

08-23-2001



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and original documents or copy thereof.

8-9-01

1. Name of conveying party(ies):

Rapid Rack Industries, Inc.

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

8-9-01

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

3. Nature of conveyance:

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

Execution Date: **July 6, 1998**

2. Name and address of receiving party(ies)

Name: **Canadian Imperial Bank of Commerce**

Internal Address: **attn: Michael P. Daven**

Street Address: **425 Lexington Avenue**

City: **New York** State: **NY** Zip: **10017**

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

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from assignment)
Additional name(s) & address(es) attached? Yes No

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

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

2281212
2292426

Additional number(s) attached Yes No

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

Name: **Melinda Gardner, Legal Assistant**

Internal Address: **Sidley Austin Brown & Wood**

Street Address: **555 West Fifth Street**
40th Floor

City: **Los Angeles** State: **CA** Zip: **90013**

6. Total number of applications and registrations involved: **2**

7. Total fee (37 CFR 3.41).....\$ **65.00**

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number:

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

DO NOT USE THIS SPACE

9. Statement and signature.

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

Melinda Gardner

August 8, 2001

Name of Person Signing

Signature

Date

Total number of pages including cover sheet, attachments, and document: **42**

Mail documents to be recorded with required cover sheet information to:
Commissioner of Patent & Trademarks, Box Assignments
Washington, D.C. 20231

08/22/2001 GTDN11 00000212 2281212

01 FC:481 40.00 DP
02 FC:482 25.00 DP

SUBSIDIARIES SECURITY AGREEMENT

SECURITY AGREEMENT, dated as of July 6, 1998, made by RAPID RACK INDUSTRIES, INC., a California corporation (the "Grantor"), in favor of CANADIAN IMPERIAL BANK OF COMMERCE ("CIBC"), as agent (in such capacity, the "Agent") for the Lenders (the "Lenders") and CIBC as issuer of the Letters of Credit (as defined in the Credit Agreement referenced below) (in such capacity, the "Issuing Lender") parties to the Credit Agreement referred to below.

RECITALS

Pursuant to the Credit Agreement, dated as of November 6, 1997 and amended and restated as of July 6, 1998 (as further amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among STREATER, INC., a Delaware corporation (the "Borrower"), the Lenders, the Issuing Lender and the Agent, the Lenders have severally agreed to make loans to and the Issuing Lender has agreed to issue letters of credit for the account of the Borrower upon the terms and subject to the conditions set forth therein, such loans to be evidenced by the Notes issued by the Borrower thereunder. It is a condition precedent to the obligation of the Lenders to make their respective loans to the Borrower, and of the Issuing Lender to issue its letters of credit, under the Credit Agreement that the Grantor shall have executed and delivered this Security Agreement to the Agent for the ratable benefit of the Lenders and the Issuing Lender.

NOW, THEREFORE, in consideration of the premises and to induce the Lenders, the Issuing Lender and the Agent to enter into the Credit Agreement and to induce the Lenders to make their respective loans to the Borrower, and the Issuing Lender to issue its letters of credit, under the Credit Agreement, the Grantor hereby agrees with the Agent, for the ratable benefit of the Lenders and the Issuing Lender, as follows:

1. Defined Terms. (a) Unless otherwise defined herein, capitalized terms which are defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement; the following terms which are defined in the Uniform Commercial Code in effect in the State of New York on the date hereof are used herein as so defined: Accounts, Chattel Paper, Documents, Equipment, Farm Products, General Intangibles, Instruments, Inventory and Proceeds; and the following terms shall have the following meanings:

"Bank Account": (i) a deposit, custody or other account (whether, in any case, time or demand or interest or non-interest bearing) maintained by the Grantor with the Agent,

any Lender or the Issuing Lender, (ii) all cash and securities from time to time standing to the credit of such account, and (iii) all interest, principal and other distributions payable on or with respect to, such account or such cash or securities.

“Grantor General Account”: as defined in Section 3(d)(ii)(B).

“Code”: the Uniform Commercial Code as from time to time in effect in the State of New York.

“Collateral”: as defined in Section 2 of this Security Agreement.

“Collateral Account”: any collateral account established by the Agent as provided in Section 3(d) or 8 (including, without limitation, the Concentration Account).

“Concentration Account”: as defined in Section 3(d)(i)(D).

“Contracts”: the contracts and agreements listed on Schedule VI hereto, as the same may from time to time be amended, supplemented or otherwise modified, including, without limitation, (a) all rights of the Grantor to receive moneys due and to become due to it thereunder or in connection therewith, (b) all rights of the Grantor to damages arising out of, or for, breach or default in respect thereof and (c) all rights of the Grantor to perform and to exercise all remedies thereunder.

“Copyright”: (a) any copyright in any original work of authorship fixed in any tangible medium of expression (including, without limitation, any thereof referred to on Schedule I hereto), including, without limitation, all databases, source codes, object codes and manuals, whether published or unpublished, whether now or hereafter existing, and whether in the United States or any other country, and all applications, registrations, renewals, extensions and recordings relating thereto filed in the United States Copyright Office or in any other governmental office or agency in the United States or any other country or political subdivision thereof, in each case in which the Grantor has any right, title or interest, whether as author, assignee, transferee or otherwise, and all other rights which the Grantor presently has or hereafter acquires pursuant to any Copyright License relating to any such copyright, including, without limitation, copyright assignments, and exclusive and nonexclusive licenses, and (b) all right, title and interest of the Grantor in all physical materials embodying any work with respect to which the Grantor owns or holds rights in any Copyright or Copyright License.

“Copyright License”: (a) any agreement, written or oral, naming the Grantor as licensor or licensee, granting any right in or to any Copyright or copyright registration in the United States or any foreign country (including, without limitation, any thereof referred to on Schedule I hereto) or (b) any and all present and future agreements, including, without limitation, assignments and consents, as any such agreements may from time to time be amended or supplemented, pursuant to which the Grantor now has or hereafter acquires any direct or beneficial interest in any Copyright, or is a grantor of rights to any third party with respect to any copyright, whether as a party to any such agreement or as an assignee of any

rights under any such agreement (including, without limitation, any thereof referred to on Schedule I hereto) excluding, however, non-exclusive computer software licenses.

"Demand Deposit Account": as defined in Section 3(d)(i)(A).

"Hedge Agreement": as to any Person, any swap, cap, collar or similar arrangement entered into by such Person providing for protection against fluctuations in interest rates or currency exchange rates or the exchange of nominal interest obligations, either generally or under specific contingencies.

"Lockbox": as defined in Section 3(d)(i)(A).

"Lockbox Account": as defined in Section 3(d)(i)(A).

"Lockbox Assignment Agreement": as defined in Section 3(d)(i)(A).

"Lockbox Bank": as defined in Section 3(d)(i)(A).

"Lockbox Office": as defined in Section 3(d)(i)(A).

"Patents": (a) all letters patent of the United States or any other country, including patents, design patents and utility models, and all registrations and recordings thereof, including, without limitation, any thereof referred to in Schedule II hereto, (b) all applications for letters patent of the United States or any other country and (c) all reissues, extensions, divisions, continuations and continuations-in-part thereof, and the inventions disclosed or claimed therein, including the right to make, sell and/or use the inventions disclosed or claimed therein; including, without limitation, any thereof referred to in Schedule II hereto.

"Patent License": any agreement, whether written or oral, providing for the grant by or to the Grantor of any right to manufacture, use or sell any invention covered by a Patent, and all rights of the Grantor under such agreement; including, without limitation, any thereof referred to in Schedule II hereto.

"Hedge Agreement": as to any Person, any swap, cap, collar or similar arrangement entered into by such Person providing for protection against fluctuations in interest rates or currency exchange rates or the exchange of nominal interest obligations, either generally or under specific contingencies.

"Secured Obligations": the collective reference to (a) the Obligations, and (b) all obligations and liabilities of the Grantor to the Agent and the Lenders, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of or in connection with any Hedge Agreement entered into by the Grantor with any Lender and any other document made, delivered or given in connection therewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including, without limitation, all fees and disbursements of

counsel to the Agent or to the Lenders that are required to be paid by the Grantor pursuant to the terms of such Hedge Agreement or other documents) or otherwise.

"Security Agreement": this Security Agreement, as amended, supplemented or otherwise modified from time to time.

"Trademarks": (a) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, all prints or labels on which any of the foregoing appear, and all designs and general intangibles of a like nature, and the goodwill associated therewith or symbolized thereby, and all other assets, rights and interests that uniquely embody such goodwill, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state thereof or any other country or any political subdivision thereof, or otherwise, including, without limitation, any thereof referred to in Schedule III hereto, and (b) all extensions or renewals thereof.

"Trademark License": any agreement, written or oral, providing for the grant by or to the Grantor of any right to use any Trademark, including, without limitation, any thereof referred to in Schedule III hereto.

"Vehicles": all cars, trucks, trailers, construction and earth moving equipment and other vehicles covered by a certificate of title law of any State and, in any event, including, without limitation, the vehicles listed on Schedule IV hereto and all tires and other appurtenances to any of the foregoing.

"Zero Balance Account": as defined in Section 3(d)(i)(A).

(b) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Security Agreement shall refer to this Security Agreement as a whole and not to any particular provision of this Security Agreement, and Section, Schedule, Annex, and Exhibit references are to this Security Agreement unless otherwise specified. The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

2. Grant of Security Interest. As collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Secured Obligations, the Grantor hereby grants to the Agent for the ratable benefit of the Lenders and the Issuing Lender a security interest in all of the following property now owned or at any time hereafter acquired by the Grantor or in which the Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the "Collateral"):

- (i) all Accounts;
- (ii) all Bank Accounts;

- (iii) all Chattel Paper;
- (iv) all Contracts;
- (v) all Copyrights;
- (vi) all Copyright Licenses;
- (vii) all Documents;
- (viii) all Equipment;
- (ix) all General Intangibles;
- (x) all Instruments;
- (xi) all Inventory;
- (xii) all Patents;
- (xiii) all Patent Licenses;
- (xiv) all Trademarks;
- (xv) all Trademark Licenses;
- (xvi) all Vehicles;
- (xvii) all books and records pertaining to the Collateral; and
- (xviii) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing.

3. Rights of Agent and Lenders: Limitations on Agent's and Lenders' Obligations.

(a) Grantor Remains Liable under Accounts and Contracts. Anything herein to the contrary notwithstanding, the Grantor shall remain liable under each of the Accounts and Contracts to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise to each such Account and in accordance with and pursuant to the terms and provisions of each such Contract. None of the Agent, nor any Lender nor the Issuing Lender shall have any obligation or liability under any Account (or any agreement giving rise thereto) or under any Contract by reason of or arising out of this Security Agreement or the receipt by the Agent or any such Lender or the Issuing Lender of any payment relating to such Account or Contract pursuant hereto, nor shall the Agent, nor any Lender nor the Issuing Lender be obligated in any manner to perform any of the obligations of the Grantor under or pursuant to any Account (or any agreement giving rise thereto) or under or pursuant to any Contract, to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party under any Account (or any agreement giving rise thereto) or under any Contract, to present or file any claim, to take any action to enforce any performance or to collect 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) Notice to Account Debtors and Contracting Parties. Upon the request of the Agent at any time after the occurrence and during the continuance of an Event of Default, the Grantor shall notify account debtors on the Accounts and parties to the Contracts that the Accounts and the Contracts have been assigned to the Agent for the ratable benefit of the Lenders and the Issuing Lender and that payments in respect thereof shall be made directly to the Agent.

(c) Analysis of Accounts and Contracts. The Agent shall have the right to make test verifications of the Accounts in any manner and through any medium that it reasonably considers advisable, and the Grantor shall furnish all such assistance and information as the Agent may require in connection therewith. At any time and from time to time, upon the Agent's request and at the expense of the Grantor, the Grantor shall cause independent public accountants or others satisfactory to the Agent to furnish to the Agent reports showing reconciliations, aging and test verifications of, and trial balances for, the Accounts. The Agent may in its own name or in the name of others communicate with account debtors on the Accounts and parties to the Contracts to verify with them to its satisfaction the existence, amount and terms of any Accounts or Contracts.

(d) Collections on Accounts. (i) Lockbox System. (A) There has been established by the Grantor the lock-box (the "Lockbox") and related demand deposit account (the "Demand Deposit Account"; the Lockbox together with the Demand Deposit Account is referred to herein as the "Lockbox Account") listed on Schedule VII, with Wells Fargo Bank, N.A. (the "Lockbox Bank") at its office located at 1000 East Garvey Avenue South, Suite 250, West Covina, California 91790 (the "Lockbox Office"). On or prior to the Closing Date, the Grantor shall assign the Lockbox Account to the benefit of the Agent, pursuant to the Rapid Rack Lockbox Agreement. Upon the execution and delivery of the Rapid Rack Lockbox Agreement the Lockbox Account shall be under the exclusive dominion and control of the Agent. The terms and conditions of the Lockbox Account shall be in all respects satisfactory to the Agent. The Grantor shall instruct each obligor with respect to an Account or Contract to make all payments with respect thereto to a Lockbox or, by direct wire transfer, to a Demand Deposit Account. The Agent shall instruct the Lockbox Bank, pursuant to the Rapid Rack Lockbox Agreement, to deposit all payments received in any Lockbox into the related Demand Deposit Account. The Grantor shall have no right of withdrawal from the Lockbox Accounts. The Agent hereby authorizes the Grantor to collect the Accounts, subject to the Agent's direction and control, and the Agent may curtail or terminate said authority at any time after the occurrence and during the continuance of an Event of Default.

(B) Each deposit of any Proceeds of Accounts or Contracts in the Lockbox Account shall be accompanied by a report identifying in reasonable detail the nature and source of the payments included in the deposit. At the Agent's request, the Grantor shall deliver to the Agent all original and other documents evidencing, and relating to, the agreements and transactions which gave rise to the Accounts, including, without limitation, all original orders, invoices and shipping receipts.

(C) All Proceeds of Accounts or Contracts which are not sent directly to the Lockbox or the Demand Deposit Account by an obligor, when collected by the Grantor, whether consisting of checks, notes, drafts, bills of exchange, money orders, commercial paper of any kind whatsoever, or other documents or otherwise, received in payment of any Collateral or on account of any Account or Contract shall be promptly deposited by the Grantor in the exact form received, except for any endorsement by the Grantor to the Agent, if required, in the appropriate Demand Deposit Account, or shall be turned over to the Agent,

and until so deposited or turned over, shall be deemed to be held in trust by the Grantor for and as the Agent's property and shall not be commingled with the Grantor's other funds.

(ii) Distributions of Collections. (A) All Proceeds constituting collections of Accounts or Contracts while held by the Lockbox Bank, the Agent (or by the Grantor in trust for the Agent) shall continue to be collateral security for all of the Secured Obligations and shall not constitute payment thereof until applied as hereinafter provided.

(B) So long as the notice referred to in Section (d)(ii)(C) has not been given (or, if given, such notice has been withdrawn) and an Event of Default specified in either Section 10(f)(i) or (ii) of the Credit Agreement has not occurred, the Lockbox Bank may, in accordance with the Rapid Rack Lockbox Agreement, remit the excess of the amount of collected funds on deposit in the Lockbox Account on such day over a minimum balance determined by the Lockbox Bank from time to time (the "Float Amount") to a demand deposit account of established in the name of the Grantor listed on Schedule VII under the heading Grantor General Account (the "Grantor General Account").

(C) Upon the occurrence and during the continuance of an Event of Default, the Agent may notify the Grantor in writing that such Event of Default has occurred and is continuing, and that the remission of funds from the Lockbox Account to the Grantor General Account is being curtailed; provided that no such notice need be given by the Agent to the Grantor if such Event of Default is an Event of Default specified in either Section 10(f)(i) or (ii) of the Credit Agreement. Any such notice to the Grantor shall be deemed to be notice to all Loan Parties. Upon the giving of such notice, or upon the occurrence of an Event of Default specified in either Section 10(f)(i) or (ii) of the Credit Agreement, the Agent shall direct the Lockbox Bank that any funds deposited into the Lockbox Account shall not be remitted to the Grantor General Account (except that the Agent may, in its sole discretion, continue to remit all or a portion of such funds to the Grantor General Account), and the Agent shall be entitled, at the Agent's sole discretion, to withdraw all or any portion of funds deposited in the Lockbox Accounts and apply such funds to the payment of the Secured Obligations in such order as the Agent may elect.

4. Representations and Warranties. The Grantor hereby represents and warrants that:

(a) Title: No Other Liens. Except for the Liens granted to the Agent for the ratable benefit of the Lenders and the Issuing Lender pursuant to this Security Agreement, and the other Liens permitted to exist on the Collateral pursuant to the Credit Agreement, the Grantor owns each item of the Collateral free and clear of any and all Liens or claims of others. No security agreement, financing statement or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except such as may have been filed in favor of the Agent, for the ratable benefit of the Lenders and the Issuing Lender, pursuant to this Security Agreement or as may be permitted pursuant to the Credit Agreement.

(b) Perfected First Priority Liens. When financing statements have been filed in the offices in the jurisdictions listed in Schedule 5.16 to the Credit Agreement, the Liens granted pursuant to this Security Agreement will constitute perfected Liens in favor of the Agent, for the ratable benefit of the Lenders and the Issuing Lender, in the Collateral as collateral security for the Secured Obligations, which Liens are prior to all other Liens on the Collateral created by the Grantor and in existence on the date hereof and which are enforceable as such against all creditors of and purchasers from the Grantor and against any owner or purchaser of the real property where any of the Equipment or Inventory is located and any present or future creditor obtaining a Lien on such real property.

(c) Accounts. The amount represented by the Grantor to the Agent from time to time as owing by each account debtor or by all account debtors in respect of the Accounts will at such time be the correct amount actually owing by such account debtor or debtors thereunder. No amount payable to the Grantor under or in connection with any Account is evidenced by any Instrument or Chattel Paper which has not been delivered to the Agent. The place where the Grantor keeps its records concerning the Accounts is 14421 Bonelli Street, City of Industry, California 91746.

(d) Contracts. No consent of any party (other than the Grantor) to any Contract is required, or purports to be required, in connection with the execution, delivery and performance of this Security Agreement. Each Contract is in full force and effect and constitutes a valid and legally enforceable obligation of the parties thereto, except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws affecting the enforcement of creditor's rights generally and general equitable principles (whether considered in a proceeding in equity or at law). No consent or authorization of, filing with or other act by or in respect of any Governmental Authority is required in connection with the execution, delivery, performance, validity or enforceability of any of the Contracts by any party thereto other than those which have been duly obtained, made or performed, are in full force and effect and do not subject the scope of any such Contract to any material adverse limitation, either specific or general in nature. Neither the Grantor nor (to the best of the Grantor's knowledge) any other party to any Contract is in default or is likely to become in default in the performance or observance or any of the terms thereof in any manner that, in the aggregate, could reasonably be expected to have a Material Adverse Effect. The Grantor has fully performed all its obligations under each Contract. The right, title and interest of the Grantor in, to and under each Contract are not subject to any defense, offset, counterclaim or claim which could reasonably be expected to have a Material Adverse Effect, nor have any of the foregoing been asserted or alleged against the Grantor as to any Contract. The Grantor has delivered to the Agent a complete and correct copy of each Contract, including all amendments, supplements and other modifications thereto. No amount payable to the Grantor under or in connection with any Contract is evidenced by any Instrument or Chattel Paper which has not been delivered to the Agent.

(e) Inventory and Equipment. The Inventory and the Equipment are kept at the locations listed on Schedule V hereto.

(f) Chief Executive Office. The Grantor's chief executive office and chief place of business is located at 14421 Bonelli Street, City of Industry, CA 91746.

(g) Farm Products. None of the Collateral constitutes, or is the Proceeds of, Farm Products.

(h) Insurance Policies. None of the Collateral constitutes an interest or claim in or under any policy of insurance or contract for annuity, except to the extent the same constitutes Proceeds.

(i) Copyrights, Patents and Trademarks. Schedule I hereto includes all Copyrights and Copyright Licenses owned by the Grantor in its own name as of the date hereof. Schedule II hereto includes all Patents and Patent Licenses owned by the Grantor in its own name as of the date hereof. Schedule III hereto includes all Trademarks and Trademark Licenses owned by the Grantor in its own name as of the date hereof. To the best of the Grantor's knowledge, each Copyright, Patent and Trademark is valid, subsisting, unexpired, enforceable and has not been abandoned. Except as set forth in Schedule I, II or III, none of such Copyrights, Patents and Trademarks is the subject of any licensing or franchise agreement. No holding, decision or judgment has been rendered by any Governmental Authority which would limit, cancel or question the validity of any Copyright, Patent or Trademark. No action or proceeding is pending (i) seeking to limit, cancel or question the validity of any Copyright, Patent or Trademark, or (ii) which, if adversely determined, would have a material adverse effect on the value of any Copyright, Patent or Trademark.

(j) Vehicles. Schedule IV is a complete and correct list of all Vehicles owned by the Grantor.

(k) Governmental Obligors. None of the obligors on any Accounts, and none of the parties to any Contracts, is a Governmental Authority.

(l) Bank Accounts. All deposit, custody, money-market or other accounts (whether, in any case, time or demand or interest or non-interest bearing) maintained by the Grantor with any bank or any other financial institution are Bank Accounts.

5. Covenants. The Grantor covenants and agrees with the Agent, and the Lenders and the Issuing Lender that, from and after the date of this Security Agreement until the Secured Obligations are paid in full and the Commitments have expired or been terminated:

(a) Maintenance of Perfected Security Interests; Further Documentation; Pledge of Instruments and Chattel Paper. The Grantor shall maintain the security interest created by this Security Agreement as a perfected security interest having at

least the priority described in Section 4(b) hereof and shall defend such security interest against the claims and demands of all Persons whomsoever. At any time and from time to time, upon the written request of the Agent, and at the sole expense of the Grantor, the Grantor will promptly and duly execute and deliver such further instruments and documents and take such further action as the Agent may reasonably request for the purpose of obtaining or preserving the full benefits of this Security Agreement and of the rights and powers herein granted, including, without limitation, the filing of any financing or continuation statements under the Uniform Commercial Code in effect in any jurisdiction with respect to the Liens created hereby. The Grantor also hereby authorizes the Agent to file any such financing or continuation statement without the signature of the Grantor to the extent permitted by applicable law. A carbon, photographic or other reproduction of this Security Agreement shall be sufficient as a financing statement for filing in any jurisdiction. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any Instrument or Chattel Paper, such Instrument or Chattel Paper shall be immediately delivered to the Agent, duly endorsed in a manner satisfactory to the Agent, to be held as Collateral pursuant to this Security Agreement.

(b) Indemnification. The Grantor agrees to pay, and to save the Agent, and the Lenders and the Issuing Lender harmless from, any and all liabilities, costs and expenses (including, without limitation, legal fees and expenses) (i) with respect to, or resulting from, any delay in paying, any and all excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral, (ii) with respect to, or resulting from, any delay in complying with any Requirement of Law applicable to any of the Collateral or (iii) in connection with any of the transactions contemplated by this Security Agreement. In any suit, proceeding or action brought by the Agent, any Lender or the Issuing Lender under any Account or Contract for any sum owing thereunder, or to enforce any provisions of any Account or Contract, the Grantor will save, indemnify and keep the Agent, such Lender and the Issuing Lender harmless from and against all expense, loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment or reduction or liability whatsoever of the account debtor or obligor thereunder, arising out of a breach by the Grantor of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such account debtor or obligor or its successors from the Grantor.

(c) Maintenance of Records. The Grantor will keep and maintain at its own cost and expense satisfactory and complete records of the Collateral, including, without limitation, a record of all payments received and all credits granted with respect to the Accounts. The Grantor will mark its books and records pertaining to the Collateral to evidence this Security Agreement and the security interests granted hereby. Upon the occurrence and during the continuance of an Event of Default, the Grantor shall turn over any books and records pertaining to the Collateral to the Agent or to its representatives during normal business hours at the request of the Agent.

(d) Right of Inspection. The Agent, and the Lenders and the Issuing Lender shall at all times have full and free access during normal business hours to all the books, correspondence and records of the Grantor, and the Agent, the Lenders and the Issuing Lender or their respective representatives may examine the same, take extracts therefrom and make photocopies thereof, and the Grantor agrees to render to the Agent, the Lenders and the Issuing Lender, at the Grantor's cost and expense, such clerical and other assistance as may be reasonably requested with regard thereto. The Agent, the Lenders and the Issuing Lender and their respective representatives shall at all times also have the right to enter into and upon any premises where any of the Inventory or Equipment is located for the purpose of inspecting the same, observing its use or otherwise protecting its interests therein.

(e) Compliance with Laws, etc. The Grantor will comply in all material respects with all Requirements of Law applicable to the Collateral or any part thereof or to the operation of the Grantor's business; provided, however, that the Grantor may contest any Requirement of Law in any reasonable manner which shall not, in the sole opinion of the Agent, adversely affect the Agent's, the Lenders' or the Issuing Lender's rights or the priority of its Liens on the Collateral.

(f) Compliance with Terms of Contracts, etc. The Grantor will perform and comply in all material respects with all its obligations under the Contracts and all its other Contractual Obligations relating to the Collateral.

(g) Payment of Obligations. The Grantor will pay promptly when due all taxes, assessments and governmental charges or levies imposed upon the Collateral or in respect of its income or profits therefrom, as well as all claims of any kind (including, without limitation, claims for labor, materials and supplies) against or with respect to the Collateral, except that no such charge need be paid if (i) the validity thereof is being contested in good faith by appropriate proceedings, (ii) such proceedings do not involve any material danger of the sale, forfeiture or loss of any of the Collateral or any interest therein and (iii) such charge is adequately reserved against on the Grantor's books in accordance with GAAP.

(h) Limitation on Liens on Collateral. The Grantor will not create, incur or permit to exist, will defend the Collateral against, and will take such other action as is necessary to remove, any Lien or claim on or to the Collateral, other than the liens created hereby and other than as permitted pursuant to the Credit Agreement, and will defend the right, title and interest of the Agent, the Lenders and the Issuing Lender in and to any of the Collateral against the claims and demands of all Persons whomsoever.

(i) Limitations on Dispositions of Collateral. The Grantor will not sell, transfer, lease or otherwise dispose of any of the Collateral, or attempt, offer or contract to do so except for (w) sales of Inventory in the ordinary course of its business and (x) so long as no Default or Event of Default has occurred and is continuing, (y) the disposition in the ordinary course of business of property not material to the

conduct of its business or (z) sales, transfers and other dispositions of Collateral permitted under Section 9.5 of the Credit Agreement.

(j) Limitations on Modifications of Contracts and Agreements Giving Rise to Accounts; Exercise of Rights; Notices. The Grantor will not (i) amend, modify, terminate or waive any provision of any Contract or any agreement giving rise to an Account in any manner which could reasonably be expected to materially adversely affect the value of such Contract or such Account as Collateral, (ii) other than in the ordinary course of business as generally conducted by the Grantor over a period of time, fail to exercise promptly and diligently each and every material right which it may have under each Contract and each agreement giving rise to an Account (other than any right of termination) or (iii) fail to deliver to the Agent a copy of each material demand, notice or document received by it relating in any way to any Contract or any agreement giving rise to an Account that questions the validity or enforceability of such Contract or Accounts constituting more than 5% of the aggregate amount of the Accounts.

(k) Limitations on Discounts, Compromises, Extensions of Accounts. Other than in the ordinary course of business consistent with its past practice, the Grantor will not (i) grant any extension of the time of payment of any Account, (ii) compromise, compound or settle any Account for less than the full amount thereof, (iii) release, wholly or partially, any Person liable for the payment of any Account, or (iv) allow any credit or discount whatsoever on any Account.

(l) Maintenance of Equipment. The Grantor will maintain each item of Equipment in good operating condition, ordinary wear and tear and immaterial impairments of value and damage by the elements excepted, and will provide all maintenance, service and repairs necessary for such purpose, except that the Grantor's obligations pursuant to this Section 5(l) shall not extend to obsolete Equipment.

(m) Maintenance of Insurance. The Grantor will maintain, with financially sound and reputable companies, insurance policies (i) insuring the Inventory, Equipment and Vehicles against loss by fire, explosion, theft and such other casualties as may be reasonably satisfactory to the Agent in amounts comparable to amounts of insurance coverage obtained by similar businesses of similar size acting prudently and (ii) insuring the Grantor, the Agent, the Lenders and the Issuing Lender against liability for personal injury and property damage relating to such Inventory, Equipment and Vehicles, such policies to be in such form and amounts and having such coverage as shall be comparable to forms, amounts and coverage, respectively, obtained by similar businesses of similar size acting prudently, with losses payable to the Grantor, the Agent, the Lenders and the Issuing Lender as their respective interests may appear or, in the case of liability insurance, showing the Agent, the Lenders and the Issuing Lender as additional insured parties. All such insurance shall (i) provide that no cancellation, material reduction in amount or material change in coverage thereof shall be effective until at least 30 days after receipt by the Agent of written notice thereof,

(ii) name the Agent, and the Lenders and the Issuing Lender as insured parties and loss payees, (iii) include a breach of warranty clause and (iv) be reasonably satisfactory in all other respects to the Agent. The Grantor shall deliver to the Agent a report of a reputable insurance broker with respect to such insurance during the month of October in each calendar year and such supplemental reports with respect thereto as the Agent may from time to time reasonably request.

(n) Further Identification of Collateral. The Grantor will furnish to the Agent from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Agent may reasonably request, all in reasonable detail.

(o) Notices. The Grantor will advise the Agent and the Lenders promptly, in reasonable detail, at their respective addresses set forth in the Credit Agreement, (i) of any Lien (other than Liens created hereby or permitted under the Credit Agreement) on, or claim asserted against, any of the Collateral and (ii) of the occurrence of any other event which could reasonably be expected to have a material adverse effect on the aggregate value of the Collateral or on the Liens created hereunder.

(p) Changes in Locations, Name, etc. The Grantor will not (i) change the location of its chief executive office/chief place of business from that specified in Section 4(f) or remove its books and records concerning the Accounts from the location specified in Section 4(c), (ii) permit any of the Inventory or Equipment to be kept at a location other than those listed on Schedule V hereto or (iii) change its name, identity or corporate structure to such an extent that any financing statement filed by the Agent in connection with this Security Agreement would become seriously misleading, unless it shall have given the Agent at least 30 days prior written notice thereof.

(q) Patents, Trademarks and Copyrights.

(i) The Grantor (either itself or through licensees) will (i) continue to use each Trademark on each and every trademark class of goods applicable to its current line as reflected in its current catalogs, brochures and price lists in order to maintain such Trademark in full force free from any claim of abandonment for non-use, (ii) maintain as in the past the quality of products and services offered under such Trademark, (iii) employ such Trademark with the appropriate notice of registration, (iv) not adopt or use any mark which is confusingly similar or a colorable imitation of such Trademark unless the Agent, for the ratable benefit of the Lenders and the Issuing Lender, shall obtain a perfected security interest in such mark pursuant to this Security Agreement, and (v) not (and not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby any Trademark may become invalidated.

(ii) The Grantor will not do any act, or omit to do any act, whereby any Patent may become abandoned or dedicated.

(iii) The Grantor (either itself or through licensees) will, for each work covered by a material Copyright, continue to publish, reproduce, display, adopt and distribute the work with appropriate copyright notice as necessary and sufficient to establish and preserve the Grantor's material rights under all applicable copyright laws.

(iv) The Grantor will notify the Agent and the Lenders immediately if it knows, or has reason to know, that any Patent, Trademark or Copyright or any application or registration relating to any thereof may become abandoned, lost or dedicated, or of any adverse determination or development (including, without limitation, 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 or tribunal or similar office in any country) regarding the Grantor's ownership of any Patent, Trademark or Copyright or its right to register the same or to keep and maintain the same.

(v) Whenever the Grantor, either by itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Patent or Trademark with the United States Patent and Trademark Office or any similar office or agency in any other country or any political subdivision thereof, or shall file an application for registration of any Copyright with the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, the Grantor shall report such filing to the Agent within five Business Days after the last day of the fiscal quarter in which such filing occurs.

(vi) The Grantor shall from time to time execute and deliver any and all agreements, instruments, documents, and papers as the Agent may request (including, without limitation, one or more Notice of Security Interest in Patents attached hereto as Annex A, one or more Memorandum of Security Interest in Trademarks attached hereto as Annex B and one or more acknowledged copies of this Security Agreement, in each case with appropriate completions and schedules) to evidence the Agent's security interest for the ratable benefit of the Lenders and the Issuing Lender in any Patent, Trademark or Copyright and the goodwill and general intangibles of the Grantor relating thereto or represented thereby, and the Grantor hereby constitutes the Agent its attorney-in-fact to execute and file all such writings for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed, such power being coupled with an interest is irrevocable until the Secured Obligations are paid in full and the Commitments are terminated.

(vii) The Grantor will take all reasonable and necessary steps, including, without limitation, in any proceeding before the United States Patent and Trademark Office or the United States Copyright Office, or any similar office or agency in any other country or any political subdivision thereof, to

maintain and pursue each application (and to obtain the relevant registration) and to maintain each registration of the Patents, Trademarks and Copyrights, including, without limitation, timely filing of applications for renewal, affidavits of use and affidavits of incontestability and payment of maintenance fees.

(viii) In the event that any Patent, Trademark or Copyright included in the Collateral is infringed, misappropriated or diluted by a third party, the Grantor shall promptly notify the Agent and the Lenders after it learns thereof and, at the Grantor's sole expense, shall, unless the Grantor shall reasonably determine that such Patent, Trademark or Copyright is of negligible economic value to the Grantor, promptly sue for infringement, misappropriation or dilution, to seek injunctive relief where appropriate and to recover any and all damages for such infringement, misappropriation or dilution, or take such other actions as the Grantor shall reasonably deem appropriate under the circumstances to protect such Patent, Trademark or Copyright.

(ix) Upon and during the continuance of an Event of Default and at the reasonable request of the Agent, the Grantor shall use its reasonable efforts to obtain all requisite consents or approvals by the licensor of each Copyright License, Patent License or Trademark License to effect the assignment of all of the Grantor's rights, title and interest thereunder to the Agent or its designee.

(r) Vehicles. The Grantor will maintain each Vehicle in good operating condition, ordinary wear and tear and immaterial impairments of value and damage by the elements excepted, and will provide all maintenance, service and repairs necessary for such purpose. The Grantor will notify the Agent of each acquisition or sale of a Vehicle, promptly following the acquisition or sale thereof. If an Event of Default shall occur and be continuing, at the request of the Agent the Grantor shall, within five Business Days after such request, Within 30 days after the date hereof, and with respect to any Vehicles acquired by the Grantor subsequent to the date hereof, within 30 days after the date of acquisition thereof, the Grantor shall file applications for certificates of title indicating the Agent's first priority Lien for the ratable benefit of the Lenders and the Issuing Lender on the Vehicles covered by such certificates, together with any other necessary documentation, in each office in each jurisdiction which the Agent shall deem advisable to perfect its Liens on the Vehicles.

(s) Inventory. None of the Inventory of the Grantor shall be evidenced by a warehouse receipt.

(t) Bank Accounts. The Grantor shall establish and maintain with the Agent zero-balance accounts for itself and any Subsidiaries, amounts standing to the credit of which shall be transferred as of the close of business of each Business Day to a concentration account maintained at the principal office of the Agent and shall otherwise maintain all of its deposit, custody, money-market or other accounts

(whether, in any case, time or demand or interest or non-interest bearing) as Bank Accounts.

6. Agent's Appointment as Attorney-in-Fact.

(a) Powers. The Grantor hereby irrevocably constitutes and appoints the Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Grantor and in the name of the Grantor or in its own name, from time to time in the Agent's discretion, for the purpose of carrying out the terms of this Security Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Security Agreement, and, without limiting the generality of the foregoing, the Grantor hereby gives the Agent the power and right, on behalf of the Grantor, without notice to or assent by the Grantor, to do the following:

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

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

(iii) in the case of any Patent, Trademark or Copyright, to execute and deliver any and all agreements, instruments, documents and papers as the Agent may request to evidence the Agent's and the Lenders' security interest in such Patent, Trademark or Copyright and the goodwill and general intangibles of the Grantor relating thereto or represented thereby;

(iv) to execute, in connection with any sale provided for in Section 9 hereof, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(v) (A) to direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Agent or as the Agent shall direct; (B) to ask or demand for, collect, receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or

arising out of any Collateral; (C) to sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (D) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any thereof and to enforce any other right in respect of any Collateral; (E) to defend any suit, action or proceeding brought against the Grantor with respect to any Collateral; (F) to settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, to give such discharges or releases as the Agent may deem appropriate; (G) to assign any Patent or Trademark (along with the goodwill of the business to which any such Trademark pertains), throughout the world for such term or terms, on such conditions, and in such manner, as the Agent shall in its sole discretion determine; and (H) generally, to sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Agent were the absolute owner thereof for all purposes, and to do, at the Agent's option and the Grantor's expense, at any time, or from time to time, all acts and things which the Agent deems necessary to protect, preserve or realize upon the Collateral and the Agent's, Liens thereon for the ratable benefit of the Lenders and the Issuing Lender and to effect the intent of this Security Agreement, all as fully and effectively as the Grantor might do.

Anything in this Section 6(a) to the contrary notwithstanding, the Agent agrees that it will not exercise any rights under the power of attorney provided for in this Section unless an Event of Default has occurred and is continuing.

The Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and are irrevocable.

(b) No Duty on Agent's, Lenders' or Issuing Lender's Part. The powers conferred on the Agent, the Lenders and the Issuing Lender hereunder are solely to protect the Agent's, the Lenders' and the Issuing Lender's interests in the Collateral and shall not impose any duty upon the Agent, any Lender or Issuing Lender to exercise any such powers. Each of the Agent, the Lenders and the Issuing Lender shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents shall be responsible to the Grantor for any act or failure to act hereunder, except for its own gross negligence or willful misconduct.

7. Performance by Agent of Grantor's Obligations. If the Grantor fails to perform or comply with any of its agreements contained herein, the Agent, at its option, but without any obligation to do so, may itself perform or comply, or otherwise cause performance or compliance, with such agreement. The expenses of the Agent incurred in

connection with such performance or compliance, together with interest thereon at a rate per annum 3.25% above the Base Rate, shall be payable by the Grantor to the Agent on demand and shall constitute Secured Obligations secured hereby.

8. Proceeds. In addition to the rights of the Agent, the Lenders and the Issuing Lender specified in Section 3(d) with respect to payments of Accounts, it is agreed that (a) all Proceeds received by the Grantor consisting of cash, checks and other near-cash items shall be held by the Grantor in trust for the Agent, the Lenders and the Issuing Lender, segregated from other funds of the Grantor, and shall, forthwith upon receipt by the Grantor, be turned over to the Agent in the exact form received by the Grantor (duly endorsed by the Grantor to the Agent, if required), and held by the Agent in a Collateral Account maintained under the sole dominion and control of the Agent. Any and all such Proceeds held by the Agent in a Collateral Account (or by the Grantor in trust for the Agent and the Lenders and the Issuing Lender) shall continue to be held as collateral security for the Secured Obligations and shall not constitute payment thereof until applied as provided in this Section. At such intervals as may be agreed upon between the Agent and the Grantor or, if an Event of Default shall have occurred and be continuing, at any time at the Agent's election, the Agent may apply all or any part of the Proceeds held in any Collateral Account or otherwise received by the Agent against the Secured Obligations (whether matured or unmatured), such application to be in such order as the Agent shall elect. Any balance of such Proceeds remaining after the Secured Obligations shall have been paid in full and the Commitments shall have expired or been terminated shall be paid over to the Grantor or to whomsoever may be lawfully entitled to receive the same.

9. Remedies. If an Event of Default shall occur and be continuing, the Agent, on behalf of the Lenders and the Issuing Lender, may exercise, in addition to all other rights and remedies granted to it in this Security Agreement and in any other instrument or agreement securing, evidencing or relating to the Secured Obligations, all rights and remedies of a secured party under the Code. Without limiting the generality of the foregoing, the Agent, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon the Grantor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Agent, any Lender or the Issuing Lender or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Agent, any Lender or the Issuing Lender 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 the whole or any part of the Collateral so sold, free of any right or equity of redemption in the Grantor, which right or equity is hereby waived or released. The Grantor further agrees, at the Agent's request, to assemble the Collateral and make it available to the Agent at places which the Agent shall reasonably select, whether at the

Grantor's premises or elsewhere. The Agent shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Agent, the Lenders and the Issuing Lender arising out of the exercise by the Agent hereunder, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Secured Obligations, in such order as the Agent may elect, and only after such application and after the payment by the Agent of any other amount required by any provision of law, including, without limitation, Section 9-504(1)(c) of the Code, need the Agent account for the surplus, if any, to the Grantor. To the extent permitted by applicable law, the Grantor waives all claims, damages and demands it may acquire against the Agent, or any Lender or the Issuing Lender arising out of the exercise by the Agent, any Lender or the Issuing Lender of any of its rights hereunder. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition. The Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the Secured Obligations and the fees and disbursements of any attorneys employed by the Agent, any Lender or the Issuing Lender to collect such deficiency.

10. Grant of License to Use Patent, Trademark and Copyright Collateral. For the purpose of enabling the Agent to exercise rights and remedies under Section 9 hereof at such time as the Agent shall be lawfully entitled to exercise such rights and remedies, the Grantor hereby grants to the Agent an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to the Grantor) to use, license or sublicense any of the Copyrights, Patents and Trademarks, now owned or hereafter acquired by the Grantor, and wherever the same may be located, and including in such license reasonable access to all media in which any of the licensed items may be recorded or stored. The use of such license by the Agent shall be exercised, at the option of the Agent for any purpose appropriate in connection with the exercise of remedies hereunder, only upon the occurrence and during the continuance of an Event of Default, *provided* that any license, sublicense or other transaction entered into by the Agent in accordance herewith shall be binding upon the Grantor notwithstanding any subsequent cure of an Event of Default. The Agent agrees to apply the net proceeds received from any license as provided in Section 84 hereof

11. Limitation on Duties Regarding Presentation of Collateral. The Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the Code or otherwise, shall be to deal with it in the same manner as the Agent deals with similar property for its own account. None of the Agent, nor any Lender, nor the Issuing Lender nor any of their respective directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon all or any part of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of the Grantor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on the Agent and the Lenders and the Issuing Lender hereunder are solely to protect the Agent's and the Lenders' and the Issuing Lender's interests in the Collateral and shall not

impose any duty upon the Agent or any Lender or the Issuing Lender to exercise any such powers. The Agent and the Lenders and the Issuing Lender shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents shall be responsible to the Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

12. Powers Coupled with an Interest. All authorizations and agencies herein contained with respect to the Collateral are irrevocable and powers coupled with an interest.

13. Notices. Notices, requests and demands to or upon the Agent or the Grantor hereunder shall be effected in the manner set forth in Section 12.2 of the Credit Agreement.

14. Authority of Agent. The Grantor acknowledges that the rights and responsibilities of the Agent under this Security Agreement with respect to any action taken by the Agent or the exercise or non-exercise by the Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Security Agreement shall, as between the Agent and the Lenders and the Issuing Lender, be governed by the Credit Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Agent and the Grantor, the Agent shall be conclusively presumed to be acting as agent for the Lenders and the Issuing Lender with full and valid authority so to act or refrain from acting, and the Grantor shall be under no obligation, or entitlement, to make any inquiry respecting such authority.

15. Severability. Any provision of this Security Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

16. Paragraph Headings. The paragraph headings used in this Security Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

17. No Waiver: Cumulative Remedies. None of the Agent, any Lender nor the Issuing Lender shall by any act (except by a written instrument pursuant to Section 18 hereof), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of the Agent, any Lender or the Issuing Lender, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Agent, any Lender or the Issuing Lender of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Agent, such Lender or the Issuing Lender would otherwise have on

any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any rights or remedies provided by law.

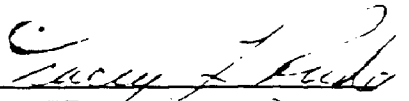
18. Waivers and Amendments: Successors and Assigns: Governing Law.

None of the terms or provisions of this Security Agreement may be waived, amended, supplemented or otherwise modified except by a written instrument executed by the Grantor and the Agent, provided that any provision of this Security Agreement may be waived by the Agent in a written instrument executed by the Agent. This Security Agreement shall be binding upon the successors and assigns of the Grantor and shall inure to the benefit of the Agent, the Lenders and the Issuing Lender and their respective successors and assigns. This Security Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the Grantor has caused this Security Agreement to be duly executed and delivered as of the date first above written.

RAPID RACK INDUSTRIES, INC.

By 
Name: TRACY L. RUDI
Title: VICE PRESIDENT

NCLIB\EMORRISO\0040840 02

TRADEMARK
REEL: 002353 FRAME: 0733

SUBSIDIARY SECURITY AGREEMENT

Schedule I

COPYRIGHTS

<u>Registration No.</u>	<u>Country</u>	<u>Issue or File Date</u>	<u>Title of Work</u>
None.			

COPYRIGHT LICENSES

<u>Registration No.</u>	<u>Owner</u>	<u>Issue or File Date</u>	<u>Title of Work</u>
None.			

COPYRIGHT APPLICATIONS

<u>Registration No.</u>	<u>Owner</u>	<u>Issue or File Date</u>	<u>Title of Work</u>
None.			

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SUBSIDIARY SECURITY AGREEMENT

Schedule II

PATENTS

<u>Serial No. or Patent No.</u>	<u>Inventor</u>	<u>Country</u>	<u>Issue or File Date</u>	<u>Title</u>
None.				

PATENT LICENSES

<u>Serial No. or Patent No.</u>	<u>Owner</u>	<u>File Date</u>
None.		

PATENT APPLICATIONS

<u>Serial No.</u>	<u>Owner</u>	<u>Nature Of Interest</u>	<u>Filing Date</u>
None.			

SUBSIDIARY SECURITY AGREEMENT

Schedule III

TRADEMARKS

<u>Trademark</u>	<u>Registration Status</u>	<u>Registration Number & Date</u>
RAPID RACK	Federally Registered	Reg. No. 1,662,493 Reg. Date 10/29/91
RHINO RACK	Federally Registered	Reg. No. 1,698,407 Reg. Date 6/30/92
GORILLA LOGO	Not Registered	
SILVER FOX	Not Registered	
GORILLA RACK Logo	Registered at the Secretary of State of California	Reg. No. 88914 Reg. Date 11/17/88
Shelving WULX-W-D-C (NSF Standard 02)	Registered at National Sanitation Federation International	Reg. No. 53980 Reg. Date 6/16/97

TRADEMARK LICENSES

<u>Serial No. or Registration No.</u>	<u>Owner</u>	<u>County</u>	<u>Issue or File Date</u>	<u>Mark</u>
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None.

SUBSIDIARY SECURITY AGREEMENT

TRADEMARK APPLICATIONS

	<u>Serial Number</u>	<u>Filing Date</u>
GORILLA RACK*	Serial No. 75/455,915	Filed 3/24/98

*The trademark's original registration (No. 1,541,580) was canceled on December 4, 1995. The Company filed a new application for this trademark on March 24, 1998.

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SUBSIDIARY SECURITY AGREEMENT

Schedule IV

VEHICLES

1983 GMC 3/4 T Van. #9647
1980 Ford LN 600. #8322
1996 Dodge PU 1500 Ram V6
Ford Truck 350""^"

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SUBSIDIARY SECURITY AGREEMENT

Schedule V

INVENTORY AND EQUIPMENT

The Inventory and Equipment are kept at the following locations:

Rapid Rack Industries, Inc.
14321, 14351, 14421 and 14441 Bonelli Street
City of Industry, CA 91746

2801 Carretara Union
Maran, Mexicali, BC Mexico 21390

Carr Union #2899
Parque Industrial Maran
Mexicali, BC Mexico 21390

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SUBSIDIARY SECURITY AGREEMENT

Schedule VI

CONTRACTS

"^" The Company leases full-time employees pursuant to a Customer Service Agreement, dated March 12, 1997, with WorldTec Group International and XCEL Resources Group.

The Company leases temporary employees pursuant to a Membership Service Agreement, dated May 15, 1995, with WorldTec Group International and Prestige network Services.

The Company has employment agreements and/or compensation agreements with each of the following individuals:

Clara Jurdi
Kurt Blankenhorn
Edward Sledge
Steve Painter
Joseph Huske
Alex Canas
Jeff Mittel
Dennis Fachler
Mike Guerrero
Hugo Perevra

The Company has written Sales Representative Agreements with each of the following:

- (i) All Mark, Inc.
- (ii) Andersen Chamberlin
- (iii) Cal-Ell Sales Agencies Ltd.
- (iv) Quest Sales & Marketing, Inc.
- (v) Robco Corporation, Inc.
- (vi) Martec Hardware Sales Ltd.

The Company has an oral agreement to enter into a written Sales Representative Agreement with Ken Craig and Associates.

The Company has oral arrangements regarding commissions, pricing, rebates and other sales terms with various customers, distributors and representatives. The Terms/Discounts/Volume Rebates for each of the top 25 customers is attached hereto.

The Company has the following real property leases:

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SUBSIDIARY SECURITY AGREEMENT

Lease Agreement, dated December 11, 1989, by and between the Company and Squannicook Industrial Development Trust for 14421 Bonelli Street, City of Industry, California and the First Amendment thereto, dated February 7, 1995, for 14421 and 14441 Bonelli Street, City of Industry, California.

Lease Agreement, dated March 2, 1993, by and between the Company and the Trust under the will of Rhoda Hill for 14351 Bonelli Street, City of Industry, California and the First Amendment thereto dated January 30, 1998.

Sublease Agreement, dated February 23, 1998, by and between the Company and Louisville Ladder Corporation, a subsidiary of Emerson Electric, for 14321 Bonelli Street, City of Industry, California. This Sublease Agreement expires September 14, 2000.

Lease Agreement, dated February 26, 1998, by and between the Company and the Dr. Earl M. Hill Family Limited Partnership for 14321 Bonelli Street. This Lease Agreement commences September 15, 2000 and expires March 31, 2001.

The Company is a party to an oral month-to-month lease arrangement with Fideicomiso Industrial maran for Carr Union #2899, Parque Industrial Maran, Mexicali, BC Mexico. The current rent for such lease is \$11,223.30/month (\$10,203 plus 10% tax).

The Company is a party to an oral month-to-month lease arrangement with Tede, S.A. de C.V. for 2801 Carretera Union, Maran, Mexicali, BC Mexico. The current rent for such lease is \$10,758.73/month (\$9,780 plus 10% tax).

The Company is a party to that certain Letter of Intent, dated April 3, 1998, with Tede, S.A. de C.V. for the construction and lease of a plant located in Mexicali, BC Mexico.

The Company has the following personal property leases:

- (i) Equipment Purchase Agreements, each dated September 22, 1995, by and between Executone Information Systems, Inc. and the Company for office equipment.
- (ii) Master Lease Agreement, dated September 13, 1995, by and between Tokai Financial Services, Inc. and the Company for office equipment.
- (iii) Lease Agreement, dated December 14, 1994 by and between Toshiba America Information Systems, Inc. and the Company for office equipment.
- (iv) Lease Agreement, dated December 19, 1995, by and between Pitney Bowes Credit Corporation and the Company for a copier.
- (v) Rental Agreement, dated November 18, 1996, by and between Minolta Business Systems and the Company for office equipment.
- (vi) Customer Support Services Agreement, by and between X-Y Systems, Inc. and the Company for software maintenance.

SUBSIDIARY SECURITY AGREEMENT

(vii) Rental Agreement, dated June 8, 1998, by and between Minolta Business Systems and the Company (copier).

Merchant Card Services Agreement by and between the Company and Wells Fargo Bank, N.A., dated December 1, 1995.

The Company is a party to the following performance or similar bonds and related agreements:

<u>Type</u>	<u>Number</u>	<u>Entity Name</u>
<u>Customs Bond</u>	<u>259601451</u>	<u>Department of the Treasury, United States Custom Service</u>
<u>License #528454 Rapid Rack Ind., Inc.</u>	<u>1016474</u>	<u>Contractor's License Board</u>
<u>License #528454 Scott Denton</u>	<u>SA5146164</u>	<u>Contractor's License Board</u>
<u>Agreement of Indemnity</u>	<u>N/A</u>	<u>Fidelity & Deposit</u>

Service Contract by and between the Company and the Subsidiary.

Bailment Agreement by and between the Company and the Subsidiary.

Powers of Attorney for each of Kenneth Blankenhorn, Scott Denton and Hugo Pervra to act on behalf of the Subsidiary.

Separation Agreement and Mutual Release of All Claims by and between James M. Sinkewicz and the Company.

Purchase Order dated June 9, 1998 with G.L. Veneer (particle board).

Purchase Order dated December 23, 1997 with Proactive Packaging & Display, Inc (corrugated paper).

Purchase Orders with the following vendors for the purchase of steel:

Nova Steel Company
Maurbeni America
Maas-Hansen Steel Corp.
Ferrostaal
Thyssen Steel Group
Okure & Co.

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SUBSIDIARY SECURITY AGREEMENT

Western
Mitsubishi
CSI
Mitsui & Co. (USA), Inc.

Purchase Orders with the following vendors for the purchase of paint:

Herberts-O'Brien, Inc.
Ferro Corporation
Finishes Unlimited, Inc.

Purchase Order dated January 6, 1998 with Valley Rivet Co. (rivets).
Vendor Agreement by and between the Company and Orchard Supply Hardware.

Vendor Agreement by and between the Company and Wal-Mart.

Installation Agreements with each of the following customers:

Curtis Company, Inc. (12/19/97)
Pacific Coast Interiors (4/18/98)
Julian & Sons (5/26/98)
Henry Construction of California (5/21/98)
The Curtis Company (4/5/98)
The Curtis Company (5/27/98)

Customer contracts with the following:

Federated Corporate Services, Inc.

- Brea Mall
- Eastland Mall
- Stanford
- Eastland Mall
- Glendale

H.K. Systems (the Company was also required to enter into certain nondisclosure agreements in connection with each of these customer contracts)

-S.E.H. America, Inc.
-Corning, Inc.
-Boeing Co.
-US Airways/Charlotte

SUBSIDIARY SECURITY AGREEMENT

-Rockwell Collin, Inc.

-Lucent Technologies (Authorization to Proceed only)

Engagement Letter with Goldsmith, Agio, Helms & Company, dated June 11, 1997.

Agreement between the Company and New Liberty Administration (for administrative services related to the Company's 401(k) plan).

Partnership Agreement, dated June 9, 1998 by and between the Company and Shelf Master, Inc.

Schedule 5.13 is incorporated herein by reference.

Consulting arrangement with John C. Schrader as acting Chief Financial Officer.

Confidentiality agreements between the Company and several potential acquisition targets.

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FORM OF
NOTICE OF SECURITY INTEREST IN PATENTS

United States Department of Commerce
Commissioner of Patents and Trademarks
Box Assignments
Washington, D.C. 20231

Ladies and Gentlemen:

Pursuant to a Security Agreement, dated as of _____, 1998 (as amended, supplemented or otherwise modified from time to time, the "Security Agreement"), RAPID RACK INDUSTRIES, INC., a California corporation (the "Assignor"), has granted to CANADIAN IMPERIAL BANK OF COMMERCE, as agent for certain lenders, as Assignee (the "Assignee") a continuing security interest in, and a continuing lien upon, the Patents (as such term is defined in the Security Agreement) including the patents and patent applications listed on the annexed Exhibit A, and all applications, registrations, renewals and proceeds (including accounts receivable and royalties) thereof (the "Patents"). The Assignee's security interest in the Patents can only be terminated in accordance with the terms of the Security Agreement.

Dated: _____

Very truly yours,

RAPID RACK INDUSTRIES , INC.

By _____

Name:

Title:

ACKNOWLEDGED BY:

CANADIAN IMPERIAL BANK OF COMMERCE, as Agent
as Assignee

By _____

Name:

Title:

PATENTS

<u>Serial No. or Patent No.</u>	<u>Inventor</u>	<u>Issue or File Date</u>	<u>Title</u>
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PATENT LICENSES

<u>United States Patent No.</u>	<u>Owner</u>	<u>Issue Date</u>
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PATENT APPLICATIONS

<u>Serial No.</u>	<u>Owner</u>	<u>Nature Of Interest</u>	<u>Filing Date</u>
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FORM OF
MEMORANDUM OF SECURITY INTEREST IN TRADEMARKS

United States Department of Commerce
Commissioner of Patents and Trademarks
Box Assignments
Washington, D.C. 20231

Ladies and Gentlemen:

Pursuant to a Security Agreement, dated as of _____, 1998 (as amended, supplemented or otherwise modified from time to time, the "Security Agreement"), RAPID RACK INDUSTRIES, INC., a California corporation (the "Assignor"), has granted to CANADIAN IMPERIAL BANK OF COMMERCE, as agent for certain lenders, as Assignee (the "Assignee") a continuing security interest in, and a continuing lien upon, the Trademarks (as such term is defined in the Security Agreement) including the trademarks listed on the annexed Exhibit A, and all applications, registrations, renewals and proceeds (including accounts receivable and royalties) thereof (the "Trademarks"), together with the goodwill of the business connected with the use of and symbolized by the Trademarks. The Assignee's security interest in the Trademarks can only be terminated in accordance with the terms of the Security Agreement.

Dated: _____

Very truly yours,

RAPID RACK INDUSTRIES, INC.

By _____
Name:
Title:

ACKNOWLEDGED BY:

CANADIAN IMPERIAL BANK OF COMMERCE, as Agent
as Assignee

By _____
Name:
Title:

TRADEMARKS

<u>Serial No. or Registration No.</u>	<u>Issue or File Date (Renewal Date, if Applicable)</u>	<u>Mark</u>
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TRADEMARK LICENSES

<u>Serial No. or Registration No.</u>	<u>Owner</u>	<u>Issue or File Date (Renewal Date, If Applicable)</u>	<u>Mark</u>
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TRADEMARK APPLICATIONS

<u>Serial Number</u>	<u>Filing Date</u>	<u>Mark</u>
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FORM OF
LOCKBOX ASSIGNMENT AGREEMENT

_____, 199_

Name of Lockbox Bank
Address

Ladies and Gentlemen:

We hereby notify you that we have assigned exclusive ownership and control of and all right, title and interest in and to our lockboxes maintained with you (collectively, the "Lockboxes"), the related demand deposit accounts maintained with you (collectively, the "Demand Deposit Accounts") (such Lockboxes and Demand Deposit Accounts collectively, the "Lockbox Accounts") and the other demand deposit accounts maintained with you (collectively, the "Zero Balance Accounts"), in each case listed on Schedule A hereto, to Canadian Imperial Bank of Commerce, as Agent, 425 Lexington Avenue, New York, New York 10017 (the "Agent").

We hereby irrevocably instruct you to make all transfers of funds to be made by you out of or in connection with the Lockbox Accounts and the Zero Balance Accounts on and after the delivery of this notice in accordance with the instructions of the Agent. Any items received in the Lockboxes shall be deposited into the Lockbox Accounts, unless otherwise directed by the Agent. If the Agent shall at any time instruct you to make transfers of funds from the Lockbox Accounts directly to the Agent, such transfers shall be made to such account as the Agent shall specify maintained at Name of Agent, Address at which Agent is to maintain Concentration Account, or otherwise in accordance with the instructions of the Agent.

We also hereby notify you that the Agent shall be irrevocably entitled (until the Agent shall notify you to the contrary) to exercise any and all rights (without notice to us or further consent by us) in respect of or in connection with the Lockbox Accounts and Zero Balance Accounts including, without limitation, the right to specify when transfers of funds are to be made out of or in connection with the Lockbox Accounts and Zero Balance Accounts and the withdrawal of funds therefrom.

We also hereby notify you that all fees, expenses and other charges arising out of or in connection with the Lockbox Accounts and Zero Balance Accounts shall remain our obligation; provided that the Agent shall be notified by you of any default in our payment of any such obligation and the Agent shall be entitled to cure any such default within a reasonable period of time after its receipt of such notice.

We also hereby notify you that in the event that any provision of any instrument, certificate or other document delivered in connection with any Lockbox Account shall be inconsistent with any provision of this notice, the provisions of this notice shall govern.

You hereby waive any right that you may now or hereafter have to security interests, bank's or other possessory liens, rights to offset or other claims against the funds in the Lockbox Accounts and the Zero Balance Accounts. You agree to hold the funds in the Lockbox Accounts and Zero Balance Accounts as the bailee and custodian for the benefit of the Agent, to indicate on your records the assignment of the funds in the Lockbox Accounts and Zero Balance Accounts in favor of the Agent and to provide the Agent, at the request of the Agent, with information concerning the amounts on deposit in the Lockbox Accounts and the Zero Balance Accounts. You agree not to pay to us all or any part of the funds in the Lockbox Accounts or Zero Balance Accounts or any income, distributions, profits or proceeds of the funds in the Lockbox Accounts or Zero Balance Accounts without the prior written consent of the Agent.

Notwithstanding anything contained herein to the contrary, we agree and the Agent agrees that you shall be entitled to be reimbursed from funds in the Lockbox Accounts and the Zero Balance Accounts for your fees related to your services in connection with the Lockbox Accounts and the Zero Balance Accounts and for amounts in respect of returned and otherwise uncollected items previously credited to the Lockbox Accounts and the Zero Balance Accounts.

By its acknowledgment and acceptance of this Agreement, the Agent hereby instructs you, until such instruction is rescinded by the Agent or superseded by a different instruction from the Agent, to cause, on a daily basis, all funds deposited in the Lockbox Accounts and the Zero Balance Accounts, if any, to be remitted, on the date of receipt of good funds with respect thereto, to the account of the Agent, entitled " _____ Concentration Account", account number _____, established with the Agent at its office at 425 Lexington Avenue, New York, New York 10017, ABA _____.

SIGNATURE PAGE FOLLOWS

Please acknowledge the terms of and receipt of this notice by signing in the space provided below on two copies hereof sent herewith, and returning a one such signed copy to the undersigned and another such signed copy to the Agent

Very truly yours,

RAPID RACK INDUSTRIES, INC.

By _____
Name:
Title:

Acknowledged and Accepted:

NAME OF LOCKBOX BANK

By _____
Name:
Title:

**CANADIAN IMPERIAL BANK OF
COMMERCE, as Agent**

By _____
Name:
Title:

Schedule A to Lockbox Assignment Agreement

Lockbox Accounts

<u>Grantor</u>	<u>Lockbox</u>	<u>Demand Deposit Account</u>
	#	#
	#	#
	#	#

Zero Balance Accounts

<u>Grantor</u>	<u>Demand Deposit Account</u>
	#
	#
	#