

Santanna Natural Gas Corporation
(d/b/a Santanna Energy Services)

ARES Application

ATTACHMENT G

**Amended and Restated Security Agreement between Santanna
Natural Gas Corporation (d/b/a Santanna Energy Services)
and EDF Trading North America, LLC**

AMENDED AND RESTATED SECURITY AGREEMENT

THIS AMENDED AND RESTATED SECURITY AGREEMENT, dated as of October 1, 2011 (as the same may be amended, restated or otherwise modified from time to time, this "Agreement"), among: (i) Santanna Natural Gas Corporation d/b/a Santanna Energy Services, a Texas corporation (the "Company"); and (ii) EDF Trading North America, LLC, a Delaware limited liability company as secured party (in such capacity, the "Secured Party");

RECITALS:

(1) This Agreement executed as of the date set forth above, amends, restates, and replaces in its entirety the Security Agreement between the Company and Eagle Energy Partners I, L.P. (predecessor by name change and conversion to the Secured Party) dated January 26, 2006.

(2) This Agreement is made pursuant to the ISDA Master Agreement, dated as of the date hereof (as modified, amended, restated, amended and restated and/or supplemented from time to time, and together with all schedules, annexes, confirmations and transactions thereunder, the "Master Agreement"), and the Energy Management Agreement, dated as of the date hereof between the Company and the Secured Party (as modified, amended, restated, amended and restated and/or supplemented from time to time, and together with all schedules, annexes, confirmations and transactions thereunder, the "EMA").

(2) It is a condition precedent to the Secured Party entering into the Master Agreement and the EMA that the Company shall have executed and delivered to the Secured Party this Agreement.

(3) The Company will obtain benefits from the Master Agreement and the EMA and, accordingly, desires to execute this Agreement in order to induce the Secured Party to enter into the Master Agreement, the EMA and other Transaction Documents.

NOW, THEREFORE, in consideration of the benefits accruing to the Company, the receipt and sufficiency of which are hereby acknowledged, the Company hereby makes the following representations and warranties to the Secured Party and hereby covenants and agrees with the Secured Party as follows:

ARTICLE I.

DEFINITIONS AND TERMS

Section 1.01 Defined Terms. Capitalized terms used in this Agreement and not otherwise defined in this Agreement shall have the meanings given to such terms in the Master Agreement and the EMA as applicable. Unless otherwise defined herein, all terms used herein and defined in the UCC shall have the same definitions herein as specified therein; *provided, however*, that if a term is defined in Article 9 of the UCC differently than in another Article of the UCC, the term shall have the meaning specified in Article 9 of the UCC.

Section 1.02 Additional Defined Terms. The following terms shall have the meanings herein specified unless the context otherwise requires:

"Accounts Receivable" means (i) all accounts, now existing or hereafter arising; and (ii) without limitation of the foregoing, in any event including, but not limited to, (A) all right to a payment, whether or not earned by performance, for goods or other property (other than money) that has been or is to be sold, consigned, leased, licensed, assigned or otherwise disposed of, for services rendered or to be

rendered, for a policy of insurance issued or to be issued, for a suretyship obligation incurred or to be incurred, for energy provided or to be provided, whether or not it has been earned by performance, and whether now existing or hereafter acquired or arising in the future, including Accounts Receivable from employees and Affiliates of the Company, (B) all rights evidenced by an account, invoice, purchase order, requisition, bill of exchange, note, contract, security agreement, lease, chattel paper, or any evidence of indebtedness or security related to the foregoing, (C) all security pledged, assigned, hypothecated or granted to or held by the Company to secure the foregoing, including all supporting obligations, (D) all guarantees, letters of credit, banker's acceptances, drafts, endorsements, credit insurance and indemnifications on, for or of, any of the foregoing, including all rights to make drawings, claims or demands for payment thereunder, and (E) all powers of attorney for the execution of any evidence of indebtedness, guaranty, letter of credit or security or other writing in connection therewith.

"Affiliate" has the meaning provided in the Master Agreement.

"Agreement" has the meaning provided in the first paragraph of this Agreement.

"Cash Equivalents" has the meaning provided in the EMA.

"Closing Date" means the date of this Agreement as first set forth above.

"Collateral" has the meaning provided in Section 2.01 hereof.

"Collateral Account" means any Controlled Account.

"Collateral Assignment Agreement" means a Collateral Assignment of Patents, a Collateral Assignment of Trademarks or a Collateral Assignment of Copyrights.

"Collateral Assignment of Contracts" means a Collateral Assignment of Contracts in the form of Exhibit D hereto, or otherwise in the form and substance acceptable to the Secured Party.

"Collateral Assignment of Copyrights" means a Collateral Assignment of Copyrights in the form of Exhibit C-1 hereto, or otherwise in form and substance acceptable to the Secured Party.

"Collateral Assignment of Patents" means a Collateral Assignment of Patents in the form of Exhibit C-2 hereto, or otherwise in form and substance acceptable to the Secured Party.

"Collateral Assignment of Trademarks" means a Collateral Assignment of Trademarks in the form of Exhibit C-3 hereto, or otherwise in form and substance acceptable to the Secured Party.

"Company" has the meaning provided in the first paragraph of this Agreement.

"Contract Rights" means all rights of the Company under or in respect of a Contract, including, without limitation, all rights to payment, damages, liquidated damages, and enforcement.

"Contract" means any contract, agreement or other writing between the Company and one or more additional parties.

"Control Agreement" means any Deposit Account Control Agreement or any other control agreement delivered in connection with this Agreement.

"Controlled Account" means a deposit account (i) that is subject to a Deposit Account Control Agreement or (ii) as to which the Secured Party is the Depository Bank's "customer" (as defined in Section 4-104 of the UCC), including the Party B Controlled Accounts.

"Copyrights" means any copyright to which the Company now or hereafter has title, as well as any application for a copyright hereafter made by the Company.

"Credit Parties" means the Company and any Person that guarantees the Secured Obligations or provides security therefor, and "Credit Party" means any one of them.

"Customer" has the meaning provided in the EMA.

"Customer Contracts" has the meaning provided in the EMA.

"Customer Payment Instructions" has the meaning provided in the EMA.

"Deposit Account Control Agreement" means, with respect to a deposit account of the Company, a Deposit Account Control Agreement substantially in the form of Exhibit B hereto (or in such other form as may have been agreed to by the Secured Party) among the Company, the Secured Party and the relevant Depository Bank.

"Depository Bank" means a bank at which a deposit account of the Company is maintained.

"Disclosed Deposit Accounts" has the meaning provided in Section 5.01(b).

"Early Termination Date" has the meaning provided in the Master Agreement.

"EMA" has the meaning set forth in the Recitals of this Agreement.

"Equity Interests" means (i) all of the issued and outstanding shares of all classes of capital stock of any corporation at any time directly owned by the Company and the certificates representing such capital stock, (ii) all of the membership interests in a limited liability company at any time owned or held by the Company, and (iii) all of the equity interests in any other form of organization at any time owned or held by the Company.

"Event of Default" means any Event of Default under, and as defined in, the Master Agreement.

"Governing Documents" means all agreements and instruments evidencing or relating to investments in or ownership, voting or disposition of, any of the Pledged Collateral.

"Governmental Authority" has the meaning provided in the EMA.

"Issuer" means the issuer of any Pledged Collateral.

"Intellectual Property" means (i) all Trademarks, together with the registrations and right to all renewals thereof, and the good will of the business of the Company symbolized by the Trademarks; (ii) all Patents; (iii) all Copyrights; (iv) all computer programs and software applications and source codes of the Company and all intellectual property rights therein and all other Proprietary Information of the Company, including, but not limited to, Trade Secrets; and (v) all Permits.

"Inventory" means (i) all inventory; and (ii) without limitation of the foregoing, and in all cases including, but not limited to, all merchandise and other goods held for sale or lease, or furnished or to be

furnished under contracts for service, including, without limitation, raw materials, works in process, finished goods.

“Lien” has the meaning provided in the EMA.

“Master Agreement” has the meaning provided in the Recitals of this Agreement.

“Local Business Day” has the meaning provided in the Master Agreement.

“Material Adverse Effect” means any or all of the following: (i) any material adverse effect on the business, operations, property, assets, liabilities, financial or other condition or prospects of the Company or the Company and its Subsidiaries, taken as a whole; (ii) any material adverse effect on the ability of the Company or any other Credit Party to perform its obligations under any of the Transaction Documents to which it is a party; (iii) any material adverse effect on the ability of the Company and its Subsidiaries, taken as a whole, to pay their liabilities and obligations as they mature or become due; or (iv) any material adverse effect on the validity, effectiveness or enforceability, as against any Credit Party, of any of the Transaction Documents to which it is a party.

“Party B Controlled Accounts” has the meaning given in the EMA.

“Patents” means any patent to which the Company now or hereafter has title, as well as any application for a patent now or hereafter made by the Company.

“Perfection Certificate” means a certificate in the form of Exhibit A hereto, completed and supplemented with the schedules contemplated thereby to the reasonable satisfaction of the Secured Party, and signed by an Authorized Officer of the Company delivering the same.

“Permits” means all licenses, permits, rights, orders, variances, franchises or authorizations of or from any Governmental Authority.

“Permitted Liens” has the meaning given in the EMA.

“Person” has the meaning given in the Master Agreement.

“Pledged Collateral” means the Pledged Debt.

“Pledged Debt” means all of the Third-Party Notes presently owned or hereafter acquired from time to time by the Company, and all interest, cash, instruments and other property hereafter from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the foregoing.

“Potential Event of Default” has the meaning provided in the Master Agreement.

“Proceeds” means (i) all proceeds; and (ii) without limitation of the foregoing and in all cases, including, but not be limited to, (A) whatever is acquired upon the sale, lease, license, exchange, or other disposition of any Collateral, (B) whatever is collected on, or distributed on account of, any Collateral, (C) rights arising out of any Collateral, (D) claims arising out of the loss or nonconformity of, defects in, or damage to any Collateral, (E) claims and rights to any proceeds of any insurance, indemnity, warranty or guaranty payable to the Company (or the Secured Party, as assignee, loss payee or an additional insured) with respect to any of the Collateral, (G) claims and rights to payments (in any form whatsoever) made or due and payable to the Company from time to time in connection with any requisition,

confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any Governmental Authority (or any Person acting under color of Governmental Authority), (H) all cash, money, checks and negotiable instruments received or held on behalf of the Secured Party pursuant to any lockbox or similar arrangement relating to the payment of Accounts Receivable or other Collateral, and (I) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Proprietary Information" means all information and know-how worldwide, including, without limitation, technical data; manufacturing data; research and development data; data relating to compositions, processes and formulations, manufacturing and production know-how and experience; management know-how; training programs; manufacturing, engineering and other drawings; specifications; performance criteria; operating instructions; maintenance manuals; technology; technical information; software; computer programs; engineering and computer data and databases; design and engineering specifications; catalogs; promotional literature; financial, business and marketing plans; and inventions and invention disclosures.

"Secured Obligations" has the meaning provided in the EMA.

"Secured Party" has the meaning provided in the first paragraph of this Agreement.

"Significant Intellectual Property" has the meaning provided in Section 6.04 of this Agreement.

"Subsidiary" with respect to any Person, means any corporation, partnership, trust, limited liability company, association, joint venture or other business entity of which more than 50% of the total voting power of shares of stock or other ownership interests entitled (without regard to the occurrence of any contingency) to vote in the election of the members of the board of directors or similar governing body is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof.

"Termination Event" has the meaning provided in the Master Agreement.

"Third-Party Notes" means all promissory notes, instruments, debentures, bonds, evidences of indebtedness and similar securities from time to time issued to, or held by, the Company.

"Trademarks" means any trademarks and service marks now held or hereafter acquired by the Company, any unregistered marks used by the Company and trade dress including logos and/or designs in connection with which any of these registered or unregistered marks are used.

"Trade Secrets" means any secretly held existing engineering and other data, information, production procedures and other know-how relating to the design, manufacture, assembly, installation, use, operation, marketing, sale and servicing of any products or business of the Company worldwide whether written or not written.

"Transaction Documents" has the meaning provided in the EMA.

"UCC" means, unless the context indicates otherwise, the Uniform Commercial Code, as at any time adopted and in effect in the State of Illinois or the State of Texas, as applicable or other jurisdictions as applicable, specifically including and taking into account all amendments, supplements, revisions and other modifications thereto.

Section 1.03 Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall

ARTICLE II.

SECURITY INTEREST

Section 2.01 Grant of Security Interest. As security for the prompt and complete payment and performance when due of all of the Secured Obligations, the Company does hereby pledge, sell, assign and transfer unto the Secured Party, and does hereby grant to the Secured Party a continuing security interest in all of the right, title and interest of the Company in, to and under all of the following of the Company, whether now existing or hereafter from time to time arising or acquired and wherever located (collectively, the "Collateral"):

- Receivable;
- (i) all accounts, including, without limitation, each and every Account
 - (ii) all goods;
 - (iii) all Inventory;
 - (iv) all equipment;
 - (v) all documents;
 - (vi) all instruments;
 - (vii) all chattel paper;
 - (viii) all money;
 - (ix) all deposit accounts, including, but not limited to, all Controlled Accounts, together with all monies, securities and instruments at any time deposited in any such deposit account or otherwise held for the credit thereof;
 - (x) all investment property, including Equity Interests;
 - (xi) all fixtures;
 - (xii) all general intangibles, including, but not limited to, all Contract Rights;

- (xiii) all commercial tort claims;
- (xiv) all Intellectual Property;
- (xv) all letters of credit and letter-of-credit rights;
- (xvi) all payment intangibles;
- (xvii) all promissory notes;
- (xviii) all supporting obligations;
- (xix) all other items, kinds and types of personal property, tangible or intangible, of whatever nature, and regardless of whether the creation or perfection or effect of perfection or non-perfection of a security interest therein is governed by the UCC of any particular jurisdiction or by any other applicable treaty, convention, statute, law or regulation of any applicable jurisdiction;
- (xx) all additions, modifications, alterations, improvements, upgrades, accessions, components, parts, appurtenances, substitutions and/or replacements of, to or for any of the foregoing; and
- (xxi) all Proceeds and products of any and all of the foregoing.

Section 2.02 Excluded Property. Notwithstanding anything in Section 2.01 hereof to the contrary, the term Collateral shall not include: (i) any equipment or goods that is subject to a "purchase money security interest" to the extent that such purchase money security interest (x) constitutes a Permitted Lien and (y) prohibits the creation by the Company of a junior security interest therein, unless the holder thereof has consented to the creation of such a junior security interest; and (ii) any cash or other collateral pledged to secure certain letters of credit issued on behalf of the Company from time to time any of the following: Merrill Lynch Corporation, Chase Manhattan Bank or its subsidiary companies, or Horizon Bank of Texas.

Section 2.03 No Assumption of Liability. The security interest hereunder of the Company is granted as security only and shall not subject the Secured Party to, or in any way alter or modify, any obligation or liability of the Company with respect to or arising out of any of the Collateral.

ARTICLE III.

REPRESENTATIONS AND WARRANTIES

The Company represents and warrants to the Secured Party, which representations and warranties shall survive the execution and delivery of this Agreement until the termination of this Agreement in accordance with Section 9.09, as follows:

Section 3.01 Title and Authority. The Company has (i) good, valid and unassailable title to all tangible items owned by it and constituting any portion of the Collateral with respect to which it has purported to grant the security interest, and good, valid and unassailable rights in all other Collateral with respect to which it has purported to grant the security interest, and (ii) full power and authority to grant to the Secured Party the security interest in such Collateral pursuant hereto and to execute, deliver and perform its obligations in accordance with the terms of this Agreement, without the consent or approval of any other Person other than any consent or approval that has been obtained.

Section 3.02 Absence of Other Liens.

(a) There is no financing statement (or similar statement or instrument of registration under the law of any jurisdiction) covering or purporting to cover any interest of any kind of the Company in the Collateral, except for any filings or recordings made in connection with any Permitted Liens.

(b) The Company is, and as to any Collateral acquired by it from time to time after the date hereof the Company will be, the owner of all the Collateral free and clean of any Lien, and the security interest of the Company in its Collateral is and will be superior to any other security interest or other Lien, except for Permitted Liens.

Section 3.03 Validity of Security Interest. The security interest granted by the Company constitutes a legal, valid and enforceable first priority (except as to any Permitted Liens) security interest in all of the Collateral of the Company, securing the payment and performance of the Secured Obligations.

Section 3.04 Perfection of Security Interest under UCC.

(a) All notifications and other actions, including, without limitation, (i) all deposits of certificates and instruments evidencing any Collateral (duly endorsed or accompanied by appropriate instruments of transfer), (ii) all notices to and acknowledgments of any bailee or other Person, (iii) all acknowledgments and agreements respecting the right of the Secured Party to obtain control with respect to any Collateral, and (v) all filings, registrations and recordings, which are (x) required by the terms of this Agreement to have been given, made, obtained, done and accomplished, and (y) necessary to create, preserve, protect and perfect the security interest granted by the Company to the Secured Party hereby in respect of its portion of the Collateral, have been given, made, obtained, done and accomplished.

(b) After giving effect to all such actions, the security interest granted by the Company to the Secured Party pursuant to this Agreement in and to the Collateral will be perfected to the maximum extent a security interest in such Collateral can be perfected under the UCC, and the laws of any applicable jurisdiction.

Section 3.05 Perfection Certificates. Each Perfection Certificate delivered by the Company, and all information set forth therein, is true and correct in all material respects, except to the extent that such Perfection Certificate has been supplemented or replaced in each case in accordance with this Agreement.

Section 3.06 Places of Business; Jurisdiction of Organization; Locations of Collateral. The Company represents and warrants that (i) the principal place of business of the Company, or its chief executive office, if it has more than one place of business, is located at the address indicated on the most recent Perfection Certificate executed and delivered by the Company to the Secured Party; (ii) the jurisdiction of formation or organization of the Company is set forth on the most recent Perfection Certificate executed and delivered by the Company to the Secured Party; (iii) the U.S. Federal Tax I.D. Number and, if applicable, the organizational identification number of the Company is set forth on the most recent Perfection Certificate executed and delivered by the Company to the Secured Party; and (iv) all Inventory and equipment of the Company is located at one of the locations set forth on the most recent Perfection Certificate executed and delivered by the Company to the Secured Party. The Company does not, at and as of the date hereof, conduct business in any jurisdiction, and except as set forth in the most recent Perfection Certificate delivered to the Secured Party, in the preceding five years, the Company and any predecessors in interest have not conducted business in any jurisdiction, under any trade name, fictitious name or other name (including, without limitation, any names of divisions or predecessor

Section 3.07 Pledged Collateral. The Company has no Pledged Debt as of the Closing Date.

Section 3.08 Deposit Accounts. The Perfection Certificate delivered by the Company to the Secured Party as of the date hereof, as the same may be deemed to be updated pursuant to Article V of this Agreement, sets forth a true and complete list of all deposit accounts owned by the Company or in which any the Company's Collateral is held. All of the deposit accounts of the Company are, and all cash and money of the Company is held in, Controlled Accounts.

Section 3.09 Securities Accounts. The Company has no securities accounts, and does not own and any securities entitlements or any investment property.

ARTICLE IV.

GENERAL COVENANTS

Section 4.01 No Other Liens; Defense of Title. The Company will not make or grant, or suffer or permit to exist, any Lien on any of the Collateral, other than the Permitted Liens. The Company, at its sole cost and expense, will take any and all actions reasonably necessary and appropriate to defend title to the Collateral against any and all Persons and to defend the validity, enforceability, perfection, effectiveness and priority of the security interest of the Secured Party therein against any Lien other than Permitted Liens.

Section 4.02 Further Assurances; Filings and Recordings.

(a) The Company, at its sole cost and expense, will duly execute, acknowledge and deliver all such agreements, instruments and other documents and take all such actions including, without limitation, (i) physically pledging instruments, documents, promissory notes, chattel paper and certificates evidencing any investment property or any of the Pledged Collateral with the Secured Party, (ii) obtaining Deposit Account Control Agreements in accordance with this Agreement, (iii) obtaining from other Persons lien waivers and bailee letters as the Secured Party shall reasonably request, (iv) obtaining from other Persons agreements evidencing the exclusive control and dominion of the Secured Party over any of the Collateral, in instances where obtaining control over such Collateral is the only or best method of perfection, and (v) making filings, recordings and registrations, as the Secured Party may from time to time reasonably instruct to better assure, preserve, protect and perfect the security interest of the Secured Party in the Collateral, and the rights and remedies of the Secured Party hereunder, or otherwise to further effectuate the intent and purposes of this Agreement and to carry out the terms hereof.

(b) The Company, at its sole cost and expense, will (i) at all times cause this Agreement (and/or proper notices, financing statements or other registrations or filings in respect hereof, and supplemental collateral assignments or collateral security agreements in respect of any portion of the Collateral) to be duly filed, recorded, registered and published, and re-filed, re-recorded, re-registered and re-published in such manner and in such places as may be required under the UCC or other applicable law in order to establish, perfect, preserve and protect the rights, remedies and security interest of the Secured Party in or with respect to the Collateral of the Company, and (ii) pay all taxes, fees and charges and comply with all statutes and regulations applicable to such filing, recording, registration and publishing and such re-filing, re-recording, re-registration and re-publishing.

Section 4.03 Use and Disposition of the Collateral. Unless and until an Event of Default with respect to the Company shall have occurred and be continuing or a Termination Event or an Early Termination Date shall have occurred and the Secured Party shall have notified the Company thereof in writing that the rights of the Company under this Section 4.03 are suspended, the Company may use and dispose of its Collateral in any lawful manner not inconsistent with the provisions of this Agreement, the Master Agreement, the EMA or any other Transaction Document.

Section 4.04 Authorization to File Financing Statements. The Company irrevocably authorizes the Secured Party at any time and from time to time to file in any jurisdiction any initial financing statements and all amendments thereto that (a) indicate the Collateral (i) as "all assets" or "all personal property" of the Company or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of the UCC, or (ii) as being of an equal or lesser scope or with greater detail, and (b) contain any other information required pursuant to the UCC for the sufficiency or filing office acceptance of any financing statement or amendment, including, but not limited to, (i) whether the Company is an organization, the type of organization and any organization identification number, and (ii) in the case of a financing statement that is filed as a fixture filing or indicating Collateral as as-extracted collateral or timber to be cut, a sufficient description of real property to which the Collateral relates.

Section 4.05 Maintenance of Records. The Company will keep and maintain at its own cost and expense satisfactory and complete records in accordance with good industry practice of its Accounts Receivable, Contracts and other Collateral, including, but not limited to, the originals of all documentation with respect thereto, records of all payments received, all credits granted thereon, all merchandise returned and all other dealings therewith. All billings and invoices issued by the Company with respect to its Accounts Receivable will be in compliance with, and conform to, the material requirements of all applicable federal, state and local laws and any applicable laws of any relevant foreign jurisdiction. If an Event of Default shall have occurred and be continuing or a Termination Event or an Early Termination Date shall have occurred, and the Secured Party so directs, the Company shall legend, in form and manner satisfactory to the Secured Party, its Accounts Receivable and Contracts, as well as books, records and documents of the Company evidencing or pertaining thereto with an appropriate reference to the fact that such Accounts Receivable and Contracts have been assigned to the Secured Party and that the Secured Party has a security interest therein.

Section 4.06 Perfection Certificates; Collateral Reports.

(a) Perfection Certificates. The Company shall provide to the Secured Party a completed Perfection Certificate, duly executed by an Authorized Officer of the Company, together with all schedules required to be delivered in connection therewith (i) on the Closing Date as required pursuant to the EMA, and (ii) on the date that any additional Person becomes a party to this Agreement. In addition, if any information contained in any Perfection Certificate previously delivered to the Secured Party shall become untrue or incorrect in any respect, or if the Company acquires or disposes of any of the Collateral such that any previously delivered Perfection Certificate is no longer accurate or complete in all respects, then within ten Local Business Days after such information becoming untrue, incorrect, inaccurate or incomplete, the Company shall execute and deliver a new Perfection Certificate to the Secured Party, *provided* that the delivery of such new Perfection Certificate shall not serve to cure, or constitute a waiver of, any Potential Event of Default, Event of Default or Termination Event that may have occurred as a result of such information becoming untrue, incorrect, inaccurate or incomplete in any material respect.

(b) Collateral Reports. Whenever requested to do so by the Secured Party, but no more frequently than on a monthly basis, the Company will promptly, at its own sole cost and expense,

Section 4.07 Legal Status. The Company agrees that (a) it will not change its name, place of business or if more than one, chief executive office, or its mailing address or organizational identification number if it has one, in each case without providing the Secured Party at least thirty days' prior written notice thereof, (b) if the Company does not have an organizational identification number and later obtains one, it will promptly notify the Secured Party of such organizational identification number, and (c) it will not change its type of organization, jurisdiction of organization or other legal structure in each case unless (i) it shall have provided the Secured Party at least thirty days' prior written notice thereof, and (ii) such action is permitted pursuant to the EMA.

Section 4.08 Inspections and Verification. The Secured Party and such Persons as the Secured Party may designate shall have the right, at the Secured Party's own cost and expense (provided, that if an Event of Default has occurred and is continuing and or a Termination Event or an Early Termination Date shall have occurred, the Company shall bear such expenses), at any time or from time to time, on not less than two Local Business Days' prior notice to the Company if no Event of Default has occurred and is continuing and neither a Termination Event or an Early Termination Date shall have occurred, and in the event an Event of Default has occurred and is continuing or a Termination Event or an Early Termination Date has occurred, on not less than one Local Business Day's prior notice to the Company, to inspect the Collateral of the Company, all books and records related thereto (and to make extracts and copies thereof) and the premises upon which any of such Collateral is located, to discuss the Company's affairs with the officers of the Company and its independent accountants, and to verify under reasonable procedures the validity, amount, quality, quantity, value, condition and status of, or any other matter relating to, such Collateral, including, in the case of accounts or other Collateral in the possession of any third Person, by contacting account debtors or the third Person possessing such Collateral (after not less than two days' prior notice to the Company) for the purpose of making such verification. Any procedures or actions taken, prior to the occurrence and continuance of an Event of Default or after the occurrence of a Termination Event or an Early Termination Date, in order to verify accounts by contacting account debtors, shall be effected by the Company's independent accountants, acting at the direction of the Secured Party, in such manner (consistent with their normal auditing procedures) so as not to reveal the identity of the Secured Party or the existence of the security interest to the account debtors. Subject to the limitations set forth in this Section, the Company will instruct its independent accountants to undertake any such verification when and as requested by the Secured Party. The results of any such verification by independent accountants shall be reported by such independent accountants to both the Secured Party and the Company. Notwithstanding anything to the contrary in this Section, so long as no Event of Default has occurred and is continuing and neither a Termination Event nor an Early Termination Date shall have occurred, Secured Party shall conduct such inspection and verification no more than twice in any twelve (12) month period.

Section 4.09 Insurance. The Company will at all times keep its business and its Collateral insured with financially sound and reputable insurance companies, in such amounts, with such deductibles and covering such risks as are customarily carried by companies of the same or similar size engaged in similar businesses and owning similar properties in localities where the Company operates. The Company shall otherwise maintain insurance in accordance with the EMA.

Section 4.10 Proceeds of Casualty Insurance, Condemnation or Taking.

(a) All amounts recoverable under any policy of casualty insurance or any award for the condemnation or taking by any Governmental Authority of any portion of the Collateral are hereby assigned to the Secured Party.

(b) The Company will apply any such proceeds or amounts received by it in the manner provided in the EMA, including, if required under the terms of the EMA, by paying over the same directly to the Secured Party.

(c) In the event any portion of the Collateral suffers a casualty loss or is involved in any proceeding for condemnation or taking by any Governmental Authority, then if an Event of Default has occurred and is continuing or a Termination Event or an Early Termination Date has occurred, the Secured Party is authorized and empowered, at its option, to participate in, control, direct, adjust, settle and/or compromise any such loss or proceeding, to collect and receive the proceeds therefrom and, after deducting from such proceeds any expenses incurred by it in connection with the collection or handling thereof, to apply the net proceeds to the Secured Obligations in accordance with Section 8.05 of this Agreement.

(d) If any proceeds are received by the Secured Party as a result of a casualty, condemnation or taking involving the Collateral and no Event of Default has occurred and is continuing or a Termination Event or an Early Termination Date has occurred, then the Secured Party will promptly release such proceeds to the Company, unless the EMA provides otherwise.

Section 4.11 Commercial Tort Claims. If the Company shall at any time hold or acquire a commercial tort claim, the recovery from which could reasonably be expected to exceed \$250,000, the Company shall promptly notify the Secured Party thereof in a writing signed by the Company, which sets forth the details thereof and grants to the Secured Party (for the benefit of the Secured Parties) a Lien thereon and on the Proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to the Secured Party.

Section 4.12 Electronic Chattel Paper and Transferable Records. If the Company at any time holds or acquires an interest in any electronic chattel paper or any "transferable record," as defined in Section 201 of the Federal Electronic Signatures in Global and National Commerce Act, or in Section 16 of the Uniform Electronic Transactions Act, as in effect in any relevant jurisdiction, the Company shall promptly notify the Secured Party thereof and, at the request of the Secured Party, shall take such action as the Secured Party may reasonably request to vest in the Secured Party control under the UCC or control under Section 201 of the Federal Electronic Signatures in Global and National Commerce Act or, as the case may be, Section 16 of the Uniform Electronic Transactions Act, as so in effect in such jurisdiction, of such transferable record. The Secured Party agrees with the Company that the Secured Party will arrange, pursuant to procedures reasonably satisfactory to the Secured Party and so long as such procedures will not result in the Secured Party's loss of control, for the Company to make alterations to the electronic chattel paper or transferable record permitted under the UCC or, as the case may be, Section 201 of the Federal Electronic Signatures in Global and National Commerce Act or Section 16 of the Uniform Electronic Transactions Act for a party in control to allow without loss of control, unless an Event of Default has occurred and is continuing or would occur after taking into account any action by the Company with respect to such electronic chattel paper or transferable record or a Termination Event or an Early Termination Date has occurred.

Section 4.13 Letter-of-Credit Rights. If the Company is at any time a beneficiary under a letter of credit now or hereafter issued in favor of the Company, the Company shall promptly notify the Secured Party thereof and, at the request of the Secured Party, the Company shall, pursuant to an agreement in form and substance reasonably satisfactory to the Secured Party, either (i) arrange for the

Section 4.14 Collateral Assignments of Contracts. The Company will, upon the Secured Party's reasonable request, execute from time to time a Collateral Assignment of Contracts with respect to each Contract that the Secured Party desires. Each such Collateral Assignment of Contracts must be executed and delivered to the Secured upon within 10 Local Business Days of the Secured Party's request therefore.

Section 4.15 Protective Advances by the Secured Party. At its option, but without being obligated to do so, the Secured Party may, upon prior written notice to the Company, after the occurrence and during the continuance of an Event of Default or after the occurrence of a Termination Event or an Early Termination Date, (i) pay and discharge past due taxes, assessments and governmental charges, at any time levied on or with respect to any of the Collateral of the Company which the Company has failed to pay and discharge in accordance with the requirements of this Agreement or any of the other Transaction Documents, (ii) pay and discharge any claims of other creditors of the Company which are secured by any Lien on any Collateral, other than a Permitted Lien, (iii) pay for the maintenance, repair, restoration and preservation of the Collateral to the extent the Company fails to comply with its obligations in regard thereto under this Agreement and the other Transaction Documents or the Secured Party reasonably believes payment of the same is necessary or appropriate to avoid a material loss or material diminution in value of the Collateral, and/or (iv) obtain and pay the premiums on insurance for the Collateral which the Company fails to maintain in accordance with the requirements of this Agreement and the other Transaction Documents, and the Company agrees to reimburse the Secured Party, on demand, for all payments and expenses incurred by the Secured Party with respect to the Company or any of its Collateral pursuant to the foregoing authorization, *provided, however*, that nothing in this Section shall be construed as excusing the Company from the performance of, or imposing any obligation on the Secured Party to cure or perform, any covenants or other agreements of the Company with respect to any of the foregoing matters as set forth herein or in any of the other Transaction Documents.

Section 4.16 Acquisition of Equity Interest. Without the prior written consent of Secured Party, not to be unreasonably withheld, the Company shall acquire no investment property, securities accounts or securities entitlements. The consent of the Secured Party to the Company's acquisition of any investment property, securities account or securities entitlements may be conditioned upon the Company's execution of a pledge agreement and any control agreements reasonably requested by Secured Party to create and perfect Secured Party's Lien in such investment property, securities account or securities entitlement.

ARTICLE V.

ACCOUNTS AND COLLECTION OF ACCOUNTS

Section 5.01 Deposit Accounts.

(a) The Company shall cause all deposit accounts to be subject at all times to a fully effective Deposit Account Control Agreement.

(b) The Company does and shall hold all money and Cash Equivalents of the Company in the deposit accounts listed on the Perfection Certificate dated and delivered on the date hereof (collectively, the "Disclosed Deposit Accounts") and shall not establish or use any other deposit accounts, securities accounts, commodities accounts, or other investment accounts.

(c) The Company shall (i) maintain in effect Customer Payment Instructions with respect to all Customer Contracts to which it is a party and otherwise cause all payments on Accounts Receivables and other proceeds of the Collateral (other than refundable customer deposits) to be deposited promptly to the Party B Controlled Accounts (and to no other account) disclosed on the Perfection Certificate dated and delivered on the date hereof and (ii) cause refundable deposits of its customers to be deposited or transferred promptly to its Party B Controlled Account, if applicable.

(d) Unless otherwise directed by the Secured Party during the existence of an Event of Default or following the occurrence of a Termination Event or an Early Termination Date, all amounts that are available for distribution from the Party B Controlled Accounts shall be applied in accordance with the EMA and otherwise in satisfaction of any amounts due and owing to the Secured Party.

(e) During the existence of an Event of Default or following the occurrence of a Termination Event or an Early Termination Date, all amounts that are deposited or held in the Controlled Accounts shall be applied as determined by the Secured Party in its sole discretion, and the Secured Party may issue instructions to the applicable Depository Bank.

(f) The Company shall maintain in effect and perform all of its obligations under each Deposit Account Control Agreement to which it is a party, without modification thereto, except as approved in writing by the Secured Party.

(g) Immediately upon the creation or acquisition of any new deposit account or any interest therein by the Company, the Company shall cause to be in full force and effect, prior to the deposit of any funds therein, a Deposit Account Control Agreement duly executed by the Company, the Secured Party and the applicable Depository Bank, and the Perfection Certificate shall be deemed to have been updated to include such newly created or acquired deposit account upon satisfaction of the foregoing.

Section 5.02 Operation of Collateral Accounts. Except as expressly permitted pursuant to this Agreement or the EMA, the Company shall cause all cash and Cash Equivalents to be maintained in Collateral Accounts. Prior to the occurrence of an Event of Default, a Termination Event or an Early Termination Date, the Company may withdraw, or direct the disposition of, funds and other investments or financial assets held in the Collateral Accounts in accordance with Section 5.01 above. Upon the occurrence and during the continuance of an Event of Default or following the occurrence of a Termination Event or an Early Termination Date, upon written notice to the Company, the Secured Party shall be permitted to (i) retain, or instruct the relevant Depository Bank to retain, all cash and investments held in any Collateral Account, (ii) liquidate or issue entitlement orders with respect to, or instruct the relevant Depository Bank to liquidate, any or all investments or financial assets held in any Collateral Account, (iii) instruct the Depository Bank to follow the instructions of the Secured Party, and (iv) withdraw any amounts held in any Collateral Account and apply such amounts in accordance with the terms of this Agreement.

Section 5.03 Collection of Accounts.

(a) The Company shall, in a manner consistent with the provisions of this Article V and in a manner consistent with past practice and in the ordinary course of business, endeavor to cause to

(b) The Company shall, and the Secured Party hereby authorizes the Company to, enforce and collect all amounts owing to it on its Inventory and Accounts Receivable, for the benefit and on behalf of the Secured Party; *provided, however*, that such privilege may at the sole option of the Secured Party, by notice to the Company, be terminated upon the occurrence and during the continuance of an Event of Default or after the occurrence of a Termination Event or an Early Termination Date.

ARTICLE VI.

INTELLECTUAL PROPERTY

Section 6.01 Intellectual Property. The Company represents and warrants that: (i) it is the true and lawful owner or licensee of the Trademarks listed on the most recent Perfection Certificate delivered by the Company to the Secured Party and that said listed Trademarks constitute all the marks registered in the United States Patent and Trademark Office that the Company now owns or uses in connection with its business; (ii) it is the true and lawful owner or licensee of all rights in the Patents listed on the most recent Perfection Certificate delivered by the Company to the Secured Party and that said Patents constitute all the United States patents and applications for United States patents that the Company now owns or uses in connection with its business; and (iii) it is the true and lawful owner or licensee of all rights in the Copyright registrations listed on the most recent Perfection Certificate delivered by the Company to the Secured Party and that said Copyrights constitute all the registered United States copyrights that the Company now owns. The Company further warrants that it is aware of no third-party claim that any aspect of the Company's present or contemplated business operations infringes or will infringe any trademark, service mark, patent or copyright in a manner which could have a Material Adverse Effect.

Section 6.02 Collateral Assignments; Further Assurances. Upon request of the Secured Party whenever made, the Company shall promptly execute and deliver to the Secured Party such Collateral Assignment Agreements as the Secured Party shall request in connection with the Company's Intellectual Property. The Company agrees that it will take such action, and deliver such documents or instruments, as the Secured Party shall reasonably request in connection with the preparation, filing or registration and enforcement of any Collateral Assignment Agreement.

Section 6.03 Licenses and Assignments. The Company hereby agrees not to divest itself of any material right under or with respect to any Intellectual Property material to its business other than in the ordinary course of business or as expressly permitted pursuant to the EMA absent prior written approval of the Secured Party.

Section 6.04 Infringements. The Company agrees, promptly upon learning thereof, to notify the Secured Party in writing of the name and address of, and to furnish such pertinent information that may be available with respect to, any party who may be infringing or otherwise violating any of the Company's rights in and to any Intellectual Property that could reasonably be expected to have a Material Adverse Effect (any such Intellectual Property, "Significant Intellectual Property"), or with respect to any party claiming that the Company's use of any Significant Intellectual Property violates any property right of that party, to the extent that such infringement or violation could reasonably be expected to have a Material Adverse Effect. The Company further agrees to prosecute any Person infringing any Significant Intellectual Property in a manner consistent with its past practice and in the ordinary course of business.

Section 6.05 Trademarks.

(a) Preservation of Trademarks. The Company agrees to use or license the use of its Trademarks in interstate commerce during the time in which this Agreement is in effect, sufficiently to preserve such Trademarks as trademarks or service marks registered under the laws of the United States, except where the Company determines in good faith it is commercially reasonable to abandon a Trademark.

(b) Maintenance of Registration. Except where the Company determines in good faith it is commercially reasonable to abandon a Trademark or a Trademark application, the Company shall, at its own expense, diligently process all documents required by the Trademark Act of 1946, 15 U.S.C. §§ 1051, *et seq.* to maintain trademark registration, including but not limited to affidavits of use and applications for renewals of registration in the United States Patent and Trademark Office for all of its Trademarks pursuant to 15 U.S.C. §§ 1058(a), 1059 and 1065, and shall pay all fees and disbursements in connection therewith.

(c) Future Registered Trademarks. If any mark registration issued hereafter to the Company as a result of any application now or hereafter pending before the United States Patent and Trademark Office, then, in accordance with Section 4.07(a) hereof, within ten Local Business Days of receipt of such certificate, the Company shall deliver to the Secured Party an updated Perfection Certificate, together with a copy of such certificate, and a grant of security in such mark to the Secured Party, confirming the grant thereof hereunder, the form of such confirmatory grant to be in form and substance reasonably acceptable to the Secured Party.

Section 6.06 Patents.

(a) Maintenance of Patents. The Company shall make timely payment of all post-issuance fees required pursuant to 35 U.S.C. §41 to maintain in force rights under each Patent, except where the Company in good faith determines it is commercially reasonable to abandon such Patent.

(b) Prosecution of Patent Applications. The Company shall maintain all Patents issued and shall diligently prosecute all applications for United States patents, and shall not abandon any such application, except in favor of a continuation application based on such application, prior to exhaustion of all administrative and judicial remedies, except where the Company in good faith determines it is commercially reasonable to abandon such Patent or application.

Section 6.07 Other Patents and Copyrights. In accordance with Section 4.06(a) hereof, within ten Local Business Days of acquisition of a United States Patent or Copyright, or of filing of an application for a United States Patent, the Company shall deliver to the Secured Party an updated Perfection Certificate, together with a copy of said Patent or Copyright, as the case may be, with a grant of security as to such Patent or Copyright, as the case may be, confirming the grant thereof hereunder, the form of such confirmatory grant to be in form and substance acceptable to the Secured Party.

Section 6.08 Remedies Relating to Intellectual Property. If an Event of Default shall occur and be continuing or a Termination Event or an Early Termination Date shall have occurred, the Secured Party may, by written notice to the Company, take any or all of the following actions: (i) declare the entire right, title and interest of the Company in and to each of the Copyrights, Patents and Trademarks, together with all trademark rights and rights of protection to the same, vested, in which event such rights, title and interest shall immediately vest in the Secured Party, in which case the Company agrees to execute an assignment in form and substance reasonably satisfactory to the Secured Party of all its rights, title and interest in and to the Copyrights, Patents and Trademarks to the Secured Party; (ii) take and

ARTICLE VII.

POWER OF ATTORNEY.

Section 7.01 Appointment and Powers of Secured Party. The Company hereby irrevocably constitutes and appoints Secured Party and all agents thereof, with full power of substitution, as its true and lawful attorneys-in-fact with full irrevocable power and authority in the place and stead of the Company or in Secured Party's own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments that may be necessary or desirable to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, hereby gives said attorneys the power and right, on behalf of the Company, without notice to or assent by the Company, to do the following:

(a) during the continuance of an Event of Default or after the occurrence of a Termination Event or an Early Termination Date, generally to sell, transfer, pledge, license, lease, otherwise dispose of, make any agreement with respect to or otherwise deal with any of the Collateral in such manner as is consistent with the UCC and as fully and completely as though Secured Party were the absolute owner thereof for all purposes, and to do, at the Company's expense, from time to time all acts and things which Secured Party deems necessary to protect, preserve or realize upon the Collateral and the Security Interest therein, in order to effect the intent of this Agreement, all as fully and effectively as the Company might do, including: (i) making, settling and adjusting claims in respect of Collateral under policies of insurance, endorsing the name of the Company on any check, draft, instrument or other item of payment for the Proceeds of such policies of insurance and making all determinations and decisions with respect thereto; (ii) to receive, endorse, present, assign, deliver and/or otherwise deal with any and all notes, acceptances, letters of credit, checks, drafts, money orders, or other evidences of payment relating to the Collateral of the Company or any part thereof; (iii) to demand, collect, receive payment of, and give receipt for and give credits, allowances, discounts, discharges, releases and acquittances of and for any or all of the Collateral of the Company; (iv) to sign the name of the Company on any invoice or bill of lading relating to any of the Collateral of the Company; (v) to send verifications of any or all of the Accounts Receivable of the Company to its account debtors; (vi) to commence and prosecute any and all suits, actions or proceedings at law or in equity in or before any court or other tribunal (including any arbitration proceedings) to collect or otherwise realize on all or any of the Collateral of the Company, or to enforce any rights of the Company in respect of any of its Collateral; (vii) to settle, compromise, compound, adjust or defend any actions, suits or proceedings relating to any or all of the Collateral of the Company; (viii) to notify, or require the Company to notify or cause to be notified, its account debtors to make payment directly to the Secured Party or to a Controlled Account; or (ix) to use, sell, assign, transfer, pledge, make any agreement with respect to or otherwise deal with any or all of the Collateral of the Company, and to do all other acts and things necessary or appropriate to carry out the intent and purposes of this Agreement, as fully and completely as though the Secured Party were the absolute owner of the Collateral of the Company for all purposes;

(b) during the continuance of an Event of Default or after the occurrence of a Termination Event or an Early Termination Date, (i) the filing and prosecuting of registration and transfer applications with the appropriate federal or local agencies or authorities with respect to Trademarks, Copyrights and patentable inventions and processes; (ii) upon written notice to the Company, exercising voting rights with respect to voting securities, which rights may be exercised, if Secured Party, so elects, with a view to causing the liquidation in a commercially reasonable manner of assets of the issuer of any such securities; and (iii) executing, delivering and recording, in connection with any sale or other disposition of any Collateral, of the endorsements, assignments or other instruments of conveyance or transfer with respect to such Collateral; and

(c) to the extent that the Company's authorization given in Section 4.04 is not sufficient, to file such financing statements with respect hereto, with or without the Company's signature, or a photocopy of this Agreement in substitution for a financing statement, as Secured Party may deem appropriate and to execute in the Company's name such financing statements and amendments thereto and continuation statements which may require the Company's signature.

Section 7.02 Ratification by Company. To the extent permitted by law, the Company hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue of this Article VII. This power of attorney is a power coupled with an interest and is irrevocable until the termination of this Agreement pursuant to Section 9.09.

Section 7.03 No Duty on Secured Party. Except as set forth in Section 7.04, the powers conferred on Secured Party, its directors, officers and agents pursuant to this Article VII are solely to protect Secured Party's interests in the Collateral and shall not impose any duty upon any of them to exercise any such powers. Secured Party shall be accountable only for the amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its officers, directors, employees or agents shall be responsible to the Company for any act or failure to act, except for Secured Party's own gross negligence or willful misconduct.

Section 7.04 Rights of Customers. Notwithstanding Section 7.03, the Deposit Account Control Agreements or anything in this Agreement to the contrary, the Secured Party acknowledges that the Company's Customers may have rights prior to the Company's rights or to Secured Party's rights pursuant to its security interest to all or a substantial portion of the monies held within the Controlled Accounts. Secured Party agrees to indemnify, defend and hold the Company, its directors, officers and agents harmless from and against all claims, lawsuits, damages, judgments, expenses and costs (including reasonable attorneys fees) arising from or related to any claim or action by a Customer (or the successor, heir or legatee of a Customer) to the extent that the Customer's monies have been misapplied, converted, misappropriated or the like, and where Secured Party's or its agent's actions or omissions caused such misapplication, conversion, misappropriation or the like and where Secured Party knew or should have known of such Customer's prior rights in such monies.

ARTICLE VIII

REMEDIES UPON OCCURRENCE OF AN EVENT OF DEFAULT, EVENT OF DEFAULT, TERMINATION EVENT OR EARLY TERMINATION DATE

Section 8.01 Remedies Generally. The Company agrees that, if any Event of Default shall have occurred and be continuing or a Termination Event or an Early Termination Date has occurred, then and in every such case, subject to any mandatory requirements of applicable law then in effect, the Secured Party, in addition to any rights now or hereafter existing under applicable law, shall have all rights as a secured creditor under the UCC in all relevant jurisdictions and may exercise any or all of the following rights (all of which the Company hereby agrees is commercially reasonable to the fullest extent permitted under applicable law now or hereafter in effect):

- (a) personally, or by agents' attorneys or other authorized representatives, immediately retake possession of the Collateral or any part thereof from the Company or any other Person who then has possession of any part thereof with or without notice or process of law, and for that purpose may enter upon the Company's or such other Person's premises where any of the Collateral is located and remove the same and use in connection with such removal any and all services, supplies, aids and other facilities of the Company;
- (b) instruct the obligor or obligors on any Account Receivable, agreement, instrument or other obligation (including, without limitation, account debtors) constituting the Collateral to make any payment required by the terms of such Account Receivable, agreement, instrument or other obligation directly to the Secured Party and/or directly to a lockbox under the sole dominion and control of the Secured Party;
- (c) sell, assign or otherwise liquidate, or direct the Company to sell, assign or otherwise liquidate, any or all of the Collateral or any part thereof, and take possession of the proceeds of any such sale or liquidation;
- (d) issue entitlement orders or instructions with respect to the Collateral Accounts;
- (e) except as set forth in Sections 5.01(e) and 8.04 hereof, withdraw any or all monies, securities and/or instruments in any Collateral Account for application to the Secured Obligations in accordance with Section 8.05 hereof;
- (f) pay and discharge taxes, Liens or claims on or against any of the Collateral;
- (g) pay, perform or satisfy, or cause to be paid, performed or satisfied, for the benefit of the Company, any of the obligations, terms, covenants, provisions or conditions to be paid, observed, performed or satisfied by the Company under any contract, agreement or instrument relating to its Collateral, all in accordance with the terms, covenants, provisions and conditions thereof, as and to the extent that the Company fails or refuses to perform or satisfy the same;
- (h) enter into any extension of, or any other agreement in any way relating to, any of the Collateral;
- (i) make any compromise or settlement the Secured Party deems desirable or necessary with respect to any of the Collateral; and/or

(j) take possession of the Collateral or any part thereof, by directing the Company or any other Person in possession thereof in writing to deliver the same to the Secured Party at any place or places designated by the Secured Party, in which event the Company shall at its own expense:

(i) forthwith cause the same to be moved to the place or places so designated by the Secured Party and delivered to the Secured Party,

(ii) store and keep any Collateral so delivered to the Secured Party at such place or places pending further action by the Secured Party as provided in Section 8.02, and

(iii) while the Collateral shall be so stored and kept, provide such guards and maintenance services as shall be necessary to protect the same and to preserve and maintain them in substantially the same condition prior to such action;

it being understood that the Company's obligation so to deliver the Collateral is of the essence of this Agreement and that, accordingly, upon application to a court of equity having jurisdiction, the Secured Party shall be entitled to a decree requiring specific performance by the Company of said obligation.

Section 8.02 Disposition of the Collateral. Upon the occurrence and continuance of an Event of Default or after the occurrence of a Termination Event or an Early Termination Date, any Collateral repossessed by the Secured Party under or pursuant to Section 8.01 and any other Collateral whether or not so repossessed by the Secured Party, may be sold, assigned, leased or otherwise disposed of under one or more contracts or as an entirety, and without the necessity of gathering at the place of sale of the property to be sold, and in general in such manner, at such time or times, at such place or places and on such terms as the Secured Party may, in compliance with any mandatory requirements of applicable law, determine to be commercially reasonable. Any of the Collateral may be sold, leased or otherwise disposed of, in the condition in which the same existed when taken by the Secured Party or after any overhaul or repair which the Secured Party shall determine to be commercially reasonable. Except in the case of any Collateral that is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, (i) in the case of any such disposition which shall be a private sale or other private proceedings permitted by such requirements, such sale shall be made upon not less than ten days' written notice to the Company specifying the time at which such disposition is to be made and the intended sale price or other consideration therefore, and shall be subject, for the ten days after the giving of such notice, to the right of the Company or any nominee of the Company to acquire the Collateral involved at a price or for such other consideration at least equal to the intended sale price or other consideration so specified, and (ii) in the case of any such disposition which shall be a public sale permitted by such requirements, such sale shall be made upon not less than ten days' written notice to the Company specifying the time and place of such sale and, in the absence of applicable requirements of law, shall be by public auction (which may, at the Secured Party's sole option, be subject to reserve), after publication of notice of such auction not less than ten days prior thereto in two newspapers in general circulation in the city where such Collateral is located. To the extent permitted by any such requirement of law, the Secured Party may bid for and become the purchaser (by bidding in Secured Obligations or otherwise) of the Collateral or any item thereof offered for sale in accordance with this Section without accountability to the Company (except to the extent of surplus money received as provided in Section 8.05). Unless so obligated under mandatory requirements of applicable law, the Secured Party shall not be required to make disposition of the Collateral within a period of time which does not permit the giving of notice to the Company as hereinabove specified. The Secured Party need give the Company only such notice of disposition as the Secured Party shall deem to be reasonably practicable in view of such mandatory requirements of applicable law.

Section 8.03 Grant of License to Use Intellectual Property. For the purpose of enabling the Secured Party to exercise rights and remedies under this Article VIII at such time as the Secured Party shall be lawfully entitled to exercise such rights and remedies and for no other purpose, the Company hereby grants to the Secured Party an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to the Company) to use, assign or sublicense any of the Intellectual Property of the Company, now owned or hereafter acquired by the Company, and wherever the same may be located, including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout thereof.

Section 8.04 Waiver of Claims. Except as otherwise provided in this Agreement, THE COMPANY HEREBY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, NOTICE AND JUDICIAL HEARING IN CONNECTION WITH THE SECURED PARTY'S TAKING POSSESSION OR THE SECURED PARTY'S DISPOSITION OF ANY OF THE COLLATERAL, INCLUDING, WITHOUT LIMITATION, ANY AND ALL PRIOR NOTICE AND HEARING FOR ANY PREJUDGMENT REMEDY OR REMEDIES AND ANY SUCH RIGHT WHICH THE COMPANY WOULD OTHERWISE HAVE UNDER THE CONSTITUTION OR ANY STATUTE OF THE UNITED STATES OR OF ANY STATE, and the Company hereby further waives, to the extent permitted by law and except as provided in Section 7.04 hereof: (i) all damages occasioned by such taking of possession except any damages which are the direct result of the Secured Party's gross negligence or willful misconduct; (ii) all other requirements as to the time, place and terms of sale or other requirements with respect to the enforcement of the Secured Party's rights hereunder; and (iii) all rights of redemption, appraisal, valuation, stay, extension or moratorium now or hereafter in force under any applicable law in order to prevent or delay the enforcement of this Agreement or the absolute sale of the Collateral or any portion thereof, and the Company, for itself and all who may claim under it, insofar as it or they now or hereafter lawfully may, hereby waives the benefit of all such laws to the fullest extent permitted by applicable law now or hereafter in effect. Any sale of, or the grant of options to purchase, or any other realization upon, any Collateral shall operate to divest all right, title, interest, claim and demand, either at law or in equity, of the Company therein and thereto, and shall be a perpetual bar both at law and in equity against the Company and against any and all Persons claiming or attempting to claim the Collateral so sold, optioned or realized upon, or any part thereof, from, through and under the Company.

Section 8.05 Application of Proceeds. Subject to the rights of Customers to the monies held in the Controlled Accounts, all Collateral and proceeds of Collateral obtained and realized by the Secured Party in connection with the enforcement of this Agreement pursuant to this Article VIII shall be applied as follows:

(i) *first*, to the payment to the Secured Party, for application to the Secured Obligations as provided in the EMA; and

(ii) *second*, to the extent remaining after the application pursuant to the preceding clause (i) and following the termination of this Agreement pursuant to Section 9.09 hereof, to the Company or to whomever may be lawfully entitled to receive such payment.

Section 8.06 Remedies Cumulative. Each and every right, power and remedy hereby specifically given to the Secured Party shall be in addition to every other right, power and remedy specifically given under this Agreement or the other Transaction Documents or now or hereafter existing at law or in equity, or by statute, and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time or simultaneously and as often and in such order as may be deemed expedient by the Secured Party. All such rights, powers and remedies shall be cumulative and the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of the Secured Party in the exercise of any

Section 8.07 Discontinuance of Proceedings. In case the Secured Party shall have instituted any proceeding to enforce any right, power or remedy under this Agreement by foreclosure, sale, entry or otherwise, and such proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Secured Party, then and in every such case the Company, the Secured Party and each holder of any of the Secured Obligations shall be restored to their former positions and rights hereunder with respect to the Collateral subject to the security interest created under this Agreement, and all rights, remedies and powers of the Secured Party shall continue as if no such proceeding had been instituted.

Section 8.08 Purchasers of Collateral. Upon any sale of any of the Collateral by the Secured Party hereunder (whether by virtue of the power of sale herein granted, pursuant to judicial process or otherwise), the receipt of the Secured Party or the officer making the sale shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold, and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Secured Party or such officer or be answerable in any way for the misapplication or nonapplication thereof.

ARTICLE IX.

MISCELLANEOUS

Section 9.01 Notices. Except as otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing, sent by telecopier, mailed or delivered, (i) if to the Company, at its address specified in or pursuant to the Master Agreement, (ii) if to any other Company, to it c/o the Company at its address specified in or pursuant to the Master Agreement, and (iii) if to the Secured Party, to it at its address specified in or pursuant to the Master Agreement; or in any case at such other address as any of the Persons listed above may hereafter notify the others in writing. All such notices and communications shall be mailed, telecopied, sent by overnight courier or delivered, and shall be effective when received.

Section 9.02 Entire Agreement. This Agreement and the other Transaction Documents represent the final agreement among the parties with respect to the subject matter hereof and thereof, supersede any and all prior agreements and understandings, oral or written, relating to the subject matter hereof and thereof, and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements among the parties. There are no unwritten oral agreements among the parties.

Section 9.03 Obligations Absolute. The obligations of the Company under this Agreement shall be absolute and unconditional and shall remain in full force and effect without regard to, and shall not be released, suspended, discharged, terminated or otherwise affected by, any circumstance or occurrence whatsoever, other than indefeasible payment in full of, and complete performance of, all of the Secured Obligations, including, without limitation:

(a) any renewal, extension, amendment or modification of, or addition or supplement to, or deletion from other Transaction Documents or any other instrument or agreement referred to therein, or any assignment or transfer of any thereof;

(b) any waiver, consent, extension, indulgence or other action or inaction under or in respect of any such agreement or instrument or this Agreement except as expressly provided in such renewal, extension, amendment, modification, addition, supplement, assignment or transfer;

(c) any furnishing of any additional security to the Secured Party or its assignee or any acceptance thereof or any release of any security by the Secured Party or its assignee;

(d) any limitation on any Person's liability or obligations under any such instrument or agreement or any invalidity or unenforceability, in whole or in part, of any such instrument or agreement or any term thereof;

(e) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to the Company or any Subsidiary of the Company, or any action taken with respect to this Agreement by any trustee or receiver, or by any court, in any such proceeding, whether or not the Company shall have notice or knowledge of any of the foregoing; or

(f) to the fullest extent permitted by applicable law now or hereafter in effect, any other event or circumstance which, but for this provision, might release or discharge a guarantor or other surety from its obligations as such.

Section 9.04 Successors and Assigns. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Company or Secured Party that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns. No Company may assign this Agreement or any of its obligations hereunder without the prior written consent of Secured Party.

Section 9.05 Headings Descriptive. The headings of the several Sections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

Section 9.06 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 9.07 Enforcement Expenses, etc. The Company agrees to pay, to the extent not paid pursuant to the requirements of the Master Agreement, all reasonable, actual out-of-pocket costs and expenses of the Secured Party in connection with the enforcement of this Agreement, the preservation of the Collateral, the perfection of the security interest, and any amendment, waiver or consent relating hereto (including, without limitation, the reasonable fees and disbursements of counsel employed by the Secured Party).

Section 9.08 Release of Portions of Collateral.

(a) At such time as all Secured Obligations have been paid in full and the Master Agreement has terminated, this Agreement shall terminate (except with respect to provisions that expressly survive termination) and the Collateral shall be released automatically from the Liens under this Agreement. Secured Party shall at the request of the Company and at the expense of the Company promptly deliver financing statement terminations and other releases to reflect the termination and release of Lien.

(b) If any of the Collateral shall be sold, transferred or otherwise disposed of by the Company in a transaction permitted by the Master Agreement, the security interest created hereby in any Collateral that is so sold, transferred, or otherwise disposed of shall automatically terminate and be released upon the closing of such sale, transfer, or other disposition, and such Collateral shall be sold free and clear of the Lien and security interest created hereby; *provided, however*, that such security interest will continue to attach to all proceeds of such sales or other dispositions. Upon the occurrence of the events described in the foregoing sentence, the secured Party agrees to execute a release of such Collateral and authorize the filing of a UCC-3 releasing such collateral, as is reasonably requested by the Company.

Section 9.09 Termination. After the termination of the Master Agreement and when all other Secured Obligations (other than unasserted indemnity obligations) have been paid in full, this Agreement shall terminate, and the Secured Party, at the request and expense of the Company, will execute and deliver to the Company a proper instrument or instruments (including UCC termination statements on form UCC-3) acknowledging the satisfaction and termination of this Agreement, and will duly assign, transfer and deliver to the Company (without recourse and without any representation or warranty) such of the Collateral as may be in the possession of the Secured Party and as has not theretofore been sold or otherwise applied or released pursuant to this Agreement.

Section 9.10 Other Creditors, etc. Not Third-Party Beneficiaries. No creditor of the Company or any of its Affiliates, or other Person claiming by, through or under the Company or any of its Affiliates, other than the Secured Party, and its successors and assigns, shall be a beneficiary or third-party beneficiary of this Agreement or otherwise shall derive any right or benefit herefrom.

Section 9.11 Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto on separate counterparts, including via facsimile transmission or other electronic transmission capable of authentication, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same agreement. A set of counterparts executed by all the parties hereto shall be lodged with the Company and the Secured Party.

Section 9.12 Amendments. No amendment or waiver of any provision of this Agreement and no consent to any departure by the Company shall in any event be effective unless the same shall be in writing and signed by the Secured Party and the Company, as the case may be, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 9.13 Separate Actions. A separate action may be brought and prosecuted against the Company, any guarantor or obligor, and whether or not any other guarantor or obligor or the Company be joined in such action or actions.

Section 9.14 Governing Law, Venue, Waiver of Jury Trial.

(a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF TEXAS, WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF TEXAS SITTING IN HOUSTON, TEXAS OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF TEXAS, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, THE COMPANY CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. THE COMPANY 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 OTHER DOCUMENT RELATED THERETO. THE COMPANY WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY THE LAW OF SUCH STATE.

(c) THE COMPANY HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER THIS AGREEMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO THIS AGREEMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND THE COMPANY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 9.14 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

[Remainder of page intentionally left blank]

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

SANTANNA NATURAL GAS CORPORATION
D/B/A SANTANNA ENERGY SERVICES

By: TW Gatlin
Name: T. W. GATLIN
Title: PRESIDENT

Accepted by:

EDF TRADING NORTH AMERICA, LLC,
as Secured Party

By: [Signature]
Russell Schneider
Senior Vice President

LEGAL [Signature]

CREDIT [Signature]

SETTLEMENTS [Signature]