

03-13-2002

Form PTO-1594
(Rev. 03/01)
OMB No. 0651-0027 (exp. 5/31/2002)
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U.S. DEPARTMENT OF COMMERCE
U.S. Patent and Trademark Office

102013826 ▼ ▼ ▼

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

<p>1. Name of conveying party(ies): GSE Lining Technology, Inc. <i>A 27.02</i></p> <p><input type="checkbox"/> Individual(s) <input type="checkbox"/> Association <input type="checkbox"/> General Partnership <input type="checkbox"/> Limited Partnership <input checked="" type="checkbox"/> Corporation-State Delaware <input type="checkbox"/> Other _____</p> <p>Additional name(s) of conveying party(ies) attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	<p>2. Name and address of receiving party(ies) Name: Bank of America, N.A. Internal Address: Suite 900 Street Address: 55 S. Lake Avenue City: Pasadena State: CA Zip: 91101</p> <p><input type="checkbox"/> Individual(s) citizenship _____ <input type="checkbox"/> Association _____ <input type="checkbox"/> General Partnership _____ <input type="checkbox"/> Limited Partnership _____ <input type="checkbox"/> Corporation-State _____ <input checked="" type="checkbox"/> Other National Banking Association</p> <p>If assignee is not domiciled in the United States, a domestic representative designation is attached: <input type="checkbox"/> Yes <input type="checkbox"/> No (Designations must be a separate document from assignment) Additional name(s) & address(es) attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>3. Nature of conveyance: <input type="checkbox"/> Assignment <input type="checkbox"/> Merger <input checked="" type="checkbox"/> Security Agreement <input type="checkbox"/> Change of Name <input type="checkbox"/> Other _____</p> <p>Execution Date: February 4, 2002</p>	

<p>4. Application number(s) or registration number(s): A. Trademark Application No.(s) 74/661,469 PROFLEX</p>	<p>B. Trademark Registration No.(s) 2,284,022 GSE WHITE: BEST LINER UNDER THE SUN</p> <p>Additional number(s) attached <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
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<p>5. Name and address of party to whom correspondence concerning document should be mailed: Name: Brian J. Hubbard Internal Address: Haynes and Boone, LLP Street Address: 901 Main Street, Suite 3100 City: Dallas State: TX Zip: 75202</p>	<p>6. Total number of applications and registrations involved: 35</p> <p>7. Total fee (37 CFR 3.41).....\$ 890.00 <input checked="" type="checkbox"/> Enclosed <input checked="" type="checkbox"/> Authorized to be charged to deposit account</p> <p>8. Deposit account number: 08-1394 (Attach duplicate copy of this page if paying by deposit account)</p>
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DO NOT USE THIS SPACE

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

Brian J. Hubbard *Brian J. Hubbard* Feb. 13, 2002
Name of Person Signing Signature Date

Total number of pages including cover sheet, attachments, and document: 35

03/12/2002 LWELLER 00000184 74661469

01 FC:481
02 FC:482

40.00 OP
850.00 OP

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

D912851.1

DOCKET NO.: 17797.480.3

TRADEMARK
REEL: 002459 FRAME: 0118

TRADEMARK RECORDATION FORM COVER SHEET (page 2 of 2)

4.A. (cont.)

Mark	App. Number
SENSOR	74/527,826
WE COVER THE EARTH ALL OVER THE WORLD	75/424,028

4.B. (cont.)

Mark	Reg. Number
GSE PROFLEX	2,203,766
WE SELL QUALITY AND SERVICE. IT JUST LOOKS LIKE BLACK SHEET	2,200,420
STUDLINER	2,175,804
GSE & Design	2,084,598
GSE	2,084,594
GUNDFLOW	1,977,340
SENSOR	1,952,351
FILTERNET	1,926,460
CURTAINWALL	1,864,753
GEOSYNTHETICS PLUS	1,844,477
HYPERNET	1,820,638
GUNDWALL	1,803,267
HYPERFLEX FR	1,785,558
BENTOLINER	1,782,121
SLT CURTAINWALL INTERLOCK	1,774,264
ULTRAFLEX	1,764,509
FOR ENVIRONMENTAL LINING SOLUTIONS ... THE WORLD COMES TO SLT	1,752,921
SLT & Design	1,737,148
FRICTIONFLEX	1,734,848
HYPERFLEX	1,734,847
SPECTRALINE	1,691,543
GUNDSEAL	1,665,849
FABRI-NET	1,631,615
GUNDLE	1,609,355
GUNDLE	1,592,027
HYPERLASTIC	1,570,957
GUNDLIN	1,569,744
GUNDNET	1,447,485
GUNDLIN	1,219,969
GUNDLE	1,219,968
GUNDLE	1,214,333

SECURITY AGREEMENT

This SECURITY AGREEMENT (this "*Security Agreement*"), is executed as of February 4, 2002, by the undersigned ("*Grantor*"), and BANK OF AMERICA, N.A., in its capacity as Agent (herein so called) for Lenders (defined below).

RECITALS:

A. Pursuant to that certain Credit Agreement dated as of the date hereof by and among Gundle/SLT Environmental, Inc., GSE Lining Technology, Inc., and Serrot International, Inc. (each, a "*Borrower*," and collectively, "*Borrowers*"), Agent, and certain lenders ("*Lenders*") (including all annexes, exhibits, and schedules thereto, as from time to time amended, restated, supplemented, or otherwise modified, the "*Credit Agreement*"), Lenders have agreed to make the Loans and issue Letters of Credit on behalf of Borrowers;

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

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

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

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

"*Accounts*" means all of Grantor's now owned or hereafter acquired or arising accounts, as defined in the UCC, including any rights to payment for the sale or lease of goods or rendition of services, whether or not they have been earned by performance.

"*Affiliate*" means, as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person or which owns, directly or indirectly, ten percent (10%) or more of the outstanding equity interest of such Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the other Person, whether through the ownership of voting securities, by contract, or otherwise.

"*Assigned Contracts*" means, collectively, all of Grantor's rights and remedies under, and all moneys and claims for money due or to become due to any Borrower under those contracts set forth on *Schedule 1.1* to the Credit Agreement, and any other material contracts, and any and all amendments, supplements, extensions, and renewals thereof including all rights and claims of Grantor now or hereafter existing: (i) under any insurance, indemnities, warranties, and guarantees provided for

or arising out of or in connection with any of the foregoing agreements; (ii) for any damages arising out of or for breach or default under or in connection with any of the foregoing agreements; (iii) to all other amounts from time to time paid or payable under or in connection with any of the foregoing agreements; or (iv) to exercise or enforce any and all covenants, remedies, powers, and privileges thereunder.

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

“**Copyrights**” means (i) all copyrights (whether statutory or common law, registered or unregistered), works protectable by copyright, copyright registrations, copyright licenses, and copyright applications of Grantor, including, without limitation, all of Grantor’s right, title, and interest in and to all copyrights registered in the United States Copyright Office or anywhere else in the world and also including, without limitation, the copyrights set forth on **Schedule III**; (ii) all renewals, extensions, and modifications thereof; (iii) all income, licenses, royalties, damages, profits, and payments relating to or payable under any of the foregoing; (iv) the right to sue for past, present, or future infringements of any of the foregoing; and (v) all other rights and benefits relating to any of the foregoing throughout the world, in each case, whether now owned or hereafter acquired by Grantor.

“**Deposit Accounts**” means all “*deposit accounts*” as such term is defined in the UCC, now or hereafter held in the name of Grantor.

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

“**General Intangibles**” means all of Grantor’s now owned or hereafter acquired general intangibles, choses in action and causes of action and all other intangible personal property of Grantor of every kind and nature (*other than* Accounts), including, without limitation, all contract rights, payment intangibles, Intellectual Property Collateral, corporate or other business records, inventions, designs, blueprints, plans, specifications, patents, patent applications, trademarks, service marks, trade names, trade secrets, goodwill, copyrights, computer software, customer lists, registrations, licenses, franchises, tax refund claims, any funds which may become due to Grantor in connection with the termination of any employee benefit plan or any rights thereto and any other amounts payable to Grantor from any employee benefit plan, rights and claims against carriers and shippers, rights to indemnification, business interruption insurance and proceeds thereof, property, casualty or any similar type of insurance and any proceeds thereof, proceeds of insurance covering the lives of key employees on which Grantor is beneficiary, rights to receive dividends, distributions, cash, Instruments, and other property in respect of or in exchange for pledged equity interests or Investment Property and any letter of credit, guarantee, claim, security interest, or other security held by or granted to Grantor.

“**Goods**” means all “*goods*” as defined in the UCC, now owned or hereafter acquired by Grantor, wherever located, including embedded software to the extent included in “*goods*” as defined in the UCC.

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

“**Intellectual Property Collateral**” means Patents, Trademarks, Copyrights, and Other Intellectual Property Collateral.

“Inventory” means all of Grantor’s now owned and hereafter acquired inventory, goods, and merchandise, wherever located, to be furnished under any contract of service or held for sale or lease, all returned goods, raw materials, work-in-process, finished goods (including embedded software), other materials and supplies of any kind, nature, or description which are used or consumed in Grantor’s business or used in connection with the packing, shipping, advertising, selling, or finishing of such goods, merchandise, and all documents of title or other Documents representing them.

“Investment Property” means all of Grantor’s right title and interest in and to any and all: (i) securities whether certificated or uncertificated; (ii) securities entitlements; (iii) securities accounts; (iv) commodity contracts; or (v) commodity accounts, including the Pledged Securities.

“Letter-of-Credit Rights” means “*letter-of-credit rights*” as such term is defined in the UCC, now owned or hereafter acquired by Grantor, including rights to payment or performance under a letter of credit, whether or not Grantor, as beneficiary, has demanded or is entitled to demand payment or performance.

“Other Intellectual Property Collateral” means all of Grantor’s rights, titles, and interests in other proprietary rights not included in the Copyrights, Patents, and Trademarks, whether now owned or hereafter acquired by Grantor, including without limitation: (i) 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, or otherwise affords Grantor a commercial advantage for the possession or knowledge thereof; (ii) 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 business and developed by Grantor, its employees, or agents, which could potentially be eligible for protection as Patent(s), but whether or not currently the subject of Patent(s); and (iii) all information or other items recognized as “*trade secrets*” under state or federal law and all comparable rights recognized in foreign jurisdictions or conventions or by treaty.

“Partnerships” means, collectively, all of the partnerships, joint ventures, or limited liability companies in which Grantor shall, at any time, become a limited or general partner, venturer, or member, and all partnerships, joint ventures, or limited liability companies formed as a result of the restructure, reorganization, or amendment of any of the Partnerships, and **“Partnership”** means any one of the Partnerships.

“Partnership Agreements” means, collectively, all of the partnership agreements, joint venture agreements, or organizational agreements for the Partnerships (*together with* any modifications, amendments, or restatements thereof), and **“Partnership Agreement”** means any one of the Partnership Agreements.

“Partnership Interests” shall mean all of Grantor’s right, title and interest now or hereafter accruing under the Partnership Agreements with respect to all distributions, allocations, proceeds, fees, preferences, payments, or other benefits, which Grantor now is or may hereafter become entitled to receive with respect to such interests in the Partnerships and with respect to the repayment of all loans now or hereafter made by Grantor to the Partnerships.

“Patents” means (i) all patents, patent applications, patent licenses, and patentable inventions of Grantor, including, without limitation, registrations, recordings, and applications thereof in the United States Patent and Trademark Office or in any similar office or agency of the United States or any other country or any political subdivision thereof, including, without limitation, those set forth on **Schedule III**, and all of the inventions and improvements described and claimed therein; (ii) all

continuations, divisions, renewals, extensions, modifications, substitutions, reexaminations, continuations-in-part, or reissues of any of the foregoing; (iii) all income, royalties, profits, damages, awards, and payments relating to or payable under any of the foregoing; (iv) the right to sue for past, present, and future infringements of any of the foregoing; and (v) all other rights and benefits relating to any of the foregoing throughout the world; in each case, whether now owned or hereafter acquired by Grantor.

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

“Pledged Securities” means all Investment Property consisting of capital stock or other equity securities.

“Software” means all *“software”* as such term is defined in the UCC, now owned or hereafter acquired by Grantor, *other than* software embedded in any category of Goods, including all computer programs and all supporting information provided in connection with a transaction related to any program.

“Supporting Obligations” means all *“supporting obligations”* as such term is defined in the UCC.

“Trademarks” means (i) all trademarks, trademark licenses, trade names, corporate names, company names, business names, fictitious business names, trade service marks, certification marks, collective marks, logos, other business identifiers, all registrations, recordings, and applications thereof, 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, including, without limitation, those set forth on **Schedule III**; (ii) all reissues, extensions, and renewals thereof; (iii) all income, royalties, damages, and payments now or hereafter relating to or payable under any of the foregoing, including, without limitation, damages or payments for past or future infringements of any of the foregoing; (iv) the right to sue for past, present, and future infringements of any of the foregoing; (v) all rights corresponding to any of the foregoing throughout the world; and (vi) all goodwill associated with and symbolized by any of the foregoing, in each case, whether now owned or hereafter acquired by Grantor.

“Transamerica Collateral” means the *“Collateral”* as defined in the Loan and Security Agreement dated as of the date hereof, between Transamerica Equipment Financial Services Corporation and Borrowers, as in effect on the date hereof and without giving effect to any amendment or modification thereto.

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

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

2. GRANT OF LIEN.

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

- (i) all Accounts;
- (ii) all Inventory;
- (iii) all contract rights, including Assigned Contracts;
- (iv) all Chattel Paper;
- (v) all Documents;
- (vi) all Instruments;
- (vii) all Supporting Obligations and Letter-of-Credit Rights;
- (viii) all General Intangibles (including payment intangibles and Software);
- (ix) all Goods;

(x) all Investment Property; *provided that* Pledged Securities issued by any Person that is not organized under the laws of a state of the United States shall be limited to 65% of the capital stock of such Person;

(xi) all Partnership Interests (*except* Partnership Interests in GSE Clay Lining Technology, Co., a South Dakota general partnership) and all rights of Grantor with respect thereto, including, without limitation, all of Grantor's distribution rights, income rights, liquidation interest, accounts, contract rights, general intangibles, notes, instruments, drafts, and documents relating to the Partnership Interests; *provided that* Partnership Interests issued by any Person that is not organized under the laws of a state of the United States shall be limited to 65% of the Partnership Interests issued by such Person;

(xii) all Intellectual Property Collateral;

(xiii) all money, cash, cash equivalents, securities, and other property of any kind of Grantor held directly or indirectly by Agent or any Lender;

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

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

(xvi) all accessions to, substitutions for and replacements, products, and proceeds of any of the foregoing, including, but not limited to, proceeds of any insurance policies, claims against third parties, and condemnation or requisition payments with respect to all or any of the foregoing.

All of the foregoing, *together with* all other property of Grantor in which Agent or any Lender may at any time be granted a Lien as collateral for the Obligations, is herein collectively referred to as the "**Collateral**." Notwithstanding the foregoing, as used in this Security Agreement, "**Collateral**" shall not include the Transamerica Collateral.

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

3. **PERFECTION AND PROTECTION OF SECURITY INTEREST.**

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

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

(c) Grantor shall, upon the request of Agent, obtain or use its best efforts to obtain waivers or subordinations of Liens from landlords and mortgagees, and Grantor shall in all instances obtain signed acknowledgements of Agent's Liens from bailees having possession of any Collateral that they hold for the benefit of Agent.

(d) Upon the request of Agent, Grantor shall obtain authenticated control agreements from each issuer of uncertificated securities, securities intermediary, or commodities intermediary issuing or holding any financial assets or commodities to or for Grantor.

(e) If Grantor is or becomes the beneficiary of a letter of credit, Grantor shall promptly notify Agent thereof and enter into a tri-party agreement with Agent and the issuer and/or confirmation bank with respect to Letter-of-Credit Rights assigning such Letter-of-Credit Rights to Agent and directing all payments thereunder to the Payment Account, all in form and substance reasonably satisfactory to Agent.

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

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

(h) Grantor shall promptly notify Agent of any commercial tort claim (as defined in the UCC) acquired by it, and, upon the request of Agent, Grantor shall enter into a supplement to this Security Agreement, granting to Agent a Lien in such commercial tort claim.

(i) From time to time, Grantor shall, upon Agent's request, execute and deliver confirmatory written instruments pledging to Agent, for the ratable benefit of Agent and Lenders, the Collateral, but Grantor's failure to do so shall not affect or limit any security interest or any other rights of Agent or any Lender in and to the Collateral with respect to Grantor. *So long as* the Credit Agreement is in effect and until all Obligations have been fully satisfied, Agent's Liens shall continue in full force and effect in all Collateral (whether or not deemed eligible for the purpose of calculating the Availability or as the basis for any advance, loan, extension of credit, or other financial accommodation).

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

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

(l) No Restriction on Payments to Agent. Grantor shall not enter into any contract that restricts or prohibits the grant of a security interest in Accounts, Chattel Paper, Instruments or payment intangibles or the proceeds of the foregoing to Agent.

4. CREDIT AGREEMENT. Grantor acknowledges to Agent and Lenders that certain representations and warranties in the Credit Agreement are applicable to it or its assets or operations, and each such representation and warranty is true and correct. From the date hereof, Grantor covenants and agrees with Agent and Lenders that it will comply with, perform, and be bound by all covenants and agreements in the Credit Agreement and other Loan Documents that are applicable to it, its assets, or its operations, each of which is hereby ratified and confirmed.

5. **LOCATION OF COLLATERAL.**(a) Grantor represents and warrants to Agent and Lenders that: (i) ***Schedule I*** is a correct and complete list of the location of Grantor's chief executive office, the location of its books and records, the locations of the Collateral, and the locations of all of its other places of business; and (ii) ***Schedule I*** correctly identifies any of such facilities and locations that are not owned by Grantor and sets forth the names of the owners and lessors or sublessors of such facilities and locations.

(b) Grantor covenants and agrees that it will not (i) maintain any Collateral at any location *other than* those locations listed for Grantor on ***Schedule I***, (ii) otherwise change or add to any of such locations, or (iii) change the location of its chief executive office from the location identified in ***Schedule I***, *unless* it gives Agent at least 30 days' prior written notice thereof and executes any and all documents or other instruments that Agent reasonably requests in connection therewith.

(c) Without limiting the foregoing, Grantor represents that, *except* as Grantor otherwise advises Agent and Agent otherwise agrees, all of its Inventory (*other than* Inventory in transit) is, and covenants that all of its Inventory will be, located either (i) on premises owned by Grantor, (ii) on premises leased by Grantor, *provided that* Agent has received an executed landlord waiver from the landlord of such premises in form and substance satisfactory to Agent, or (iii) in a warehouse or with a bailee, *provided that* Agent has received an executed bailee letter from the applicable Person in form and substance satisfactory to Agent.

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

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

8. **APPRAISALS.**At such times and upon such terms as are set forth in the Credit Agreement, Grantor shall, at its expense and upon Agent's request, provide Agent with appraisals or updates thereof of any or all of the Collateral from an appraiser, and prepared on a basis, satisfactory to Agent, such appraisals and updates to include, without limitation, information required by applicable law and regulation and by the internal policies of Lenders.

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

10. **COLLATERAL REPORTING.** Grantor shall provide Agent with the following documents at the following times in form satisfactory to Agent: (a) at the times specified in **Section 5.2(k)** of the Credit Agreement, a schedule of Grantor's Accounts created, credits given, cash collected, and other adjustments to Accounts since the last such schedule and a Borrowing Base Certificate; (b) at the times specified in **Section 5.2(k)** of the Credit Agreement, an aging of Grantor's Accounts, *together with* a reconciliation to the corresponding Borrowing Base and to Grantor's general ledger; (c) at the times specified in **Section 5.2(k)** of the Credit Agreement, an aging of Grantor's accounts payable; (d) on a monthly basis by the 15th day of the following month (or more frequently if requested by Agent), a detailed calculation of Eligible Accounts and Eligible Inventory; (e) on a monthly basis by the 15th day of the following month (or more frequently if requested by Agent), Inventory reports by category and location, *together with* a reconciliation to the corresponding Borrowing Base and to Grantor's general ledger; (f) upon request, copies of invoices in connection with Grantor's Accounts, customer statements, credit memos, remittance advices and reports, deposit slips, shipping, and delivery documents in connection with Grantor's Accounts and for Inventory and equipment acquired by Grantor; (g) upon Agent's request, a statement of the balance of each of the Accounts between Grantor and any of its Affiliates; (h) such other reports as to the Collateral of Grantor as Agent shall reasonably request from time to time; and (i) with the delivery of each of the foregoing, a certificate of Grantor executed by an officer thereof certifying as to the accuracy and completeness of the foregoing. If any of Grantor's records or reports of the Collateral are prepared by an accounting service or other agent, Grantor hereby authorizes such service or agent to deliver such records, reports, and related documents to Agent, for distribution to Lenders.

11. **ACCOUNTS.**

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

been delivered to the Account Debtor and all services of Grantor described in each invoice will have been performed.

(b) Grantor shall not re-date any invoice or sale or make sales on extended dating beyond that customary in Grantor's business or extend or modify any Account. If Grantor becomes aware of any matter adversely affecting the collectibility of any Account or the Account Debtor therefor involving an amount greater than \$500,000, including information regarding the Account Debtor's creditworthiness, Grantor will promptly so advise Agent and exclude such Account from Eligible Accounts.

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

(d) Grantor shall notify Agent promptly of all disputes and claims in excess of \$500,000 with any Account Debtor, and agrees to settle, contest, or adjust such dispute or claim at no expense to Agent or any Lender. No discount, credit, or allowance shall be granted to any such Account Debtor without Agent's prior written consent, *except* for discounts, credits, and allowances made or given in the ordinary course of Grantor's business when no Event of Default exists hereunder. Grantor shall send Agent a copy of each credit memorandum in excess of \$500,000 as soon as issued, and Grantor shall promptly report that credit on Borrowing Base Certificates submitted by it. Agent may at all times when an Event of Default exists hereunder, settle or adjust disputes and claims directly with Account Debtors for amounts and upon terms which Agent or Majority Lenders, as applicable, shall consider advisable and, in all cases, Agent will credit Grantor's Loan Account with the net amounts received by Agent in payment of any Accounts.

(e) If an Account Debtor returns any Inventory to Grantor when no Event of Default exists, then Grantor shall promptly determine the reason for such return and shall issue a credit memorandum to the Account Debtor in the appropriate amount. Grantor shall immediately report to Agent any return involving an amount in excess of \$500,000. Each such report shall indicate the reasons for the returns and the locations and condition of the returned Inventory. In the event any Account Debtor returns Inventory to Grantor when an Event of Default exists, Grantor, upon the request of Agent, shall: (i) hold the returned Inventory in trust for Agent; (ii) segregate all returned Inventory from all of its other property; (iii) dispose of the returned Inventory solely according to Agent's written instructions; and (iv) not issue any credits or allowances with respect thereto without Agent's prior written consent. All returned Inventory shall be subject to Agent's Liens thereon. Whenever any Inventory is returned, the related Account shall be deemed ineligible to the extent of the amount owing by the Account Debtor with respect to such returned Inventory and such returned Inventory shall not be Eligible Inventory.

12. COLLECTION OF ACCOUNTS; PAYMENTS.

(a) Until Agent notifies Grantor to the contrary, Grantor shall make collection of all Accounts and other Collateral for Agent, shall receive all payments as Agent's trustee, and shall immediately deliver all payments in their original form duly endorsed in blank into a Payment Account established for the account of Grantor at a Clearing Bank acceptable to Agent, subject to a Blocked Account Agreement, or shall otherwise immediately deliver such payments to Agent. On or prior to the

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

(b) If sales of Inventory are made or services are rendered for cash, Grantor shall immediately deliver to Agent or deposit into a Payment Account the cash which Grantor receives.

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

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

13. INVENTORY; PERPETUAL INVENTORY.

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

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

14. ASSIGNED CONTRACTS. Grantor shall fully perform all of its obligations under each of the Assigned Contracts, and shall enforce all of its rights and remedies thereunder, in each case, as it deems appropriate in its business judgment; *provided, however*, that Grantor shall not take any action or fail to take any action with respect to its Assigned Contracts which would cause the termination of a material Assigned Contract. Without limiting the generality of the foregoing, Grantor shall take all action necessary or appropriate to permit, and shall not take any action which would have any materially adverse effect upon, the full enforcement of all indemnification rights under its Assigned Contracts. Grantor shall notify Agent and Lenders in writing, promptly after Grantor becomes aware thereof, of any event or fact which could give rise to a material claim by it for indemnification under any of its Assigned Contracts, and shall diligently pursue such right and report to Agent on all further developments with respect thereto. If an Event of Default has occurred and is continuing, Grantor shall deposit into the Payment Account or remit directly to Agent for application to the Obligations in such order as Majority Lenders shall determine, all amounts received by Grantor as indemnification or otherwise pursuant to its Assigned Contracts. If Grantor shall fail after Agent's demand to pursue diligently any right under its Assigned Contracts, or if an Event of Default then exists, Agent may, and at the direction of Majority Lenders shall, directly enforce such right in its own or Grantor's name and may enter into such settlements or other agreements with respect thereto as Agent or Majority Lenders, as applicable, shall determine. In any suit, proceeding or action brought by Agent for the benefit of Lenders under any Assigned Contract for any sum owing thereunder or to enforce any provision thereof, Grantor shall indemnify and hold Agent and Lenders harmless from and against all expense, loss, or damage suffered by reason of any defense, setoff, counterclaims, recoupment, or reduction of liability whatsoever of the obligor thereunder arising out of a breach by Grantor of any obligation thereunder or arising out of any other agreement, indebtedness, or liability at any time owing from Grantor to or in favor of such obligor or its successors. All such obligations of Grantor shall be and remain enforceable only against Grantor and shall not be enforceable against Agent or Lenders. Notwithstanding any provision hereof to the contrary, Grantor shall at all times remain liable to observe and perform all of its duties and obligations under its Assigned Contracts, and Agent's or any Lender's exercise of any of their respective rights with respect to the Collateral shall not release Grantor from any of such duties and obligations. Neither Agent nor any Lender shall be obligated to perform or fulfill any of Grantor's duties or obligations under its Assigned Contracts or to make any payment thereunder, or to make any inquiry as to the nature or sufficiency of any payment or property received by it thereunder or the sufficiency of performance by any party thereunder, or to present or file any claim, or to take any action to collect or enforce any performance, any payment of any amounts, or any delivery of any property.

15. DOCUMENTS, INSTRUMENTS, AND CHATTEL PAPER. Grantor represents and warrants to Agent and Lenders that (a) all Documents, Instruments, and Chattel Paper describing, evidencing, or constituting Collateral, and all signatures and endorsements thereon, are and will be complete, valid, and genuine, and (b) all goods evidenced by such Documents, Instruments, Letter of Credit Rights, and Chattel Paper are and will be owned by Grantor, free and clear of all Liens *other than* Permitted Liens. If Grantor retains possession of any Chattel Paper or Instruments with Agent's consent, such Chattel Paper and Instruments shall be marked with the following legend: "*This writing and the obligations evidenced or served hereby are subject to the security interest of Bank of America, N.A., as Agent, for the benefit of Agent and certain Lenders.*"

16. INTELLECTUAL PROPERTY COLLATERAL.

(a) Grantor does not have any interest in, or title to, any Patent, Trademark, or Copyright *except* as set forth in *Schedule III*. This Security Agreement is effective to create a valid and continuing Lien on and, upon filing of this Security Agreement with the United States Copyright Office and with the United States Patent and Trademark Office, perfected Liens in favor of Agent on Grantor's Patents, Trademarks, and Copyrights and such perfected Liens are enforceable as such as against any and all creditors of and purchasers from Grantor. Upon filing of this Security Agreement with the United States Copyright Office and with the United States Patent and Trademark Office and the filing of appropriate financing statements, all action necessary or desirable to protect and perfect Agent's Lien on Grantor's Patents, Trademarks or Copyrights shall have been duly taken.

(b) Grantor shall notify Agent immediately if it knows or has reason to know that any application or registration relating to any Intellectual Property Collateral (now or hereafter existing) may become abandoned or dedicated, or of any adverse determination or development (including the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office or any court) regarding Grantor's ownership of any patent, trademark, or copyright, its right to register the same, or to keep and maintain the same.

(c) In no event shall Grantor, either directly or through any agent, employee, licensee, or designee, file an application for the registration of any Intellectual Property Collateral with the United States Patent and Trademark Office, the United States Copyright Office, or any similar office or agency without giving Agent prior written notice thereof, and, upon request of Agent, Grantor shall execute and deliver any and all patent security agreements, copyright security agreements, or trademark security agreements as Agent may request to evidence Agent's Lien on such Intellectual Property Collateral, and the General Intangibles of Grantor relating thereto or represented thereby.

(d) Grantor shall take all actions necessary or requested by Agent to maintain and pursue each application, to obtain the relevant registration, and to maintain the registration of each of the Intellectual Property Collateral (now or hereafter existing), including the filing of applications for renewal, affidavits of use, affidavits of noncontestability and opposition and interference and cancellation proceedings, *unless* Grantor shall determine that such Intellectual Property Collateral is not material to the conduct of its business.

(e) In the event that any of the Intellectual Property Collateral is infringed upon, or misappropriated, or diluted by a third party, Grantor shall notify Agent promptly after Grantor learns thereof. Grantor shall, *unless* it shall reasonably determine that such Intellectual Property Collateral is in no way material to the conduct of its business or operations taken as a whole, promptly sue for infringement, misappropriation, or dilution and to recover any and all damages for such infringement,

misappropriation, or dilution, and shall take such other actions as Agent shall deem appropriate under the circumstances to protect such Intellectual Property Collateral.

17. PLEGGED SECURITIES.

(a) All Collateral that is Pledged Securities is duly authorized, validly issued, fully paid, and non-assessable, and the transfer thereof is not subject to any restrictions, *other than* restrictions imposed by applicable securities and corporate laws. The Pledged Securities include 100% of the issued and outstanding capital stock or other equity interests of each issuer of the Pledged Securities (which is organized under the laws of a state of the United States) or 65% of the issued and outstanding capital stock or other equity interests of each issuer of the Pledged Securities (which is not organized under the laws of a state of the United States), in each case owned by Grantor. Grantor has good title to the Pledged Securities, free and clear of all liens and encumbrances thereon (*except* for Permitted Liens), and has delivered to Agent (i) all stock certificates, or other instruments or documents representing or evidencing the Pledged Securities, *together with* corresponding assignments or stock powers duly executed in blank by Grantor, and such powers have been duly and validly executed and are binding and enforceable against Grantor in accordance with their terms or (ii) to the extent such Pledged Securities are uncertificated, an executed control agreement with respect to such Pledged Securities. The pledge of the Pledged Securities in accordance with the terms hereof creates a valid and perfected first priority security interest in the Pledged Securities securing payment of the Obligations.

(b) Except as permitted by the Credit Agreement, Grantor shall (i) not sell, exchange, or otherwise dispose of, or grant any option, warrant, or other right with respect to, any of the Pledged Securities; (ii) to the extent any issuer of any Pledged Securities is controlled by Grantor and/or its Affiliates, not permit such issuer to issue any additional shares of stock or other securities in addition to or in substitution for the Pledged Securities, *except* issuances to Grantor on terms acceptable to Agent; (iii) pledge hereunder, immediately upon Grantor's acquisition (directly or indirectly) thereof, any and all additional shares of capital stock or other securities of each Subsidiary of Grantor (subject, however, to the proviso in **Section 2(a)(x)** hereof); and (iv) take any action necessary, required, or requested by Agent to allow Agent to fully enforce its security interest in the Pledged Securities, including, without limitation, the filing of any claims with any court, liquidator, trustee, custodian, receiver, or other like person or party.

18. PARTNERSHIPS AND PARTNERSHIP INTERESTS.

(a) Each Partnership issuing a Partnership Interest, is duly organized, validly existing, and, to the extent applicable, in good standing under all applicable laws; there have been no amendments, modifications, or supplements to any Partnership Agreement, of which Agent has not been advised in writing; no default or breach or potential default or breach has occurred and is continuing under any Partnership Agreement; and no approval or consent of the partners of any Partnership is required as a condition to the validity and enforceability of the security interest created hereby or the consummation of the transactions contemplated hereby which has not been duly obtained by Grantor. Grantor has good title to the Partnership Interests free and clear of all Liens and encumbrances (*except* for Permitted Liens). The Partnership Interests are validly issued and are not subject to statutory, contractual, or other restrictions governing their transfer, ownership, or control, *except* as set forth in the applicable Partnership Agreements or applicable securities laws. All capital contributions required to be made by Grantor as of the date of this Agreement by the terms of the Partnership Agreement for each Partnership have been made.

(b) Grantor shall (i) promptly perform, observe, and otherwise comply with each and every material covenant, agreement, requirement, and condition set forth in the Partnership Agreement of each Partnership; (ii) do or cause to be done all things necessary or appropriate to keep each Partnership Interest in full force and effect and the rights of Grantor and Agent thereunder unimpaired; (iii) *except* as expressly permitted by the Credit Agreement, not consent to any Partnership selling, leasing, or disposing of substantially all of its assets in a single transaction or a series of transactions; (iv) notify Agent of the occurrence of any default or breach or potential default or breach under the Partnership Agreement of any Partnership; (v) not consent to any amendment or modification of any Partnership Agreement that could reasonably be expected to have a Material Adverse Effect; (vi) *except* as expressly permitted by the Credit Agreement, not transfer, sell, or assign any of the Partnership Interests or any part thereof; (vii) to the extent any Partnership is controlled by Grantor and/or its Affiliates, cause such Partnership to refrain from granting any Partnership Interests in addition to or in substitution for the Partnership Interests granted by the Partnerships, *except* to Grantor; (viii) pledge hereunder, immediately upon Grantor's acquisition (directly or indirectly) thereof, any and all additional Partnership Interests of any Partnership granted to Grantor (subject to the proviso in **Section 2(a)(xi)** hereof); (ix) deliver to Agent a fully-executed acknowledgment of pledge acceptable to Agent for each Partnership Interest; and (x) take any action necessary, required, or requested by Agent to allow Agent to fully enforce its security interest in the Partnership Interests, including, without limitation, the filing of any claims with any court, liquidator, trustee, custodian, receiver, or other like Person or party.

19. RIGHT TO CURE. Agent may, in its discretion, and shall, at the direction of Majority Lenders, pay any amount or do any act required of Grantor hereunder or under any other Loan Document in order to preserve, protect, maintain, or enforce the Obligations, the Collateral, or Agent's Liens therein, and which Grantor fails to pay or do, including payment of any judgment against Grantor, any insurance premium, any warehouse charge, any finishing or processing charge, any landlord's or bailee's claim, and any other Lien upon or with respect to the Collateral. All payments that Agent makes under this **Section 19** and all out-of-pocket costs and expenses that Agent pays or incurs in connection with any action taken by it hereunder shall be charged to Grantor's Loan Account as a Revolving Loan. Any payment made or other action taken by Agent under this **Section 19** shall be without prejudice to any right to assert an Event of Default hereunder and to proceed thereafter as herein provided.

20. POWER OF ATTORNEY. Grantor hereby appoints Agent and Agent's designee as Grantor's attorney, with power: (a) to endorse Grantor's name on any checks, notes, acceptances, money orders, or other forms of payment or security that come into Agent's or any Lender's possession; (b) to sign Grantor's name on any invoice, bill of lading, warehouse receipt, or other negotiable or non-negotiable Document constituting Collateral, on drafts against customers, on assignments of Accounts, on notices of assignment, financing statements, and other public records, and to file any such financing statements by electronic means with or without a signature as authorized or required by applicable law or filing procedure; (c) *so long as* any Event of Default has occurred and is continuing, to notify the post office authorities to change the address for delivery of Grantor's mail to an address designated by Agent and to receive, open, and dispose of all mail addressed to Grantor; (d) to send requests for verification of Accounts to customers or Account Debtors; (e) to complete in Grantor's name or Agent's name, any order, sale, or transaction, obtain the necessary Documents in connection therewith, and collect the proceeds thereof; (f) to clear Inventory through customs in Grantor's name, Agent's name, or the name of Agent's designee, and to sign and deliver to customs officials powers of attorney in Grantor's name for such purpose; (g) to the extent that Grantor's authorization given in **Section 3(g)** of this Security Agreement is not sufficient, to file such financing statements with respect to this Security Agreement, with or without Grantor's signature, or to file a photocopy of this Security Agreement in substitution for a financing statement, as Agent may deem appropriate and to execute in Grantor's name such financing

statements and amendments thereto and continuation statements which may require Grantor's signature; and (h) to do all things necessary to carry out the Credit Agreement and this Security Agreement. Grantor ratifies and approves all acts of such attorney. None of Lenders or Agent nor their attorneys will be liable for any acts or omissions or for any error of judgment or mistake of fact or law *except* for their willful misconduct, gross negligence, or violation of law. This power, being coupled with an interest, is irrevocable until the Credit Agreement has been terminated and the Obligations have been fully satisfied.

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

(a) Grantor assumes all responsibility and liability arising from or relating to the use, sale, license, or other disposition of the Collateral. The Obligations shall not be affected by any failure of Agent or any Lender to take any steps to perfect Agent's Liens or to collect or realize upon the Collateral, nor shall loss of or damage to the Collateral release Grantor from any of the Obligations. Following the occurrence and during the continuation of an Event of Default, Agent may (but shall not be required to), and at the direction of Majority Lenders shall, without notice to or consent from Grantor, sue upon or otherwise collect, extend the time for payment of, modify or amend the terms of, compromise or settle for cash, credit, or otherwise upon any terms, grant other indulgences, extensions, renewals, compositions, or releases, and take or omit to take any other action with respect to the Collateral, any security therefor, any agreement relating thereto, any insurance applicable thereto, or any Person liable directly or indirectly in connection with any of the foregoing, without discharging or otherwise affecting the liability of Grantor for the Obligations or under the Credit Agreement or any other agreement now or hereafter existing between Agent and/or any Lender and Grantor.

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

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

(d) If an Event of Default has occurred and is continuing, Agent may at any time in Agent's own name or in the name of Grantor communicate with Account Debtors, parties to Assigned Contracts, and obligors in respect of Instruments to verify with such Persons, to Agent's satisfaction, the existence, amount, and terms of Accounts, payment intangibles, Instruments, or Chattel Paper. If an

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

22. INDEMNIFICATION.In any suit, proceeding, or action brought by Agent or any Lender relating to any Collateral for any sum owing with respect thereto or to enforce any rights or claims with respect thereto, Grantor will save, indemnify, and keep Agent and Lenders harmless from and against all expense (including reasonable attorneys' fees and expenses), loss, or damage suffered by reason of any defense, setoff, counterclaim, recoupment, or reduction of liability whatsoever of the Account Debtor or other Person obligated on the Collateral, arising out of a breach by Grantor of any obligation thereunder or arising out of any other agreement, indebtedness, or liability at any time owing to, or in favor of, such obligor or its successors from Grantor, *except* in the case of Agent or any Lender, to the extent such expense, loss, or damage is attributable solely to the gross negligence or willful misconduct of Agent or such Lender as finally determined by a court of competent jurisdiction. All such obligations of Grantor shall be and remain enforceable against and only against Grantor and shall not be enforceable against Agent or any Lender.

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

24. NOTICE REGARDING COLLATERAL.Grantor will advise Agent promptly, in reasonable detail, of any Lien (*other than* Permitted Liens) or claim made or asserted against any of the Collateral.

25. REMEDIES; RIGHTS UPON DEFAULT.

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

Agent or any Lender shall have the right upon any such public sale or sales and, to the extent permitted by law, upon any such private sale or sales, to purchase for the benefit of Agent and Lenders, the whole or any part of said Collateral so sold, free of any right or equity of redemption, which equity of redemption Grantor hereby releases. Such sales may be adjourned and continued from time to time with or without notice. Agent shall have the right to conduct such sales on Grantor's premises or elsewhere and shall have the right to use Grantor's premises without charge for such time or times as Agent deems necessary or advisable.

(b) Grantor further agrees, at Agent's request, to assemble the Collateral and make it available to Agent at a place or places designated by Agent which are reasonably convenient to Agent and Grantor, whether at Grantor's premises or elsewhere. Until Agent is able to effect a sale, lease, or other disposition of Collateral, Agent shall have the right to hold or use Collateral, or any part thereof, to the extent that it deems appropriate for the purpose of preserving Collateral or its value or for any other purpose deemed appropriate by Agent. Agent shall have no obligation to Grantor to maintain or preserve the rights of Grantor as against third parties with respect to Collateral while Collateral is in the possession of Agent. Agent may, if it so elects, seek the appointment of a receiver or keeper to take possession of Collateral and to enforce any of Agent's remedies (for the benefit of Agent and Lenders), with respect to such appointment without prior notice or hearing as to such appointment. Agent shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization, or sale to the Obligations as provided in the Credit Agreement, and only after so paying over such net proceeds, and after the payment by Agent of any other amount required by any provision of law, need Agent account for the surplus, if any, to Grantor. To the maximum extent permitted by applicable law, Grantor waives all claims, damages, and demands against Agent or any Lender arising out of the repossession, retention, or sale of the Collateral *except* such as arise solely out of the gross negligence or willful misconduct of Agent or such Lender as finally determined by a court of competent jurisdiction. Grantor agrees that ten days prior notice by Agent of the time and place of any public sale or of the time after which a private sale may take place is reasonable notification of such matters. Grantor shall remain liable for any deficiency if the proceeds of any sale or disposition of the Collateral are insufficient to pay all Obligations, including any attorneys' fees or other expenses incurred by Agent or any Lender to collect such deficiency.

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

(d) To the extent that applicable law imposes duties on Agent to exercise remedies in a commercially reasonable manner, Grantor acknowledges and agrees that it is not commercially unreasonable for Agent (a) to fail to incur expenses reasonably deemed significant by Agent to prepare Collateral for disposition or otherwise to complete raw material or work in process into finished goods or other finished products for disposition, (b) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (c) to fail to exercise collection remedies against Account Debtors or other Persons obligated on Collateral or to remove Liens on or any adverse claims against Collateral, (d) to exercise collection remedies against Account Debtors and other Persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (e) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (f) to contact other Persons, whether or not in the same business as Grantor, for expressions of interest in acquiring all or any portion of such Collateral, (g) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the Collateral is of a specialized nature, (h) to dispose of

Collateral by utilizing internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capacity of doing so, or that match buyers and sellers of assets, (i) to dispose of assets in wholesale rather than retail markets, (j) to disclaim disposition warranties, such as title, possession, or quiet enjoyment, (k) to purchase insurance or credit enhancements to insure Agent against risks of loss, collection, or disposition of Collateral or to provide to Agent a guaranteed return from the collection or disposition of Collateral, or (l) to the extent deemed appropriate by Agent, to obtain the services of other brokers, investment bankers, consultants and other professionals to assist Agent in the collection or disposition of any of the Collateral. Grantor acknowledges that the purpose of this **Section 25(d)** is to provide non-exhaustive indications of what actions or omissions by Agent would not be commercially unreasonable in Agent's exercise of remedies against the Collateral and that other actions or omissions by Agent shall not be deemed commercially unreasonable solely on account of not being indicated in this **Section 25(d)**. Without limitation upon the foregoing, nothing contained in this **Section 25(d)** shall be construed to grant any rights to Grantor or to impose any duties on Agent that would not have been granted or imposed by this Security Agreement or by applicable law in the absence of this **Section 25(d)**.

(e) (i) Grantor agrees that, because of the Securities Act of 1933, as amended, or the rules and regulations promulgated thereunder (collectively, the "**Securities Act**"), or any other laws or regulations, and for other reasons, there may be legal or practical restrictions or limitations affecting Agent in any attempts to dispose of certain portions of the Pledged Securities or Partnership Interests and for the enforcement of its rights. For these reasons, Agent is hereby authorized by Grantor, but not obligated, upon the occurrence and during the continuation of a Default, to sell all or any part of the Pledged Securities or Partnership Interests at private sale, subject to investment letter or in any other manner which will not require the Pledged Securities or Partnership Interests, or any part thereof, to be registered in accordance with the Securities Act or any other laws or regulations, at a reasonable price at such private sale or other distribution in the manner mentioned above. Grantor understands that Agent may in its discretion approach a limited number of potential purchasers and that a sale under such circumstances may yield a lower price for the Pledged Securities or Partnership Interests, or any part thereof, than would otherwise be obtainable if such Collateral were either afforded to a larger number or potential purchasers, registered under the Securities Act, or sold in the open market. Grantor agrees that any such private sale made under this **Section 25(e)** shall be deemed to have been made in a commercially reasonable manner, and that Agent has no obligation to delay the sale of any Pledged Securities or Partnership Interests to permit the issuer thereof to register it for public sale under any applicable federal or state securities laws.

(ii) Agent is authorized, in connection with any such sale, (A) to restrict the prospective bidders on or purchasers of any of the Pledged Securities or Partnership Interests to a limited number of sophisticated investors who will represent and agree that they are purchasing for their own account for investment and not with a view to the distribution or sale of any of such Pledged Securities or Partnership Interests, and (B) to impose such other limitations or conditions in connection with any such sale as Agent reasonably deems necessary in order to comply with applicable law. Grantor covenants and agrees that it will execute and deliver such documents and take such other action as Agent reasonably deems necessary in order that any such sale may be made in compliance with applicable law. Upon any such sale Agent shall have the right to deliver, assign, and transfer to the purchaser thereof the Pledged Securities or Partnership Interests so sold. Each purchaser at any such sale shall hold the Pledged Securities or Partnership Interests so sold absolutely free from any claim or right of Grantor of whatsoever kind, including any equity or right of redemption of Grantor. Grantor, to the extent permitted by applicable law, hereby specifically waives all rights of redemption, stay, or appraisal which it has or may have under any law now existing or hereafter enacted.

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

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

(v) Without limiting the foregoing, or imposing upon Agent any obligations or duties not required by applicable law, Grantor acknowledges and agrees that, in foreclosing upon any of the Pledged Securities or Partnership Interests, or exercising any other rights or remedies provided Agent hereunder or under applicable law, Agent may, but shall not be required to, (A) qualify or restrict prospective purchasers of the Pledged Securities or Partnership Interests by requiring evidence of sophistication or creditworthiness, and requiring the execution and delivery of confidentiality agreements or other documents and agreements as a condition to such prospective purchasers' receipt of information regarding the Pledged Securities or Partnership Interests or participation in any public or private foreclosure sale process, (B) provide to prospective purchasers business and financial information regarding Grantor or the issuer of the Pledged Securities or Partnership Interests available in the files of Agent at the time of commencing the foreclosure process, without the requirement that Agent obtain, or seek to obtain, any updated business or financial information or verify, or certify to prospective purchasers, the accuracy of any such business or financial information, or (C) offer for sale and sell the Pledged Securities or Partnership Interests with, or without, first employing an appraiser, investment banker, or broker with respect to the evaluation of the Pledged Securities or Partnership Interests, the solicitation of purchasers for Pledged Securities or Partnership Interests, or the manner of sale of Pledged Securities or Partnership Interests.

(vi) If an Event of Default exists, Agent at any time may have any Collateral that is Pledged Securities or Partnership Interests and that is in the possession of Agent, or its nominee or nominees, registered in its name, or in the name of its nominee or nominees, as Agent.

(vii) As long as no Event of Default exists, Grantor is entitled to exercise all voting rights pertaining to any Pledged Securities and Partnership Interests; *provided, however*, that no vote shall be cast or consent, waiver, or ratification given or action taken without the prior written

consent of Agent which would (A) be inconsistent with or violate any provision of this Security Agreement or any other Loan Document or (B) amend, modify, or waive any term, provision or condition of any certificate of incorporation, bylaws, certificate of formation, or other charter document, Partnership Agreement, or other agreement relating to the Pledged Securities or the Partnership Interests that could reasonably be expected to have a Material Adverse Effect. If an Event of Default exists and if Agent elects to exercise such right, the right to vote any Pledged Securities or Partnership Interests shall be vested exclusively in Agent. To this end, Grantor hereby irrevocably constitutes and appoints Agent the proxy and attorney-in-fact of Grantor, with full power of substitution, to vote, and to act with respect to, any and all Collateral that is Pledged Securities or Partnership Interests standing in the name of Grantor or with respect to which Grantor is entitled to vote and act, subject to the understanding that such proxy may not be exercised unless a Default exists. The proxy herein granted is coupled with an interest, is irrevocable, and shall continue until the Obligations have been paid and performed in full.

26. GRANT OF LICENSE TO USE INTELLECTUAL PROPERTY. For the purpose of enabling Agent to exercise rights and remedies under *Section 25* hereof (including, without limiting the terms of *Section 25*, in order to take possession of, hold, preserve, process, assemble, prepare for sale, market for sale, sell, or otherwise dispose of Collateral) at such time as Agent shall be lawfully entitled to exercise such rights and remedies, Grantor hereby grants to Agent, for the benefit of Agent and Lenders, effective upon the occurrence and during the continuation of an Event of Default, an irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to Grantor) to use, license, or sublicense any Intellectual Property Collateral now owned or hereafter acquired by Grantor, and wherever the same may be located, and including in such license access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof.

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

28. MISCELLANEOUS.

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

(b) **Notices.** Except as otherwise provided herein, to be effective, any notice, demand, request, consent, approval, declaration, or other communication required or permitted to be given under this Security Agreement must be in writing, shall be delivered as provided in *Section 13.8* of

the Credit Agreement to the address or facsimile number set forth on the signature pages to this Security Agreement, and shall be effective as provided in **Section 13.8** of the Credit Agreement.

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

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

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

(f) **Termination of this Security Agreement; Release of Liens**. Subject to **Section 28(a)**, this Security Agreement shall terminate upon the satisfactory collateralization of all Letters of Credit and the payment in full of all other Obligations (*other than* indemnification Obligations as to which no claim has been asserted). Agent shall promptly release its Liens and deliver appropriate Lien release documents in respect of Collateral permitted to be sold or otherwise disposed of in accordance with the Credit Agreement.

(g) **Successors and Assigns**. This Security Agreement and all obligations of Grantor hereunder shall be binding upon the successors and assigns of Grantor (including any debtor-in-possession on behalf of Grantor) and shall, *together with* the rights and remedies of Agent, for the benefit of Agent and Lenders, hereunder, inure to the benefit of Agent and Lenders, all future holders of any instrument evidencing any of the Obligations and their respective successors and assigns. No sales of participations, other sales, assignments, transfers, or other dispositions of any agreement governing or instrument evidencing the Obligations or any portion thereof or interest therein shall in any manner affect

the Lien granted to Agent, for the benefit of Agent and Lenders, hereunder. Grantor may not assign, sell, hypothecate, or otherwise transfer any interest in or obligation under this Security Agreement.

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

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

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

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

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

(j) **Waiver of Jury Trial.** GRANTOR AND AGENT EACH IRREVOCABLY WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS SECURITY AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION,

PROCEEDING, OR OTHER LITIGATION OF ANY TYPE BROUGHT BY EITHER AGAINST THE OTHER, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. GRANTOR AND AGENT EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, GRANTOR AND AGENT FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM, OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS SECURITY AGREEMENT OR ANY PROVISION HEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS, OR MODIFICATIONS TO THIS SECURITY AGREEMENT.

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

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

(m) **Advice of Counsel.** Each of the parties represents to each other party hereto that it has discussed this Security Agreement and, specifically, the provisions of ***Section 28(i)*** and ***Section 28(j)***, with its counsel.

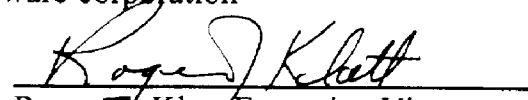
(n) **Benefit of Lenders.** All Liens granted or contemplated hereby shall be for the benefit of Agent and Lenders, and all proceeds or payments realized from Collateral in accordance herewith shall be applied to the Obligations in accordance with the terms of the Credit Agreement.

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

Signature Page to the Security Agreement dated as of the date first set forth above between the undersigned Grantor and Bank of America, N.A., as Agent for Lenders.

GSE LINING TECHNOLOGY, INC.,
a Delaware corporation

By:



Roger J. Klatt, Executive Vice
President, Chief Financial Officer,
Treasurer and Assistant Secretary

Grantor's Address:

c/o Gundle/SLT Environmental, Inc.
19103 Gundle Road
Houston, Texas 77073
Attention: Vice President and Corporate Counsel
Telecopy No.: (281) 230-5893

SIGNATURE PAGE TO SECURITY AGREEMENT

TRADEMARK
REEL: 002459 FRAME: 0144

Signature Page to the Security Agreement dated as of the date first set forth above between the undersigned Grantor and Bank of America, N.A., as Agent for Lenders.

BANK OF AMERICA, N.A.,
as Agent

By: 
Dan Lane, Senior Vice President

**SCHEDULE I
TO
SECURITY AGREEMENT**

(GSE LINING TECHNOLOGY, INC.)

LOCATION OF COLLATERAL

- A. Location of Chief Executive Office:** 19103 Gundle Road
Houston, Texas 77073
- B. Location of Books and Records:** 19103 Gundle Road
Houston, Texas 77073
- C. Location of Collateral:**
- (i) 19103 Gundle Road
Houston, Texas 77073
 - (ii) 13827 West Hardy Street
Houston, Texas 77060
 - (iii) 1245 Eastland Avenue
Kingstree, South Carolina 29556
 - (iv) 3150 1st Avenue
Spearfish, South Dakota 57783
- D. Location of all other places of business:** GSE Lining Technology, Inc. has small regional one person sales offices whose addresses and Lessors' names are stated in **Schedule 6.11** to the Credit Agreement.
- E. Location of leased facilities and name of lessor/sublessor:** See answer to **Item D** above.

**SCHEDULE II
TO
SECURITY AGREEMENT**

(GSE LINING TECHNOLOGY, INC.)

JURISDICTION OF ORGANIZATION

- | | |
|---|---|
| A. Grantor's exact legal name: | GSE Lining Technology, Inc. |
| B. Mailing Address of Grantor: | 19103 Gundle Road
Houston, Texas 77073 |
| C. Type of entity (i.e. corporation, partnership, limited partnership, limited liability company): | Corporation |
| D. Organizational identification number issued by Grantor's state of incorporation or organization or a statement that no such number has been issued: | 2318752 |
| E. Jurisdiction of Organization: | Delaware |

**SCHEDULE III
TO
SECURITY AGREEMENT**

(GSE LINING TECHNOLOGY, INC.)

PATENTS, TRADEMARKS, AND COPYRIGHTS

A. **COPYRIGHTS** (Registered Copyrights, Copyright Applications, and Material Unregistered Copyrights): **NONE**

B. **PATENTS** (Issued Patents and Patent Applications):

U.S. Patents and Patent Applications

Owner	Patent or Application Number	Title	Filing Date
GSE Lining Technology, Inc.	6,303,204	Earthen liner with clay seam cover	Dec. 27, 2000
GSE Lining Technology, Inc.	6,197,398	Earthen liner with clay seam cover	Nov. 22, 1999
GSE Lining Technology, Inc.	5,728,424	Method of forming a textured surface on a geomembrane	Apr. 10, 1996
GSE Lining Technology, Inc.	5,497,097	Apparatus for detecting a connection between adjacent panels of a curtain wall	May 2, 1994
GSE Lining Technology, Inc.	5,401,552	Geocomposite liner	Jan. 28, 1994
GSE Lining Technology, Inc.	5,320,454	Method and apparatus for installing a flexible panel into a trench	Apr. 29, 1993
GSE Lining Technology, Inc.	5,288,168	Method and apparatus for lining outdoor fluid containment areas to facilitate electrical leak detection	Aug. 24, 1992
GSE Lining Technology, Inc.	5,223,189	Method of sealing lateral connections for pipe liners	Jan. 7, 1992
GSE Lining Technology, Inc.	5,140,848	Plastic liner pipe penetration adapter	Aug. 17, 1990
GSE Lining Technology, Inc.	5,139,853 RE 35,272	Apparatus and method for lining landfills, reservoirs, hazardous waste disposal sites and the like	Apr. 23, 1991
GSE Lining Technology, Inc.	5,075,135	Process for providing the surface of a film made from a weldable polymer material with projections	Dec. 24, 1991
GSE Lining Technology, Inc.	4,885,201	Film made from a weldable polymer material with projections	Oct. 14, 1988
GSE Lining Technology, Inc.	4,377,429 RE 32,103	Welding of plastics material	Jul. 29, 1981

Foreign Patents and Patent Applications

Owner	Country	Patent or Application Number	Filing Date
GSE Lining Technology	Canada	1,160,144	Sep. 9, 1981
GSE Lining Technology	Canada	2,096,204	May 13, 1993
GSE Lining Technology	Chile	29152000	Oct. 24, 2000
GSE Lining Technology	EPC	584,469	Jun. 4, 1993
GSE Lining Technology	EPC	9190372	May 2, 1995
GSE Lining Technology	EPC	9162435	Mar. 27, 1997
GSE Lining Technology	France	584,469	Jun. 4, 1993
GSE Lining Technology	France	8,115,940	Aug. 19, 1981
GSE Lining Technology	Germany	DE69301212	Jun. 4, 1993
GSE Lining Technology	Germany	P31322751	Aug. 14, 1981
GSE Lining Technology	Great Britain	584,469	Jun. 4, 1993
GSE Lining Technology	Great Britain	2,094,708	July 21, 1981
GSE Lining Technology	Greece	960400707	Jun. 4, 1993
GSE Lining Technology	Italy	19266BE96	Jun. 4, 1993
GSE Lining Technology	Japan	1,425,189	Sep. 2, 1981
GSE Lining Technology	Japan	2,655,232	Apr. 2, 1993
GSE Lining Technology	Netherlands	190,542	Aug. 27, 1981
GSE Lining Technology	Netherlands	584,469	Jun. 4, 1993
GSE Lining Technology	PCT	PCTUS0028586	Oct. 16, 2000
GSE Lining Technology	Peru	11422000	Oct. 26 2000
GSE Lining Technology	Singapore	96904651	Jun. 4, 1993
GSE Lining Technology	South Africa	815,649	Mar. 13, 1981
GSE Lining Technology	Spain	2,083,796	Jun. 4, 1993
GSE Lining Technology	Switzerland	584,469	Jun. 4, 1993
GSE Lining Technology	Switzerland	654,522	Aug. 11, 1981
GSE Lining Technology	Thailand	61,274	Oct. 20, 2000

C. TRADEMARKS (Registered Trademarks and Trademark Applications):

U.S. Trademarks and Trademark Applications

Owner	Mark	Application Number	Registration Number
GSE Lining Technology, Inc.	BENTOLINER	74/284,343	1,782,121
GSE Lining Technology, Inc.	CURTAINWALL	74/473,136	1,864,753
GSE Lining Technology, Inc.	FABRI-NET	74/048,861	1,631,615
GSE Lining Technology, Inc.	FILTERNET	74/330,746	1,926,460
GSE Lining Technology, Inc.	FOR ENVIRONMENTAL LINING SOLUTIONS ... THE WORLD COMES TO SLT	74/287,558	1,752,921
GSE Lining Technology, Inc.	FRICITIONFLEX	74/259,631	1,734,848
GSE Lining Technology, Inc.	GEOSYNTHETICS PLUS	74/255,653	1,844,477
GSE Lining Technology, Inc.	GSE & Design	74/706,341	2,084,598
GSE Lining Technology, Inc.	GSE	74/704,227	2,084,594

Owner	Mark	Application Number	Registration Number
GSE Lining Technology, Inc.	GSE PROFLEX	75/322,402	2,203,766
GSE Lining Technology, Inc.	GSE WHITE: BEST LINER UNDER THE SUN	75/424,186	2,284,022
GSE Lining Technology, Inc.	GUNDFLOW	74/576,640	1,977,340
GSE Lining Technology, Inc.	GUNDLE	73/791,832	1,592,027
GSE Lining Technology, Inc.	GUNDLE	73/791,815	1,609,355
GSE Lining Technology, Inc.	GUNDLINE	73/791,777	1,569,744
GSE Lining Technology, Inc.	GUNDNET	73/574,689	1,447,485
GSE Lining Technology, Inc.	GUNDSEAL	74/049,279	1,665,849
GSE Lining Technology, Inc.	GUNDWALL	74/337,543	1,803,267
GSE Lining Technology, Inc.	HYPERFLEX	74/259,628	1,734,847
GSE Lining Technology, Inc.	HYPERFLEX FR	74/338,895	1,785,558
GSE Lining Technology, Inc.	HYPERNET	74/339,165	1,820,638
GSE Lining Technology, Inc.	PROFLEX	74/661,469	
GSE Lining Technology, Inc.	SENSOR	74/528,083	1,952,351
GSE Lining Technology, Inc.	SENSOR	74/527,826	
GSE Lining Technology, Inc.	SLT & Design	74/259,629	1,737,148
GSE Lining Technology, Inc.	SLT CURTAINWALL INTERLOCK	74/305,023	1,774,264
GSE Lining Technology, Inc.	SPECTRALINE	74/048,859	1,691,543
GSE Lining Technology, Inc.	STUDLINER	75/108,474	2,175,804
GSE Lining Technology, Inc.	ULTRAFLEX	74/259,630	1,764,509
GSE Lining Technology, Inc.	WE COVER THE EARTH ALL OVER THE WORLD	75/424,028	
GSE Lining Technology, Inc.	WE SELL QUALITY AND SERVICE. IT JUST LOOKS LIKE BLACK SHEET	75/240,199	2,200,420
Gundle Lining Systems, Inc.	GUNDLE	73/330,424	1,219,968
Gundle Lining Systems, Inc.	GUNDLE	73/330,423	1,214,333
Gundle Lining Systems, Inc.	GUNDLINE	73/330,425	1,219,969
Gundle Lining Systems, Inc.	HYPERLASTIC	73/791,831	1,570,957

Foreign Trademarks and Trademark Applications

Owner	Country	Mark	Application Number	Registration Number
GSE Lining Technology	Argentina	GSE	2239327	
GSE Lining Technology	Argentina	GUNDLE	1857450	1495431
GSE Lining Technology	Argentina	GUNDLINE	1857451	1495432
GSE Lining Technology	Australia	GSE	671494	671494
GSE Lining Technology	Australia	GUNDLE	507694	507694
GSE Lining Technology	Australia	GUNDLINE	507693	507693
GSE Lining Technology	Austria	GSE	596695	162444
GSE Lining Technology	Benelux	GSE	855059	591704
GSE Lining Technology	Benelux	GUNDLE	67126	464809

Owner	Country	Mark	Application Number	Registration Number
GSE Lining Technology	Brazil	GSE	822568489	
GSE Lining Technology	Canada	FABRINET	657219	383076
GSE Lining Technology	Canada	GSE	791890	509215
GSE Lining Technology	Canada	GUNDLE	630011	371825
GSE Lining Technology	Canada	GUNDLINE	630010	371824
GSE Lining Technology	Canada	GUNDNET	630008	368247
GSE Lining Technology	Canada	GUNDSEAL	657218	383336
GSE Lining Technology	Canada	HYPERLASTIC	630009	371823
GSE Lining Technology	Canada	SPECTRALINE	657220	383077
GSE Lining Technology	Chile	GSE	329619	477040
GSE Lining Technology	China	GSE	960007997	1074172
GSE Lining Technology	China	GSE	960007996	1051935
GSE Lining Technology	China	GUNDLE	898893	519196
GSE Lining Technology	Denmark	GUNDLE	693092	816293
GSE Lining Technology	Denmark	GUNDLINE	692992	437393
GSE Lining Technology	Egypt	GSE	97282	97282
GSE Lining Technology	Egypt	GUNDLE	84728	84728
GSE Lining Technology	Egypt	GUNDLINE	84729	84729
GSE Lining Technology	Egypt	HYPERFLEX	101213	101213
GSE Lining Technology	Egypt	ULTRAFLEX	101212	
GSE Lining Technology	European Community	GSE	480095	480095
GSE Lining Technology	European Community	SGS	484493	484493
GSE Lining Technology	European Community	SLT	000482208	482208
GSE Lining Technology	European Community	STUDLINER	1293588	1293588
GSE Lining Technology	France	GSE	95587202	95587202
GSE Lining Technology	Germany	GUNDLE	3660017	1155937
GSE Lining Technology	Germany	GUNDLINE	3659917	1155936
GSE Lining Technology	Indonesia	GSE	965694	375984
GSE Lining Technology	Indonesia	GUNDLE	371891	290533
GSE Lining Technology	Indonesia	GUNDSEAL	371991	290532
GSE Lining Technology	Israel	GSE	100623	100623
GSE Lining Technology	Italy	GSE	95010349	00731634
GSE Lining Technology	Italy	GUNDLE	92003777	644408
GSE Lining Technology	Italy	GUNDLINE	92003778	644409
GSE Lining Technology	Japan	GSE	07103979	4082897
GSE Lining Technology	Japan	GUNDLE	5882691	2548784
GSE Lining Technology	Japan	GUNDLINE	5882891	2548785
GSE Lining Technology	Japan	GUNDNET	5882991	2696579
GSE Lining Technology	Japan	GUNDSEAL	5882791	2609724
GSE Lining Technology	Korea, Republic of (South)	GUNDLE	918371	257334
GSE Lining Technology	Korea, Republic	GUNDLINE	918370	257335

Owner	Country	Mark	Application Number	Registration Number
	of (South)			
GSE Lining Technology	Korea, Republic of (South)	GUNDNET	918368	246555
GSE Lining Technology	Korea, Republic of (South)	GUNDSEAL	918369	257336
GSE Lining Technology	Malaysia	GUNDNET	9101733	
GSE Lining Technology	Mexico	GSE	253565	517245
GSE Lining Technology	Mexico	GUNDLE	152111	467527
GSE Lining Technology	Mexico	GUNDLINE	152112	467527 *
GSE Lining Technology	Peru	GSE	285260	028617
GSE Lining Technology	Poland	GUNDLE	115006	79320
GSE Lining Technology	Poland	GUNDLINE	115007	79321
GSE Lining Technology	Saudi Arabia	GSE	60380	525/40
GSE Lining Technology	Saudi Arabia	GUNDLE	19190	29861
GSE Lining Technology	Saudi Arabia	GUNDLINE	19191	29862
GSE Lining Technology	Slovak	GUNDLE	7235792	177806
GSE Lining Technology	Slovak	GUNDLINE	7235892	177805
GSE Lining Technology	Slovak Republic	GUNDLE	7235792	173840
GSE Lining Technology	Slovak Republic	GUNDLINE	7235892	173830
GSE Lining Technology	Spain	GSE	1988487	1988487
GSE Lining Technology	Spain	GUNDLINE	1,720,715	1,720,715
GSE Lining Technology	Spain	GUNDLINE	1,720,714	1,720,714
GSE Lining Technology	Spain	GUNDLINE	1,720,713	1,720,713
GSE Lining Technology	Spain	GUNDNET	1,720,717	1,720,717
GSE Lining Technology	Spain	GUNDNET	1,720,716	1,720,716
GSE Lining Technology	Spain	GUNDSEAL	1,720,719	1,720,719
GSE Lining Technology	Spain	GUNDSEAL	1,720,718	1,720,718
GSE Lining Technology	Spain	GUNDWALL	1,720,721	1,720,721
GSE Lining Technology	Spain	GUNDWALL	1,720,720	1,720,720
GSE Lining Technology	Taiwan	GSE	84047394	759969
GSE Lining Technology	Taiwan	GUNDSEAL	8023482	557672
GSE Lining Technology	Thailand	GSE & DESIGN	401091	
GSE Lining Technology	Thailand	GUNDLE	217376	156761
GSE Lining Technology	Thailand	GUNDSEAL	217378	156762
GSE Lining Technology	United Arab Emirates	GSE	33268	25011
GSE Lining Technology	United Kingdom	GSE	2032875	2032875
GSE Lining Technology	United Kingdom	GUNDLE	1514782	1514782
GSE Lining Technology	Venezuela	GSE	19366-99	
GSE Lining Technology	Venezuela	GUNDLE	2137392	
GSE Lining Technology	Venezuela	GUNDLINE	2137492	