



SECURITY AGREEMENT

Date: May 30, 2003

Novacon, L.L.C., an Illinois Limited Liability Company with its principal place of business located at 500 Skokie Blvd., Suite 280, Northbrook, Illinois, ("Debtor"), for valuable considerations, receipt whereof is hereby acknowledged, hereby grants to Novacon Holdings, L.L.C., an Illinois Limited Liability Company ("Lender"), with its principal place of business located at 1895 Rohwing Road, Suite B, Rolling Meadows, Illinois ("Secured Party"), a security interest in the following property and any and all substitutions therefore and replacements thereof and any and all additions and accessions thereto (the "Collateral"):

1. THE COLLATERAL

- A. All currently owned or subsequently acquired goods, inventory, furniture, fixtures, office equipment, printed matter and supplies, all telecommunications equipment including, but not limited to, those assets listed on the attached company depreciation schedules dated December 31, 2002 and any subsequent additions up to and including May 30, 2003, and any additions thereto;
- B. All currently owned or subsequently acquired trademarks, customers contracts, vendor contracts, customer list, all interconnection agreements now in force or which may be entered into subsequent to the date of this Security Agreement, all licences including, but not limited to, the license granted to Debtor by the Illinois Commerce Commission certified in document number 99-0672 to provide telecommunication services, and all other agreements now in force or as may be entered into by Debtor subsequent to the date of this Security Agreement;
- C. All of Debtor's currently owned or subsequently acquired accounts, contract rights, receivables, notes, drafts, acceptances, instruments and chattel paper now owned by Debtor as well as any and all thereof that may be hereafter acquired by Debtor, and in and to all returned or repossessed goods arising from or relating to any contract rights, accounts, or other proceeds of any sale or other disposition of inventory, including without limitation all receivables from time to time outstanding (collectively, "Receivables")

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INTERSTATE
 DOCUMENT NO. 04 0004
 Intervention
 Witness Kurt Schelle
 Date 3/8/03

- D. All of Debtor's general intangibles including without limitation all payment intangibles and factory holdback receivables from time to time outstanding and all intangible personal property of whatsoever kind or nature now owned by Debtor as well as any and all thereof that may be hereafter acquired and in and to all proceeds thereof.
- E. All currently owned or subsequently acquired commercial tort claims; and
- F. All proceeds of all of the foregoing.

2. POSSESSION OF THE COLLATERAL

Until default, Debtor may have possession of the Collateral and use it in any lawful manner not inconsistent with this Agreement or with the terms or conditions of any policy of insurance thereon and may also sell or otherwise dispose of the inventory in the ordinary course of business. A sale in the ordinary course of business does not include a transfer in partial or total satisfaction of debt.

3. THE OBLIGATIONS

The security interest herein granted is to secure the payment of all of Debtor's obligations under a promissory note or notes of Debtor of even date herewith, and also any and all other indebtedness, liabilities, and obligations of Debtor to Secured Party incurred for business purposes, whether direct or indirect, absolute or contingent, due or to become due, secured or unsecured, now existing or hereafter arising, whether or not of the nature contemplated at the date hereof.

4. REPRESENTATIONS, WARRANTIES AND COVENANTS

Debtor represents, warrants and covenants as follows:

- A. Except for the security interest granted hereby, Debtor has, or in the case of after-acquired Collateral, will have, good and marketable title to the Collateral free from any adverse lien, security interest or encumbrance; and that Debtor will defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein;
- B. All warranties, representations, statements and other information furnished to Secured Party by or on behalf of Debtor are or will be when the same are made or furnished accurate and complete in all material respects;
- C. The Collateral is or will be kept and located at the above address, and Debtor will give Secured Party 15 days' prior written notice of any change in addition to or discontinuance of the location where the Collateral is kept and

that Debtor will not remove any of the Collateral from any location with Security Party's prior written consent;

- D. If the Collateral or any part thereof is attached to real estate, prior to the perfection of the security interest granted hereby, Debtor will, upon demand of Secured Party, furnish Secured Party with a disclaimer or disclaimers satisfactory to Secured Party and signed by all parties having an interest in such real estate;
- E. No financing statement covering any Collateral or any proceeds thereof is on file in any public office and that, at the request of Secured Party, Debtor will join with Secured Party in executing one or more financing statements pursuant to the Uniform Commercial Code in form satisfactory to Secured Party and will pay the cost of filing the same in all public offices wherever filing is deemed by Secured Party to be necessary or desirable;
- F. Debtor will not sell, offer to sell, or otherwise transfer the Collateral (except inventory sold in the ordinary course of business) or any interest therein without Secured Party's prior written consent;
- G. Debtor shall have and maintain insurance at all times with respect to all Collateral against risks of fire and such other risks customarily insured against by others engaged in similar business to that of Debtor. Such insurance shall be payable to Secured Party as its interest may appear. Debtor shall furnish to Secured Party certificates or other evidence satisfactory to Secured Party of compliance with these insurance requirements. If any proceeds under any insurance policies are paid to Secured Party while any obligations are outstanding, Secured Party may apply such proceeds to the payment of such obligations or release such proceeds to Debtor for the purpose of replacing the lost, damaged, or destroyed Collateral with respect to which such proceeds were paid. Debtor has the right of free choice in the selection of the agent and insurer through or by which insurance required hereunder is to be placed;
- H. Debtor shall keep the Collateral free from any adverse lien, security interest, or encumbrance and in good order and repair and will not waste or destroy the Collateral; and that the Secured Party may examine and inspect the Collateral at any time, wherever located;
- I. Debtor shall pay promptly when due all taxes and assessments upon the Collateral or for its use or operation.

5. **TAXES, ASSESSMENTS AND GOVERNMENTAL CHANGES**

Secured Party may discharge taxes, liens or security interests, or other

encumbrances at any time levied or placed upon the Collateral, may pay for insurance on the Collateral, and may pay for the maintenance and preservation of Collateral. Any payment made or expense incurred by Secured Party pursuant to this provision shall be payable on demand and shall be secured by this Agreement.

6. **MISCELLANEOUS PROVISIONS**

- A. The provisions of this Agreement may be amended, or compliance with this Agreement waived at any time only by the written agreement of Secured Party and Debtor.
- B. Debtor shall do, make, execute and deliver all such additional and further acts, things, deeds, assurances and instruments as Secured Party may reasonably require for the purpose of more complete vesting in and assuring to Secured Party its rights hereunder in or to the Collateral.
- C. Any notice or demand which may be any provision of this Agreement is required or provided to be given shall be deemed to have been sufficiently given or served for all purposes by being sent by certified mail, return receipt requested, postage prepaid, to Debtor and/or Secured Party at the address for each as mentioned above.
- D. All rights of Secured Party hereunder shall insure to the benefit of its successors and assigns and all obligations of the Debtor hereunder shall be obligations of its successors and assigns; provided, that no assignment by Debtor shall release its liability hereunder.
- E. This Security Agreement and all of the rights, remedies and duties of Secured Party and Debtor shall be governed by the laws of the State of Illinois.
- F. A photographic or other reproduction of this Security Agreement or of any financing statement signed by Debtor is sufficient as a financing statement.
- G. To the extent permitted by applicable law, Secured Party may execute and file any financing statement which it may, in its discretion, file to perfect its security interest.

8. **EVENTS OF DEFAULT**

Debtor shall be in default under this Agreement if any of the following events occur:

- A. Default by Debtor in payment or performance of any obligation, covenant or agreement contained or referred to herein, or in any other agreement

between the parties, or in any note secured hereby or thereby;

- B. Breach by Debtor of any representation or warranty contained herein or in any other agreement between the parties or in any note secured hereby or thereby;
- C. The acceleration of the maturity of any indebtedness of Debtor to others under any indenture, agreement or undertaking;
- D. Substantial loss, theft, damage, destruction or encumbrance of any of the Collateral;
- E. The entry of a decree or order for relief by a court having jurisdiction in the premises in respect of Debtor in an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of Debtor or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs and the continuance of any such decree or order unstayed and in effect for a period of 30 consecutive days.
- F. The commencement by Debtor of a voluntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or other similar law, or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of Debtor or for any substantial part of its property, or the making by it of any assignment for the benefit of creditors, or the failure of Debtor generally to pay its debts as such debts become due, or the taking of corporate action by Debtor in furtherance of any of the foregoing.

8. **REMEDIES**

If any of the events of default specified herein shall occur, then in such event and at any time thereafter Secured Party may declare all obligations secured hereby to be immediately due and payable without presentment, demand, protest, or other notice of any kind, all of which are hereby expressly waived. Secured Party, in addition to such other rights and remedies as are or may be set forth in this Agreement and in any other agreement between the parties or in any note secured hereby or thereby, may exercise and shall have the rights and remedies of a Secured Party under the Uniform Commercial Code in effect in Illinois at the date of this Agreement including the right to collect receivables. Secured Party may exercise its rights hereunder without giving Debtor any opportunity for hearing to be held before Secured Party, through judicial process or otherwise, takes possession of the Collateral upon the occurrence of any event of default and Debtor expressly waives the right, if any, to such prior hearing. Secured Party may

require Debtor to assemble the Collateral and make it available to Secured Party which is reasonably convenient to both parties. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Secured Party will give Debtor reasonable notice of time and place of any public sale thereof or the time after which any private sale or any other intended disposition thereof is to be made. The requirement of reasonable notice shall be met if notice is mailed, postage prepaid, to Debtor at its above-mentioned address, at least ten days before the time of sale or disposition of the Collateral. Debtor shall pay to Secured Party, on demand, any and all expenses, including all reasonable attorneys' fees, and other expenses, incurred or paid by Secured Party in protecting or enforcing its rights, powers, and remedies hereunder or under any other agreement between the parties, or under any note secured hereby or thereby, or in any way connected with any proceeding or action by whomsoever initiated concerning the protection or enforcement thereof.

No delay in taking any action with respect to any event of default shall affect the rights of Secured Party later to take such action with respect thereto and no waiver by Secured Party of any default shall operate as a waiver of any other default, or the same default on a future occasion.

Executed and delivered as of the date first above written.

NOVACON, L.L.C.

By:  Member
(Not personally or individually but solely as a member of
this Limited Liability Company with authority to bind the
company to this obligation)

STATE OF ILLINOIS)
) SS
 COUNTY OF COOK)

I, Kisha S. Washington a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY that James Kenning appeared before me this day in person and acknowledged that he signed and sealed the said instrument as his own free and voluntary act, for the uses and purposes therein set forth.

Given under my hand and notarial seal this 30th day of May, 2003.



Kisha S. Washington
 Notary Public