

03-15-2002

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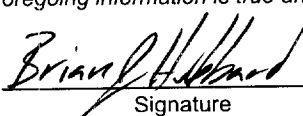
TRADEMARK 102018277

U.S. DEPARTMENT OF COMMERCE
U.S. Patent and Trademark Office

Form PTO-1594
(Rev. 03/01)
OMB No. 0651-0027 (exp. 5/31/2002)

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

<p>1. Name of conveying party(ies): Coorstek, Inc. 3-5-02</p> <p><input type="checkbox"/> Individual(s) <input type="checkbox"/> Association <input type="checkbox"/> General Partnership <input type="checkbox"/> Limited Partnership <input checked="" type="checkbox"/> Corporation-State Delaware <input type="checkbox"/> Other _____</p> <p>Additional name(s) of conveying party(ies) attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	<p>2. Name and address of receiving party(ies) Name: Bank of America, N.A. Internal Address: Suite 600 Street Address: 901 Main Street City: Dallas State: TX Zip: 75202</p> <p><input type="checkbox"/> Individual(s) citizenship _____ <input type="checkbox"/> Association _____ <input type="checkbox"/> General Partnership _____ <input type="checkbox"/> Limited Partnership _____ <input type="checkbox"/> Corporation-State _____ <input checked="" type="checkbox"/> Other National Bank Association</p> <p>If assignee is not domiciled in the United States, a domestic representative designation is attached: <input type="checkbox"/> Yes <input type="checkbox"/> No (Designations must be a separate document from assignment) Additional name(s) & address(es) attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>3. Nature of conveyance: <input type="checkbox"/> Assignment <input type="checkbox"/> Merger <input checked="" type="checkbox"/> Security Agreement <input type="checkbox"/> Change of Name <input type="checkbox"/> Other _____</p> <p>Execution Date: December 21, 2001</p>	<p>4. Application number(s) or registration number(s):</p> <p>A. Trademark Application No.(s) 75704600 PURE SIC</p> <p>B. Trademark Registration No.(s) 759,631</p> <p>Additional number(s) attached <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>5. Name and address of party to whom correspondence concerning document should be mailed: Name: Brian J. Hubbard Internal Address: Haynes and Boone, LLP Street Address: 901 Main Street, Suite 3100 City: Dallas State: TX Zip: 75202</p>	<p>6. Total number of applications and registrations involved: 22</p> <p>7. Total fee (37 CFR 3.41).....\$ 565.00~ <input checked="" type="checkbox"/> Enclosed <input checked="" type="checkbox"/> Authorized to be charged to deposit account</p> <p>8. Deposit account number: 08-1394 (Attach duplicate copy of this page if paying by deposit account)</p>
DO NOT USE THIS SPACE	
<p>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.</p> <p>Brian J. Hubbard  <u>Feb. 25, 2002</u> Name of Person Signing Signature Date</p> <p>Total number of pages including cover sheet, attachments, and document: 22</p>	

03/14/2002 TDIAZ1 00000212 759631

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

01 FC:481 40.00 OP
02 FC:482 525.00 OP

D912851.1

DOCKET NO.: 17997.484

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REEL: 002461 FRAME: 0822

Trademark Recordation Cover Sheet Page 2 of 2

4a. (cont.)

SEMILON	76/168861
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4b. (cont.)

COORS SILLIMANITE (MULLITE)	777,341
VISTAL	843,695
MINIGROOVE	896,044
COORS	959,616
COORS	959,719
TETRALON	988,663
TETRA-TEMP	988,664
CERASURF	1,002,053
SUPERSTRATES	1,022,997
META-PLAST	1,285,245
DITHERSEAL	1,627,124
DUORING	1,783,440
WEARRING	1,787,361
WEARCOAT	1,791,002
TETRACAP	1,820,618
THE GRIPPER	2,035,977
CCC & DESIGN	2,162,497
CCC & DESIGN	2,284,674
TETRAFLUOR	2,375,647

SECURITY AGREEMENT

This SECURITY AGREEMENT (this "*Security Agreement*"), is dated as of December 21, 2001, by COORSTEK, INC. ("*Grantor*"), and BANK OF AMERICA, N.A., in its capacity as Agent, (herein so called) for Lenders (defined below).

RECITALS:

A. Pursuant to that certain Credit Agreement dated as of December 21, 2001, by and among Grantor, Agent, and certain lenders ("*Lenders*") (including all annexes, exhibits, and schedules thereto, as from time to time amended, restated, supplemented, or otherwise modified, the "*Credit Agreement*"), Lenders have agreed to make the Loans and issue Letters of Credit on behalf of Grantor;

B. This Security Agreement is integral to the transactions contemplated by the Loan Documents, and the execution and delivery hereof is a condition precedent to Lenders' obligations to extend credit under the Loan Documents;

C. In order to induce Agent and Lenders to enter into the Credit Agreement and the other Loan Documents and to induce Lenders to make the Loans and issue Letters of Credit as provided for in the Credit Agreement, Grantor has agreed to grant a continuing Lien on the Collateral (defined below) to secure the Obligations;

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

1. **DEFINED TERMS**. All capitalized terms used but not otherwise defined herein have the meanings given to them in the Credit Agreement or in *Annex A* thereto. All other undefined terms contained in this Security Agreement, *unless* the context indicates otherwise, have the meanings provided for by the UCC to the extent the same are used or defined therein. As used herein, the following terms shall have the following respective meanings:

"*Accounts*" means all of Grantor's accounts (as defined in the UCC), and all receivables, accounts receivable, and book debts whether they exist now or arise in the future from Grantor's sale or lease of goods or Grantor's rendition of services, including all amounts due to Grantor from a factor, all returned, reclaimed, refused, or repossessed goods, all books and records pertaining to the foregoing, the cash and non-cash proceeds resulting therefrom and all security and Guaranties therefor.

"*Affiliate*" means, as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person or which owns, directly or indirectly, five percent (5%) or more of the outstanding equity interest of such Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the other Person, whether through the ownership of voting securities, by contract, or otherwise.

"*Chattel Paper*" means all of Grantor's now owned or hereafter acquired chattel paper, as defined in the UCC, including electronic chattel paper.

"*Deposit Accounts*" means all "*deposit accounts*" as such term is defined in the UCC, now or hereafter held in the name of Grantor, including, without limitation, any Payment Accounts.

"Documents" means all documents as such term is defined in the UCC, including bills of lading, warehouse receipts, or other documents of title, now owned or hereafter acquired by Grantor.

"Instruments" means all instruments as such term is defined in the UCC, now owned or hereafter acquired by Grantor.

"Inventory" means all of Grantor's inventory (as defined in the UCC), including without limitation any and all goods held for sale or lease or being processed for sale or lease in Grantor's business as now or in the future conducted, whether now owned or acquired in the future, including all materials, goods and work-in-process, finished goods, and other tangible property held for sale or lease or furnished or to be furnished under contracts of service or used or consumed in Grantor's business, along with all Documents (including documents of title) covering inventory, all cash and non-cash proceeds from the sale of inventory including proceeds from insurance and including such property the sale or other disposition of which has given rise to Accounts and which has not been returned to or repossessed or stopped in transit by Grantor.

"Payment Account" means each bank account established pursuant to this Security Agreement, to which the proceeds of Accounts and other Collateral are deposited or credited, and which is maintained in the name of Agent or Grantor, as Agent may determine, on terms acceptable to Agent.

"Proprietary Rights" means all of Grantor's now owned and hereafter arising or acquired: licenses, franchises, permits, patents, patent rights, copyrights, works which are the subject matter of copyrights, trademarks, service marks, trade names, trade styles, patent, trademark, and service mark applications, and all licenses and rights related to any of the foregoing, and all other rights under any of the foregoing, all extensions, renewals, reissues, divisions, continuations, and continuations-in-part of any of the foregoing, and all rights to sue for past, present, and future infringement of any of the foregoing.

"Related General Intangibles" means all of Grantor's intangible personal property related to Accounts and Inventory, including all Chattel Paper, Instruments, money, general intangibles (including payment intangibles and software), and Documents, together with all additions, amendments, and modifications thereto, extensions, renewals, enlargements, and proceeds thereof, substitutions therefor, and income and profits therefrom. To the extent obtained in connection with or otherwise related to Accounts and Inventory, the following are included, without limitation, in the definition of **"Related General Intangibles"**: loan commitments, financing arrangements, bonds, leases, permits, sales contracts, insurance policies, and the proceeds therefrom, books and records, funds, bank deposits; all Proprietary Rights used in connection therewith; any award, remuneration, settlement, or compensation heretofore made or hereafter to be made by any Governmental Authority to Grantor, all deposits, funds, accounts, contract rights or documents, arising from or by virtue of any transactions; all permits, licenses, franchises, certificates, and other rights and privileges; all proceeds arising from or by virtue of the sale, lease, or other disposal of all or any part of the foregoing; and all proceeds (including premium refunds) payable or to be payable under each policy of insurance relating to the foregoing.

"UCC" means the Uniform Commercial Code, as in effect from time to time, of the State of Texas or of any other state the laws of which are required as a result thereof to be applied in connection with the issue of perfection of security interests.

"Uniform Commercial Code jurisdiction" means any jurisdiction that has adopted "Revised Article 9" of the UCC on or after July 1, 2001.

2. GRANT OF LIEN.

(a) As security for all Obligations, Grantor hereby grants to Agent, for the benefit of Agent and Lenders, a continuing security interest in, lien on, assignment of, and right of set-off against, all of the following property and assets of Grantor, whether now owned or existing or hereafter acquired or arising, regardless of where located:

- (i) all Accounts;
- (ii) all Inventory;
- (iii) all Related General Intangibles;

(iv) all Deposit Accounts, credits, and balances with and other claims against Agent or any Lender or any of their Affiliates or any other financial institution with which Grantor maintains deposits;

(v) all books, records, and other property related to or referring to any of the foregoing, including books, records, account ledgers, data processing records, computer software, and other property and general intangibles at any time evidencing or relating to any of the foregoing; and

(vi) 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.

All of the foregoing, and all other property of Grantor in which Agent or any Lender may at any time be granted a Lien as collateral for the Obligations, is herein collectively referred to as the "**Collateral.**" Notwithstanding the foregoing, the Collateral shall expressly exclude the foregoing solely as it relates to Debtor's operations at 511 Manufactures Road, Chattanooga, Tennessee 37405.

(b) All of the Obligations shall be secured by all of the Collateral.

3. PERFECTION AND PROTECTION OF SECURITY INTEREST.

(a) Grantor shall, at its expense, perform all steps requested by Agent at any time to perfect, maintain, protect, and enforce Agent's Liens, including: (i) executing, delivering, and/or filing and recording of this Security Agreement and the financing or continuation statements, and amendments thereof, in form and substance reasonably satisfactory to Agent; (ii) delivering to Agent warehouse receipts covering any portion of the Collateral located in warehouses and for which warehouse receipts are issued and certificates of title covering any portion of the collateral for which certificates of title have been issued; (iii) when an Event of Default has occurred and is continuing, transferring Inventory to warehouses or other locations designated by Agent; (iv) placing notations on Grantor's books of account to disclose Agent's security interest; and (v) taking such other steps as are deemed reasonably necessary or desirable by Agent to maintain and protect Agent's Liens. Grantor agrees that a carbon, photographic, photostatic, or other reproduction of this Security Agreement or of a financing statement is sufficient as a financing statement.

(b) *Unless* Agent shall otherwise consent in writing (which consent may be revoked), Grantor shall deliver to Agent all Collateral consisting of negotiable Documents, Chattel Paper, and Instruments promptly after Grantor receives the same.

(c) Grantor shall, in accordance with *Section 8.1* of the Credit Agreement, obtain waivers or subordinations of Liens from landlords and mortgagees, and Grantor shall in all instances obtain signed acknowledgements of Agent's Liens from bailees having possession of any Collateral that they hold for the benefit of Agent.

(d) Grantor shall take all steps necessary to grant Agent control of all electronic chattel paper constituting Collateral in accordance with the UCC and all "*transferable records*" as defined in the *Uniform Electronic Transactions Act*.

(e) Grantor hereby irrevocably authorizes Agent at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto that (i) indicate the Collateral (1) as all assets of Grantor or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of *Article 9* of the UCC of the State of Texas or such jurisdiction, or (2) as being of an equal or lesser scope or with greater detail, and (ii) contain any other information required by *part 5* of *Article 9* of the UCC of the State of Texas for the sufficiency or filing office acceptance of any financing statement or amendment, including whether Grantor is an organization, the type of organization, and any organization identification number issued to Grantor. Grantor agrees to furnish any such information to Agent promptly upon request. Grantor also ratifies its authorization for Agent to have filed in any Uniform Commercial Code jurisdiction any like initial financing statements or amendments thereto if filed prior to the date hereof.

(f) No Reincorporation. Without limiting the prohibitions on mergers involving Grantor contained in the Credit Agreement, Grantor shall not reincorporate or reorganize itself under the laws of any jurisdiction *other than* the jurisdiction in which it is incorporated or organized as of the date hereof or change its type of entity as identified on *Schedule II* without the prior written consent of Agent.

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

(h) No Restriction on Payments to Agent. Grantor shall not enter into any contract that restricts or prohibits the grant of a security interest in the Collateral or the proceeds thereof to Agent.

4. LOAN DOCUMENTS. By execution hereof, Grantor covenants and agrees that certain representations, warranties, terms, covenants, and conditions set forth in the Loan Documents are applicable to Grantor and shall be imposed upon Grantor, and Grantor reaffirms that each such representation and warranty is true and correct and covenants and agrees to promptly and properly perform, observe, and comply with each such term, covenant or condition.

5. LOCATION OF COLLATERAL. Grantor represents and warrants to Agent and Lenders that: (a) *Schedule I* is a correct and complete list of the location of Grantor's chief executive office, the location of its books and records, the locations of the Collateral, and the locations of all of its

other places of business; and (b) **Schedule I** correctly identifies any of such facilities and locations that are not owned by Grantor and sets forth the names of the owners and lessors or sublessors of such facilities and locations. Grantor covenants and agrees that it will not (i) maintain any Collateral at any location *other than* those locations listed for Grantor on **Schedule I**, (ii) otherwise change or add to any of such locations, or (iii) change the location of its chief executive office from the location identified in **Schedule I**, *unless* it gives Agent at least thirty (30) days' prior written notice thereof and executes any and all documents or other instruments that Agent reasonably requests in connection therewith. Without limiting the foregoing, Grantor represents that, *except* as Grantor otherwise advises Agent and Agent otherwise agrees, all of its Inventory (*other than* Inventory in transit) is, and covenants that all of its Inventory will be, located either (a) on premises owned by Grantor, (b) on premises leased by Grantor, *provided that* Agent has received or will receive, in accordance with **Section 8.1** of the Credit Agreement, an executed landlord waiver from the landlord of such premises in form and substance satisfactory to Agent, or (c) in a warehouse or with a bailee, *provided that* Agent has received an executed bailee letter from the applicable Person in form and substance satisfactory to Agent.

6. **JURISDICTION OF ORGANIZATION.** **Schedule II** identifies Grantor's name as of the date hereof as it appears in official filings in the state of its incorporation or other organization, the type of entity of Grantor (including corporation, partnership, limited partnership, or limited liability company), organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued, and the jurisdiction in which Grantor is incorporated or organized. Grantor has only one state of incorporation or organization.

7. **TITLE TO, LIENS ON, AND SALE AND USE OF COLLATERAL.** Grantor represents and warrants to Agent and Lenders and agrees with Agent and Lenders that: (a) Grantor has rights in and the power to transfer all of the Collateral free and clear of all Liens whatsoever, *except* for Permitted Liens; (b) Agent's Liens in the Collateral will not be subject to any prior Lien *except* for those Liens identified in **clauses (a), (c), (d), and (e)** of the definition of Permitted Liens; and (c) Grantor will use, store, and maintain the Collateral with all reasonable care and will use such Collateral for lawful purposes only.

8. **APPRAISALS.** Whenever a Default or Event of Default exists, and at such other times not more frequently than two times a year as Agent requests, Grantor shall, at its expense and upon Agent's request, provide Agent with appraisals or updates thereof of any or all of the Collateral from an independent appraiser, and prepared on a basis, satisfactory to Agent, such appraisals and updates to include, without limitation, information required by applicable law and regulation and by the internal policies of Lenders.

9. **ACCESS AND EXAMINATION.** At such times and upon such terms as are set forth in the Credit Agreement, Agent, accompanied by any Lender which so elects, may have access to, examine, audit, make extracts from or copies of, and inspect any or all of Grantor's records, files, and books of account and the Collateral, and discuss Grantor's affairs with Grantor's officers and management. Grantor will deliver to Agent any instrument necessary for Agent to obtain records from any service bureau maintaining records for Grantor. Agent may, and at the direction of Required Lenders shall, at any time when a Default or Event of Default exists, and at Grantor's expense, make copies of all of Grantor's books and records, or require Grantor to deliver such copies to Agent. Agent may, without expense to Agent, use such of Grantor's respective personnel, supplies, and Real Estate as may be reasonably necessary for maintaining or enforcing Agent's Liens. Agent shall have the right, at any time, in Agent's name or in the name of a nominee of Agent, to verify the validity, amount, or any other matter relating to the Accounts, Inventory, or other Collateral, by mail, telephone, or otherwise.

10. COLLATERAL REPORTING. Grantor shall provide Agent with the following documents at the times specified in *Section 5.2(k)* of the Credit Agreement in form satisfactory to Agent: (i) a schedule of Grantor's Accounts created, credits given, cash collected, and other adjustments to Accounts since the last such schedule and a Borrowing Base Certificate; (ii) an aging of Grantor's Accounts together with a reconciliation to the previous calendar month end's accounts receivable balance of Grantor's Accounts and to its general ledger; (iii) an aging of Grantor's accounts payable; (iv) a detailed calculation of Eligible Accounts and Eligible Inventory; (v) upon the Agent's reasonable request, copies of invoices in connection with Grantor's Accounts, customer statements, credit memos, remittance advices and reports, deposit slips, and shipping and delivery documents in connection with Grantor's Accounts and for Inventory acquired by Grantor; (vi) an Inventory report in a form reasonably acceptable to the Agent; (vii) such other reports as to the Collateral as the Agent shall reasonably request from time to time; and (viii) with the delivery of each of the foregoing, a certificate executed by an officer of Grantor certifying as to the accuracy and completeness of the foregoing. If any of Grantor's records or reports of the Collateral are prepared by an accounting service or other agent, Grantor hereby authorizes, such service or agent to deliver such records, reports, and related documents to the Agent for distribution to the Lenders.

11. ACCOUNTS.

(a) Grantor hereby represents and warrants to Agent and Lenders, with respect to Grantor's Accounts, that: (i) each existing Account represents, and each future Account will represent, a bona fide sale or lease and delivery of goods by Grantor, or rendition of services by Grantor, in the ordinary course of Grantor's business; (ii) each existing Account is, and each future Account will be, for a liquidated amount payable by the Account Debtor thereon on the terms set forth in the invoice therefor or in the schedule thereof delivered to Agent, without any offset, deduction, defense, or counterclaim *except* those known to Grantor and disclosed to Agent and Lenders pursuant to this Security Agreement; (iii) no payment will be received with respect to any Account, and no credit, discount, or extension, or agreement therefor will be granted on any Account, *except* as reported to Agent and Lenders in Borrowing Base Certificates delivered in accordance with this Security Agreement; (iv) each copy of an invoice delivered to Agent by Grantor will be a genuine copy of the original invoice sent to the Account Debtor named therein; and (v) all goods described in any invoice representing a sale of goods will have been delivered to the Account Debtor and all services of Grantor described in each invoice will have been performed.

(b) Grantor shall not re-date any invoice or sale or make sales on extended dating beyond that customary in Grantor's business or extend or modify any Account. If Grantor becomes aware of any matter adversely affecting the collectibility of any Account or the Account Debtor therefor involving an amount greater than \$250,000, including information regarding the Account Debtor's creditworthiness, Grantor will promptly so advise Agent and exclude such Account from Eligible Accounts.

(c) Grantor shall not accept any note or other instrument (*except* a check or other instrument for the immediate payment of money) with respect to any Account without Agent's written consent. If Agent consents to the acceptance of any such instrument, it shall be considered as evidence of the Account and not payment thereof, and Grantor will promptly deliver such instrument to Agent, endorsed by Grantor to Agent in a manner satisfactory in form and substance to Agent. Regardless of the form of presentment, demand, notice of protest with respect thereto, Grantor shall remain liable thereon until such instrument is paid in full.

(d) Grantor shall notify Agent promptly of all disputes and claims in excess of \$250,000 with any Account Debtor, and agrees to settle, contest, or adjust such dispute or claim at no expense to Agent or any Lender. No discount, credit, or allowance shall be granted to any such Account Debtor without Agent's prior written consent, *except* for discounts, credits, and allowances made or given in the ordinary course of Grantor's business when no Event of Default exists hereunder. Grantor shall send Agent a copy of each credit memorandum in excess of \$250,000 as soon as issued, and Grantor shall promptly report that credit on Borrowing Base Certificates submitted by it. Agent may at all times when an Event of Default exists hereunder, settle or adjust disputes and claims directly with Account Debtors for amounts and upon terms which Agent or Required Lenders, as applicable, shall consider advisable and, in all cases, Agent will credit Grantor's Loan Account with the net amounts received by Agent in payment of any Accounts.

(e) If an Account Debtor returns any Inventory to Grantor when no Event of Default exists, then Grantor shall promptly determine the reason for such return and shall issue a credit memorandum to the Account Debtor in the appropriate amount. Grantor shall immediately report to Agent any return involving an amount in excess of \$250,000. Each such report shall indicate the reasons for the returns and the locations and condition of the returned Inventory. In the event any Account Debtor returns Inventory to Grantor when an Event of Default exists, Grantor, upon the request of Agent, shall: (i) hold the returned Inventory in trust for Agent; (ii) segregate all returned Inventory from all of its other property; (iii) dispose of the returned Inventory solely according to Agent's written instructions; and (iv) not issue any credits or allowances with respect thereto without Agent's prior written consent. All returned Inventory shall be subject to Agent's Liens thereon. Whenever any Inventory is returned, the related Account shall be deemed ineligible to the extent of the amount owing by the Account Debtor with respect to such returned Inventory and such returned Inventory shall not be Eligible Inventory.

12. COLLECTION OF ACCOUNTS; PAYMENTS.

(a) Upon the earlier to occur of (i) a Default, (ii) an Event or Default, or (iii) the Triggering Date, Grantor shall make collection of all Accounts and other Collateral for Agent, shall receive all payments as Agent's trustee, and shall immediately deliver all payments in their original form duly endorsed in blank into a Payment Account established for the account of Grantor at a Clearing Bank acceptable to Agent, subject to a Blocked Account Agreement. Upon the earlier to occur of (i) a Default, (ii) an Event or Default, or (iii) the Triggering Date, Grantor shall establish a lock-box service for collections of Accounts at a Clearing Bank acceptable to Agent and subject to a Blocked Account Agreement and other documentation acceptable to Agent. Upon the earlier to occur of (i) a Default, (ii) an Event or Default, or (iii) the Triggering Date, Grantor shall instruct all Account Debtors to make all payments directly to the address established for such service. If, notwithstanding such instructions, Grantor receives any proceeds of Accounts, it shall receive such payments as Agent's trustee, and shall immediately deliver such payments to Agent in their original form duly endorsed in blank or deposit them into a Payment Account, as Agent may direct. Upon the earlier to occur of (i) a Default, (ii) an Event or Default, or (iii) the Triggering Date, all collections received in any lock-box or Payment Account or directly by Grantor or Agent, and all funds in any Payment Account or other account to which such collections are deposited shall be subject to Agent's sole control and withdrawals by Grantor shall not be permitted. Agent or Agent's designee may, at any time after the occurrence of an Event of Default, notify Account Debtors that the Accounts have been assigned to Agent and of Agent's security interest therein, and may collect them directly and charge the collection costs and expenses to the Loan Account as a Revolving Loan. *So long as* an Event of Default has occurred and is continuing, Grantor, at Agent's request, shall execute and deliver to Agent such documents as Agent shall require to grant Agent access to any post office box in which collections of Accounts are received.

(b) Upon the earlier to occur of (i) a Default, (ii) an Event or Default, or (iii) the Triggering Date if sales of Inventory are made or services are rendered for cash, Grantor shall immediately deliver to Agent or deposit into a Payment Account the cash which Grantor receives.

All payments including immediately available funds received by Agent at a bank account designated by it, will be Agent's sole property for its benefit and the benefit of Lenders and will be credited to the Loan Account (conditional upon final collection) after allowing ½ to 1 Business Day (per analysis of collections) (at Agent's discretion); *provided, however*, that such payments shall be deemed to be credited to the Loan Account immediately upon receipt for purposes of (i) determining Availability, (ii) calculating the Unused Line Fee pursuant to *Section 2.5* of the Credit Agreement, and (iii) calculating the amount of interest accrued thereon solely for purposes of determining the amount of interest to be distributed by Agent to Lenders (but not the amount of interest payable by Grantor).

(c) In the event Grantor repays all of the Obligations upon the termination of the Credit Agreement or upon acceleration of the Obligations, *other than* through Agent's receipt of payments on account of the Accounts or proceeds of the other Collateral, such payment will be credited upon Agent's receipt of immediately available funds.

13. INVENTORY; PERPETUAL INVENTORY.

(a) Grantor represents and warrants to Agent and Lenders and agrees with Agent and Lenders that all of the Inventory owned by Grantor is and will be held for sale or lease, or to be furnished in connection with the rendition of services, in the ordinary course of Grantor's business, and is and will be fit for such purposes. Grantor will keep its Inventory in good and marketable condition, *except* for damaged or defective goods arising in the ordinary course of Grantor's business. Grantor will not, without the prior written consent of Agent, acquire or accept any Inventory on consignment or approval. Grantor agrees that all Inventory produced by Grantor in the United States of America will be produced in accordance with the *Federal Fair Labor Standards Act of 1938*, as amended, and all rules, regulations, and orders thereunder. Grantor will conduct a physical count of the Inventory at least twice per Fiscal Year, and at such other times as Agent requests after the occurrence of an Event or Default or the Triggering Date. Grantor will maintain a perpetual inventory reporting system at all times. Grantor will not, without Agent's written consent, sell any Inventory on a bill-and-hold, guaranteed sale, sale and return, sale on approval, consignment, or other repurchase or return basis.

(b) In connection with all Inventory financed by Letters of Credit, Grantor will, at Agent's request, instruct all suppliers, carriers, forwarders, customs brokers, warehouses, or others receiving or holding cash, checks, Inventory, Documents, or Instruments in which Agent holds a security interest to deliver them to Agent and/or subject to Agent's order, and if they shall come into Grantor's possession, to deliver them, upon request, to Agent in their original form. Grantor shall also, at Agent's request, designate Agent as the consignee on all bills of lading and other negotiable and non-negotiable documents.

14. DOCUMENTS, INSTRUMENTS, AND CHATTEL PAPER. Grantor represents and warrants to Agent and Lenders that (a) all Documents, Instruments, and Chattel Paper describing, evidencing, or constituting Collateral, and all signatures and endorsements thereon, are and will be complete, valid, and genuine, and (b) all goods evidenced by such Documents, Instruments, and Chattel Paper are and will be owned by Grantor, free and clear of all Liens *other than* Permitted Liens. If

Grantor retains possession of any Chattel Paper or Instruments constituting Collateral with Agent's consent, such Chattel Paper and Instruments shall be marked with the following legend: "*This writing and the obligations evidenced or served hereby are subject to the security interest of Bank of America, N.A., as Agent, for the benefit of Agent and certain Lenders.*"

15. RIGHT TO CURE. Agent may, in its discretion, and shall, at the direction of Required Lenders, pay any amount or do any act required of Grantor hereunder or under any other Loan Document in order to preserve, protect, maintain, or enforce the Obligations, the Collateral, or Agent's Liens therein, and which Grantor fails to pay or do, including payment of any judgment against Grantor, any insurance premium, any warehouse charge, any finishing or processing charge, any landlord's or bailee's claim, and any other Lien upon or with respect to the Collateral. All payments that Agent makes under this **Section 15** and all out-of-pocket costs and expenses that Agent pays or incurs in connection with any action taken by it hereunder may (in Agent's sole discretion) be charged to Grantor's Loan Account as a Revolving Loan. Any payment made or other action taken by Agent under this **Section 15** shall be without prejudice to any right to assert an Event of Default hereunder and to proceed thereafter as herein provided.

16. POWER OF ATTORNEY. Grantor hereby appoints Agent and Agent's designee as Grantor's attorney, with power: (a) to endorse Grantor's name on any checks, notes, acceptances, money orders, or other forms of payment or security that come into Agent's or any Lender's possession; (b) to sign Grantor's name on any invoice, bill of lading, warehouse receipt, or other negotiable or non-negotiable Document constituting Collateral, on drafts against customers, on assignments of Accounts, on notices of assignment, financing statements, and other public records, and to file any such financing statements by electronic means with or without a signature as authorized or required by applicable law or filing procedure; (c) *so long as* any Event of Default has occurred and is continuing, to notify the post office authorities to change the address for delivery of Grantor's mail to an address designated by Agent and to receive, open, and dispose of all mail addressed to Grantor; (d) to send requests for verification of Accounts to customers or Account Debtors; (e) to complete in Grantor's name or Agent's name, any order, sale, or transaction, obtain the necessary Documents in connection therewith, and collect the proceeds thereof; (f) to clear Inventory through customs in Grantor's name, Agent's name, or the name of Agent's designee, and to sign and deliver to customs officials powers of attorney in Grantor's name for such purpose; (g) to the extent that Grantor's authorization given in **Section 3(e)** of this Security Agreement is not sufficient, to file such financing statements with respect to this Security Agreement, with or without Grantor's signature, or to file a photocopy of this Security Agreement in substitution for a financing statement, as Agent may deem appropriate and to execute in Grantor's name such financing statements and amendments thereto and continuation statements which may require Grantor's signature; and (h) to do all things necessary to carry out the terms and conditions of the Credit Agreement and this Security Agreement. Grantor ratifies and approves all acts of such attorney. None of Lenders or Agent nor their attorneys will be liable for any acts or omissions or for any error of judgment or mistake of fact or law *except* for their willful misconduct, gross negligence, or violation of law. This power, being coupled with an interest, is irrevocable until the Credit Agreement has been terminated and the Obligations have been fully satisfied.

17. AGENT'S AND LENDERS' RIGHTS, DUTIES, AND LIABILITIES.

(a) Grantor assumes all responsibility and liability arising from or relating to the use, sale, license, or other disposition of the Collateral. The Obligations shall not be affected by any failure of Agent or any Lender to take any steps to perfect Agent's Liens or to collect or realize upon the Collateral, nor shall loss of or damage to the Collateral release Grantor from any of the Obligations.

Following the occurrence and during the continuation of an Event of Default, Agent may (but shall not be required to), and at the direction of Required Lenders shall, without notice to or consent from Grantor, sue upon or otherwise collect, extend the time for payment of, modify or amend the terms of, compromise or settle for cash, credit, or otherwise upon any terms, grant other indulgences, extensions, renewals, compositions, or releases, and take or omit to take any other action with respect to the Collateral, any security therefor, any agreement relating thereto, any insurance applicable thereto, or any Person liable directly or indirectly in connection with any of the foregoing, without discharging or otherwise affecting the liability of Grantor for the Obligations or under the Credit Agreement or any other agreement now or hereafter existing between Agent and/or any Lender and Grantor.

(b) It is expressly agreed by Grantor that, anything herein to the contrary notwithstanding, Grantor shall remain liable under each of its contracts and each of its licenses to observe and perform all the conditions and obligations to be observed and performed by it thereunder. Neither Agent nor any Lender shall have any obligation or liability under any contract or license by reason of or arising out of this Security Agreement or the granting herein of a Lien thereon or the receipt by Agent or any Lender of any payment relating to any contract or license pursuant hereto. Neither Agent nor any Lender shall be required or obligated in any manner to perform or fulfill any of the obligations of Grantor under or pursuant to any contract or license, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it or the sufficiency of any performance by any party under any contract or license, or to present or file any claims, or to take any action to collect or enforce any performance or the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

(c) Agent may at any time after a Default or an Event of Default has occurred and be continuing (or if any rights of set-off (*other than* set-offs against an Account arising under the contract giving rise to the same Account) or contra accounts may be asserted), without prior notice to Grantor, notify Account Debtors and other Persons obligated on the Collateral that Agent has a security interest therein, and that payments shall be made directly to Agent, for itself and the benefit of Lenders. Upon the request of Agent, Grantor shall so notify Account Debtors and other Persons obligated on Collateral. Once any such notice has been given to any Account Debtor or other Person obligated on the Collateral, Grantor shall not give any contrary instructions to such Account Debtor or other Person without Agent's prior written consent.

(d) If an Event of Default has occurred and is continuing, Agent may at any time in Agent's own name or in the name of Grantor communicate with Account Debtors to verify with such Persons, to Agent's satisfaction, the existence, amount, and terms of Accounts. If an Event of Default has occurred and is continuing, Grantor, at its own expense, shall cause the independent certified public accountants then engaged by Grantor to prepare and deliver to Agent and each Lender at any time and from time to time promptly upon Agent's request the following reports with respect to Grantor: (i) a reconciliation of all Accounts; (ii) an aging of all Accounts; (iii) trial balances; and (iv) a test verification of such Accounts as Agent may request. Grantor, at its own expense, shall deliver to Agent the results of each physical verification, if any, which Grantor may in its discretion have made, or caused any other Person to have made on its behalf, of all or any portion of its Inventory.

18. INDEMNIFICATION. In any suit, proceeding, or action brought by Agent or any Lender relating to any Collateral for any sum owing with respect thereto or to enforce any rights or claims with respect thereto, Grantor will save, indemnify, and keep Agent and Lenders harmless from and against all expense (including reasonable attorneys' fees and expenses), loss, or damage suffered by reason of any defense, setoff, counterclaim, recoupment, or reduction of liability whatsoever of the

Account Debtor or other Person obligated on the Collateral, arising out of a breach by 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 obligor or its successors from Grantor, *except* in the case of Agent or any Lender, to the extent such expense, loss, or damage is attributable solely to the gross negligence or willful misconduct of Agent or such Lender as finally determined by a court of competent jurisdiction. All such obligations of Grantor shall be and remain enforceable against and only against Grantor and shall not be enforceable against Agent or any Lender.

19. LIMITATION ON LIENS ON COLLATERAL. Grantor will not create, permit, or suffer to exist, and will defend the Collateral against, and take such other action as is necessary to remove, any Lien on the Collateral *except* Permitted Liens, and will defend the right, title, and interest of Agent and Lenders in and to any of Grantor's rights under the Collateral against the claims and demands of all Persons whomsoever.

20. NOTICE REGARDING COLLATERAL. Grantor will advise Agent promptly, in reasonable detail, (i) of any Lien (*other than* Permitted Liens) or claim made or asserted against any of the Collateral and (ii) of the occurrence of any other event which would have a Material Adverse Effect..

21. REMEDIES; RIGHTS UPON DEFAULT.

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

(b) In connection with Agent's exercise of rights and remedies under this *Section 21*, Grantor further agrees, at Agent's request, to assemble the Collateral and make it available to Agent at a place or places designated by Agent which are reasonably convenient to Agent and Grantor, whether at Grantor's premises or elsewhere. Until Agent is able to effect a sale, lease, or other disposition of Collateral, Agent shall have the right to hold or use Collateral, or any part thereof, to the extent that it

deems appropriate for the purpose of preserving Collateral or its value or for any other purpose deemed appropriate by Agent. Agent shall have no obligation to Grantor to maintain or preserve the rights of Grantor as against third parties with respect to Collateral while Collateral is in the possession of Agent. Agent may, if it so elects, seek the appointment of a receiver or keeper to take possession of Collateral and to enforce any of Agent's remedies (for the benefit of Agent and Lenders), with respect to such appointment without prior notice or hearing as to such appointment. To the maximum extent permitted by applicable law, Grantor waives all claims, damages, and demands against Agent or any Lender arising out of the repossession, retention, or sale of the Collateral *except* such as arise solely out of the gross negligence or willful misconduct of Agent or such Lender as finally determined by a court of competent jurisdiction. Grantor agrees that ten days prior notice by Agent of the time and place of any public sale or of the time after which a private sale may take place is reasonable notification of such matters. Grantor shall remain liable for any deficiency if the proceeds of any sale or disposition of the Collateral are insufficient to pay all Obligations, including any attorneys' fees or other expenses incurred by Agent or any Lender to collect such deficiency.

(c) Agent shall apply the proceeds of any sale or other disposition of the Collateral under this **Section 21** 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 Obligations); *second*, toward payment of the balance of the Obligations 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.

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

(e) To the extent that applicable law imposes duties on Agent to exercise remedies in a commercially reasonable manner, Grantor acknowledges and agrees that it is not commercially unreasonable for Agent (i) to fail to incur expenses reasonably deemed significant by Agent to prepare Collateral for disposition or otherwise to complete raw material or work in process into finished goods or other finished products for disposition, (ii) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (iii) to fail to exercise collection remedies against Account Debtors or other Persons obligated on Collateral or to remove Liens on or any adverse claims against Collateral, (iv) to exercise collection remedies against Account Debtors and other Persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (v) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (vi) to contact other Persons, whether or not in the same business as Grantor, for expressions of interest in acquiring all or any portion of such Collateral, (vii) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the Collateral is of a specialized nature, (viii) to dispose of Collateral by utilizing internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capacity of doing so, or that match buyers and sellers of assets, (ix) to dispose of assets in wholesale rather than retail markets, (j) to disclaim disposition warranties, such as title, possession, or quiet enjoyment, (k) to purchase insurance or credit enhancements to insure Agent against risks of loss, collection, or disposition of Collateral or to provide to Agent a guaranteed return from the collection or disposition of Collateral, or (l) to the extent deemed appropriate by Agent, to

obtain the services of other brokers, investment bankers, consultants, and other professionals to assist Agent in the collection or disposition of any of the Collateral. Grantor acknowledges that the purpose of this **Section 21(d)** is to provide non-exhaustive indications of what actions or omissions by Agent would not be commercially unreasonable in Agent's exercise of remedies against the Collateral and that other actions or omissions by Agent shall not be deemed commercially unreasonable solely on account of not being indicated in this **Section 21(d)**. Without limitation upon the foregoing, nothing contained in this **Section 21(d)** shall be construed to grant any rights to Grantor or to impose any duties on Agent that would not have been granted or imposed by this Security Agreement or by applicable law in the absence of this **Section 21(d)**.

22. GRANT OF LICENSE TO USE INTELLECTUAL PROPERTY. For the purpose of enabling Agent to exercise rights and remedies under **Section 21** hereof (including, without limiting the terms of **Section 21** hereof, in order to take possession of, hold, preserve, process, assemble, prepare for sale, market for sale, sell or otherwise dispose of Collateral) at such time as Agent shall be lawfully entitled to exercise such rights and remedies, Grantor hereby grants to Agent, for the benefit of Agent and Lenders, an irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to Grantor) to use, license, or sublicense any licenses, franchises, permits, or Proprietary Rights now owned or hereafter acquired by Grantor, and wherever the same may be located, and including in such license access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof.

23. LIMITATION ON AGENT'S AND LENDERS' DUTY IN RESPECT OF COLLATERAL. Agent and each Lender shall use reasonable care with respect to the Collateral in its possession or under its control. Neither Agent nor any Lender shall have any other duty as to any Collateral in its possession or control or in the possession or control of any agent or nominee of Agent or such Lender, or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto.

24. MISCELLANEOUS.

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

(b) **Notices.** Except as otherwise provided herein, to be effective, any notice, demand, request, consent, approval, declaration, or other communication required or permitted to be given under this Security Agreement must be in writing, shall be delivered as provided in **Section 13.8** of the Credit Agreement to the address or facsimile number set forth on the signature pages to this Security Agreement, and shall be effective as provided in **Section 13.8** of the Credit Agreement.

(c) **Severability.** Whenever possible, each provision of this Security Agreement shall be interpreted in a manner as to be effective and valid under applicable law, but if any provision of this Security Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Security Agreement. This Security Agreement is to be read, construed, and applied *together with* the Credit Agreement and the other Loan Documents which, taken together, set forth the complete understanding and agreement of Agent, Lenders, and Grantor with respect to the matters referred to herein and therein. To the extent of any conflict between the provisions of this Security Agreement and the Credit Agreement, the provisions of the Credit Agreement shall control.

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

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

(f) **Termination of this Security Agreement; Release of Liens.** Subject to *Section 23(a)*, this Security Agreement shall terminate upon the satisfactory collateralization of all Letters of Credit and the payment in full of all other Obligations (*other than* indemnification Obligations as to which no claim has been asserted). Agent shall promptly release its Liens and deliver appropriate Lien release documents in respect of Collateral permitted to be sold or otherwise disposed of in accordance with the Credit Agreement.

(g) **Successors and Assigns.** This Security Agreement and all obligations of Grantor hereunder shall be binding upon the successors and assigns of Grantor (including any debtor-in-possession on behalf of Grantor) and shall, *together with* the rights and remedies of Agent, for the benefit of Agent and Lenders, hereunder, inure to the benefit of Agent and Lenders, all future holders of any instrument evidencing any of the Obligations and their respective successors and assigns. No sales of participations, other sales, assignments, transfers, or other dispositions of any agreement governing or instrument evidencing the Obligations or any portion thereof or interest therein shall in any manner affect the Lien granted to Agent, for the benefit of Agent and Lenders, hereunder. Grantor may not assign, sell, hypothecate, or otherwise transfer any interest in or obligation under this Security Agreement.

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

(i) **Governing Law; Choice of Forum; Service of Process.**

(i) THIS SECURITY AGREEMENT SHALL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE PARTIES HERETO DETERMINED IN ACCORDANCE WITH THE INTERNAL LAWS (AS OPPOSED TO THE CONFLICT OF LAWS PROVISIONS; *PROVIDED THAT* PERFECTION ISSUES WITH RESPECT TO ARTICLE 9 OF THE UCC MAY GIVE EFFECT TO APPLICABLE CHOICE OR CONFLICT OF LAW RULES SET FORTH IN ARTICLE 9 OF THE UCC) OF THE STATE OF TEXAS; *PROVIDED THAT* AGENT AND LENDERS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(ii) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS SECURITY AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF TEXAS OR OF THE UNITED STATES OF AMERICA LOCATED IN DALLAS COUNTY, TEXAS, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF GRANTOR AND AGENT CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH OF GRANTOR AND AGENT IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF *FORUM NON CONVENIENS*, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. NOTWITHSTANDING THE FOREGOING: (A) AGENT AND LENDERS SHALL HAVE THE RIGHT TO BRING ANY ACTION OR PROCEEDING AGAINST GRANTOR OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION AGENT OR LENDERS DEEM NECESSARY OR APPROPRIATE IN ORDER TO REALIZE ON THE COLLATERAL OR OTHER SECURITY FOR THE OBLIGATIONS AND (B) EACH OF THE PARTIES HERETO ACKNOWLEDGES THAT ANY APPEALS FROM THE COURTS DESCRIBED IN THE IMMEDIATELY PRECEDING SENTENCE MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE THOSE JURISDICTIONS.

(iii) GRANTOR HEREBY WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON IT AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE BY REGISTERED MAIL (RETURN RECEIPT REQUESTED) DIRECTED TO GRANTOR AT ITS ADDRESS SET FORTH ON THE SIGNATURE PAGE TO THIS SECURITY AGREEMENT AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED FIVE DAYS AFTER THE SAME SHALL HAVE BEEN SO DEPOSITED IN THE U.S. MAILED POSTAGE PREPAID. NOTHING CONTAINED HEREIN SHALL AFFECT THE RIGHT OF AGENT OR LENDERS TO SERVICE LEGAL PROCESS BY ANY OTHER MANNER PERMITTED BY LAW.

(j) **Waiver of Jury Trial.** GRANTOR AND AGENT EACH IRREVOCABLY WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS SECURITY AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING, OR OTHER LITIGATION OF ANY TYPE BROUGHT BY EITHER AGAINST THE OTHER, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. GRANTOR AND AGENT EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF

ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, GRANTOR AND AGENT FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM, OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS SECURITY AGREEMENT OR ANY PROVISION HEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS, OR MODIFICATIONS TO THIS SECURITY AGREEMENT.

(k) **Section Titles.** The Section titles contained in this Security Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

(l) **No Strict Construction.** The parties hereto have participated jointly in the negotiation and drafting of this Security Agreement. In the event an ambiguity or question of intent or interpretation arises, this Security Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Security Agreement.

(m) **Advice of Counsel.** Each of the parties represents to each other party hereto that it has discussed this Security Agreement and, specifically, the provisions of *Section 29(i)* and *Section 29(j)*, with its counsel.

(n) **Benefit of Lenders.** All Liens granted or contemplated hereby shall be for the benefit of Agent and Lenders, and all proceeds or payments realized from Collateral in accordance herewith shall be applied to the Obligations in accordance with the terms of the Credit Agreement.

*[REMAINDER OF PAGE INTENTIONALLY BLANK.
SIGNATURE PAGE FOLLOWS.]*

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

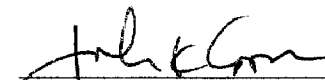
COORSTEK, INC.,

Grantor's Address:

16000 Table Mountain Parkway
Golden, CO 80403

Facsimile: 303-277-4574
Attention: Chief Financial Officer

By:



John K. Coors
President

BANK OF AMERICA, N.A.,
as Agent

By:

Kathy M. Duncan
Vice President

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

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By: _____
John K. Coors
President

BANK OF AMERICA, N.A.,
as Agent

By: Kathy M. Duncan
Kathy M. Duncan
Vice President



COORSTEK, INC.

**SCHEDULE I
TO
SECURITY AGREEMENT**

LOCATION OF COLLATERAL

A. Location of Chief Executive Office:

- 16000 Table Mountain Parkway, Golden, CO 80403

B. Location of Books and Records:

- 16000 Table Mountain Parkway, Golden, CO 80403

C. Location of Collateral:

LOCATION	OWNED/LEASED	LESSOR INFORMATION
16000 Table Mountain Parkway Golden, CO 80403	Owned	N/A
600 Ninth Street Golden, CO 80401	Owned	N/A
17750 West 32 nd Avenue Golden, CO 80401	Owned	N/A
2449 River Road Grand Junction, CO 81505	Owned	N/A
4545 McIntyre Golden, CO 80403	Owned	N/A
511 Manufacturers Road Chattanooga, TN 37405	Owned	N/A
78 Lindbergh Avenue Livermore, CA 94550	Leased	Bernhard Properties, LLC
51 H, I, J Lindbergh Avenue Livermore, CA 94550	Leased	Bernhard Properties, LLC
122 Lindbergh Avenue Livermore, CA 94550	Leased	Bernhard Properties, LLC
216 Lindbergh Avenue Livermore, CA 94550	Leased	Livermore Airway Business Park, LP
277 Rickenbacker Circle Livermore, CA 94550	Leased	Bernhard Properties, LLC
208 Lindbergh Avenue Livermore, CA 94550	Leased	Livermore Airway Business Park, LP
1150 Thorn Run Road Corapolis, PA 15108	Leased	EBAK Development LLC
34325 Ardenwood Boulevard Fremont, CA 94555	Leased	34235 Ardenwood Blvd., LLC

D. Location of all other places of business:

- 16050 Table Mountain Parkway, Golden, CO 80403

E. Location of leased facilities and name of lessor/sublessor:

LOCATION	LESSOR/SUBLESSOR NAME
78 Lindbergh Avenue Livermore, CA 94550	Lessor: Bernhard Properties, LLC
151 H, I, J Lindbergh Avenue Livermore, CA 94550	Lessor: Bernhard Properties, LLC
122 Lindbergh Avenue Livermore, CA 94550	Lessor: Bernhard Properties, LLC
216 Lindbergh Avenue Livermore, CA 94550	Lessor: Bernhard Properties, LLC
277 Rickenbacker Circle Livermore, CA 94550	Lessor: Bernhard Properties, LLC
208 Lindbergh Avenue Livermore, CA 94550	Lessor: Livermore Airway Business Park, LP
1150 Thorn Run Road Corapolis, PA 15108	Lessor: EBAK Development LLC
34325 Ardenwood Boulevard Fremont, CA 94555	Lessor: 34235 Ardenwood Blvd., LLC

COORSTEK, INC.

**SCHEDULE II
TO
SECURITY AGREEMENT**

JURISDICTION OF ORGANIZATION

A. Grantor's exact legal name:

- CoorsTek, Inc.

B. Mailing Address of Grantor:

- 16000 Table Mountain Parkway, Golden, CO 80403

C. Type of entity:

- corporation

D. Organizational identification number issued by Grantor's state of organization:

- 3134881

E. Jurisdiction of organization:

- Delaware