

08-16-2000



101434076
RECORDATION FORM COVER SHEET
TRADEMARKS ONLY

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

Submission Type

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

Conveyance Type

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

Conveying Party

Mark if additional names of conveying parties attached

Name

Execution Date
Month Day Year

Formerly

- Individual General Partnership Limited Partnership Corporation Association
- Other
- Citizenship/State of Incorporation/Organization

Receiving Party

Mark if additional names of receiving parties attached

Name

DBA/AKA/TA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)

- Individual General Partnership Limited Partnership Corporation Association
 - Other
 - Citizenship/State of Incorporation/Organization
- If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached. (Designation must be a separate document from Assignment.)

08/15/2000 MTHA11 00000214 1836234
40.00 OP
700.00 OP

FOR OFFICE USE ONLY

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

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

RECORDATION FORM COVER SHEET
CONTINUATION
TRADEMARKS ONLY

Conveying Party

Enter Additional Conveying Party

Mark if additional names of conveying parties attached

Execution Date
Month Day Year

Name

Formerly

Individual General Partnership Limited Partnership Corporation Association

Other

Citizenship State of Incorporation/Organization

Receiving Party

Enter Additional Receiving Party

Mark if additional names of receiving parties attached

Name

DBA/AKA/TA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)
City State/Country Zip Code

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

Corporation Association

Other

Citizenship/State of Incorporation/Organization

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

Mark if additional numbers attached

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

Trademark Application Number(s)

Registration Number(s)

<input type="text"/>	<input type="text"/>	<input type="text"/>
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<input type="text"/>	<input type="text"/>	<input type="text"/>

<input type="text" value="1,856,234"/>	<input type="text" value="234,783(MX)"/>	<input type="text" value="510501(MX)"/>
<input type="text" value="1,865,714"/>	<input type="text" value="1,107,162"/>	<input type="text" value="314858(MX)"/>
<input type="text" value="689,498"/>	<input type="text" value="2,131,571"/>	<input type="text"/>
<input type="text" value="1,337,755"/>	<input type="text" value="1,276,002"/>	<input type="text"/>
<input type="text" value="1,275,015"/>	<input type="text" value="374391(MX)"/>	<input type="text"/>
<input type="text" value="1,906,367"/>	<input type="text" value="332670(MX)"/>	<input type="text"/>
<input type="text" value="1,275,014"/>	<input type="text" value="384263(MX)"/>	<input type="text"/>

Domestic Representative Name and Address

Enter for the first Receiving Party only.

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Correspondent Name and Address

Area Code and Telephone Number

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Pages

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

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

Mark if additional numbers attached

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

Trademark Application Number(s)

Registration Number(s)

Number of Properties

Enter the total number of properties involved. #

Fee Amount

Fee Amount for Properties Listed (37 CFR 3.41): \$

Method of Payment: Enclosed Deposit Account

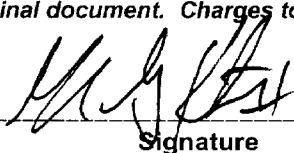
Deposit Account
(Enter for payment by deposit account or if additional fees can be charged to the account.)
Deposit Account Number: #

Authorization to charge additional fees: Yes No

Statement and Signature

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document. Charges to deposit account are authorized, as indicated herein.

Gordon G. Kirsten II
Name of Person Signing



Signature

7-14-00
Date Signed

SECURITY AGREEMENT - INTELLECTUAL PROPERTY

THIS SECURITY AGREEMENT - INTELLECTUAL PROPERTY (the "Agreement"), dated as of the 3rd day of May, 2000, among CHURCHILL CAPITAL PARTNERS III, L.P., a Delaware limited partnership (the "Secured Party"), ADOBEAIR, INC., a Delaware corporation, and H&C PURCHASE CORPORATION, a Delaware corporation (each a "Debtor", and collectively, the "Debtors").

WHEREAS, pursuant to that certain Note Purchase Agreement among the Secured Party and the Debtors of even date herewith (the "Note Purchase Agreement"), the Secured Party has agreed to purchase Notes issued by the Debtors in the aggregate principal amount of Ten Million Dollars (\$10,000,000) (the "Subordinated Debt");

WHEREAS, each Debtor has agreed to enter into this Security Agreement-Intellectual Property in order to induce the Secured Party, inter alia, to enter into the Note Purchase Agreement and to purchase the Notes issued by the Debtors thereunder;

WHEREAS, pursuant to a Loan and Security Agreement, dated as of October 27, 1999 (the "Loan Agreement"), by and among Fleet Capital Corporation, as agent (the "Agent") and a lender, and certain other financial institutions from time to time party thereto (collectively, the "Lenders"), the Lenders have agreed to provide the Debtors with a credit facility of up to \$77,500,000 (the "Senior Debt") and the Debtors granted the Lenders a first priority security interest in the Collateral (as defined herein); and

WHEREAS, the Secured Party and the Agent have entered into a Senior Subordination and Intercreditor Agreement dated as of the date hereof (the "Intercreditor Agreement") with respect to such Collateral.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

Section 1. Definitions. Except as to those terms otherwise defined in this Agreement, all capitalized terms used in this Agreement shall have the respective meanings ascribed to them in the Note Purchase Agreement.

Section 2. The Security Interests.

a. In order to secure the due and punctual payment of the Notes, and the performance of all other Obligations of each Debtor owing to the Secured Party from time to time (including, without limitation, Obligations pursuant to the Note Purchase Agreement and this Agreement), each Debtor hereby grants to the Secured Party a continuing security interest in and to any and all of such Debtor's:

i. Patents. Patents, whether now owned or hereafter acquired, or in which the Debtor now has or hereafter acquires any rights (the term "Patent" means and includes (i) all letters patent of the United States or any other country or any political subdivision thereof, now

existing or hereafter acquired, all registrations and recordings thereof, and all applications for letters patent of the United States or any other country or any political subdivision thereof, now existing or hereafter acquired, including without limitation registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof and (ii) all reissues, continuations, continuations-in-part or extensions thereof), including without limitation each Patent listed on Schedule A hereto, and all of the inventions now or hereafter described and claimed in the Debtor's Patents;

ii. Patent Licenses. Patent Licenses, whether now owned or hereafter acquired, or in which the Debtor now has or hereafter acquires any rights (the term "Patent Licenses" means and includes any written agreement granting to any person any right to exploit, use or practice any invention on which a Patent is owned by another person), including without limitation each Patent License listed on Schedule A hereto, and all royalties and other sums due or to become due under or in respect of the Debtor's Patent Licenses, together with the right to sue for and collect all such royalties and other sums;

iii. Trademarks. Trademarks and Trademark registrations, whether now owned or hereafter acquired, or in which the Debtor now has or hereafter acquires any rights (the term "Trademarks" means and includes (i) all trademarks, trade names, trade styles, service marks and logos, all prints and labels on which said trademarks, trade names, trade styles, service marks and logos have appeared or appear and all designs and general intangibles of like nature, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, including without limitation registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state thereof or any other country or any political subdivision thereof and (ii) all reissues, extensions or renewals thereof), including without limitation each Trademark registration listed on Schedule A hereto, and all of the goodwill of the business connected with the use of, and symbolized by, each Trademark and Trademark registration and all customer lists and other records of the Debtor relating to the distribution of products bearing a Trademark;

iv. Trademark Licenses. Trademark Licenses, whether now owned or hereafter acquired, or in which the Debtor now has or hereafter acquires any rights (the term "Trademark Licenses" means and includes any written agreement granting to any person any right to use or exploit any Trademark or Trademark registration of another person), including without limitation the agreements described in Schedule A hereto, and all of the goodwill of the business connected with the use of, and symbolized by, each Trademark licensed and all royalties and other sums due or to become due under or in respect of the Debtor's Trademark Licenses, together with the right to sue for and collect all such royalties and other sums;

v. Copyrights. Copyrights and Copyright registrations, whether now owned or hereafter acquired, or in which the Debtor now has or hereafter acquires any rights (the term "Copyrights" means and includes (i) all copyrights, whether or not published or registered, and all works of authorship and other intellectual property and the rights therein, including without limitation copyrights for computer programs and data bases, and all copyrightable materials, and

all tangible property embodying such copyrights or copyrightable materials, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, including without limitation registrations, recordings and applications in the United States Copyright Office or in any similar office or agency of the United States, any state thereof any other country or any political subdivision thereof, and (ii) all renewals, derivative works, enhancements, modifications, new releases and other revisions thereof, and (iii) all accounts receivable, income, royalties, damages and payments now or hereafter due and/or payable with respect thereto, including without limitation payments under all licenses entered into in connection therewith, and (iv) all rights corresponding thereto throughout the world), including without limitation each Copyright registration listed on Schedule A hereto;

vi. Copyright Licenses. Copyright Licenses, whether now owned or hereafter acquired, or in which the Debtor now has or hereafter acquires any rights (the term "Copyright Licenses" means and includes any written agreement granting to any person the right to use or exploit any Copyright or Copyright registration of another person, including without limitation the right to use the foregoing to prepare for sale or distribution and sell or distribute any and all inventory now or hereafter owned by the Debtor and now or hereafter covered by such licenses), including without limitation the license and subscription agreements listed on Schedule A hereto, and all royalties and other sums due or to become due under or in respect of the Debtor's Copyright Licenses, together with the right to sue for and collect all such royalties and other sums;

vii. Know-How and Trade Secret Collateral. All know-how, inventions, processes, methods, information, data, plans, blueprints, specifications, designs, drawings, engineering reports, test reports, material standards, processing standards and performance standards, to the extent that the foregoing pertain to manufacturing, production or processing operations of the Debtor and constitute trade secrets of the Debtor, and all licenses or other similar agreements granted to or by the Debtor with respect to any of the foregoing;

viii. General Intangibles and Records Relating Thereto. General intangibles relating to any of the above-described property and supporting evidence and documents relating to any of the above-described property, including without limitation written applications, correspondence, delivery receipts and notes, together with all books of account, ledgers and cabinets in which the same are reflected or maintained, all whether now existing or hereafter arising;

ix. Accessions and Additions. All accessions and additions to and substitutions and replacements of any and all of the foregoing, whether now existing or hereafter arising;

x. Proceeds and Products. All proceeds and products of the foregoing and all insurance of the foregoing and proceeds thereof, whether now existing or hereafter arising, including without limitation (i) any claim of the Debtor against third parties for damages by reason of past, present or future infringement of any (a) Patent or any Patent licensed under any Patent License, (b) Trademark or Trademark registration or of any Trademark licensed under any

Trademark License, or for injury to the goodwill of the business connected with the use of, or symbolized by, any Trademark or Trademark registration or of any Trademark licensed under any Trademark License, or (c) Copyright or Copyright registration or of any Copyright licensed under any Copyright License, and (ii) any claim by the Debtor against third parties for damages by reason of past, present or future misappropriation or wrongful use or disclosure of any trade secret or other property or right described above or of any such trade secret or other property or right licensed under any license or agreement described above, and together with the right to sue for and collect the damages described in the immediately preceding clauses (i) and (ii); all of the foregoing being herein sometimes referred to as the "Collateral"; and

xi. Notwithstanding the foregoing provisions of Sections 2(ii), (iv) and (vi), the Patent Licenses, Trademark Licenses and Copyright Licenses shall not include any licenses with respect to telephone, computer, computer software, HVAC, cleaning, security, maintenance, laundry or substantially similar systems entered into by Debtors in the ordinary course of business, nor any license agreement under which Borrower is a licensee and which by its terms prohibits or otherwise restricts the grant of the security interest contemplated by this Agreement.

b. The security interests granted pursuant to this Section 2 (the "Security Interests") are granted as security only, and shall not subject the Secured Party to, or transfer or in any way affect or modify, any obligation or liability of the Debtors with respect to any of the Collateral or any transaction which gave rise thereto.

Section 3. Use of Collateral. Notwithstanding anything to the contrary contained herein, unless an Event of Default has occurred and is continuing, the Debtors may continue to exploit, license, use, enjoy and protect the Collateral throughout the world and the Secured Party shall from time to time execute and deliver, upon written request of the Debtors, any and all instruments, certificates or other documents, in the form so requested, necessary in the reasonable judgment of the Debtors to enable the Debtors to continue to exploit, license, use, enjoy and protect the Collateral throughout the world.

Section 4. Filing of Financing Statements and Other Instruments. Each Debtor: (i) will, at its expense, execute, deliver, file and record (in such manner and form as the Secured Party shall require), or permit the Secured Party to file and record, such financing statements, assignments, continuation statements and other instruments and documents (including without limitation this Agreement) in such offices (including without limitation the United States Patent and Trademark Office and the United States Copyright Office) as the Secured Party may reasonably deem necessary or appropriate in order to perfect and preserve the rights and interests granted to the Secured Party hereunder; (ii) hereby authorizes the Secured Party to file and record such instruments and documents and any other instruments or documents related thereto without the signature of the Debtor where permitted by law; and (iii) agrees to do such further acts and things, and to execute and deliver to the Secured Party such additional instruments and documents, as the Secured Party may reasonably require to carry into effect the purposes of this Agreement or to better assure and confirm unto the Secured Party its respective rights, powers and remedies hereunder; provided, however, that the Secured Party shall give the Debtor notice of any action taken or to be taken by the Secured Party pursuant to this Section 4. All of the

foregoing are to be at the sole cost of the Debtor. Any costs of the foregoing incurred by the Secured Party shall be payable by such Debtor within five (5) days of demand by the Secured Party, together with interest thereon from the date of incurrence at the Default Interest Rate (as defined in the Note Purchase Agreement) until so paid, and shall constitute so much additional Obligations. Each Debtor hereby appoints the Secured Party as the Debtor's attorney-in-fact to execute and file, in the name and on behalf of the Debtor, any additional Financing Statements as the Secured Party may reasonably request.

Section 5. Representations and Warranties of Debtor. Each Debtor hereby represents and warrants that:

a. The Debtor is, and, as to the Collateral acquired by it from time to time after the date hereof, the Debtor will be, the owner or, as applicable, licensee of all the Collateral attributed to it pursuant to the Schedule A hereto. The Debtor's rights in such Collateral are and shall remain free and clear of any lien, pledge, security interest, encumbrance, license, assignment, collateral assignment or charge of any kind, including without limitation any filing of or agreement to file a financing statement as debtor under the Uniform Commercial Code or any similar statute, except for the lien and security interest created by this Agreement and except for Permitted Liens or as otherwise permitted and disclosed in the Note Purchase Agreement or the schedules thereto. Other than as disclosed in the Note Purchase Agreement or the schedules thereto, the Debtor has not made a previous assignment, conveyance, transfer or agreement in conflict herewith. The Debtor further represents and warrants to the Secured Party that Schedule A hereto is a true and correct list of all Patents, Patent Licenses, Trademarks, Trademark Licenses, Copyrights and Copyright Licenses owned or used by the Debtor as of the date hereof which are material to the Debtor's business and that Schedule A is a true and correct with respect to the matters set forth therein as of the date hereof.

b. The Debtor has full corporate power to pledge and grant a security interest in all the Collateral pursuant to this Agreement.

c. No authorization, consent, approval, license, qualification or exemption from, nor any filing, declaration or registration with, any court, governmental agency or regulatory authority, or with any securities exchange or any other party, is required in connection with (i) the Debtor's execution, delivery or performance of this Agreement, (ii) the security interest (including the priority thereof when the appropriate filings have been made and accepted) in the Collateral in the manner and for the purpose contemplated by this Agreement or (iii) the rights of the Secured Party created hereby, except those that have already been obtained or made and those referred to in paragraph (f) of this Section 5.

d. The Debtor has made all necessary filings and recordations deemed necessary to protect its interest in the Collateral (other than immaterial Collateral) to the extent that filing or recordation may be effected.

e. To the best of Borrower's knowledge, the use of the Collateral by the Debtor does not infringe on the rights of any party in any material respect, nor has any claim of such infringement been made.

f. Upon filings and the acceptance thereof in the appropriate offices under the Uniform Commercial Code and in the United States Patent and Trademark Office and the United States Copyright Office, this Agreement will create a valid and duly perfected lien and security interest in the Collateral located in the United States subject only to the lien and security interest created by this Agreement and the Permitted Liens.

Section 6. Covenants of the Debtor. Each Debtor hereby covenants and agrees that:

a. Except for Permitted Liens, the Debtor will defend the Collateral and the Security Interests against all claims and demands of all Persons at any time claiming any adverse interest with respect thereto.

b. The Debtor will give written notice thereof to the Secured Party at least thirty (30) days prior to any change in the principal executive office of the Debtor or the office where the Debtor maintains its books and records.

c. The Debtor will promptly pay any and all taxes, assessments and governmental charges upon the Collateral prior to the date that penalties are attached thereto or the same become a lien on any of the Collateral, except to the extent that such taxes, assessments and charges shall be contested by the Debtor in good faith and through appropriate proceedings.

d. The Debtor will promptly notify the Secured Party of any event causing a loss or diminution in the value of all or any material part of the Collateral, and the amount (or the Debtor's best estimate of the amount) of such loss or diminution.

e. The Debtor (i) will not enter into any agreement that would impair or conflict with such Debtor's obligations hereunder, (ii) will, promptly following its becoming aware thereof, notify the Secured Party of (A) any final adverse determination in any proceeding in the United States Patent and Trademark Office or United States Copyright Office with respect to any of the Collateral or (B) the institution of any proceeding or any adverse determination in any federal, state, local or foreign court or administrative bodies regarding the Debtor's claim of ownership in or right to use any of the Collateral, its right to register any such Collateral or its right to keep and maintain such registration.

f. The Debtor will not sell or offer to sell or otherwise assign, transfer or dispose of, or grant any option with respect to any material portion of the Collateral or any interest therein without the prior written consent of the Secured Party.

g. Except for Permitted Liens, the Debtor will keep all of the Collateral (except for immaterial Collateral) free from any and all adverse liens, security interests or encumbrances.

h. The Debtor will not use any of the Collateral in material violation of any applicable law.

i. The Debtor authorizes the Secured Party to modify this Agreement by amending Schedule A hereto to include any future Collateral.

Section 7. Records Relating to Collateral. Each Debtor will keep and maintain complete and accurate records concerning the Collateral at its principal executive office, or at such other place(s) of business as the Secured Party may approve in writing. Each Debtor will (a) faithfully hold and preserve such records, (b) permit representatives of the Secured Party, at any time during normal business hours, upon reasonable notice, to examine and inspect the Collateral and to make copies and abstracts of such records, and (c) furnish to the Secured Party such information and reports regarding the Collateral as the Secured Party may from time to time reasonably request.

Section 8. Grant of License to Patents, Trademarks, Copyrights, Etc. Upon the occurrence and during the continuation of an Event of Default, without in any way limiting the scope of the lien and security interest created hereby, each Debtor hereby grants to the Secured Party an irrevocable, nonexclusive license and right to use all of the Debtor's Patents, Patent applications, Patent Licenses, Trademarks, Trademark registration, Trademark Licenses, trade names, trade styles, Copyrights, Copyright registrations, Copyright Licenses and similar intangibles in the processing, production, marketing, distribution or sale by the Secured Party of all or any part of its collateral for the Obligations in connection with any foreclosure or other realization on such collateral. The license and rights granted the Secured Party hereby shall be exercisable without the payment of any royalty, fee, charge or any other compensation to the Debtor or any other party. Such license and rights shall include reasonable access to all records in which any of the licensed items may be recorded or stored. Such license and rights shall be absolute and unconditional to the extent used for the purpose stated above.

Section 9. General Authority.

a. In the event that any Debtor shall fail to satisfy its obligations under Section 6(c) hereof, then the Secured Party shall have the right, but shall not be obligated, to take such steps and make such payments as may be required in order to effect compliance, and the Secured Party shall have the right either to demand and receive immediate reimbursement from such Debtor for all costs and expenses incurred by the Secured Party in connection therewith, and/or to add such costs and expenses to the Obligations.

b. Each Debtor hereby irrevocably appoints the Secured Party the true and lawful attorney for such Debtor, with full power of substitution, in the name of such Debtor, the Secured Party or otherwise, for the purposes of carrying out the terms of this Agreement, but at such Debtor's expense, to the extent permitted by law to exercise, at any time and from time to time after any Event of Default has occurred and is continuing or upon acceleration, any or all of the following powers with respect to any or all of the Collateral (which powers shall be in addition and supplemental to any powers, rights and remedies of the Secured Party described herein):

i. to demand, sue for and collect any and all moneys due or to become due upon or by virtue thereof; and

ii. to receive, take, endorse, assign and deliver any and all checks, notes, drafts, documents and other negotiable and non-negotiable instruments and chattel paper taken or received by the Secured Party in connection therewith; and

iii. to settle, compromise, discharge, extend, compound, prosecute or defend any action or proceeding with respect thereto; and

iv. to sell, transfer, assign or otherwise deal in or with same, or the proceeds thereof, as fully and effectually as if the Secured Party were the absolute owner thereof; and

v. to extend the time of payment of any or all thereof and to make any allowance and other adjustments with reference thereto; and

vi. to discharge any taxes, liens, security interests or other encumbrances at any time placed thereon; provided, that the Secured Party shall give the Debtor not less than thirty (30) days' prior written notice of the time and place of any sale or other intended disposition of any of the Collateral. The Secured Party and the Debtor hereby agree that such notice constitutes "reasonable notification" within the meaning of Section 9-504(3) of the Uniform Commercial Code, as adopted in the State of Minnesota (the "Code").

Section 10. Remedies Upon Event of Default. If any Event of Default shall have occurred and be continuing, the Secured Party may exercise all of the rights and remedies of a secured party under the Code (whether or not the Code is in effect in the jurisdiction where such rights and remedies are exercised) and, in addition, the Secured Party may, without being required to give any notice, except as herein provided or as may be required by mandatory provisions of law, (a) apply the cash, if any, then held by it as Collateral in the manner specified in Section 11 hereof, and (b) if there shall be no such cash or if such cash shall be insufficient to pay all of the Obligations in full, sell the Collateral, or any part thereof, at public or private sale, for cash, upon credit or for future delivery, and at such price or prices as the Secured Party may deem satisfactory. The Secured Party may require the Debtor to assemble all or any part of the Collateral (or tangible documents, plans, etc., representing any Collateral which is intangible) and make it available to the Secured Party at a place to be designated by the Secured Party which is reasonably convenient to the Debtor and the Secured Party. Any holder of a Note may be the purchaser of any or all of the Collateral so sold at any public sale (or, if the Collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations, at any private sale) and thereafter hold same, absolutely free from any right or claim of whatsoever kind. Upon any such sale, the Secured Party shall have the right to deliver, assign and transfer to the purchaser thereof the Collateral so sold. Each purchaser at any such sale shall hold the Collateral so sold absolutely free from any claim or right of whatsoever kind, including any equity or right of redemption of the Debtor. To the extent permitted by law, the Debtor hereby specifically waives all rights of redemption, stay or appraisal which it has or may have under any rule of law or statute now existing or hereafter adopted. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Secured Party may fix in the notice of such sale, which such notice shall indicate the time and place of such sale, and shall be given at least ten (10) days in advance of such sale. At any such sale, the Collateral may be sold in one lot as an entirety or in separate parcels, as the Secured Party may determine. The Secured Party shall not be obligated to make such sale pursuant to any such notice. The Secured Party may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at

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

Section 11. Application of Collateral and Proceeds. The proceeds of any sale of, or other realization upon, all or any part of the Collateral shall be applied in the following order of priorities:

- a. first, to pay the expenses of such sale or other realization, and all expenses, liabilities and advances incurred or made by the Secured Party in connection therewith, and any other unreimbursed expenses for which the Secured Party is to be reimbursed pursuant to Section 12 hereof;
- b. second, to the payment of the Obligations in such order or manner as the Secured Party, in its sole discretion, shall determine; and
- c. finally, to pay to the Debtor, or its successors or assigns, or as a court of competent jurisdiction may direct, any surplus then remaining from such proceeds.

Section 12. Expenses. Each Debtor shall within five (5) days of demand pay to the Secured Party:

- a. the amount of any taxes or other charges which the Secured Party may have been required to pay by reason of the Security Interests (including any applicable transfer taxes) or to free any of the Collateral from any lien thereon; and
- b. the amount of any and all reasonable out-of-pocket expenses, including the reasonable fees and disbursements of its legal counsel and the allocated cost of in-house legal services, which the Secured Party may incur in connection with (i) the collection, sale or other disposition of any of the Collateral, (ii) the exercise by the Secured Party of any of the powers conferred upon it hereunder, and/or (iii) any default on the Debtor's part hereunder.

Section 13. Termination of Security Interests; Release of Collateral; Revival of Obligations. Upon the repayment and performance in full of all of the Obligations, the Security Interests shall terminate and all rights in the Collateral shall revert to the Debtors. Upon any such termination of the Security Interests or release of Collateral, the Secured Party will, at the Debtors' expense, to the extent permitted by law, execute and deliver to the Debtors such documents as the Debtors shall reasonably request to evidence the termination of the Security Interests or the release of such Collateral, as the case may be. Said execution and delivery shall include an instrument in form recordable in the United States Patent and Trademark Office or the

United States Copyright Office, as the case may be, by which the Secured Party shall terminate, release and without representation, recourse or warranty, reassign to the Debtors all rights in each Patent, Patent License, Trademark, Trademark License, Copyright and Copyright License including each registration thereof and application therefor, conveyed and transferred to the Secured Party pursuant to this Agreement. If any payment applied by the Secured Party to Obligations is thereafter set aside, recovered, rescinded or required to be returned for any reason (including, without limitation, the bankruptcy, insolvency or reorganization of Debtor or any other obligor), the Obligations to which such payment was applied shall for the purposes of this Agreement be deemed to have continued in existence, notwithstanding such application, and this Agreement shall be enforceable as to such Obligations as fully as if such application had never been made, notwithstanding the surrender of any Note, termination of any financing statement, or cancellation of any instrument or document.

Section 14. Right of Set-Off. In furtherance and not in limitation of any provisions herein contained, each Debtor hereby agrees that any and all deposits or other sums at any time claimed by or due from the Secured Party to the Debtor shall at all times constitute security for the Obligations, and the Secured Party may exercise any right of set-off against such deposits or other sums as may accrue or exist hereunder and/or under applicable law.

Section 15. Intercreditor Agreement. Notwithstanding anything contained in this Agreement, the Secured Party hereby acknowledges and agrees that the liens and security interests in the Collateral granted to the Agent shall be and remain superior and prior in right of payment and enforcement to the liens and security interests in such Collateral granted to the Note Purchaser regardless of the order or time as of which any such liens attach to any of the Collateral. The foregoing priority shall remain in effect until such time as (i) the Senior Debt is paid in full in cash, and (ii) the Agent and Lenders do not have any outstanding commitment to lend to the Debtors. Unless and until the Intercreditor Agreement is amended in accordance with its terms, the priorities provided in this section hereof shall not be altered or otherwise affected by any amendment, modification, supplement, extension, renewal, restatement or refinancing of any Senior Debt or the Subordinated Debt, nor by any action or inaction which Senior Creditor may take or fail to take in respect of the Collateral.

Section 16. Miscellaneous.

a. Changes in Writing. Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated orally but only by a statement in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought.

b. Waivers; Non-Exclusive Remedies. No failure on the part of the Secured Party to exercise, and no delay in exercising, and no course of dealing with respect to, any right, power or remedy under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise by the Secured Party of any right, power or remedy under this Agreement operate as a waiver thereof; nor shall any single or partial exercise by the Secured Party of any right, power or remedy under this Agreement preclude any exercise of any other right, power or remedy. The

remedies in this Agreement are cumulative and are not exclusive of any other remedies provided by law, in equity or otherwise.

c. Assignment. This Agreement may not be assigned by any Debtor without the Secured Party's prior written consent, but shall otherwise be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

d. Notices. Section 10.04 of the Note Purchase Agreement, as amended from time to time, is incorporated herein by reference and shall apply to all notices required hereunder as if fully set forth herein.

e. Severability. If any provision hereof is held invalid or unenforceable in any jurisdiction, such provision shall (for purposes of enforcement in such jurisdiction only) be reduced in scope and effect to the extent necessary to render same enforceable, and the other provisions hereof shall remain in full force and effect.

f. Governing Law; Consent to Jurisdiction and Venue; Service of Process; Waiver of Jury Trial. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Minnesota without giving effect to conflict of laws principles thereof, except if and to the extent that the validity or perfection of any security interest created hereby, or remedies hereunder in respect of any particular Collateral are required to be governed by the laws of a jurisdiction other than the State of Minnesota. Regardless of any present or future domicile of any Debtor, each Debtor hereby submits to the jurisdiction and venue of the United States District Court for the District of Minnesota, and the Hennepin County District Court, State of Minnesota, for the purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. Each Debtor hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in any such court and irrevocably waives any objection it may now or hereafter have as to the jurisdiction or venue of any such suit, action or proceeding brought in such a court or that such court is an inconvenient forum. Nothing herein shall limit the right of the Secured Party to bring proceedings against any Debtor in any other court of competent jurisdiction. Any legal proceeding by any Debtor against Secured Party involving, directly or indirectly, any matter in any way arising out of, related to, or connected with this Agreement or any document executed and delivered in connection herewith shall be brought only in the United States District Court for the District of Minnesota, or the Hennepin County District Court, State of Minnesota. In the event any Debtor commences any action in another jurisdiction or venue arising directly or indirectly from the relationship created by this Agreement, the Secured Party shall be entitled to have the case transferred to the jurisdiction and venue above-described, or if such transfer cannot be accomplished under applicable law, to have such case dismissed. Each Debtor hereby consents to service of process by registered mail delivered in accordance with the provisions of Section 10.04 of the Note Purchase Agreement or service of process in any other legal manner at the option of the Secured Party.

EACH DEBTOR HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL

PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

g. Section Headings. The headings in this Agreement are for convenience of reference only, and shall not limit or otherwise affect the meaning or interpretation of any provision hereof.

h. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement-
Intellectual Property to be executed as of the day and year first above written.

CHURCHILL CAPITAL PARTNERS III, L.P.,
a Delaware limited partnership

H & C PURCHASE CORPORATION

By Churchill Capital L.L.C.,
its General Partner

By Churchill Capital, Inc.
as Managing Agent

By Jeffrey A. Nudge, Principal

By B. M. Rain
Its President

ADOBEAIR, INC.

By B. M. Rain
Its President

SCHEDULE A
TO SECURITY AGREEMENT
RE: INTELLECTUAL PROPERTY

1. Nonexclusive Patent License Agreement, dated November 5, 1991, between AdobeAir, Inc., as licensor, and Lakewood Engineering & Manufacturing Co.
2. License Agreement, dated January 19, 1995 between Black & Decker Inc. and AdobeAir, Inc., as licensee, relating to use of patents and tools and amendment thereto, dated November 1996.
3. Settlement Agreement effective 8/3/98 between AdobeAir, Inc., as licensee, and Phoenix Manufacturing, Inc. for the Non-exclusive right to use any and all rights under Patent #5,527,157 through the term of the patent. Notwithstanding Section 2(A) of the Settlement Agreement, and despite the date of execution indicated, the Settlement Agreement was actually executed, and the first payment thereunder made on September 2, 1998.
4. Master License Agreement for MITROL Core System and MITROL Application Products, dated July 21, 1992 and as supplemented August 26, 1994, between Teamco Systems Innovation, Inc. and AdobeAir, Inc., as licensee (software).
5. Technical Information and Assistance Agreement, dated January 20, 1997, between AdobeAir, Inc., as licensor, and National Factory for Air Conditioners Co. WLL.
6. Agreement, dated January 1, 1996, between AdobeAir, Inc. and TKL International, Inc. re: technology development (cross-license agreement).
7. Agreement for computer related service, dated June 8, 1994, between AdobeAir, Inc. and Software Maintenance Inc. (dba Software Maintenance Specialists), and addendum thereto, dated January 4, 1999.
8. Trademark "A" (Stylized). Trademark number 1,292,117 issued on August 28, 1984.
9. Trademark application filed by AdobeAir on March 8, 2000 for "MASTERCOOL PLUS" and design. Application serial number 75/938,810

10. Patent number 419,230 issued to AdobeAir on January 18, 2000 for a "Portable Evaporative Cooler".
11. See attached charts for additional patents, copyrights, trademarks and license agreements.

Schedule of Copyright Registrations

Name	Reg. No.	Date of Reg.	Status
Heater/fan	VA750600	8/21/95	Registered
Alert instant heater 3000	VA750599	8/21/95	Registered
Heater/fan	VA750598	8/21/95	Registered
Heater/fan	VA750597	8/21/95	Registered
Instant heater 1500	VA750596	8/21/95	Registered
Heat Stream dual power settings instant baseboard heater 2000: model no. 49H20	VA723954	8/21/95	Registered
Heat Stream instant heater 500: model no. 16H25	VA723953	8/21/95	Registered
Heat Stream tilt base heater/fan: model 29H40	VA723952	8/21/95	Registered
Heat Stream compact heater/fan powerful heating in a compact design: model no. MC20	VA723958	8/21/95	Registered
Heat Stream multi-purpose heater/fan floor, tabletop and wall use: model no. 29H70	VA723957	8/21/95	Registered
Heat Stream dual power settings instant heater 2000 provides for optional heating: model no. 20H21	VA723956	8/21/95	Registered
Heat Stream thermostat controlled instant heater 10000 maintains desired room temperature: model no. 30H25	VA723955	8/21/95	Registered

COUNTRY	REFERENCE#	FILED	APPL#	REGDT	REG#	STATUS	CLASSES
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ADOBEAIR

UNITED STATES	17275	10/20/92	74/802,342	7/11/95	1,904,953	REGISTERED	11
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ALERT

UNITED STATES	17216	1/20/95	74/623,737	1/2/96	1,945,646	REGISTERED	11
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ALL SEASONS

UNITED STATES	17028	10/8/93	74/445,244			ABANDONED	
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ALPINE

MEXICO	16689			4/30/78	236,654	REGISTERED	11
UNITED STATES	20067	2/19/97	75/243,989	3/10/98	2,142,519	REGISTERED	11

ALPINE AIR COOLERS and Design



UNITED STATES	16689	8/9/55	692,717	12/25/58	639,028	ABANDONED	11
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ARCTIC CIRCLE

MEXICO	16690			8/6/79	237,304	REGISTERED	11
UNITED STATES	16673	9/6/60	72/103,944	10/2/62	738,648	REGISTERED	11
UNITED STATES	16674	5/3/63	72/168,092	2/11/64	764,885	REGISTERED	11

ARCTIC CIRCLE and Design



UNITED STATES	16670	8/9/55	71/692,716	5/21/57	645,742	ABANDONED	11
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COUNTRY	REFERENCE#	FILED	APPL#	REGDT	REG#	STATUS	CLASSES
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CLEAN PLUS

UNITED STATES	17547	3/1/96	75/066,127			ABANDONED	
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CLEANMACHINE

UNITED STATES	17191	11/4/94	74/638,092	11/19/96	2,018,314	REGISTERED	11
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COOLSTREAM

UNITED STATES	20155	6/11/97	75/306,865			ABANDONED	
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HEAT STREAM

UNITED STATES	16861	10/20/92	74/324,102	9/27/94	1,856,234	REGISTERED	11
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HEAT STREAM SELECT

UNITED STATES	17477	9/20/95	74/731,566			ABANDONED	
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HEAT SWEEP

UNITED STATES	16974	7/27/93	74/418,455	12/6/94	1,865,714	REGISTERED	11
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IMPERIAL

UNITED STATES	16672	2/9/59	72/067,359	12/8/59	689,498	REGISTERED	11
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MASTERBUILT

UNITED STATES	17543	2/21/96	75/060,540			ABANDONED	
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MASTERCool 2-STAGE and Design

UNITED STATES	16682	5/10/84	73/479,762	5/28/85	1,337,755	REGISTERED	11
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COUNTRY	REFERENCE#	FILED	APPL#	REGDT	REG#	STATUS	CLASSES
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MASTERCool and Design



UNITED STATES	16678	9/13/82	73/385,034	4/24/84	1,275,015	REGISTERED	11
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MASTERSTAT

UNITED STATES	16975	7/27/93	74/418,260	7/18/95	1,806,367	REGISTERED	09
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SAFE SENSE

UNITED STATES	20246	11/17/97	75/390,837			ALLOWED	11
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SAFETY SURROUND SYSTEM

UNITED STATES	17478	9/20/95	74/731,607			ABANDONED	
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SHOPCOOL

UNITED STATES	20247	11/17/97	75/390,828			ALLOWED	11
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THE CONTRACTOR'S CHOICE

UNITED STATES	16678	9/13/82	73/385,031	4/24/84	1,275,014	REGISTERED	11
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TRAVELAIRE

MEXICO	16688			8/6/79	234,763	REGISTERED	
UNITED STATES	16671	4/4/55	684,833	6/11/57	646,822	ABANDONED	

TRIMCOOL

UNITED STATES	16676	4/17/78	73/166,750	11/28/78	1,107,162	REGISTERED	11
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WALL HUGGER

UNITED STATES	17215	1/20/95	74/623,518	1/27/98	2,131,571	REGISTERED	11
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COUNTRY	REFERENCE#	FILED	APPL#	REGDT	REG#	STATUS	CLASSES
WISPER COOL							
UNITED STATES	20668	4/26/99	75/690,915			PENDING	11
WISPER COOL and Design							
UNITED STATES	16675	6/11/75	54,764	9/19/78	1,102,609	ABANDONED	
WRIGHT							
UNITED STATES	16680	9/13/82	73/385,033	5/1/84	1,276,002	REGISTERED	11
END OF REPORT						TOTAL ITEMS SELECTED =	33

TRADEMARKS

<u>TRADEMARK</u>	<u>REGISTERED</u>	<u>CLASS</u>	<u>NEXT RENEWAL DATE</u>
MASTER COOL	374391	34	22 / November / 2004
TOMPSON	332670	23	25 / June / 2001
WISPER COOL (diseño)	384263	11	17 / May / 2005
INTERNATIONAL	510501	11	18 / July / 2000
APOLO	314858	34	01 / July / 2005
TRAVELAIRE	234783	21	06 / August / 2004
ALPINE	236654	21	30 / April / 2004
ARCTIC CIRCLE	237304	21	06 / August / 2004

COUNTRY	REFERENCES	TYPE	FILED	SERIAL#	ISSUED	PATENT#	STATUS
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Capillary Fin Media

UNITED STATES	16695	NEW	03/28/1983	479,127	01/28/1988	4,586,290	ISSUED
UNITED STATES	20033	CON	04/15/1983	485,200	07/24/1984	4,461,733	ISSUED

Combination Direct and Indirect Evaporative Media

UNITED STATES	16694	NEW	07/19/1984	632,246	10/01/1985	4,544,513	ISSUED
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Electronically-Controlled Heater

UNITED STATES	17533	NEW	01/18/1998	09/585,098	09/08/1998	5,805,767	ISSUED
UNITED STATES	20511	CIP	05/05/1998	09/073,486			PENDING

Heater with Alert Indicator

CANADA	16703	CEQ	11/16/1987	851,903	05/12/1992	1300731	ISSUED
UNITED STATES	16743	NEW	01/05/1987	000,311	07/05/1988	4,755,653	ISSUED

Wall Mounted Heater With Plug Mount and Support

UNITED STATES	16592	NEW	05/05/1988	190,497	10/10/1989	4,873,422	ISSUED
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Cordless Bathroom Heater

UNITED STATES	16704	NEW	08/05/1988	190,512	12/04/1990	D 312,683	ISSUED
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Two-Stage Evaporative Cooler (Design)

UNITED STATES	16705	NEW	09/06/1983	529,529	07/01/1986	D 284,505	ISSUED
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Cordless Heater

UNITED STATES	17657	NEW	05/05/1988	07/190,512	12/04/1990	D312,683	ISSUED
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COUNTRY	REFERENCE#	TYPE	FILED	SERIAL#	ISSUED	PATENT#	STATUS
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Two-Stage Evaporative Cooler

UNITED STATES 176488 NEW 08/05/1963 06/529,529 07/01/1988 D264,505 ISSUED

Heater With Alert Indicator

UNITED STATES 18688 NEW 04/03/1990 504,043 03/26/1991 5,003,162 ISSUED

Wall Mounted Heater

CANADA 20095 NEW 02/27/1989 592,908 04/07/1992 1298601 ISSUED

Portable Evaporative Cooler (Without Legs)

UNITED STATES 20541 NEW 08/13/1998 29/092,190 PENDING

Portable Evaporative Cooler (With Legs)

UNITED STATES 20542 NEW 08/13/1998 29/092,168 PENDING

Portable Space Heater

UNITED STATES 20547 NEW 08/14/1998 29/092,285 PENDING

END OF REPORT

TOTAL ITEMS SELECTED = 18

SCHEDULE B
TO SECURITY AGREEMENT
RE: INTELLECTUAL PROPERTY

EXCEPTIONS
TO
REPRESENTATIONS AND WARRANTIES
AND TO COVENANTS

None.