

05-13-2002



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

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

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

1. Name of conveying party(ies):

Kulkoni, Inc.

5.2.02

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

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

2. Name and address of receiving party(ies)

Name: Bank One, NA

Internal

Address:

Street Address: 910 Travis, 7th Floor

City: Houston State: TX Zip: 77002

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

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

3. Nature of conveyance:

- Assignment Merger Security Agreement Change of Name Other

Execution Date: 04/18/2002

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

A. Trademark Application No.(s) 75/538,722; 76/113,487

B. Trademark Registration No.(s) 2,011,393; 1,552,475; 2,362,309; 2,362,310

Additional number(s) attached Yes No

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

Name: Henry L. Ehrlich

Internal Address: Winstead Sechrest & Minick P.C

Street Address: 2400 Bank One Center 910 Travis

City: Houston State: TX Zip: 77002-5895

6. Total number of applications and registrations involved:

6

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

- Enclosed Authorized to be charged to deposit account

8. Deposit account number:

23-2426

DO NOT USE THIS SPACE

9. Signature.

05/10/2002 DBYRNE 00000200 75538722 40.00 OP 125.00 OP Henry L. Ehrlich Name of Person Signing

Henry L. Ehrlich Signature

May 1, 2002 Date

16

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

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

OFFICE OF PATENT RECORDS & COMMUNICATIONS FINANCE SECTION 2002 MAY -2 AM 8:04 0169110000 DBYRNE 05/10/2002 Refund Ref: 05/10/2002 DBYRNE CHECK Refund Total:

**INTELLECTUAL PROPERTY
SECURITY AGREEMENT**

THIS INTELLECTUAL PROPERTY SECURITY AGREEMENT ("Security Agreement"), is made as of April 18, 2002, by KULKONI, INC., a Texas corporation ("Grantor"), in favor of BANK ONE, NA, a national banking association with its main office in Chicago, Illinois ("Secured Party").

RECITALS:

WHEREAS, pursuant to that certain Loan Agreement dated as of October 25, 2000 between Grantor and Secured Party (the "Prior Agreement"), as amended by that certain First Amended and Restated Loan Agreement dated as of February 6, 2001 (the "Amended and Restated Agreement"), as further amended by Amendment to Note and First Amendment to First Amended and Restated Loan Agreement dated as of October 25, 2001 (the "First Amendment"), as further amended by Second Amendment to Note and Second Amendment to First Amended and Restated Loan Agreement dated as of December 10, 2001 (the "Second Amendment"), as further amended by Third Amendment to First Amended and Restated Loan Agreement dated as of December 31, 2001 (the "Third Amendment"); as further amended by Fourth Amendment to First Amended and Restated Loan Agreement of even date herewith ("Fourth Amendment", together with the Prior Agreement, the First Amendment, the Second Amendment and the Third Amendment, referred to hereafter as the "Loan Agreement"), Secured Party has agreed to make loans in the aggregate principal amount of the Indebtedness (the "Loan"); and

WHEREAS, it is a condition precedent to the obligation of the Secured Party to make the Loan to Grantor under the Loan Agreement, that Grantor execute and deliver this Security Agreement to Secured Party.

AGREEMENT:

NOW, THEREFORE, in consideration of the premises and to induce Secured Party to enter into the Loan Agreement and to induce Secured Party to make the Loan to Grantor under the Loan Agreement, Grantor hereby agrees with Secured Party, as follows:

1. **Defined Terms.** Unless otherwise defined herein, terms which are defined in the Loan Agreement and used herein are so used as so defined, and the following terms shall have the following meanings:

"Collateral" has the meaning assigned to it in Section 2 of this Security Agreement.

"Copyrights" means all types of protective rights granted (or applications therefor) for any work that constitutes copyrightable subject matter, including without limitation, literary works, musical works, dramatic works, pictorial, graphic and sculptural works, motion pictures and other audiovisual works, sound recordings, architectural works, in any country of the world and including, without limitation, any works referred to in Schedule A hereto.

“Copyright License” means any agreement material to the operation of Grantor’s businesses, whether written or oral, providing for the grant by or to Grantor of any right to reproduce a copyrighted work, to prepare derivative works based on a copyrighted work, to distribute copies of a copyrighted work, to perform a copyrighted work or to display a copyrighted work, or to engage in any other legally protected activity with respect to a copyrighted work including, without limitation, any thereof referred to in Schedule A hereto.

“Intellectual Property” means all Patent Applications, Patents, Patent Licenses, Trademark Applications, Trademarks, Trademark Licenses, Copyrights, Copyright Licenses, Trade Secrets, Inventions, Know-how and other proprietary property or technology, and agreements relating thereto, including, without limitation, any and all improvements and future developments material to the operation of Grantor’s businesses, as defined herein and/or referred to in Schedule A hereto.

“Invention” means any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof that is material to the operation of Grantor’s businesses and developed by Grantor, its employees or agents, whether or not the subject of Patent(s) or Patent Application(s).

“Know-how” means any knowledge or information that is material to Grantor’s business and that enables Grantor to operate its business with the accuracy, efficiency or precision necessary for commercial success, including, without limitation, any such knowledge or information referred to in Schedule B hereto.

“Other Proprietary Property” means all types of protectable intangible property rights other than Patents, Trademarks and Copyrights, including without limitation, Trade Secrets, Know-how, computer software and the like, including, without limitation, all such rights referred to in Schedule B hereto.

“Patents” means all types of exclusionary or protective rights granted (or applications therefor) for inventions in any country of the world (including, without limitation, letters patent, plant patents, utility models, breeders’ right certificates, inventor’s certificates and the like), and all reissues and extensions thereof and all provisionals, divisions, continuations and continuations-in-part thereof, including, without limitation, all such rights referred to in Schedule A hereto.

“Patent License” means any agreement material to the operation of Grantor’s business, whether written or oral, providing for the grant by or to Grantor of any right to manufacture, use or sell any Invention covered by a Patent, including, without limitation, any thereof referred to in Schedule A hereto.

“Proceeds” means “proceeds,” as such term is defined in Section 9-102(a)(65) of the UCC and, to the extent not included in such definition, shall include, without limitation, (a) any and all proceeds of any insurance, indemnity, warranty, guaranty or letter of credit payable to Grantor, from time to time with respect to any of the Collateral, (b) all payments (in any form whatsoever) paid or payable to Grantor from time to time in connection with any taking of all or any part of the Collateral by any governmental authority or any Person acting under color of

governmental authority), (c) all judgments in favor of Grantor in respect of the Collateral and (d) all other amounts from time to time paid or payable or received or receivable under or in connection with any of the Collateral.

“Security Agreement” means this Intellectual Property Security Agreement, as amended, supplemented or otherwise modified from time to time.

“Trade Secret” means any scientific or technical information, design, process, pattern, procedure, formula or improvement which is secret and of value including, without limitation, any such information referred to in Schedule B hereto.

“Trademarks” means (a) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other sources of business identifiers used in any country in the world, whether registered or unregistered, and the goodwill associated therewith, now existing and material to the businesses of Grantor or hereafter acquired, and (b) all registrations, recordings and renewals thereof, and all applications in connection therewith, issued by or filed in a national, state or local governmental authority of any country, including, without limitation, all such rights referred to in Schedule A hereto.

“Trademark License” means any agreement, material to the businesses of Grantor, written or oral, providing for the grant by or to Grantor of any right to use any Trademark, including, without limitation, any thereof referred to in Schedule A hereto.

“UCC” means the Uniform Commercial Code as from time to time in effect in the State of Texas.

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 Indebtedness and any and all other covenants and obligations of the Grantor under the Security Instruments, Grantor hereby assigns and grants to Secured Party a security interest in all of Grantor’s right, title and interest in and to the Intellectual Property now owned or at any time hereafter acquired by Grantor or in which Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the “Collateral”), that are material to the business of Grantor, including all Proceeds and products of any and all of the Intellectual Property, whether or not included in Schedule A or Schedule B.

3. **Representations and Warranties Concerning the Intellectual Property.**
Grantor represents and warrants that:

(a) Schedule A and Schedule B hereto include all Intellectual Property and Other Proprietary Property owned by Grantor in its own name or as to which Grantor has any colorable claim of ownership that are material to the business of Grantor as of the date hereof.

(b) Grantor is the sole legal and beneficial owner of the entire right, title and interest in and to the Intellectual Property and the Other Proprietary Property, and/or has the unrestricted right to use all such Intellectual Property and Other Proprietary Property pursuant to a valid license or other agreement.

(c) Grantor's rights in and to the Intellectual Property are valid, subsisting, unexpired, enforceable and have not been abandoned.

(d) All licenses, franchise agreements and other agreements conveying rights in and to the Intellectual Property and Other Proprietary Property are identified on Schedule A and Schedule B hereto and are in full force and effect. To the best knowledge of Grantor, Grantor is not in default under any such agreement, and no event has occurred which might constitute a default by Grantor under any such agreement.

(e) Except as set forth in Schedule A, all of the Intellectual Property is free and clear of any and all liens, security interests, options, licenses, pledges, assignments, encumbrances and/or agreements of any kind other than Excepted Liens, and Grantor has not granted any release, covenant not to sue, or non-assertion assurance to any third party with respect to any of the Intellectual Property.

(f) All prior transfers and assignments of the interests of any and all predecessors in the Intellectual Property of Grantor were duly and validly authorized, executed, delivered, recorded and filed as required to vest Grantor with complete, unrestricted ownership rights therein.

(g) Grantor has not, within the three (3) months prior to the date of execution of this Security Agreement, executed and/or delivered any assignment, transfer or conveyance of any of the Intellectual Property, recorded or unrecorded.

(h) No proceedings have been instituted or are pending or, to Grantor's knowledge, threatened that challenge Grantor's rights to use the Intellectual Property or Other Proprietary Property, or to register or maintain the registration of the Intellectual Property. No holding, decision or judgment has been rendered by any governmental authority which would limit, cancel or question the validity of any of the Intellectual Property. No action or proceeding is pending (i) seeking to limit, cancel or question the validity of any of the Intellectual Property or Grantor's ownership thereof or (ii) which, if adversely determined, would reasonably be likely to have a material adverse effect on the value of any of the Intellectual Property.

(i) To the best of Grantor's knowledge, the current conduct of Grantor's business and Grantor's rights in and to all of the Intellectual Property and Other Proprietary Property do not conflict with or infringe any proprietary right of any third party in any way which adversely affects the business, financial condition or business prospects of Grantor. Further, except as set forth in Schedule A and Schedule B, Grantor is not aware of any claim by any third party that such conduct or such rights conflict with or infringe any valid proprietary right of any third party in any way which affects the business, financial condition or business prospects of Grantor. Grantor is not making and has not made use of any confidential information of any third party except pursuant to express agreement of such third party.

(j) Grantor is unaware of any infringement by any other party upon its Intellectual Property rights. Grantor has heretofore exerted, continues and affirmatively covenants that it will hereafter continue to exert commercially reasonable efforts to prevent any

infringement by third parties of Grantor's Intellectual Property rights or any theft of Grantor's Other Proprietary Property at Grantor's sole cost.

(k) All past and present employees of Grantor and/or parties with whom Grantor (including any predecessor-in-interest of Grantor) had any contractual relationship, whose employment (or contractual) functions included or affected research and development or other material aspects of Intellectual Property have executed agreements requiring them to disclose to Grantor any and all inventions created or developed during and within the scope of their employment by or contractual relationship with Grantor and obligating them to assign all of their respective right, title and interest in and to all such inventions to Grantor.

4. **Covenants.** Grantor covenants and agrees with Secured Party that, from and after the date of this Security Agreement until the Indebtedness is paid in full:

(a) From time to time, upon the written request of Secured Party, and at the sole expense of Grantor, Grantor will promptly and duly execute and deliver such further instruments and documents and take such further action as Secured Party 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 UCC in effect in any jurisdiction with respect to the liens created hereby. Grantor also hereby authorizes Secured Party to file any such financing or continuation statement without the signature of 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.

(b) Grantor will not create, incur or permit to exist, will take all commercially reasonable actions to defend the Collateral against, and will take such other commercially reasonable action as is necessary to remove, any lien or claim on or to the Collateral, other than the Excepted Liens and the liens created hereby, and other than as permitted pursuant to the Loan Agreement, and will take all commercially reasonable actions to defend the right, title and interest of Secured Party in and to any of the Collateral against the claims and demands of all persons whomsoever.

(c) Grantor will not sell, transfer, license or sub-license or otherwise dispose of any of the Collateral, or attempt, offer or contract to so do.

(d) Grantor will advise Secured Party promptly, in reasonable detail, at its address set forth in the Loan Agreement, (i) of any lien (other than liens created hereby or permitted under the Loan Agreement) on, or claim asserted against, 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.

(e)

(i) Grantor (either itself or through licensees) will, except with respect to any Trademark that Grantor shall reasonably determine is of immaterial economic value to it or otherwise reasonably determines not to so do, (A) 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, (B) maintain as in the past the quality of products and services offered under such Trademark, (C) use reasonable efforts to employ such Trademark with the appropriate notice of registration, (D) not adopt or use any mark which is confusingly similar or a colorable imitation of such Trademark unless within thirty (30) days after such use or adoption Secured Party shall obtain a perfected security interest in such mark pursuant to this Security Agreement, and (E) 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) Grantor will not, except with respect to any Patent that Grantor shall reasonably determine is of immaterial economic value to it or otherwise reasonably determine so to do, do any act, or omit to do any act, whereby any Patent may become abandoned or dedicated. Without the prior written consent of Secured Party, Grantor shall not abandon any right to file a patent application, or abandon any pending patent application or patent if such abandonment would have a material adverse effect on the business of Grantor.

(iii) Grantor will promptly notify Secured Party if it knows, or has reason to know, that any application relating to any Patent, Trademark or Copyright may become abandoned or dedicated, or of any adverse determination or material development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark office or any court or tribunal in any country) regarding Grantor's ownership of any Patent, Trademark or Copyright, or its right to register the same or to keep and maintain the same.

(iv) Whenever Grantor, either by itself or through any agent, employee, licensee or designee, shall file an application for any Patent or for the registration of any Trademark or Copyright with the United States Patent and Trademark Office, the United States Copyright Office, or any similar office or agency in any other country or any political subdivision thereof, Grantor shall report such filing to Secured Party within five (5) business days after the last day of the fiscal quarter in which such filing occurs. Upon request of Secured Party, Grantor shall execute and deliver any and all reasonably necessary agreements, instruments, documents, and papers as Secured Party may request to evidence Secured Party's security interest in any newly filed Patent, Copyright or Trademark and the goodwill and general intangibles of Grantor relating thereto or represented thereby, and Grantor hereby constitutes Secured Party 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 Indebtedness is paid in full.

(v) Grantor, except with respect to any Patent, Trademark or Copyright Grantor shall reasonably determine is of immaterial economic value to it or it otherwise reasonably determines not to so do, will take all reasonable and necessary

steps, including, without limitation, in any proceedings before any tribunal, office or agency in any other country or any political subdivision thereof, to maintain and pursue each application (and to obtain the relevant registration or Patent) and to maintain each Patent and each registration of Trademarks and Copyrights, including, without limitation, filing of applications, applications for reissue, renewal or extensions, the payment of maintenance fees, participation in reexamination, opposition and infringement proceedings, and the filing of renewal applications, affidavits of use and affidavits of incontestability, when appropriate. Any expenses incurred in connection with such activities shall be paid by Grantor.

(vi) In the event Grantor knows or **has reason to know** that any Patent, Trademark or Copyright included in the Collateral is **infringed, misappropriated** or diluted by a third party, Grantor shall promptly notify Secured Party after it learns thereof and shall, unless Grantor shall reasonably determine that such Patent, Trademark or Copyright is of immaterial economic value to Grantor which determination Grantor shall promptly report to Secured Party, promptly sue for infringement, misappropriation or dilution, or take such other actions as Grantor shall reasonably deem appropriate under the circumstances to protect such Patent, Trademark or Copyright.

(vii) If requested by Secured Party, Grantor will furnish to Secured Party each year, on the anniversary date of the execution of this Security Agreement, statements, schedules and an inventory identifying and describing the Collateral, including without limitation, all Intellectual Property acquired subsequent to the date of this agreement and not identified on Schedule A and Schedule B, all transfers, assignments, licenses or sub-licenses of the Collateral by Grantor, and such other information in connection with the Collateral as Secured Party may reasonably request, all in reasonable detail. Any such Intellectual Property shall automatically become part of the Collateral.

5. Secured Party's Appointment as Attorney-in-Fact.

(a) Grantor hereby irrevocably constitutes and appoints Secured Party 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 Grantor and in the name of Grantor or in its own name, from time to time after the occurrence, and during the continuation of, an Event of Default in Secured Party'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, Grantor hereby grants Secured Party the power and right, on behalf of Grantor without notice to or assent by Grantor, to do the following:

(i) at any time when any Event of Default shall have occurred and is continuing in the name of 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, or with respect to, any 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 Secured Party for the purpose of collecting any and all such moneys due with respect to such 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 part of the premiums therefor and the costs thereof; and

(iii) at any time when any Event of Default shall have occurred and is continuing (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 Secured Party or as Secured Party 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 portion thereof and to enforce any other right in respect of any Collateral, (E) to defend any suit, action or proceeding brought against Grantor with respect to any Collateral, (F) to settle, compromise or adjust any suit, action or proceeding described in the preceding clause and, in connection therewith, to give such discharges or releases as Secured Party may deem appropriate, (G) to assign any Trademark or Copyright (along with goodwill of the business to which such Trademark or Copyright pertains), throughout the world for such term or terms, on such conditions, and in such manner, as Secured Party 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 Secured Party were the absolute owner thereof for all purposes, and to do, at Secured Party's option and Grantor's expense, at any time, or from time to time, all acts and things which Secured Party deems necessary to protect, preserve or realize upon the Collateral and the liens of Secured Party thereon and to effect the intent of this Security Agreement, all as fully and effectively as Grantor might do. 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 shall be irrevocable.

(b) Grantor also authorizes Secured Party, at any time and from time to time, to execute, in connection with the sale provided for in Section 8 hereof, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

(c) The powers conferred on Secured Party hereunder are solely to protect the interests of Secured Party in the Collateral and shall not impose any duty upon Secured Party to exercise any such powers. Secured Party shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its partners, 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 or failure to comply with mandatory provisions of applicable law.

6. **Performance by Secured Party of Grantor's Indebtedness.** If the Grantor fails to perform or comply with any of its agreements contained herein and Secured Party, as provided for by the terms of this Security Agreement, shall itself perform or comply, or otherwise cause performance or compliance, with such agreement, then the expenses of Secured Party incurred in connection with such performance or compliance, together with interest thereon at the highest default rate provided in the Loan Agreement, shall be payable by Grantor to Secured Party on demand and shall constitute Indebtedness secured hereby.

7. **Proceeds.** It is agreed that if an Event of Default shall occur and be continuing, then (a) all Proceeds received by the Grantor consisting of cash, checks and other cash equivalents shall be held by the Grantor in trust for Secured Party, segregated from other funds of the Grantor, and shall, forthwith upon receipt by the Grantor, be turned over to Secured Party in the exact form received by the Grantor (duly endorsed by the Grantor to Secured Party, if required), and (b) any and all such Proceeds received by Secured Party (whether from a Grantor or otherwise) shall promptly be applied by Secured Party against, the Indebtedness (whether matured or unmatured), such application to be in such order as set forth in the Loan Agreement.

8. **Remedies Upon Default.** Upon an Event of Default under and as defined in the Loan Agreement, Secured Party may pursue any or all of the following remedies, without any notice to the Grantor except as required below:

(a) Secured Party may give written notice of default to the Grantor, following which the Grantor shall not dispose of, conceal, transfer, sell or encumber any of the Collateral (including, but not limited to, cash proceeds) without Secured Party's prior written consent, even if such disposition is otherwise permitted hereunder in the ordinary course of business. Any such disposition, concealment, transfer or sale after the giving of such notice shall constitute a wrongful conversion of the Collateral. Secured Party may obtain a temporary restraining order or other equitable relief to enforce the Grantor's obligation to refrain from so impairing Secured Party's Collateral.

(b) Secured Party may take possession of any or all of the Collateral. Grantor hereby consents to Secured Party's entry into any of Grantor's premises to repossess Collateral, and specifically consents to Secured Party's forcible entry thereto as long as Secured Party causes no significant damage to the premises in the process of entry (drilling of locks, cutting of chains and the like do not in themselves cause "significant" damage for the purposes hereof) and provided that Secured Party accomplishes such entry without a breach of the peace.

(c) Secured Party may dispose of the Collateral at private or public sale. Any required notice of sale shall be deemed commercially reasonable if given at least five (5) days prior to sale. Secured Party may adjourn any public or private sale to a different time or place without notice or publication of such adjournment, and may adjourn any sale either before or after offers are received. The Collateral may be sold in such lots as Secured Party may elect, in its sole discretion. Secured Party may take such action as it may deem necessary to repair, protect, or maintain the Collateral pending its disposition.

(d) Secured Party may exercise its lien upon and right of setoff against any monies, items, credits, deposits or instruments that Secured Party may have in its possession and that belong to Grantor or to any other person or entity liable for the payment of any or all of the Indebtedness.

(e) Secured Party may exercise any right that it may have under any other document evidencing or securing the Indebtedness or otherwise available to Secured Party at law or equity.

(f) In any public or private sale, if Secured Party is prohibited from including in the amount of its bid an amount to be applied as a credit against the Indebtedness; instead, Secured Party must bid in cash only; provided that this provision is for the sole benefit of Secured Party and shall not inure to the benefit of Debtor. However, in any such public or private sale, Secured Party may (but shall not be obligated to) submit a bid in the form of a credit against the Indebtedness.

9. Limitation on Duties Regarding Preservation of Collateral. Secured Party's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the UCC or otherwise, shall be to deal with it in the same manner as Secured Party would deal with similar property for its own account. Neither Secured Party nor any of its partners, 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 otherwise.

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

11. 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.

12. Section Headings. The section 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.

13. No Waiver: Cumulative Remedies. Secured Party shall not by any act (except by a written instrument pursuant to Section 14 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 Secured Party, 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 Secured Party of any right or remedy hereunder on any occasion shall not be construed as a bar to any right or remedy which Secured Party 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.

14. Waivers and Amendments; Successors and Assigns; Interpretation. 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 Grantor and Secured Party, provided that any provision of this Security Agreement may be waived by Secured Party in a written letter or agreement executed by Secured Party or by facsimile transmission from Secured Party. This Security Agreement shall be binding upon the successors and assigns of the Grantor and shall inure to the benefit of Secured Party and its successors and assigns. When used herein, the singular shall include the plural, and vice versa, and the use of any gender shall include all other genders, as appropriate.

15. Notices. Any and all notices, elections or demands permitted or required to be made under this Security Agreement shall be in writing, signed by the party giving such notice, election or demand and shall be delivered personally, telecopied, or sent by certified mail or overnight via nationally recognized courier service (such as Federal Express), to the other party at the address set forth below, or at such other address as may be supplied in writing and of which receipt has been acknowledged in writing. The date of personal delivery or telecopy or two (2) business days after the date of mailing (or the next business day after delivery to such courier service), as the case may be, shall be the date of such notice, election or demand. For notices under this Security Agreement, the parties hereto shall use the addresses and information set forth in the Loan Agreement.

16. Governing Law. This Security Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of Texas applicable to contracts to be wholly performed in such State, or to the extent required, by federal law.

17. Counterparts. This Security Agreement may be executed in any number of counterparts and by different parties to this Security Agreement in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same Security Agreement.

18. Consent to Jurisdiction; Exclusive Venue. Grantor hereby irrevocably consents to the jurisdiction of the United States District Court for the Southern District of Texas and of all Texas state courts sitting in Harris County, Texas, for the purpose of any litigation to which Secured Party may be a party and which concerns this Security Agreement or the Indebtedness. It is further agreed that venue for any such action shall lie exclusively with courts sitting in Harris County, Texas, unless Secured Party agrees to the contrary in writing.

19. Waiver of Trial by Jury. Secured Party and Grantor hereby knowingly and voluntarily with the benefit of counsel waive trial by jury in any actions, proceedings, claims or counter-claims, whether in contract or tort or otherwise, at law or in equity, arising out of or in any way relating to this Security Agreement or the Security Instruments.

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

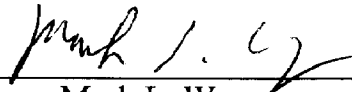
GRANTOR:

KULKONI, INC.,
a Texas corporation

By: 
Glenn Cole
Chairman of the Board

SECURED PARTY:

BANK ONE, NA

By: 

Mark L. Wayne
Vice President

SCHEDULE A

Unregistered Tradenames and trademarks:

Kulkoni Houston

The Kulkoni Group

Registered Trademarks:

- (a) Reg. No. 2,011,393 Yellow Shackle Pin
- (b) Reg. No. 1,552,475 Blue/Yellow Strands Wire Rope
- (c) Reg. No. 2,362,309 Kulkoni Crown
- (d) Reg. No. 2,362,310 Word Mark "Kulkoni, Inc."

Trademark Registration Applications:

- (a) Serial No. 75/538,722 filed August 14, 1998 Red/Yellow Strand Wire Rope
- (b) Serial No. 76/113,487 filed August 22, 2000 Word Mark "American Wire Rope"

SCHEDULE B

[NONE]