sold upon like notice. Secured Party, instead of exercising the power of sale herein conferred upon it, may proceed by a suit or suits at law or in equity to foreclose the Security Interests and sell the Pledged Securities, or any portion thereof, under a judgment or decree of a court or courts of competent jurisdiction.

(v) Without limiting the foregoing, or imposing upon Secured Party any obligations or duties not required by applicable Law, Debtor acknowledges and agrees that, in foreclosing upon any of the Pledged Securities, or exercising any other Rights or remedies provided Secured Party hereunder or under applicable Law, Secured Party may, but shall not be required to, (A) qualify or restrict prospective purchasers of the Pledged Securities by requiring evidence of sophistication or creditworthiness, and requiring the execution and delivery of confidentiality agreements or other documents and agreements as a condition to such prospective purchasers' receipt of information regarding the Pledged Securities or participation in any public or private foreclosure sale process, (B) provide to prospective purchasers business and financial information regarding the Companies available in the files of Secured Party at the time of commencing the foreclosure process, without the requirement that Secured Party obtain, or seek to obtain, any updated business or financial information or verify, or certify to prospective

purchasers, the accuracy of any such business or financial information, or (C) offer for sale and sell the Pledged Securities with, or without, first employing an appraiser, investment banker, or broker with respect to the evaluation of the Pledged Securities, the solicitation of purchasers for Pledged Securities, or the manner of sale of Pledged Securities.

(c) Application of Proceeds. Secured Party shall apply the proceeds of any sale or other disposition of the Collateral under this *Paragraph 7* in the following order: *first*, to the payment of all expenses incurred in retaking, holding, and preparing any of the Collateral for sale(s) or other disposition, in arranging for such sale(s) or other disposition, and in actually selling or disposing of the same (all of which are part of the Obligation); *second*, toward repayment of amounts expended by Secured Party under *Paragraph 8*; *third*, toward payment of the balance of the Obligation in the order and manner specified in the Credit Agreement. Any surplus remaining shall be delivered to Debtor or as a court of competent jurisdiction may direct. If the proceeds are insufficient to pay the Obligation in full, Debtor shall remain liable for any deficiency.

8. OTHER RIGHTS OF SECURED PARTY.

(a) Performance. If Debtor fails to keep the Collateral in good repair, working order, and condition, as required in this Security Agreement, or fails to pay when due all Taxes on any of the Collateral in the manner required by the Loan Papers, or fails to preserve the priority of the Security Interest in any of the Collateral, or fails to keep the Collateral insured as required by this Security Agreement, or otherwise fails to perform any of its obligations under the Loan Papers with respect to the Collateral, then Secured Party may, at its option, but without being required to do so, make such repairs, pay such Taxes, prosecute or defend any suits in relation to the Collateral, or insure and keep insured the Collateral in any amount deemed appropriate by Secured Party, or take all other action which Debtor is required, but has failed or refused, to take under the Loan Papers. Any sum which may be expended or paid by Secured Party under this subparagraph (including, without limitation, court costs and attorneys' fees) shall bear interest from the dates of expenditure or payment at the Default Rate until paid and, together with such interest, shall be payable by Debtor to Secured Party upon demand and shall be part of the Obligation.

(b) Collection. If a Default exists and upon notice from Secured Party, each Obligor with respect to any payments on any of the Collateral (including, without limitation, dividends and other distributions with respect to securities, payments on Collateral Notes, insurance proceeds payable by reason of loss or damage to any of the Collateral, or Deposit Accounts) is hereby authorized and directed by Debtor to make payment directly to Secured Party, regardless of whether Debtor was previously making collections thereon. Subject to *Paragraph 8(e)* hereof, until such notice is given, Debtor is authorized to retain and expend all payments made on Collateral. If a Default exists, Secured Party shall have the Right in its own name or in the name of Debtor to compromise or extend time of payment with respect to all or any portion of the Collateral for such amounts and upon such terms as Secured Party may determine; to demand, collect, receive, receipt for, sue for, compound, and give acquittances for any and all amounts due or to become due with respect to Collateral; to take control of cash and other proceeds of any Collateral; to endorse the name of Debtor on any notes, acceptances, checks, drafts, money orders, or other evidences of payment on Collateral that may come into the possession of Secured Party; to sign the name of Debtor on any invoice or bill of lading relating to any Collateral, on any

drafts against Obligors or other Persons making payment with respect to Collateral, on assignments and verifications of accounts or other Collateral and on notices to Obligors making payment with respect to Collateral; to send requests for verification of obligations to any Obligor; and to do all other acts and things necessary to carry out the intent of this Security Agreement. If a Default exists and any Obligor fails or refuses to make payment on any Collateral when due, Secured Party is authorized, in its sole discretion, either in its own name or in the name of Debtor, to take such action as Secured Party shall deem appropriate for the collection of any amounts owed with respect to Collateral or upon which a delinquency exists. Regardless of any other provision hereof, however, Secured Party shall never be liable for its failure to collect, or for its failure to exercise diligence in the collection of, any amounts owed with respect to Collateral, nor shall it be under any duty whatsoever to anyone except Debtor to account for funds that it shall actually receive hereunder. Without limiting the generality of the foregoing, Secured Party shall have no responsibility for ascertaining any maturities, calls, conversions, exchanges, offers, tenders, or similar matters relating to any Collateral, or for informing Debtor with respect to any of such matters (irrespective of whether Secured Party actually has, or may be deemed to have, knowledge thereof). The receipt by Secured Party from any Obligor of amounts due from such Obligor to Debtor shall be a full and complete release, discharge, and acquittance to such Obligor, to the extent of any amount so paid to Secured Party.

(c) Record Ownership of Securities. If a Default exists, Secured Party at any time may have any Collateral that is Pledged Securities and that is in the possession of Secured Party, or its nominee or nominees, registered in its name, or in the name of its nominee or nominees, as pledgee; and, as to any Pledged Securities so registered, Debtor shall execute and deliver (or cause to be executed and delivered) to Secured Party all such proxies, powers of attorney, dividend coupons or orders, and other documents as Secured Party may reasonably request for the purpose of enabling Secured Party to exercise the voting Rights and powers which it is entitled to exercise under this Security Agreement or to receive the dividends and other payments in respect of such Collateral that is Pledged Securities which it is authorized to receive and retain under this Security Agreement.

(d) Voting of Securities. As long as a Default does not exist, Debtor is entitled to exercise all voting Rights pertaining to any Collateral that is Pledged Securities. If a Default exists and if Secured Party elects to exercise such Right, the Right to vote any Collateral that is Pledged Securities shall be vested exclusively in Secured Party. To this end, Debtor hereby irrevocably constitutes and appoints Secured Party the proxy and attorney-in-fact of Debtor, with full power of substitution, to vote, and to act with respect to, any and all Collateral that is Pledged Securities standing in the name of Debtor or with respect to which Debtor is entitled to vote and act, subject to the understanding that such proxy may not be exercised unless a Default exists. The proxy herein granted is coupled with an interest, is irrevocable, and shall continue until the Obligation has been paid and performed in full.

(e) Certain Proceeds. Notwithstanding any contrary provision herein, any and all stock dividends or distributions in property made on or in respect of any Pledged Securities, and any proceeds of any Pledged Securities, whether such dividends, distributions, or proceeds result from a subdivision, combination, or reclassification of the outstanding capital stock of any issuer thereof or as a result of any merger, consolidation, acquisition, or other exchange of assets to which any issuer may be a party, or otherwise, shall be part of the Collateral hereunder, shall, if received by Debtor, be held in trust for the benefit of Secured Party, and shall forthwith be delivered to Secured Party (accompanied by proper instruments of assignment and/or stock and/or bond powers executed by Debtor in accordance with Secured Party's instructions) to be held

subject to the terms of this Security Agreement. Any cash proceeds of Collateral which come into the possession of Secured Party (including, without limitation, insurance proceeds) (i) if no Default has occurred and is continuing, shall be promptly released to or on the written instructions of Debtor for any general or specific purpose, except that proceeds of any sale, lease, or other disposition of any assets described in **Section 9.24(f)** and **Section 9.24(g)** of the Credit Agreement shall be applied to the Obligation, whether any Potential Default or Default then exists, and (ii) if a Default has occurred and is continuing, may, at Secured Party's option, be applied in whole or in part to the Obligation (to the extent then due), be released in whole or in part to or on the written instructions of Debtor for any general or specific purpose, or be retained in whole or in part by Secured Party as additional Collateral. Any cash Collateral in the possession of Secured Party may be invested by Secured Party in certificates of deposit issued by Secured Party (if Secured Party issues such certificates) or by any state or national bank having combined capital and surplus greater than \$100,000,000 with a rating from Moody's and S&P of *P-1* and *A-1+*, respectively, or in securities issued or guaranteed by the United States of America or any agency thereof. Secured Party shall never be obligated to make any such investment and shall never have any liability to Debtor for any loss which may result therefrom. All interest and other amounts earned from any investment of Collateral may be dealt with by Secured Party in the same manner as other cash Collateral.

(f) Use and Operation of Collateral. Should any Collateral come into the possession of Secured Party, Secured Party may use or operate such Collateral for the purpose of preserving it or its value pursuant to the order of a court of appropriate jurisdiction or in accordance with any other Rights held by Secured Party in respect of such Collateral. Debtor covenants to promptly reimburse and pay to Secured Party, at Secured Party's request, the amount of all reasonable expenses (including, without limitation, the cost of any insurance and payment of Taxes or other charges) incurred by Secured Party in connection with its custody and preservation of Collateral, and all such expenses, costs, Taxes, and other charges shall bear interest at the Default Rate until repaid and, together with such interest, shall be payable by Debtor to Secured Party upon demand and shall become part of the Obligation. However, the risk of accidental loss or damage to, or diminution in value of, Collateral is on Debtor, and Secured Party shall have no liability whatever for failure to obtain or maintain insurance, nor to determine whether any insurance ever in force is adequate as to amount or as to the risks insured. With respect to Collateral that is in the possession of Secured Party, Secured Party shall have no duty to fix or preserve Rights against prior parties to such Collateral and shall never be liable for any failure to use diligence to collect any amount payable in respect of such Collateral, but shall be liable only to account to Debtor for what it may actually collect or receive thereon. The provisions of this subparagraph are applicable whether or not a Default exists.

(g) Cash Collateral Account. If a Default exists, Secured Party shall have, and Debtor hereby grants to Secured Party, the Right and authority to transfer all funds on deposit in the Deposit Accounts to a **Cash Collateral Account** (herein so called) maintained with a depository institution acceptable to Secured Party and subject to the exclusive direction, domain, and control of Secured Party, and no disbursements or withdrawals shall be permitted to be made by Debtor from such Cash Collateral Account. Such Cash Collateral Account shall be subject to the Security Interest and Liens in favor of Secured Party herein created, and Debtor hereby grants a security interest to Secured Party on behalf of Lenders in and to, such Cash Collateral Account and all checks, drafts, and other items ever received by Debtor for deposit therein. Furthermore, if a Default exists, Secured Party shall have the Right, at any time in its discretion without notice to Debtor, (i) to transfer to or to register in the name of Secured Party or any Lender or nominee any certificates of deposit or deposit instruments constituting Deposit Accounts and shall have the

Right to exchange such certificates or instruments representing Deposit Accounts for certificates or instruments of smaller or larger denominations and (ii) to take and apply against the Obligation any and all funds then or thereafter on deposit in the Cash Collateral Account or otherwise constituting Deposit Accounts.

(h) Power of Attorney. Debtor hereby irrevocably constitutes and appoints Secured Party as Debtor's attorney-in-fact, with full irrevocable power and authority in the place and stead of Debtor and in the name of Debtor, Secured Party, Lenders, or otherwise, from time to time in Secured Party's discretion, for the sole purpose of carrying out the terms of this Security Agreement and, to the extent permitted by applicable Law, to take any action and to execute any document and instrument which Secured Party may deem necessary or advisable to accomplish the following when a Default exists:

(w) to transfer any and all funds on deposit in the Deposit Accounts to the Cash Collateral Account as set forth in herein;

(x) to receive, endorse, and collect any drafts or other instruments or documents in connection with *clause (b)* above and this *clause (g)*;

(y) to use the Patents and Trademarks or to grant or issue any exclusive or non-exclusive license under the Patents and Trademarks to anyone else, and to perform any act necessary for the Secured Party to assign, pledge, convey, or otherwise transfer title in or dispose of the Patents and Trademarks to any other Person; and

(z) to execute on behalf of Debtor any continuation statement with respect to the Security Interests created hereby, and to do any and all acts and things to protect and preserve the Collateral, including, without limitation, the protection and prosecution of all Rights included in the Collateral.

(i) Purchase Money Collateral. To the extent that Secured Party or any Lender has advanced or will advance funds to or for the account of Debtor to enable Debtor to purchase or otherwise acquire Rights in Collateral, Secured Party or such Lender, at its option, may pay such funds (i) directly to the Person from whom Debtor will make such purchase or acquire such Rights, or (ii) to Debtor, in which case Debtor covenants to promptly pay the same to such Person, and forthwith furnish to Secured Party evidence satisfactory to Secured Party that such payment has been made from the funds so provided.

(j) Subrogation. If any of the Obligation is given in renewal or extension or applied toward the payment of indebtedness secured by any Lien, Secured Party shall be, and is hereby, subrogated to all of the Rights, titles, interests, and Liens securing the indebtedness so renewed, extended, or paid.

(k) Indemnification. Debtor hereby assumes all liability for the Collateral, for the Security Interest, and for any use, possession, maintenance, and management of, all or any of the Collateral, including, without limitation, any Taxes arising as a result of, or in connection with, the transactions contemplated herein, and agrees to assume liability for, and to indemnify and hold Secured Party and each Lender harmless from and against, any and all claims, causes of action, or liability, for injuries to or deaths of Persons and damage to property, howsoever arising from or incident to such use, possession, maintenance, and management, whether such Persons be agents or employees of Debtor or of third parties, or such damage be to property of Debtor or of

others. Debtor agrees to indemnify, save, and hold Secured Party and each Lender harmless from and against, and covenants to defend Secured Party and each Lender against, any and all losses, damages, claims, costs, penalties, liabilities, and expenses (collectively, "**Claims**"), including, without limitation, court costs and attorneys' fees, **and any of the foregoing arising from the negligence of Secured Party or any Lender, or any of their respective officers, employees, agents, advisors, employees, or representatives**, howsoever arising or incurred because of, incident to, or with respect to Collateral or any use, possession, maintenance, or management thereof; *provided, however*, that the indemnity set forth in this *Paragraph 8(k)* will not apply to Claims caused by the gross negligence or willful misconduct of Secured Party or any Lender.

9. MISCELLANEOUS.

(a) Continuing Security Interest. This Security Agreement creates a continuing security interest in the Collateral and shall (i) remain in full force and effect until the termination of the obligations of the Lenders to advance Borrowings or issue LCs under the Credit Agreement, the payment in full of the Obligation, and the expiration of all LCs (or the delivery of cash collateral or Collateral Letters of Credit pursuant to Section 2.2(h) of the Credit Agreement with respect to any such LC) and Financial Hedges; (ii) be binding upon Debtor, its successors, and assigns; and (iii) inure to the benefit of and be enforceable by the Secured Party, Lenders, and their respective successors, transferees, and assigns. Without limiting the generality of the foregoing *clause (iii)*, the Secured Party and Lenders may assign or otherwise transfer any of their respective Rights under this agreement to any other Person in accordance with the terms and provisions of *Section 13.13* of the Credit Agreement, and to the extent of such assignment or transfer such Person shall thereupon become vested with all the Rights and benefits in respect thereof granted herein or otherwise to the Secured Party or the Lenders, as the case may be. Upon payment in full of the Obligation, the termination of the commitment of Lenders to extend credit or issue LCs, and the expiration of all LCs (or the delivery of cash collateral or Collateral Letters of Credit pursuant to Section 2.2(h) of the Credit Agreement with respect to any such LC) or Financial Hedges, Debtor shall be entitled to the return, upon its request and at its expense, of such of the Collateral as shall not have been sold or otherwise applied pursuant to the terms hereof.

(b) Reference to Miscellaneous Provisions. This Security Agreement is one of the "*Loan Papers*" referred to in the Credit Agreement, and all provisions relating to Loan Papers set forth in *Sections 13* of the Credit Agreement, other than the provisions set forth in *Sections 13.7*, are incorporated herein by reference, the same as if set forth herein verbatim.

(c) Term. Upon full and final payment and performance of the Obligation, this agreement shall thereafter terminate upon receipt by Secured Party of Debtor's written notice of such termination; *provided that* no Obligor, if any, on any of the Collateral shall ever be obligated to make inquiry as to the termination of this Security Agreement, but shall be fully protected in making payment directly to Secured Party until actual notice of such total payment of the Obligation is received by such Obligor.

(d) Actions Not Releases. The Security Interest and Debtor's obligations and Secured Party's Rights hereunder shall not be released, diminished, impaired, or adversely affected by the occurrence of any one or more of the following events: (i) the taking or accepting of any other security or assurance for any or all of the Obligation; (ii) any release, surrender, exchange, subordination, or loss of any security or assurance at any time existing in connection with any or

all of the Obligation; (iii) the modification of, amendment to, or waiver of compliance with any terms of any of the other Loan Papers without the notification or consent of Debtor, except as required therein (the Right to such notification or consent being herein specifically waived by Debtor); (iv) the insolvency, bankruptcy, or lack of corporate or trust power of any party at any time liable for the payment of any or all of the Obligation, whether now existing or hereafter occurring; (v) any renewal, extension, or rearrangement of the payment of any or all of the Obligation, either with or without notice to or consent of Debtor, or any adjustment, indulgence, forbearance, or compromise that may be granted or given by Secured Party or any Lender to Debtor; (vi) any neglect, delay, omission, failure, or refusal of Secured Party or any Lender to take or prosecute any action in connection with any other agreement, document, guaranty, or instrument evidencing, securing, or assuring the payment of all or any of the Obligation; (vii) any failure of Secured Party or any Lender to notify Debtor of any renewal, extension, or assignment of the Obligation or any part thereof, or the release of any security, or of any other action taken or refrained from being taken by Secured Party or any Lender against Debtor or any new agreement between or among Secured Party or one or more Lenders and Debtor, it being understood that neither Secured Party nor any Lender shall be required to give Debtor any notice of any kind under any circumstances whatsoever with respect to or in connection with the Obligation, including, without limitation, notice of acceptance of this Security Agreement or any Collateral ever delivered to or for the account of Secured Party hereunder; (viii) the illegality, invalidity, or unenforceability of all or any part of the Obligation against any party obligated with respect thereto by reason of the fact that the Obligation, or the interest paid or payable with respect thereto, exceeds the amount permitted by Law, the act of creating the Obligation, or any part thereof, is *ultra vires*, or the officers, partners, or trustees creating same acted in excess of their authority, or for any other reason; or (ix) if any payment by any party obligated with respect thereto is held to constitute a preference under applicable Laws or for any other reason Secured Party or any Lender is required to refund such payment or pay the amount thereof to someone else.

(e) Waivers. Except to the extent expressly otherwise provided herein or in other Loan Papers and to the fullest extent permitted by applicable Law, Debtor waives (i) any Right to require Secured Party or any Lender to proceed against any other Person, to exhaust its Rights in Collateral, or to pursue any other Right which Secured Party or any Lender may have; (ii) with respect to the Obligation, presentment and demand for payment, protest, notice of protest and nonpayment, and notice of the intention to accelerate; and (iii) all Rights of marshaling in respect of any and all of the Collateral.

(f) Financing Statement. Secured Party shall be entitled at any time to file this agreement or a carbon, photographic, or other reproduction of this Security Agreement, as a financing statement, but the failure of Secured Party to do so shall not impair the validity or enforceability of this agreement.

(g) Amendments. This instrument may be amended only by an instrument in writing executed jointly by Debtor and Secured Party, and supplemented only by documents delivered or to be delivered in accordance with the express terms hereof.

(h) Multiple Counterparts. This Security Agreement has been executed in a number of identical counterparts, each of which shall be deemed an original for all purposes and all of which constitute, collectively, one agreement; but, in making proof of this Security Agreement, it shall not be necessary to produce or account for more than one such counterpart.

(i) Parties Bound; Assignment. This Security Agreement shall be binding on Debtor and Debtor's heirs, legal representatives, successors, and assigns and shall inure to the benefit of Secured Party and Secured Party's successors and assigns.

(i) Secured Party is the agent for each Lender under the Credit Agreement, the Security Interest and all Rights granted to Secured Party hereunder or in connection herewith are for the ratable benefit of each Lender, and Secured Party may, without the joinder of any Lender, exercise any and all Rights in favor of Secured Party or Lenders hereunder, including, without limitation, conducting any foreclosure sales hereunder, and executing full or partial releases hereof, amendments or modifications hereto, or consents or waivers hereunder. The Rights of each Lender *vis-a-vis* Secured Party and each other Lender may be subject to one or more separate agreements between or among such parties, but Debtor need not inquire about any such agreement or be subject to any terms thereof unless Debtor specifically joins therein; and consequently, neither Debtor nor Debtor's heirs, personal representatives, successors, and assigns shall be entitled to any benefits or provisions of any such separate agreements or be entitled to rely upon or raise as a defense, in any manner whatsoever, the failure or refusal of any party thereto to comply with the provisions thereof.

(ii) Debtor may not, without the prior written consent of Secured Party, assign any Rights, duties, or obligations hereunder.

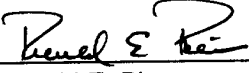
(j) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED AS TO ITS VALIDITY, INTERPRETATION, AND EFFECT IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, EXCEPT AS REQUIRED BY MANDATORY PROVISIONS OF LAW AND EXCEPT IF THE VALIDITY OR PERFECTION OF THE SECURITY INTERESTS HEREUNDER, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL, ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF TEXAS. UNLESS THE CONTEXT OTHERWISE REQUIRES, ALL TERMS USED HEREIN WHICH ARE DEFINED IN THE UNIFORM COMMERCIAL CODE AS ENACTED IN THE STATE OF TEXAS SHALL HAVE THE MEANINGS THEREIN STATED.

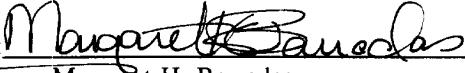
*Remainder of Page Intentionally Blank.
Signature Page(s) to Follow.*

EXECUTED as of the day and year first herein set forth.

INTEGRATED ORTHOPAEDICS, INC.,
as Debtor

NATIONSBANK, N.A., Administrative Agent,
as Secured Party

By: 
Ronald E. Pierce
President and Chief Executive Officer

By: 
Margaret H. Barradas
Senior Vice President

ANNEX A TO SECURITY AGREEMENT

Debtor's Tradenames

Integrated Orthopaedics, Inc. (filed 12/12/96)
Integrated Orthopaedics (filed 12/12/96)
IOI (filed 12/12/96)
Center for Behavioral Medicine (filed 2/24/95)
Administrative Management Services (filed 2/24/95)
WorkWell (filed 2/24/95)
Doctor's Medical Therapy Centers (filed 2/24/95)
Houston Administrative Management (filed 2/24/95)
Medi-Stat (filed 2/24/95) – Sold to OccuCenters, Inc. on 12/31/96.
Medi-Stat Medical Clinics (filed 2/24/95) – Sold to OccuCenters, Inc. on 12/31/96.
Medi-Stat (filed 2/24/95) – Sold to OccuCenters, Inc. on 12/31/96.

Locations of books and records

5858 Westheimer, Suite 500
Houston, TX 77057

Location of collateral

5858 Westheimer, Suite 500
Houston, TX 77057

Deposit Accounts – Wells Fargo Bank

Integrated Orthopaedics, Inc.

| | |
|----------------------|--------------|
| Wells Fargo Bank | |
| Operating Account | 4159-718-626 |
| Disbursement Account | 4759-631-609 |
| Payroll Account | 4159-718-634 |

Jurisdiction for filing Financing Statement:

State of Texas
Jefferson Parish, Louisiana
State of Connecticut
State of Colorado
State of Pennsylvania
Lancaster County, Pennsylvania, Prothonotary

ANNEX B TO SECURITY AGREEMENT

Pledged Shares

IOI Management Services of Houston, Inc. (f/k/a DRCA Houston Clinics, Inc.), Certificate No. 1, 10,000 shares, par value \$.10 per share
Integrated Orthopaedics, Inc. (Treasury Stock), Certificate No. IOI-3099 for 1,000 shares, par value \$.001 per share
Integrated Orthopaedics, Inc. (Treasury Stock), Certificate No. IOI-3008 for 12,833 shares, par value \$.001 per share
IOI Management Services of Connecticut, Inc., Certificate No. 1 for 1,000 shares, par value \$.01 per share
IOI Management Services of Colorado, Inc., Certificate No. 6 for 4,500 shares par value \$1.00 per share.
IOI Management Services of Louisiana, Inc. Certificate No. 1 for 357 shares (no par value).
IOI Management Services of Pennsylvania, Inc. Certificate No. 8 for 428.58 shares par value \$1.00 per share.

Inter-Company Promissory Notes

Promissory Note dated January 22, 1993 in the amount of \$3,500,000.00 between IOI Management Services of Houston, Inc. f/k/a DRCA Houston Clinics, Inc. (Maker) and Integrated Orthopaedics, Inc. f/k/a DRCA Medical Corporation.

Trademarks

Application No. 75/215,770, IOI, Date of Allowance 12/30/97
Application No. 75/248,620, IOI (and design), Date of Allowance 12/30/97
Application No. 75/215,923, Integrated Orthopaedics - pending
Application No. 75/248,621 IOI Integrated Orthopedics, Inc. - pending
Application No. 75/284,732 DRCA Certificate of Registration dated 9/12/95 (10 year service mark)
Application No. 74/544,657 DRCA Certificate of Registration dated 9/12/95 (10 year service mark)
Texas Certificate of Trademark or Service Mark Registration for Workwell, Registration No. 049975 issued January 11, 1990 (10 year)
Texas Certificate of Trademark or Service Mark Registration for WorkWell Design, Registration Number 049976 issued 1/11/90 (10 year)
Work Hardening Dynamics Logo, Certificate of Registration No. 1,682,279 dated 3/17/92,
Work Hardening Dynamics for Physical Therapy, Certificate of Registration No. 1,679,714 dated 3/17/92 (10 years)

Patents

None

ANNEX C TO SECURITY AGREEMENT

DEFAULTS OR POTENTIAL DEFAULTS UNDER ANY COLLATERAL NOTE OR DOCUMENTS
EVIDENCING THE COLLATERAL NOTE SECURITY

None

ANNEX D TO SECURITY AGREEMENT

MATERIAL DEPOSIT ACCOUNTS

| <u>NAME OF BANK</u> | <u>ADDRESS</u> | <u>ACCOUNT NUMBER</u> |
|----------------------------|-------------------------------------|---|
| Wells Fargo Bank | 1000 Louisiana Houston, TX 77002 | Operating Account – 4159-718-626 Disbursement – 4759-631-609 Payroll Account – 4159-718-634 |

ANNEX E TO SECURITY AGREEMENT

LETTERS TO DEPOSITORY BANKS

TO: NationsBank, N.A., in its capacity as Administrative Agent for Certain Lenders and as Secured Party under that certain Pledge, Assignment, and Security Agreement dated as of July 10, 1998

RE: Deposit Accounts (the "**Accounts**") maintained with _____ (the "**Deposit Bank**"), including without limitation the Deposit Accounts Listed on **Addendum 1**

This will confirm that Integrated Orthopaedics, Inc., a Texas corporation (the "**Company**") and the undersigned Deposit Bank have agreed as follows with respect to the Accounts:

1. The Company and the Deposit Bank acknowledge and confirm that all funds now or at any time hereafter deposited to the Accounts and all of the Company's Rights regarding such Accounts constitute part of the collateral granted to the Administrative Agent by the Company to secure the Company's obligations under the Credit Agreement and/or related Loan Papers and that the Administrative Agent holds a security interest and collateral assignment therein.

2. The Deposit Bank (excluding any Deposit Bank which is a Lender under the Credit Agreement) will not exercise, and hereby releases, any banker's lien upon, and any right of setoff against, the Accounts or any funds at any time deposited to the Accounts except with respect to the Deposit Bank's normal fees and charges for operating the Accounts.

3. The Deposit Bank will take the following actions upon written demand by Administrative Agent:

A. The Deposit Bank will (and in the event of such demand the Company hereby irrevocably authorizes and instructs the Deposit Bank to) cease honoring all drafts, demands, withdrawal requests, or remittance instructions by the Company, whether made before or after the demand.

B. The Deposit Bank will hold solely for account of the Administrative Agent all funds which may be on deposit in the Accounts at the time of the demand and all funds thereafter deposited to the Accounts, and, upon instructions from Administrative Agent, the Deposit Bank will remit all such funds (subject to **Paragraph 2** above) to Administrative Agent in such manner as Administrative Agent may from time to time instruct the Deposit Bank in writing.

After such a demand is made, the Administrative Agent shall have sole control over the Accounts and the sole right to exercise and enforce all Rights and remedies with respect thereto. The demand shall be effective when it is received by the Deposit Bank in writing at the address and to the attention of the person set forth below (or at such other address or to the attention of such other person as the Deposit Bank may specify by written notice received by the Administrative Agent and the Company) and when the Deposit Bank has had a reasonable time, based on the same standards as those applicable to payment and stop payment instructions generally, to act thereon.

4. Upon request of Administrative Agent, Deposit Bank will send to the Administrative Agent, at its above address, a copy of each periodic statement for the Account, as and when the statement is sent to the Company.

5. This letter agreement is binding upon the Deposit Bank and the Company and their successors and assigns and is enforceable by the Administrative Agent and its successors and assigns. It supersedes all prior agreements relating to the Deposit Bank, and it may not be modified or terminated except upon the Administrative Agent's written consent. The Deposit Bank and the Company waive notice of acceptance hereof and of any action taken or omitted in reliance hereon.

DATED AS OF: _____, 19_____.

INTEGRATED ORTHOPAEDICS, INC.

By: _____
Name: _____
Title: _____

[DEPOSIT BANK]

By: _____
Name: _____
Title: _____

[Address]

Attention: _____
Telex: _____
Telecopier: _____

NATIONSBANK, N.A.,
as Administrative Agent

By: _____
Name: _____
Title: _____

ADDENDUM 1

DEPOSIT ACCOUNTS

| | |
|----------------------|--------------|
| Wells Fargo Bank | |
| Operating Account | 4159-718-626 |
| Disbursement Account | 4759-631-609 |
| Payroll Account | 4159-718-634 |

ANNEX F TO SECURITY AGREEMENT

PLEDGE INSTRUCTION

PARTNERSHIP: _____

INTEREST OWNER: Integrated
Orthopaedics, Inc.

BY THIS PLEDGE INSTRUCTION, dated as of _____, Integrated Orthopaedics, Inc. ("*Interest Owner*"), hereby instructs _____ (the "*Partnership*") to register a pledge in favor of NationsBank, N.A. ("*Pledgee*"), in its capacity as Administrative Agent for certain Lenders and as Secured Party under that certain Pledge, Assignment, and Security Agreement dated as of July 10, 1998 (the "*Security Agreement*"), against, and a security interest in favor of Pledgee in, all of the Interest Owner's Rights in connection with any partnership interest in the Partnership now and hereafter owned by the Interest Owner ("*Partnership Interest*").

A. Pledge Instructions. The Partnership is hereby instructed by the Interest Owner to register all of the Interest Owner's Right, title, and interest in and to all of the Interest Owner's Partnership Interest as subject to a pledge and security interest in favor of Pledgee who, upon such registration of pledge, shall become the registered pledgee of the Partnership Interest with all Rights incident thereto.

B. Initial Transaction Statement. The Partnership is further instructed by the Interest Owner to promptly inform Pledgee of the registration of the pledge by sending the initial transaction statement, in the form attached hereto as *Annex A*, to Pledgee at its office located at 700 Louisiana Street, 7th Floor, Houston, Texas 77002, with a copy to Interest Owner.

C. Partnership Distributions, Accounts, and Correspondence. The Partnership is further instructed by the Interest Owner to promptly (i) cause the Partnership to pay and remit to the Pledgee all proceeds, distributions, and other amounts payable to the Interest Owner upon demand or otherwise, including, without limitation, upon the termination, liquidation, and dissolution of the Partnership, (ii) cause the Partnership to hold all funds in deposit accounts for the benefit of Pledgee, and (iii) cause the Partnership to provide to the Pledgee all future correspondence, accountings of distributions, and tax returns of the Partnership.

D. Warranties of the Interest Owner. The Interest Owner hereby warrants that (i) the Interest Owner is an appropriate person to originate this instruction; (ii) the Interest Owner is entitled to effect the instruction here given; and (iii) the Interest Owner's taxpayer identification number is 76-0203483.

IN WITNESS WHEREOF, the Interest Owner has caused this Pledge Instruction to be duly executed and delivered as of the date first above written.

INTEGRATED ORTHOPAEDICS, INC.

By: _____
Name: _____
Title: _____

CONSENT OF THE GENERAL PARTNER

The undersigned, _____, in its capacity as general partner of the Partnership (in such capacity, the "*General Partner*") hereby acknowledges and consents to, and agrees to cause to be registered on the books and records of the Partnership, the Pledge of Partnership Interests, and further agrees that upon receipt of written notice from the Pledgee, the General Partner shall (i) cause the Partnership to pay and remit to the Pledgee all distributions and other amounts payable to the Interest Owner upon demand or otherwise, including, without limitation, upon the termination, liquidation, and dissolution of the Partnership, (ii) cause the Partnership to hold all funds in deposit accounts for the benefit of Pledgee, and (iii) cause the Partnership to provide to the Pledgee all future correspondence, accountings of distributions, and tax returns of the Partnership.

_____,
as General Partner

By: _____
Name: _____
Title: _____

EXHIBIT A TO PLEDGE INSTRUCTION

FORM OF INITIAL TRANSACTION STATEMENT

THIS STATEMENT IS MERELY A RECORD OF THE RIGHTS OF THE ADDRESSEE AS OF THE TIME OF ISSUANCE. DELIVERY OF THIS STATEMENT, OF ITSELF, CONFERS NO RIGHTS ON THE RECIPIENT. THIS STATEMENT IS NEITHER A NEGOTIABLE INSTRUMENT NOR A SECURITY.

Integrated Orthopaedics, Inc.
5858 Westheimer, Suite 500
Houston, Texas 77057
Tax ID or Social Security Number: 76-0203483

NationsBank, N.A.
700 Louisiana Street, 7th Floor
Houston, Texas 77002
Tax ID Number: 75-2238693

On _____, the undersigned, _____, in its capacity as managing general partner of _____ (in such capacity, the "**Managing General Partner**") caused the pledge of _____ (____%) of the outstanding partnership interests in _____ ("**Partnership Interest**") by Integrated Orthopaedics, Inc. (the "**Pledgor**"), in favor of NationsBank, N.A., as Administrative Agent (the "**Pledgee**") to be registered on the books and records of the Partnership. Except for the pledge in favor of the Pledgee, to the knowledge of the undersigned (including, without limitation, any information which may appear on the undersigned's books and records) there are no liens, restrictions, or adverse claims to which the Partnership Interest is, or may be, subject as of the date hereof.

By: _____
Name: _____
Title: _____