

11-05-1999

FORM PTO-1618A
Expires 06/30/99
OMB 0651-0027U.S. Department of Commerce
Patent and Trademark Office
TRADEMARK

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RECORDATION FORM COVER SHEET
TRADEMARKS ONLY

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

Submission Type

☒ New☐ Resubmission (Non-Recordation)
Document ID # ☐ Correction of PTO ErrorReel # Frame # ☐ Corrective DocumentReel # Frame #

Conveyance Type

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

10 29 1999

Conveying Party

☐ Mark if additional names of conveying parties attachedExecution Date
Month Day YearName Dollar Express Royalties, Inc.

10 29 1999

Formerly ☐ Individual☐ General Partnership☐ Limited Partnership☒ Corporation☐ Association☐ Other ☒ Citizenship/State of Incorporation/Organization Delaware

Receiving Party

☐ Mark if additional names of receiving parties attachedName First Union National Bank, as Administrative AgentDBA/AKA/TA Composed of Address (line 1) 1345 Chestnut StreetAddress (line 2) 8th Floor, Widener BuildingAddress (line 3) Philadelphia

City

 Pennsylvania / USA

State/Country

 19107-4843

Zip Code

☐ Individual☐ General Partnership☐ Limited Partnership☐

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

☐ Corporation☒ Association☐ Other ☒ Citizenship/State of Incorporation/Organization National Banking Association

11/04/1999 JSHABAZZ 00000061 75507754

FOR OFFICE USE ONLY

01 FC:481
02 FC:48240.00 OP
75.00 OP

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Mail documents to be recorded with required cover sheet(s) information to:
Commissioner of Patents and Trademarks, Box Assignments, Washington, D.C. 20231TRADEMARK
REEL: 001985 FRAME: 0514

Domestic Representative Name and Address

Enter for the first Receiving Party only.

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Correspondent Name and Address

Area Code and Telephone Number (704) 331-7400

Name

Kennedy Covington Lobdell & Hickman, L.L.P.

Address (line 1)

Bank of America Corporate Center

Address (line 2)

100 North Tryon Street, Suite 4200

Address (line 3)

Charlotte, NC 28202-4006

Address (line 4)

Attn: James T. Hedrick, Jr.

Pages

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

63

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

☐ Mark if additional numbers attached

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

Trademark Application Number(s)

Registration Number(s)

75507754

1834110

2093538

2274232

Number of Properties

Enter the total number of properties involved.

4 (four)

Fee Amount

Fee Amount for Properties Listed (37 CFR 3.41):

\$ 115.00

Method of Payment:

Enclosed ☒

Deposit Account ☐

Deposit Account

(Enter for payment by deposit account or if additional fees can be charged to the account.)

Deposit Account Number:

#

Authorization to charge additional fees:

Yes ☐

No ☐

Statement and Signature

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

James T. Hedrick, Jr.

Name of Person Signing

Signature

October 29, 1999

Date Signed

JOINDER AGREEMENT

THIS JOINDER AGREEMENT, dated as of the 29th day of October, 1999 (the "Agreement"), to the Credit Agreement and the other Loan Documents referred to below is entered into by and among DE&S HOLDING CO., a corporation organized under the laws of Pennsylvania (the "Parent"), on behalf of itself and the other Borrowers party to such Credit Agreement (collectively, the "Borrowers"), DOLLAR EXPRESS, INC., a corporation organized under the laws of Pennsylvania (the "Pledgor"), DOLLAR EXPRESS ROYALTIES, INC., a corporation organized under the laws of Delaware (the "New Subsidiary"), and FIRST UNION NATIONAL BANK, a national banking association, as Administrative Agent (the "Administrative Agent") under such Credit Agreement.

Statement of Purpose

The Borrowers, the Lenders and the Administrative Agent are parties to the Credit Agreement dated as of February 5, 1999 (as supplemented hereby and as further amended, restated, supplemented or otherwise modified, the "Credit Agreement"). In connection with the Credit Agreement, the Borrowers have also entered into the Security Agreement referred to therein and the Borrower Pledge Agreement referred to therein.

The New Subsidiary was created as a Wholly-Owned Subsidiary of the Pledgor on October 21, 1999. In connection therewith, the New Subsidiary is required to execute, among other documents, a joinder agreement in order to become a Borrower under the Credit Agreement, a Grantor under the Security Agreement and an Issuer under the Borrower Pledge Agreement and the Pledgor is required to execute, among other things, a joinder agreement, in order to pledge one hundred percent (100%) of the capital stock or other equity interests of the New Subsidiary.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the parties hereto hereby agree as follows:

1.01 Credit Agreement Supplement.

(a) Joinder of the New Subsidiary. Pursuant to Section 9.12 of the Credit Agreement, the New Subsidiary hereby agrees that it is a Borrower under the Credit Agreement as if a signatory thereof on the Closing Date, and the New Subsidiary shall comply with and be subject to and have the benefit of all of the terms, conditions, covenants, agreements and obligations set forth therein. The New Subsidiary hereby agrees that each reference to a "Borrower" or the "Borrowers" in the Credit Agreement and other Loan Documents shall include the New Subsidiary, and each reference to the Credit Agreement or "Agreement" as used therein shall mean the Credit Agreement as supplemented hereby. The New Subsidiary acknowledges that it has received a copy of the Credit Agreement and that it has read and understands the terms thereof.

(b) Schedules to the Credit Agreement. Attached hereto as Annex A are updated copies of each Schedule referenced in the Credit Agreement revised to include as of the date hereof all information required to be provided therein with respect to the New Subsidiary.

2.01 Security Agreement Supplement.

(a) Joinder to the Security Agreement.

(i) In order to secure the Credit Agreement in accordance with the terms thereof, and to secure the payment and performance of all of the Secured Obligations, the New Subsidiary hereby grants to the Administrative Agent, for the ratable benefit of itself and the Lenders, a continuing security interest in and to all of the New Subsidiary's estate, right, title and interest in and to all Collateral whether now or hereafter owned or acquired by the New Subsidiary or in which the New Subsidiary now has or hereafter has or acquires any rights, and wherever located (the "New Collateral").

(ii) The Security Interests are granted as security only and shall not subject the Administrative Agent or any Lender to, or transfer to the Administrative Agent or any Lender, or in any way affect or modify, any obligation or liability of the New Subsidiary with respect to any of the New Collateral or any transaction in connection therewith.

(iii) The New Subsidiary hereby agrees that it is a party to the Security Agreement as if a signatory thereof on the Closing Date of the Credit Agreement, and the New Subsidiary shall comply with all of the terms, covenants, conditions and agreements and hereby makes each representation and warranty, in each case set forth therein. The New Subsidiary hereby agrees that each reference to a "Grantor" or the "Grantors" in the Security Agreement and other Loan Documents shall include the New Subsidiary. The New Subsidiary agrees that "Collateral" as used therein shall include all New Collateral pledged pursuant hereto and the Security Agreement and "Security Agreement" or "Agreement" as used therein shall mean the Security Agreement as supplemented hereby.

(b) Filing Information and Perfection.

(i) Attached hereto as Annex B are (i) a Perfection Certificate with respect to the New Subsidiary in the form of the Perfection Certificate delivered to the Administrative Agent on the Closing Date and (ii) updated Schedules to the Security Agreement revised to include as of the date hereof all required information with respect to the New Subsidiary.

(ii) The New Subsidiary hereby agrees that it shall deliver to the Administrative Agent such UCC-1 Financing Statements and all other certificates or other documents and take such action as the Administrative Agent shall reasonably request in order to effectuate the terms hereof and the Security Agreement.

3.01 Borrower Pledge Agreement Supplement.

(a) Additional Pledge.

(i) The Pledgor hereby agrees that it is a Pledgor under the Borrower Pledge Agreement as if a signatory thereto on the Closing Date and it shall be bound by all of the terms, conditions, covenants, agreements and conditions set forth therein and, as additional collateral security for the prompt and complete payment when due (whether at stated maturity, by acceleration or otherwise) of the Obligations and in order to induce the Lenders to make their Extensions of Credit under the Credit Agreement, the Pledgor hereby delivers to the Administrative Agent, for the ratable benefit of itself and the Lenders, all of the issued and outstanding shares of capital stock of the New Subsidiary listed on Annex C, together with all stock certificates, options, or rights of any nature whatsoever which may be issued or granted by the New Issuer in respect of such stock which the Borrower Pledge Agreement, as supplemented hereby, is in force (the "Additional Pledged Stock"; as used in the Borrower Pledge Agreement as supplemented hereby, "Pledged Stock" shall be deemed to include the Additional Pledged Stock) and hereby grants to the Administrative Agent, for the ratable benefit of itself and the Lenders, a first priority security interest in the Additional Pledged Stock and all Proceeds thereof.

(ii) The Pledgor hereby represents and warrants that the representations and warranties contained in Section 5 of the Borrower Pledge Agreement are true and correct on the date of this Agreement with references therein to the "Pledged Stock" to include the Additional Pledged Stock, with references therein to the "Issuer" to include the New Subsidiary, and with references to the "Borrower Pledge Agreement" to mean the Borrower Pledge Agreement as supplemented hereby.

(iii) The Additional Pledged Stock pledged hereby is as follows which Pledged Stock shall be deemed part of Schedule I to the Borrower Pledge Agreement:

DESCRIPTION OF PLEDGED STOCK

<u>Issuer</u>	<u>Class of Stock</u>	<u>Certificate No.</u>	<u>No. of Shares</u>	Percentage of all Outstanding issued <u>Capital Stock</u>
New Subsidiary	Common	1	1,000	100%

(iv) The Pledgor hereby agrees that each reference to a "Pledgor" or the "Pledgors" in the Borrower Pledge Agreement and other Loan Documents shall include the Pledgor, and each reference to the Borrower Pledge Agreement or "Agreement" as used therein shall mean the Borrower Pledge Agreement as supplemented hereby. The Pledgor acknowledges that it has

received a copy of the Borrower Pledge Agreement and that it has read and understands the terms thereof.

(b) Perfection. The Pledgor and the New Subsidiary hereby agree to deliver to the Administrative Agent such certificates and other documents and take such other action as shall be reasonably requested by the Administrative Agent in order to effectuate the terms hereof and the Borrower Pledge Agreement.

(c) Acknowledgement and Consent. The New Subsidiary acknowledges receipt of a copy of the Borrower Pledge Agreement and agrees for the benefit of the Administrative Agent and the Lenders to be bound thereby and to comply with the terms thereof insofar as such terms are applicable to it. The New Subsidiary agrees to notify the Administrative Agent promptly in writing upon the occurrence of any of the events described in Section 6(c) of the Borrower Pledge Agreement. The New Subsidiary further agrees that the terms of Section 10 of the Borrower Pledge Agreement shall apply to it with respect to all actions that may be required of it under or pursuant to or arising out of Section 10 of the Borrower Pledge Agreement.

4.01 Effectiveness. This Agreement shall become effective upon receipt by the Administrative Agent of (i) an originally executed Revolving Credit Note and Term Note for each Lender jointly executed by each Borrower and the New Subsidiary in exchange for the Revolving Credit Notes and the Term Notes issued on the Closing Date or the date of the most recent Joinder Agreement, as applicable, (ii) an originally executed counterpart hereof, (iii) the UCC-1 Financing Statements required to be delivered pursuant to Section 2.01 hereof, (iv) the Additional Pledged Stock and the other agreements and documents required to be delivered pursuant to Section 3.01 hereof and (v) any other agreement or document required to be delivered in accordance with Section 9.12 of the Credit Agreement (including, without limitation, any other agreement or document required to be delivered in connection with any Security Document).

5.01 General Provisions.

(a) Representations and Warranties.

(i) The Parent hereby confirms that each representation and warranty made by the Borrowers under the Loan Documents is true and correct in all material respects as of the date hereof and that no Default or Event of Default has occurred or is continuing under the Credit Agreement.

(ii) The Parent hereby represents and warrants that as of the date hereof there are no claims or offsets against or defenses or counterclaims to the obligations of the Borrowers under the Credit Agreement or any other Loan Document.

(iii) The New Subsidiary hereby acknowledges it has received a copy of the Loan Documents and that it has read and understands the terms thereof.

(b) Limited Effect. Except as supplemented hereby, the Credit Agreement and each other Loan Document shall continue to be, and shall remain, in full force and effect. This Agreement shall not be deemed (i) to be a waiver of, or consent to, or a modification or amendment of, any other term or condition of the Credit Agreement or any other Loan Document or (ii) to prejudice any right or rights which the Administrative Agent or any Lender may now have or may have in the future under or in connection with the Credit Agreement or the other Loan Documents or any of the instruments or agreements referred to therein, as the same may be amended or modified from time to time.

(c) Costs and Expenses. The Parent, on behalf of itself and the Borrowers, hereby agrees that the Borrowers shall be jointly and severally agree to pay or reimburse the Administrative Agent for all of its reasonable and customary out-of-pocket costs and expenses incurred in connection with the preparation, negotiation and execution of this Agreement including, without limitation, the reasonable fees and disbursements of counsel.

(d) Counterparts. This Agreement may be executed by one or more of the parties hereto in any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

(e) Definitions. All capitalized terms used and not defined herein shall have the meanings given thereto in the Credit Agreement or the applicable Security Document referred to therein.

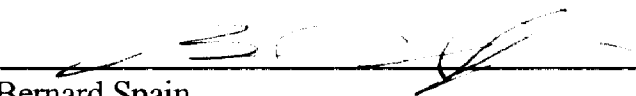
(f) Governing Law. **THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, WITHOUT REFERENCE TO THE CONFLICTS OR CHOICE OF LAW PRINCIPLES THEREOF.**

IN WITNESS WHEREOF the undersigned hereby causes this Agreement to be executed and delivered as of the date first above written.

PARENT:

[CORPORATE SEAL]

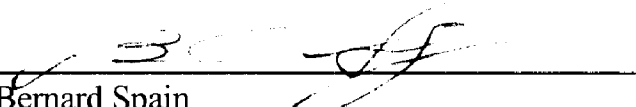
DE&S HOLDING CO., on behalf of itself and the other Borrowers

By: 
Name: Bernard Spain
Title: Chief Executive Officer

NEW SUBSIDIARY:

[CORPORATE SEAL]


DOLLAR EXPRESS ROYALTIES, INC.

By: 
Name: Bernard Spain
Title: Chief Executive Officer

PLEDGOR:

[CORPORATE SEAL]

DOLLAR EXPRESS, INC.

By: 
Name: Bernard Spain
Title: Chief Executive Officer

ADMINISTRATIVE AGENT:

FIRST UNION NATIONAL BANK, as
Administrative Agent

By: 

Name: Richard A. Clarke

Title: Senior Vice President

1743867.02
LIB:

TRADEMARK
REEL: 001985 FRAME: 0522

Annex A
to
Joinder Agreement

Updated Schedules to the Credit Agreement
(with respect to the New Subsidiary only)

DISCLOSURE SCHEDULE TO JOINDER AGREEMENT

Dated October 29, 1999

1. Joinder Agreement. Reference is hereby made to the Joinder Agreement (the "Joinder Agreement" or the "Agreement") dated as of October 29, 1999 by and between Dollar Express Royalties, Inc. ("Royalties") and First Union National Bank as Administrative Agent. Any capitalized terms used in this Disclosure Schedule that are not defined herein, but which are defined in the Agreement, shall have the meanings given to those terms in the Agreement. Any capitalized term defined in any Section of this Disclosure Schedule shall have the same meaning when used in any of the other Sections of this Disclosure Schedule, unless the context clearly requires otherwise.

2. Exhibits. Each Exhibit attached to, or delivered together with, any Section of this Disclosure Schedule is incorporated by reference into such Section of this Disclosure Schedule.

3. Captions. The headings or other captions set forth in this Disclosure Schedule are provided for convenience only and shall not affect the construction or interpretation or modify any of the representations and warranties made by Royalties pursuant to the Agreement or any of the qualifications or exceptions set forth in the Agreement relating to such representations and warranties including, without limitation, any qualifications based on knowledge.

ANY DISCLOSURE MADE IN THIS DISCLOSURE SCHEDULE SHALL BE DEEMED MADE FOR ALL OTHER SECTIONS HEREOF AND OF THE AGREEMENT TO WHICH SUCH DISCLOSURE MAY REASONABLY BE DEEMED TO APPLY. THE LISTING OF ANY DISCLOSURE IN THIS DISCLOSURE SCHEDULE SHALL NOT CONSTITUTE ANY ACKNOWLEDGMENT REGARDING THE MATERIALITY OF SUCH DISCLOSURE OR WHETHER THE SUBJECT MATTER OF SUCH DISCLOSURE MAY HAVE A MATERIAL ADVERSE EFFECT ON ROYALTIES. ROYALTIES SHALL NOT BE PREJUDICED IN ANY MANNER WHATSOEVER, AND NO PRESUMPTIONS SHALL BE CREATED BY VIRTUE OF, DISCLOSURE OF ANY MATTER HEREIN WHICH IS NOT REQUIRED TO BE DISCLOSED UNDER THE AGREEMENT.

ORGANIZATION AND QUALIFICATIONS

<u>Name</u>	<u>State of Incorporation</u>	<u>Foreign Qualifications</u>
Dollar Express Royalties, Inc.	Delaware	None

CAPITALIZATION AND OWNERSHIP

<u>Dollar Express Royalties, Inc.</u>	1,000 shares of Common Stock authorized, issued and outstanding, par value \$1.00 per share, all of which are owned by Dollar Express, Inc.
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INTELLECTUAL PROPERTY MATTERS

None

Schedule 7.1(h)

ENVIRONMENTAL MATTERS

None

Schedule 7.1(i)

BENEFIT PLANS

None

MATERIAL CONTRACTS

Trademark License Agreement dated October 29, 1999 between Royalties and Dollar Express, Inc.

Schedule 7.1(m)

EMPLOYEE REPRESENTATION BY LABOR ORGANIZATIONS

None

LEASED PROPERTIES

Royalties leases space at 300 Delaware Avenue, Suite 322, Wilmington, Delaware 19899.

Schedule 7.1(t)

DEBT AND GUARANTY OBLIGATIONS

None

Schedule 7.1 (u)

LITIGATION

None

Schedule 11.3

LIENS

None

Schedule 11.4

EXISTING LOANS, ADVANCES AND INVESTMENTS

\$25,000,000 Revolving Credit Agreement dated October 29, 1999 between Royalties and Dollar Express, Inc.

Annex B-1
to
Joinder Agreement

Updated Perfection Certificate
(with respect to the New Subsidiary only)

PERFECTION CERTIFICATE

Reference is made to that certain Security Agreement dated as of February 5, 1999 executed by DE&S Holding Co., a Pennsylvania corporation (the "Parent"), Dollar Express, Inc., a Pennsylvania corporation (the "Company"), and the other Subsidiaries of the Parent who are or may become party thereto (together with the Parent and the Company, the "Grantors" and each, a "Grantor"), in favor of First Union National Bank, as Administrative Agent (the "Administrative Agent"), for the ratable benefit of the Administrative Agent and the lenders who are or may become a party to the Credit Agreement referred to below (collectively, the "Lenders"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Credit Agreement dated as of February 5, 1999 by and among the Grantors, as Borrowers, the Lenders and the Administrative Agent (as amended, restated, supplemented or otherwise modified, the "Credit Agreement").

The Grantors hereby certify to the Administrative Agent and each Lender as follows:

1. Names, etc.

(a) The exact name of each Grantor as it appears in its Articles or Certificate of Incorporation is as follows:

- (i) DE&S Finance Company
- (ii) Dollar Express Royalties, Inc.

(b) The following is a list of all other names (including trade names or similar appellations) used by any Grantor or any of their respective divisions or other business units at any time during the past five years:

None

2. Current Locations.

(a) The chief executive office of each of the Grantors is located at the following address:

<u>Mailing Address</u>	<u>County</u>	<u>State</u>
300 Delaware Avenue, Suite 322 Wilmington, DE 19899	New Castle	Delaware

(b) The following is the only location at which the Grantors maintain any books or records relating to any Accounts:

<u>Mailing Address</u>	<u>County</u>	<u>State</u>
300 Delaware Avenue, Suite 322 Wilmington, DE 19899	New Castle	Delaware

(c) The following are all the locations not identified above where the Grantors maintain any Inventory or Equipment:

None

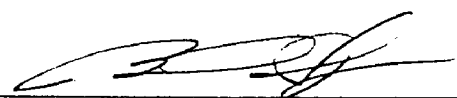
3. Unusual Transactions. Other than as set forth below, all Accounts have been originated by the Grantors and all Inventory and Equipment have been acquired by the Grantors in the ordinary course of business.

None

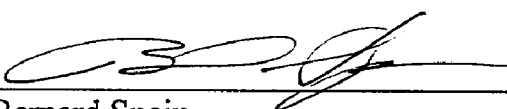
4. Reliance. The undersigned acknowledges that the Administrative Agent and the Lenders are entitled to rely and have, in fact, relied on the information contained herein, and any successor or assign of the Administrative Agent or the Lenders is entitled to rely on the information contained therein.

IN WITNESS WHEREOF, the undersigned have executed this Perfection Certificate, this 29th day of October, 1999.

DOLLAR EXPRESS ROYALTIES, INC.

By: 
Name: Bernard Spain
Title: Chief Executive Officer

DE&S FINANCE COMPANY

By: 
Name: Bernard Spain
Title: Chief Executive Officer

Annex B-2
to
Joinder Agreement

Updated Schedules to the Security Agreement
(with respect to the New Subsidiary only)

**SCHEDULE I
TO
SECURITY AGREEMENT**

Copyrights and Related Rights

Dollar Express Royalties, Inc.

None

**SCHEDULE II
TO
SECURITY AGREEMENT**

Patents and Related Rights

Dollar Express Royalties, Inc.

None

**SCHEDULE III
TO
SECURITY AGREEMENT**

Trademarks and Related Rights

Dollar Express Royalties, Inc.

Registration No.

Mark

2,274,232	DOLLAR EXPRESS EVERYTHING \$1.00 [and Design]
75/507754	DOLLAR EXPRESS\$ (pending)
1,834,110	DOLLAR EXPRESS
2,093,538	Today's Home [and Design]

Annex C
to
Joinder Agreement

Updated Schedules to the Borrower Pledge Agreement
(with respect to the New Subsidiary only)

**SCHEDULE I
TO
PLEDGE AGREEMENT**

Description of Pledged Stock

Subsidiaries

<u>Issuer</u>	<u>Class of Stock</u>	<u>Certificate No.</u>	<u>No. of Shares</u>	<u>Percentage of all Outstanding issued Capital Stock</u>
Dollar Express Royalties, Inc.	Common Stock	1	1,000	100%

Description of Partnership/LLC Interest

Partnerships/LLCs

Partnership/LLC

None

Partnership/LLC Interest

None

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Agreement"), dated as of February 5, 1999 by and among DE&S HOLDING CO., a corporation organized under the laws of Pennsylvania (the "Parent"), DOLLAR EXPRESS, INC., a corporation organized under the laws of Pennsylvania (the "Company"), and the other Subsidiaries of the Parent who are or may become party hereto (the "Subsidiary Grantors", and together with the Parent, the Company and each additional Grantor who executes a Joinder Agreement to the Credit Agreement referred to below, the "Grantors", each individually, a "Grantor"), and FIRST UNION NATIONAL BANK, a national banking association, as administrative agent (the "Administrative Agent") for the benefit of itself and the financial institutions (the "Lenders") as are, or may from time to time become, parties to the Credit Agreement referred to below.

STATEMENT OF PURPOSE

Pursuant to the Credit Agreement dated as of February 5, 1999 (as amended, restated, supplemented or otherwise modified, the "Credit Agreement"), by and among the Grantors, as Borrowers, the Lenders, and the Administrative Agent, the Lenders have agreed to make certain Extensions of Credit to the Borrowers as described therein.

The Extensions of Credit provided for under the Credit Agreement have been and will be made for the purposes of, among other things, financing a portion of the Shareholder Distribution described in the Credit Agreement, refinancing and terminating the Existing Facility described in the Credit Agreement, and funding ongoing working capital and general corporate requirements, including paying fees and expenses related to the transactions contemplated in the Credit Agreement. The Grantors constitute one integrated financial enterprise, and thus Extensions of Credit to any Grantor shall benefit directly and indirectly each Grantor.

To induce the Lenders and the Administrative Agent to enter into the Credit Agreement, and as a condition to the making of any Extensions of Credit thereunder, the Lenders require that the Grantors grant a continuing security interest in and to the "Collateral" (as hereinafter defined) to secure the "Secured Obligations" (as hereinafter defined).

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

SECTION 1. Definitions. Terms defined in the Credit Agreement and not otherwise defined herein, when used in this Agreement including its preamble and recitals, shall have the respective meanings provided for in the Credit Agreement. The following additional terms, when used in this Agreement, shall have the following meanings:

"Account Debtor" means any Person who is or may become obligated to any Grantor under, with respect to, or on account of, an Account.

"Accounts" means all "accounts" (as defined in the UCC) now or hereafter owned or acquired by any Grantor or in which any Grantor now or hereafter has or acquires any right or interest, and, in any event, shall also include, without limitation, all accounts receivable, contract rights, book debts, notes, drafts and other obligations or indebtedness owing to any Grantor arising from the sale, lease, consignment or exchange of goods or other property by it or property to be sold, leased, consigned or exchanged, or the performance of services by it, or to be performed, and all of each Grantor's rights to any goods, services or other property represented by any of the foregoing (including returned or repossessed goods and unpaid sellers' rights of rescission, replevin, reclamation and rights to stoppage in transit) and all monies due to or to become due to any Grantor under all contracts for the sale, lease, consignment or exchange of goods or other property or the performance of services by it (whether or not yet earned by performance on the part of any Grantor), in each case whether now in existence or hereafter arising or acquired, including, without limitation, the right to receive the proceeds of such contracts and all collateral security and guarantees of any kind given by any Person with respect to any of the foregoing.

"Accounts Aging Report" means a detailed aged trial balance of all Accounts existing as of a specified date, specifying the names, addresses, face value and dates of invoices of each Account Debtor obligated on any Accounts so listed.

"Collateral" shall have the meaning given thereto in Section 2(a) hereof.

"Collateral Account" means a cash collateral account established by the Grantors with the Administrative Agent, in the name and under the exclusive dominion and control of the Administrative Agent, pursuant to Section 6 hereof.

"Copyright License" means any written agreement now or hereafter in existence granting to any Grantor any right to use any Copyright.

"Copyrights" means, collectively, all of the following now owned or hereafter created or acquired by any Grantor: (a) all copyrights, rights and interests in copyrights, works protectable by copyright, copyright registrations and copyright applications, including, without limitation, any thereof referred to on Schedule I hereto; (b) all renewals of any of the foregoing; (c) all income, royalties, damages and payments now or hereafter due and/or payable under any of the foregoing or with respect to any of the foregoing, including, without limitation, damages or payments for past or future infringements of any of the foregoing; (d) the right to sue for past, present and future infringements of any of the foregoing; and (e) all rights corresponding to any of the foregoing throughout the world.

"Documents" means all "documents" (as defined in the UCC) or other receipts of any Grantor covering, evidencing or representing goods or services, now or hereafter owned or acquired by any Grantor or in which any Grantor now or hereafter has or acquires any right or interest.

"Equipment" means all "equipment" (as defined in the UCC) of any Grantor, wherever located, and all other machinery, equipment and goods (other than Inventory) of any Grantor used or bought for use primarily in the business of such Grantor, including all accessions, additions, attachments, improvements, substitutions and replacements thereto and therefor, in all such cases whether now owned or hereafter acquired by any Grantor or in which any Grantor now has or hereafter acquires any right or interest.

"Financing Statements" shall mean the Uniform Commercial Code Form UCC-1 Financing Statements executed by the Grantors with respect to the Collateral and to be filed in the jurisdictions set forth in the Perfection Certificate.

"Fixtures" shall mean all "fixtures" (as defined in the UCC) of any Grantor, whether now owned or hereafter acquired by any Grantor or in which any Grantor now has or hereafter acquires any right or interest.

"General Intangibles" means all "general intangibles" (as defined in the UCC) now or hereafter acquired by any Grantor or in which any Grantor now or hereafter has or acquires any right or interest, including, without limitation, all rights to indemnification, and all rights, title and interest which any Grantor may now or hereafter have in or under all contracts (other than contracts described in the definition of Accounts), agreements (including without limitation, all agreements executed by the Grantors in connection with or relating to any acquisition permitted under the Credit Agreement), permits, licenses (which contracts, permits and, licenses may be pledged pursuant to the terms thereof) causes of action, franchises, tax refund claims, customer lists, Intellectual Property, license royalties, goodwill, trade secrets, data bases, business records, and all other intangible property of every kind and nature; provided that for the purpose of Section 2 hereof, the grant, assignment, transfer, mortgage, hypothecation and pledge of General Intangibles (which includes, as noted herein, Intellectual Property) set forth therein shall not include any intent to use application or registration of trademark prior to the filing of a verified statement of use.

"Investment Property" means all "securities" (whether certificated or uncertificated), "security entitlements", "securities accounts", "commodity contracts" and "commodity accounts" (in each case as defined in the UCC) of any Grantor, whether now owned or hereafter acquired.

"Instruments" means all "instruments", "chattel paper" or "letters of credit" (each as defined in the UCC) of any Grantor, including, without limitation, instruments, chattel paper and letters of credit evidencing, representing, arising from or existing in respect of, relating to, securing or otherwise supporting the payment of, any of the Accounts, including (but not limited to) promissory notes, drafts, bills of exchange and trade acceptances, now or hereafter owned or acquired by any Grantor or in which any Grantor now or hereafter has or acquires any right or interest.

"Intellectual Property" means, collectively, all of the following of any Grantor: (a) all systems software and applications software, including, but not limited to, screen displays and formats, program structures, sequence and organization, all documentation for such software, including, but not limited to, user manuals, flowcharts, programmer's notes, functional specifications, and operations manuals, all formulas, processes, ideas and know-how embodied in any of the foregoing, and all program materials, flowcharts, notes and outlines created in connection

with any of the foregoing, whether or not patentable or copyrightable, (b) concepts, discoveries, improvements and ideas, (c) any useful information relating to the items described in clause (a) or (b), including know-how, technology, engineering drawings, reports, design information, trade secrets, practices, specifications, test procedures, maintenance manuals, research, development, manufacturing, marketing, merchandising, selling, purchasing and accounting, (d) Patents, Patent rights and Patent applications, Copyrights and Copyright applications, Trademarks, Trademark rights, trade names, trade name rights, service marks, service mark rights, applications for registration of Trademarks, trade names and service marks, and Trademark, trade name and service mark registrations and Patent Licenses, Trademark Licenses, Copyright Licenses, (e) other licenses to use any of the items described in the foregoing clauses (a), (b), (c) and (d) or any other similar items of any Grantor necessary for the conduct of its business and (f) all goodwill associated with the items described in the foregoing clauses (a), (b), (c), (d) and (e); provided that for the purpose of Section 4(e)(iii) hereof, the assignment, transfer and conveyance of the Intellectual Property set forth therein shall not include any intent to use application or registration of trademark prior to the filing of a verified statement of use.

“Inventory” means all “inventory” (as defined in the UCC) now or hereafter owned or acquired by any Grantor or in which any Grantor now or hereafter has or acquires any right or interest, wherever located and, in any event, shall mean and include, without limitation, all raw materials, inventory and other materials and supplies, work-in-process, finished goods, all accessions thereto, documents therefor and any products made or processed therefrom, all substances, if any, commingled therewith or added thereto (including, without limitation, any of the foregoing in which any Grantor has an interest as a consignor).

“Patent License” means any written agreement now or hereafter in existence granting to any Grantor any right to use any invention on which a Patent is in existence.

“Patents” means, collectively, all of the following now owned or hereafter created or acquired by any Grantor: (a) all patents and patent applications including all patentable inventions, including, without limitation, any thereof referred to on Schedule II hereto; (b) all reissues, divisions, continuations, renewals, extensions and continuations-in-part of any of the foregoing; (c) all income, royalties, damages or payments now or hereafter due and/or payable under any of the foregoing or with respect to any of the foregoing, including, without limitation, damages or payments for past or future infringements of any of the foregoing; (d) the right to sue for past, present and future infringements of any of the foregoing; and (e) all rights corresponding to any of the foregoing throughout the world.

“Perfection Certificate” means a certificate setting forth the corporate or other names, chief executive office or principal place of business in each state and other current locations of each Grantor and such other information as the Administrative Agent deems pertinent to the perfection of security interests, completed and supplemented with the schedules and attachments contemplated thereby to the satisfaction of the Administrative Agent, and duly certified by the chief executive, chief financial officer or Treasurer of each Grantor so authorized to act.

“Permitted Liens” means all Liens respecting the Collateral permitted pursuant to Section 11.3 of the Credit Agreement.

"Proceeds" means all proceeds (as defined by the UCC) of, and all other profits, rentals or receipts, in whatever form, arising from the collection, sale, lease, exchange, assignment, licensing or other disposition of, or realization upon, Collateral, including, without limitation, all claims of any Grantor against third parties for loss of, damage to or destruction of, or for proceeds payable under, or unearned premiums with respect to, policies of insurance in respect of, any Collateral, and any condemnation or requisition payments with respect to any Collateral and all Collateral acquired with the cash proceeds of any other Collateral.

"Schedule of Inventory" means a schedule of Inventory based upon each Grantor's most recent physical inventory and its perpetual inventory records, showing each Grantor's cost of all such Inventory with a yearly reconciliation to the general ledger inventory account of each Grantor.

"Secured Obligations" means the Obligations as defined in the Credit Agreement and any renewals or extensions of any of the Obligations.

"Security Interests" means the security interests granted pursuant to Section 2 hereof, as well as all other security interests created or assigned as additional security for the Secured Obligations pursuant to the provisions of this Agreement.

"Trademark License" means any written agreement now or hereafter in existence granting to a Grantor any right to use any Trademark.

"Trademarks" means, collectively, all of the following now owned or hereafter acquired by any Grantor: (a) all Trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos, other business identifiers, prints and labels on which any of the foregoing have appeared or appear, all registrations and recordings thereof, and all applications in connection therewith, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state thereof or any other country or any political subdivision of any thereof, all of which registrations, recordings and applications in the United States Patent and Trademark office are listed on Schedule III hereto; (b) all reissues, extensions and renewals of any of the foregoing; (c) all income, royalties, damages and payments now or hereafter due and/or payable under any of the foregoing or with respect to any of the foregoing, including, without limitation, damages or payments for past or future infringements of any of the foregoing; (d) the right to sue for past, present and future infringements of any of the foregoing; and (e) all rights corresponding to any of the foregoing throughout the world.

"UCC" means the Uniform Commercial Code as in effect in the Commonwealth of Pennsylvania; provided that if by reason of mandatory provisions of law, the perfection or the effect of perfection or non-perfection of the Security Interests in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than Pennsylvania, "UCC" means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection.

“Vehicles” means all cars, trucks, trailers, construction and earth moving equipment of any Grantor and other vehicles covered by a certificate of title law of any state, and all tires and other appurtenances to any of the foregoing.

SECTION 2. The Security Interests.

(a) In order to secure the payment and performance of all of the Secured Obligations, the Grantors hereby grant to the Administrative Agent, for the ratable benefit of itself and the Lenders, a continuing security interest in and to all of the Grantors’ estate, right, title and interest in and to all of the following property, whether now or hereafter owned or acquired by the Grantors or in which the Grantors now have or hereafter have or acquire any estate right, title or interest, and wherever located (collectively, along with any other property of any Grantor which may from time to time secure the Secured Obligations, the “Collateral”):

- (i) Accounts;
- (ii) Inventory;
- (iii) Documents;
- (iv) Equipment;
- (v) Fixtures;
- (vi) Instruments;
- (vii) General Intangibles;
- (viii) Investment Property;
- (ix) Vehicles;

(x) The Collateral Account, all cash deposited therein from time to time, the investments made pursuant to Section 6 hereof and other monies and property of any kind of any Grantor in the possession or under the control of the Administrative Agent or any Lender;

(xi) All books and records (including, without limitation, customer lists, credit files, computer programs, printouts and other computer materials and records) of any Grantor pertaining to any of the Collateral;

(xii) All other goods and personal property of each Grantor, whether tangible or intangible; and

(xiii) All products and Proceeds of all or any of the Collateral described in clauses (i) through (xii) hereof.

(b) The Security Interests are granted as security only and shall not subject the Administrative Agent or any Lender to, or transfer to the Administrative Agent or any Lender, or in any way affect or modify, any obligation or liability of any Grantor with respect to any of the Collateral or any transaction in connection therewith.

SECTION 3. Representations and Warranties. Each Grantor represents and warrants as follows:

(a) Each Grantor has the corporate or other applicable power and authority and the legal right to execute and deliver, to perform its obligations under, and to grant the Security Interests in the Collateral pursuant to, this Agreement and has taken all necessary corporate or other applicable action to authorize its execution, delivery and performance of, and grant of the Security Interests on the Collateral pursuant to, this Agreement.

(b) This Agreement constitutes a legal, valid and binding obligation of each Grantor enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally.

(c) Each Grantor is the sole owner of, and has good, indefeasible and marketable title to all of its respective Collateral, free and clear of any Liens other than the Permitted Liens.

(d) No Grantor has performed or failed to perform any acts that would prevent or hinder the Administrative Agent from enforcing any of the terms of this Agreement. Other than financing statements or other similar or equivalent documents or instruments with respect to Permitted Liens, no financing statement, mortgage, security agreement or similar or equivalent document or instrument covering all or any part of the Collateral is on file or of record in any jurisdiction. No Collateral of any Grantor is in the possession of any Person (other than the Grantors) asserting any claim thereto or security interest therein, except that the Administrative Agent or its designee may have possession of Collateral as contemplated hereby and a bailee may have possession of the Collateral as contemplated by, and so long as, the Grantors have complied with Section 4(a)(iv) and Section 4(a)(v) hereof.

(e) All of the information set forth in the Perfection Certificate is true and correct as of the date thereof.

(f) Each Grantor has, contemporaneously herewith, delivered to the Administrative Agent possession of all originals of all negotiable Instruments, documents and chattel paper constituting Collateral currently owned or held by such Grantor, if any (duly endorsed in blank, if requested by the Administrative Agent).

(g) With respect to any Inventory of the Grantors: (i) all Inventory is, and shall be at all times, located at places of business listed in the Perfection Certificate or as to which the applicable Grantor have complied with the provisions of Section 4(a)(i) hereof, except Inventory in transit from one such location to another such location; (ii) no Inventory is, nor shall at any time or times

be, subject to any Lien whatsoever, except for Permitted Liens; (iii) no Inventory in aggregate value exceeding \$50,000 at any time is, nor shall at any time or times be, kept, stored or maintained with a landlord, bailee, warehouseman, carrier or similar party (other than a carrier delivering Inventory to a purchaser in the ordinary course of the applicable Grantor's business) unless the Agent shall have received prior written notice of such storage and the applicable Grantor has complied with the provisions of Section 4(a)(iv) hereof; and (iv) no Inventory in aggregate value exceeding \$50,000 at any time is, nor shall at any time or times be, kept, stored or maintained with a consignee unless the Agent shall have received prior written notice of such consignment and the applicable Grantor has complied with the provisions of Section 4(a)(v) hereof.

(h) With respect to any Intellectual Property the loss, impairment or infringement of which could reasonably be expected to have a Material Adverse Effect:

(i) such Intellectual Property is subsisting and has not been adjudged invalid or unenforceable, in whole or in part;

(ii) such Intellectual Property is valid and enforceable against third parties;

(iii) such Grantor has made all necessary filings and recordations to protect its interest in such Intellectual Property, including, without limitation, recordations of all of its interests in the Patents and Trademarks in the United States Patent and Trademark Office and its claims to the Copyrights in the United States Copyright Office;

(iv) such Grantor is the exclusive owner of the entire and unencumbered right, title and interest in and to such Intellectual Property and no claim has been made that the use of such Intellectual Property does or may violate the asserted rights of any third party; and

(v) such Grantor has performed and will continue to perform all acts and has paid and will continue to pay all required fees and taxes to maintain each and every item of Intellectual Property in full force and effect.

(i) The Financing Statements are in appropriate form and when filed in the offices specified in the Perfection Certificate, the Security Interests will constitute valid and perfected security interests in the Collateral, prior to all other Liens and rights of others therein except for the Permitted Liens (to the extent that a security interest therein may be perfected by filing pursuant to the UCC) and all filings and other actions necessary or desirable to perfect and protect such Security Interests have been duly taken.

SECTION 4. Further Assurances; Covenants.

(a) General.

(i) No Grantor will change the location of its chief executive office or principal place of business to a county or state where such Grantor previously had no locations unless it shall have given the Administrative Agent thirty (30) days prior written notice thereof, executed and delivered to the Administrative Agent all financing statements and financing

statement amendments which the Administrative Agent may request in connection therewith and delivered an opinion of counsel with respect thereto in accordance with Section 4(a)(viii) hereof. No Grantor shall change or add to the locations where it keeps or holds any Collateral or any records relating thereto from a county or state identified on the Perfection Certificate unless such Grantor shall have given the Administrative Agent written notice thereof thirty (30) days prior to the opening of the corresponding new location, executed and delivered to the Administrative Agent all financing statements and financing statement amendments which the Administrative Agent may request in connection therewith and, if requested by the Administrative Agent, delivered an opinion of counsel with respect thereto in accordance with Section 4(a)(viii) hereof; provided, however, that any Grantor may keep Inventory at, or in transit to, any location described in the Perfection Certificate. No Grantor shall in any event change the location of any Collateral if such change would cause the Security Interests in such Collateral to lapse or cease to be perfected.

(ii) No Grantor will change its name, identity or corporate or other structure in any manner unless it shall have given the Administrative Agent thirty (30) days prior written notice thereof, executed and delivered to the Administrative Agent all financing statements and financing statement amendments which the Administrative Agent may request in connection therewith, and delivered an opinion of counsel with respect thereto in accordance with Section 4 (a)(viii) hereof.

(iii) The Grantors will maintain the Administrative Agent's Lien on the Collateral as a first priority perfected Lien thereon, subject only to Permitted Liens. Each Grantor will, from time to time, at its expense, execute, deliver, file and record any statement, assignment, instrument, document, agreement or other paper and take any other action (including, without limitation, any filings of financing or continuation statements under the UCC and any filings with the United States Patent and Trademark Office and United States Copyright Office) that from time to time may be necessary, or that the Administrative Agent may reasonably request, in order to create, preserve, upgrade in rank (to the extent required hereby), perfect, confirm or validate the Security Interests or to enable the Administrative Agent and the Lenders to obtain the full benefits of this Agreement, or to enable the Administrative Agent to exercise and enforce any of its rights, powers and remedies hereunder with respect to any of the Collateral. Prior to the irrevocable payment in full of the Secured Obligations, each Grantor hereby authorizes the Administrative Agent, upon the failure of any Grantor to do so within five (5) Business Days after receipt of notice from the Administrative Agent, to execute and file financing statements, financing statement amendments or continuation statements without such Grantor's signature appearing thereon. Each Grantor agrees that a carbon, photographic, photostatic or other reproduction of this Agreement or of a financing statement is sufficient as a financing statement. The Grantors shall pay the costs of, or incidental to, any recording or filing of the Financing Statements and any other financing statements, financing statement amendments or continuation statements concerning the Collateral.

(iv) If any Collateral exceeding in value \$50,000 in the aggregate is at any time in the possession or control of any landlord, warehouseman, bailee (other than a carrier transporting Inventory to a purchaser in the ordinary course of business), or any of any

Grantor's agents, such Grantor shall notify in writing such landlord, warehouseman, bailee, agent or processor of the Security Interests created hereby, shall obtain such warehouseman's, bailee's, agent's or processor's agreement in writing to hold all such Collateral for the Administrative Agent's account subject to the Administrative Agent's instructions, and shall cause such landlord, warehouseman, bailee, agent or processor to issue and deliver to the Administrative Agent warehouse receipts, bills of lading or any similar documents relating to such Collateral in the Administrative Agent's name and in form and substance acceptable to the Administrative Agent.

(v) If any Collateral exceeding in value \$50,000 is at any time in the possession or control of any consignee, the applicable Grantor(s) shall notify in writing each such consignee of the Security Interests created hereby, shall use its best efforts to obtain such consignee's agreement in writing to hold all such Collateral for the Administrative Agent's account subject to the Administrative Agent's instructions, and shall use its best efforts to cause such consignee to issue and deliver to the Administrative Agent warehouse receipts, bills of lading or any similar documents relating to such Collateral in the Administrative Agent's name and in form and substance reasonably acceptable to the Administrative Agent. Further, each Grantor shall perfect and protect such Grantor's ownership interests in all Inventory stored with a consignee against creditors of the consignee by filing and maintaining financing statements against the consignee reflecting the consignment arrangement filed in all appropriate filing offices, providing any written notices required to notify any prior creditors of the consignee of the consignment arrangement, and taking such other actions as may be appropriate to perfect and protect such Grantor's interests in such inventory under Section 2-326, Section 9-114 and Section 9-408 of the UCC or otherwise. All such financing statements filed pursuant to this Section 4(a)(v) shall be assigned, on the face thereof, to the Administrative Agent, for the ratable benefit of itself and the Lenders.

(vi) Each Grantor will cause the Administrative Agent, for the ratable benefit of itself and the Lenders, to be named as loss payee on each insurance policy covering risks relating to any of its Inventory, Fixtures, Equipment and Vehicles, as reasonably requested by the Administrative Agent. Each Grantor will deliver to the Administrative Agent, upon request of the Administrative Agent, the insurance policies for such insurance. Each such insurance policy shall provide that all insurance proceeds shall be adjusted with and payable to the Administrative Agent and provide that no cancellation or termination thereof shall be effective until at least thirty (30) days have elapsed after receipt by the Administrative Agent of written notice thereof. Each Grantor shall arrange for certifications that the requirements of this Section 4(a)(vi) have been satisfied, to be made to the Administrative Agent and each insured party by each insurer or its authorized representative with respect thereto. The Administrative Agent agrees that (A) as long as no Default or Event of Default has occurred and is continuing, any such proceeds received by it in an amount under or equal to \$2,000,000 shall be promptly paid over to the Grantors who hereby agree to use such proceeds in a diligent manner to replace or restore the damaged property to which such insurance proceeds relate and (B) if it receives any such proceeds in an amount in excess of \$2,000,000 (or any proceeds during the continuance of Default or an Event of Default), the aggregate amount of all such proceeds (including the amount under \$2,000,000) shall be applied to the Secured Obligations in accordance with Sections 4.4(b) and 2.3(c) of the

Credit Agreement. Any surplus shall be paid by the Administrative Agent to the Grantor or applied as may be otherwise required by law. Any deficiency thereon shall be paid by the Grantor to the Administrative Agent, on behalf of itself and the Lenders, on demand.

(vii) Each Grantor will, promptly upon request, provide to the Administrative Agent all information and evidence the Administrative Agent may reasonably request concerning the Collateral to enable the Administrative Agent to enforce the provisions of this Agreement.

(viii) Prior to each date on which any Grantor proposes to take any action contemplated by Section 4(a)(i) or Section 4 (a)(ii) hereof, such Grantor shall, at its cost and expense, cause to be delivered to the Administrative Agent and the Lenders an opinion of counsel, satisfactory to the Administrative Agent, to the effect that all financing statements and amendments or supplements thereto, continuation statements and other documents required to be recorded or filed in order to perfect and protect the Security Interests and priority thereof against all creditors of and purchasers from such Grantor have been filed in each filing office necessary or desirable for such purposes and that all filing fees and taxes, if any, payable in connection with such filings have been paid in full.

(ix) After the occurrence of an Event of Default, from time to time upon request by the Administrative Agent, each Grantor shall, at its cost and expense, cause to be delivered to the Administrative Agent and the Lenders an opinion or opinions of counsel, satisfactory to the Administrative Agent, as to the enforceability of the Loan Documents and the Lien of the Administrative Agent and Lenders on the Collateral and other property of the Grantors and such other matters relating to the transactions contemplated hereby as the Administrative Agent or the Required Lenders may reasonably request.

(x) Each Grantor will comply in all material respects with all Applicable Laws applicable to the Collateral or any part thereof or to the operation of such Grantor's business.

(xi) Each Grantor will pay promptly when due all taxes, assessments and governmental charges or levies imposed upon the Collateral or in respect of its income or profits therefrom, as well as all claims of any kind (including, without limitation, claims for labor, materials and supplies) against or with respect to the Collateral, except that no such charge need be paid if (A) the validity thereof is being contested in good faith by appropriate proceedings, (B) such proceedings do not involve any danger of the sale, forfeiture or loss of or creation of a Lien on any of the Collateral or any interest therein and (C) such charge is adequately reserved against on such Grantor's books in accordance with GAAP.

(xii) The Grantors shall not

(1) sell, assign (by operation of law or otherwise) or otherwise dispose of any of the Collateral, except as permitted by the Credit Agreement; or

(2) create or suffer to exist any Lien or other charge or encumbrance upon or with respect to any of the Collateral to secure indebtedness of any Person or entity, except as permitted by the Credit Agreement.

(b) Accounts, Etc.

(i) Each Grantor shall use all reasonable efforts to cause to be collected from its Account Debtors, as and when due, any and all amounts owing under or on account of each Account (including, without limitation, Accounts which are delinquent, such Accounts to be collected in accordance with lawful collection procedures) and to apply forthwith upon receipt thereof all such amounts as are so collected to the outstanding balance of such Account. The costs and expenses (including, without limitation, attorney's fees), of collection of Accounts incurred by such Grantor or the Administrative Agent shall be borne by such Grantor.

(ii) Upon the occurrence and during the continuance of any Event of Default, upon request of the Administrative Agent or the Required Lenders, each Grantor will promptly notify (and each Grantor hereby authorizes the Administrative Agent so to notify) each Account Debtor in respect of any Account that such Account has been assigned to the Administrative Agent hereunder and that any payments due or to become due in respect of such Account are to be made directly to the Administrative Agent or its designee.

(iii) Each Grantor will perform and comply with all of its obligations in respect of Accounts and General Intangibles and the exercise by the Administrative Agent of any of its rights hereunder shall not release such Grantor from any of its duties or obligations.

(iv) No Grantor will (A) amend, modify, terminate or waive any material provision of any agreement giving rise to an Account in any manner which could reasonably be expected to materially adversely affect the value of such Account as Collateral, except in each case in the ordinary course of the Grantor's business in dealing with comparable Accounts, (B) fail to exercise promptly and diligently each and every material right which it may have under each agreement giving rise to an Account (other than any right of termination), except in each case in the ordinary course of the Grantor's business in dealing with comparable Accounts or (C) fail to deliver to the Administrative Agent a copy of each material demand, notice or document received by it relating in any way to any agreement giving rise to an Account.

(v) Other than in the ordinary course of business as generally conducted by each Grantor over a period of time, no Grantor will (A) grant any extension of the time of payment of any of the Accounts with a face amount in excess of \$50,000 or (B) compromise, compound or settle the same for less than the full amount thereof, release, wholly or partially, any Person liable for the payment thereof, or allow any credit or discount whatsoever thereon.

(vi) At the request of the Administrative Agent or Required Lenders, the Grantors shall deliver to the Administrative Agent with a copy for each Lender an Accounts Aging Report.

(vii) For the purposes of this Section 4(b), "Accounts" shall not include any accounts or other amounts payable to any Grantor from any nationally recognized credit card company.

(c) Inventory, Etc.

(i) At the request of the Administrative Agent or Required Lenders, the Grantors shall deliver to the Administrative Agent with a copy for each Lender a Schedule of Inventory. Unless otherwise indicated in writing by the Grantors, each Schedule of Inventory delivered by the Grantors to the Administrative Agent shall constitute a representation with respect to the Inventory listed thereon or referred to therein that: (A) all such Inventory is located at places of business listed in the Perfection Certificate or as to which the applicable Grantor has complied with the provisions of Section 4(a)(i) hereof or on the premises identified on the then current Schedule of Inventory or is Inventory in transit from one such location to another such location; (B) no such Inventory is subject to any Lien whatsoever, except for Permitted Liens; (C) no such Inventory in aggregate value exceeding \$50,000 at any time is, nor shall at any time or times be, kept, stored or maintained with a landlord, bailee, warehouseman, carrier or similar party (other than a carrier delivering Inventory to a purchaser in the ordinary course of such Grantor's business) unless the Required Lenders have given their prior written consent and the applicable Grantor has complied with the provisions of Section 4(a)(iv) hereof; and (D) no such Inventory in aggregate value exceeding \$500,000 is, nor shall at any time or times be, kept, stored or maintained with a consignee unless the Required Lenders have given their prior written consent and the applicable Grantor has complied with the provisions of Section 4(a)(v) hereof.

(ii) If at any time during the term of this Agreement, any Inventory is placed by any Grantor on consignment with any Consignee, such Grantor shall, prior to the delivery of any such consigned Inventory: (A) provide the Administrative Agent with all consignment agreements and other instruments and documentation to be used in connection with such consignment, all of which agreements, instruments and documentation shall be reasonably acceptable in form and substance to the Administrative Agent; (B) prepare, execute and file appropriate financing statements with respect to any consigned Inventory showing the Consignee as debtor, the Grantor as secured party and the Administrative Agent as assignee of secured party; (C) prepare, execute and file appropriate financing statements with respect to any consigned Inventory showing the Grantor as debtor and the Administrative Agent as secured party; (D) after all financing statements referred to in clauses (B) and (C) above shall have been filed, conduct a search of all filings made against the Consignee in all jurisdictions in which the Inventory to be consigned is to be located while on consignment, and deliver to the Administrative Agent copies of the results of all such searches; (E) notify, in writing, all creditors of the Consignee which would be holders of security interests in the Inventory to be consigned that the Grantor expects to deliver certain Inventory to the

Consignee, all of which Inventory shall be described in such notice by item or type, and (F) if requested by the Administrative Agent, deliver an opinion of counsel to the effect that all financing statements and amendments or supplements thereto, continuation statements and other documents required to be recorded or filed in order to perfect and protect the Security Interests and priority thereof against all creditors of and purchasers of the Grantor and such Consignee have been filed in each filing office necessary or desirable for such purposes and that all filing fees and taxes, if any, payable in connection with such filings have been paid in full.

(d) Equipment, Etc. Each Grantor will maintain each item of Equipment in the same condition, repair and working order as and when acquired, ordinary wear and tear and immaterial impairments of value and damage by the elements excepted, and in accordance with any manufacturer's manual, and will as quickly as practicable provide all maintenance, service and repairs necessary for such purpose and will promptly furnish to the Administrative Agent a statement respecting any material loss or damage to any of the Equipment.

(e) Intellectual Property.

(i) Each Grantor shall notify the Administrative Agent promptly (a) of its acquisition after the Closing Date of any Patent, Patent License, Trademark or Trademark License and (b) if it knows, or has reason to know of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office or any court) regarding such Grantor's ownership of any Patent or Trademark, its right to register the same, or to keep and maintain the same. In the event that any Patent, Patent License, Trademark or Trademark License is infringed, misappropriated or diluted by a third party, the affected Grantor shall notify the Administrative Agent promptly after it learns thereof and shall, unless such Grantor and the Administrative Agent shall jointly determine that any such action would be of immaterial economic value, promptly sue for infringement, misappropriation or dilution and to recover any and all damages for such infringement, misappropriation or dilution, and take such other actions as may be appropriate under the circumstances to protect such Patent, Patent License, Trademark or Trademark License. In no event shall any Grantor, either itself or through any agent, employee or licensee, file an application for the registration of any Patent or Trademark with the United States Patent and Trademark Office or any similar office or agency in any other country or any political subdivision thereof, unless simultaneously therewith it informs the Administrative Agent, and, upon issuance of such Patent or Trademark, executes and delivers any and all agreements, instrument, documents and papers the Administrative Agent may reasonably request to evidence the Security Interests in such Patent or Trademark and the goodwill and general intangibles of such Grantor relating thereto or represented thereby. Each Grantor hereby constitutes the Administrative Agent its attorney-in-fact to execute and file all such writings for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed, and such power, being coupled with an interest, shall be irrevocable until the Revolving Credit Commitment has terminated and the Secured Obligations are paid in full.

(ii) Each Grantor shall: (a) preserve and maintain in all material respects rights in the Intellectual Property; and (b) upon and after the occurrence of an Event of Default, use its best efforts to obtain any consents, waivers or agreements necessary to enable the Administrative Agent to exercise its remedies with respect to the Intellectual Property. No Grantor shall abandon any right to file a Copyright, Patent or Trademark application that is material to the business of such Grantor nor shall such Grantor abandon any such pending Copyright, Patent or Trademark application, or Copyright, Copyright License, Patent, Patent License, Trademark or Trademark License without the prior written consent of Administrative Agent.

(iii) The Grantors hereby assign, transfer and convey to the Administrative Agent, effective upon the occurrence and during the continuance of any Event of Default, the nonexclusive right and license to use all Intellectual Property owned or used by the Grantors, together with any goodwill associated therewith, all to the extent necessary to enable the Administrative Agent to realize on the Collateral (including, without limitation, completing production of, advertising for sale and selling the Collateral) and any successor or assign to enjoy the benefits of the Collateral. This right and license shall inure to the benefit of all successors, assigns and transferees of the Administrative Agent and its successors, assigns and transferees, whether by voluntary conveyance, operation of law, assignment, transfer, foreclosure, deed in lieu of foreclosure or otherwise. Such right and license is granted free of charge, without requirement that any monetary payment whatsoever be made to Grantor by the Administrative Agent.

(f) Vehicles. The Grantors will maintain each Vehicle in good operating condition, ordinary wear and tear and immaterial impairments of value and damage by the elements excepted, and will provide all maintenance, service and repairs necessary for such purpose. Upon the request of the Administrative Agent, all applications for certificates of title or ownership indicating the Administrative Agent's first priority Lien on the Vehicle covered by such certificate, and any other necessary documentation, shall be filed in each office in each jurisdiction which the Administrative Agent shall deem advisable to perfect its Liens on the Vehicles. Prior thereto, each certificate of title or ownership relating to each Vehicle shall be maintained by the applicable Grantor in accordance with Applicable Law to reflect the ownership interest of such Grantor.

(g) Indemnification. Each Grantor agrees to pay, and to save the Administrative Agent and the Lenders harmless from, any and all liabilities, costs and expenses (including, without limitation, legal fees and expenses) (i) with respect to, or resulting from, any and all excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral, (ii) with respect to, or resulting from, complying with any Applicable Law applicable to any of the Collateral or (iii) in connection with any of the transactions contemplated by this Agreement (except to the extent any such liabilities, costs and expenses result from the gross negligence or willful misconduct of the Administrative Agent or Lenders). In any suit, proceeding or action brought by the Administrative Agent under any Account for any sum owing thereunder, or to enforce any provisions of any Account, each Grantor will save, indemnify and keep the Administrative Agent and the Lenders harmless from and against all expense, loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment or reduction or liability whatsoever of the Account Debtor or any other obligor thereunder, arising out of a breach by any Grantor of any obligation

thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such Account Debtor or obligor or its successors from any Grantor (except to the extent any such expense, loss or damage results from the gross negligence or willful misconduct of the Administrative Agent or Lenders). The obligations of the Grantors under this Section 4(g) shall survive the termination of the other provisions of this Agreement.

SECTION 5. Reporting and Recordkeeping. Each Grantor respectively covenants and agrees with the Administrative Agent and the Lenders that from and after the date of this Agreement and until the Commitments have terminated and all Secured Obligations have been fully satisfied:

(a) Maintenance of Records Generally. Each Grantor will keep and maintain at its own cost and expense records of the Collateral that are complete and accurate in all material respects, including, without limitation, a record of all payments received and all credits granted with respect to the Collateral and all other dealings with the Collateral. All chattel paper given to such Grantor with respect to any Accounts will be marked with the following legend: "This writing and the obligations evidenced or secured hereby are subject to the security interest of First Union National Bank, as Administrative Agent". For the Administrative Agent's and the Lenders' further security, each Grantor agrees that upon the occurrence and during the continuation of any Default or Event of Default, such Grantor shall deliver and turn over any such books and records, or true and complete copies thereof directly to the Administrative Agent or its designee. Each Grantor shall permit any representative of the Administrative Agent to inspect such books and records in accordance with Section 9.11 of the Credit Agreement and will provide photocopies thereof to the Administrative Agent upon its reasonable request.

(b) Certain Provisions Regarding Maintenance of Records and Reporting Re: Accounts.

(i) In the event any amounts due and owing in excess of \$50,000 individually or \$150,000 in the aggregate are in dispute between any Account Debtor and any Grantor, such Grantor shall provide the Administrative Agent with written notice thereof promptly after such Grantor's learning thereof, explaining in detail the reason for the dispute, all claims related thereto and the amount in controversy.

(ii) Each Grantor will promptly notify the Administrative Agent in writing if any Account or Accounts, the face value of which exceeds \$50,000 individually or \$150,000 in the aggregate, arises or arise out of a contract with the United States of America, or any department, agency, subdivision or instrumentality thereof, or of any state (or department, agency, subdivision or instrumentality thereof) where such state has a state assignment of claims act or other law comparable to the Federal Assignment of Claims Act. Each Grantor will take any action required or requested by the Administrative Agent or give notice of the Administrative Agent's Security Interest in such Accounts under the provisions of the Federal Assignment of Claims Act or any comparable law or act enacted by any state or local Governmental Authority. Any notifications or other documents executed and delivered to the Administrative Agent in connection with the Federal Assignment of Claims Act or any comparable state law may be promptly filed with the appropriate Governmental Authority by the Administrative Agent or held by the Administrative Agent until the

Administrative Agent or the Required Lenders decide in its or their sole discretion to make any such filing.

(iii) The Grantors will promptly upon, but in no event later than five (5) Business Days after: (A) the Grantor's learning thereof, inform the Administrative Agent, in writing, of any material delay in such Grantor's performance of any of its obligations to any Account Debtor and of any assertion of any claims, offsets or counterclaims by any Account Debtor and of any allowances, credits and/or other monies granted by such Grantor to any Account Debtor, in each case involving amounts in excess of \$50,000 for any single Account or Account Debtor or in excess of \$150,000 in the aggregate for all Accounts and Account Debtors; and (B) the Grantor's receipt or learning thereof, furnish to and inform the Administrative Agent of all adverse information relating to the financial condition of any Account Debtor with respect to Accounts exceeding \$50,000 individually or \$150,000 in the aggregate.

(c) Further Identification of Collateral. Each Grantor will, if so requested by the Administrative Agent, furnish to the Administrative Agent statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Administrative Agent may reasonably request, all in reasonable detail.

(d) Notices. In addition to the notices required by Section 5(b) hereof, each Grantor will advise the Administrative Agent promptly, in reasonable detail, (i) of any material Lien or claim made or asserted against any of the Collateral, (ii) of any material adverse change in the composition of the Collateral, and (iii) of the occurrence of any other event which could have a material adverse effect on the Collateral or on the validity, perfection or priority of the Security Interests.

SECTION 6. Collateral Account, Deposit Accounts.

(a) There is hereby established with the Administrative Agent a Collateral Account in the name and under the exclusive dominion and control of the Administrative Agent. There shall be deposited from time to time into such account the cash proceeds of the Collateral required to be delivered to the Administrative Agent pursuant to Section 6(b) hereof or any other provision of this Agreement. Any income received by the Administrative Agent with respect to the balance from time to time standing to the credit of the Collateral Account, including any interest or capital gains on investments of amounts on deposit in the Collateral Account, shall remain, or be deposited, in the Collateral Account together with any investments from time to time made pursuant to subsection (c) of this Section 6, shall vest in the Administrative Agent, shall constitute part of the Collateral hereunder and shall be applied in accordance with this Agreement as payment of the Secured Obligations.

(b) Upon the occurrence and during the continuance of an Event of Default, if requested by the Administrative Agent, each Grantor shall instruct all Account Debtors and other Persons obligated in respect of all Accounts to make all payments in respect of the Accounts either (i) directly to the Administrative Agent (by instructing that such payments be remitted to a post office box which shall be in the name and under the exclusive dominion and control of the Administrative

Agent) or (ii) to one or more other banks in any state in the United States (by instructing that such payments be remitted to a post office box which shall be in the name and under the exclusive dominion and control of such bank) under a Lockbox Letter substantially in the form of Annex I hereto duly executed by each Grantor and such bank or under other arrangements, in form and substance satisfactory to the Administrative Agent, pursuant to which such Grantor shall have irrevocably instructed such other bank (and such other bank shall have agreed) to remit all proceeds of such payments directly to the Administrative Agent for deposit into the Collateral Account or as the Administrative Agent may otherwise instruct such bank, and thereafter if the proceeds of any Collateral shall be received by any of the Grantors, such Grantor will promptly deposit such proceeds into the Collateral Account and until so deposited, all such proceeds shall be held in trust by such Grantor for and as the property of the Administrative Agent, for the benefit of itself and the Lenders and shall not be commingled with any other funds or property of such Grantor. At any time after the occurrence and during the continuance of an Event of Default, the Administrative Agent may itself so instruct each Grantor's Account Debtors. All such payments made to the Administrative Agent shall be deposited in the Collateral Account.

(c) Amounts on deposit in the Collateral Account shall be promptly liquidated and applied to the payment of the Secured Obligations in the manner specified in Section 10 hereof.

(d) As additional collateral security for repayment of the Obligations, each Grantor hereby agrees to keep all of its primary deposit accounts at First Union National Bank.

SECTION 7. General Authority.

(a) The Grantors hereby irrevocably appoint the Administrative Agent their true and lawful attorney, with full power of substitution, in the name of each Grantor, the Administrative Agent, the Lenders or otherwise, for the sole use and benefit of the Administrative Agent and the Lenders, but at the Grantors' expense, to exercise, at any time from time to time all or any of the following powers:

(i) to file the Financing Statements and any financing statements, financing statement amendments and continuation statements referred to in Sections 4(a)(i), 4(a)(ii), 4(a)(iii) and 4(c)(ii) hereof;

(ii) to demand, sue for, collect, receive and give acquittance for any and all monies due or to become due with respect to any Collateral or by virtue thereof;

(iii) to settle, compromise, compound, prosecute or defend any action or proceeding with respect to any Collateral;

(iv) to sell, transfer, assign or otherwise deal in or with the Collateral and the Proceeds thereof, as fully and effectually as if the Administrative Agent were the absolute owner thereof; and

(v) to extend the time of payment of any or all thereof and to make any allowance and other adjustments with reference to the Collateral;

provided that the Administrative Agent shall not take any of the actions described in this Section 7 except those described in clause (i) above unless an Event of Default shall have occurred and be continuing and the Administrative Agent shall give the Grantors not less than ten (10) days' prior written notice of the time and place of any sale or other intended disposition of any of the Collateral, except any Collateral which is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market. The Grantors agree that any such notice constitutes "reasonable notification" within the meaning of Section 9-504(3) of the UCC (to the extent such Section is applicable).

(b) Ratification. The Grantors hereby ratify all that said attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

(c) Other Powers. The Grantors also authorize the Administrative Agent at any time and from time to time, to execute, in connection with the sale provided for in Section 8 hereof, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

SECTION 8. Remedies Upon Event of Default.

(a) If any Event of Default has occurred and is continuing, the Administrative Agent may, upon the request of the Required Lenders (and only upon such request), exercise on behalf of itself and the Lenders all rights of a secured party under the UCC (whether or not in effect in the jurisdiction where such rights are exercised) and, in addition, the Administrative Agent may, upon the request of the Required Lenders (and only upon such request), (i) withdraw all cash, if any, in the Collateral Account and investments made with amounts on deposit in the Collateral Account, and apply such monies, investments and other cash, if any, then held by it as Collateral as specified in Section 10 hereof and (ii) if there shall be no such monies, investments or cash or if such monies, investments or cash shall be insufficient to pay all the Secured Obligations in full, sell the Collateral or any part thereof at public or private sale, for cash, upon credit or for future delivery, and at such price or prices as the Administrative Agent may deem satisfactory. The Administrative Agent or any Lender may be the purchaser of any or all of the Collateral so sold at any public sale (or, if the Collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations or if otherwise permitted under applicable law, at any private sale) and thereafter hold the same, absolutely, free from any right or claim of whatsoever kind. Each Grantor will execute and deliver such documents and take such other action as the Administrative Agent deems reasonably necessary or advisable in order that any such sale may be made in compliance with law. Upon any such sale the Administrative Agent shall have the right to deliver, assign and transfer to the purchaser thereof the Collateral so sold (without warranty). Each purchaser at any such sale shall hold the Collateral so sold to it absolutely, free from any claim or right of whatsoever kind, including any equity or right of redemption of any Grantor. To the extent permitted by law, each Grantor hereby specifically waives all rights of redemption, stay or appraisal which it has or may have under any law now existing or hereafter adopted. The notice of such sale shall be given to the Grantors ten (10) days prior to such sale and (A) in case of a public sale, state the time and place fixed for such sale, and (B) in the case of a private sale, state the day after which

sale may be consummated. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Administrative Agent may fix in the notice of such sale. At any such sale the Collateral may be sold in one lot as an entirety or in separate parcels, as the Administrative Agent may determine. The Administrative Agent shall not be obligated to make any such sale pursuant to any such notice. The Administrative Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the same may be so adjourned. In case of any sale of all or any part of the Collateral on credit or for future delivery, the Collateral so sold may be retained by the Administrative Agent until the selling price is paid by the purchaser thereof, but the Administrative Agent shall not incur any liability in case of the failure of such purchaser to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may again be sold upon like notice. The Administrative Agent, instead of exercising the power of sale herein conferred upon it, may proceed by a suit or suits at law or in equity to foreclose the Security Interests and sell the Collateral, or any portion thereof, under a judgment or decree of a court or courts of competent jurisdiction. The Grantors shall remain liable for any deficiency.

(b) For the purpose of enforcing any and all rights and remedies under this Agreement, the Administrative Agent may (i) require each Grantor to, and each Grantor agrees that it will, at its expense and upon the request of the Administrative Agent, forthwith assemble all or any part of the Collateral as directed by the Administrative Agent and make it available at a place designated by the Administrative Agent which is, in the Administrative Agent's opinion, reasonably convenient to the Administrative Agent and such Grantor, whether at the premises of such Grantor or otherwise, (ii) to the extent permitted by applicable law, enter, with or without process of law and without breach of the peace, any premise where any of the Collateral is or may be located and, without charge or liability to the Administrative Agent, seize and remove such Collateral from such premises, (iii) have access to and use such Grantor's books and records relating to the Collateral and (iv) prior to the disposition of the Collateral, store or transfer such Collateral without charge in or by means of any storage or transportation facility owned or leased by such Grantor, process, repair or recondition such Collateral or otherwise prepare it for disposition in any manner and to the extent the Administrative Agent deems appropriate and, in connection with such preparation and disposition, use without charge any Trademark, trade name, Copyright, Patent or technical process used by such Grantor.

(c) Without limiting the generality of the foregoing, if any Event of Default has occurred and is continuing,

(i) the Administrative Agent may license, or sublicense, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any Patents or Trademarks included in the Collateral throughout the world for such term or terms, on such conditions and in such manner as the Administrative Agent shall in its sole discretion determine;

(ii) the Administrative Agent may (without assuming any obligations or liability thereunder), at any time and from time to time, enforce (and shall have the exclusive right to enforce) against any licensee or sublicensee all rights and remedies of any Grantor in, to and

under any Patent Licenses or Trademark Licenses and take or refrain from taking any action under any thereof; provided, however, that no such actions shall result in the failure of such Patent Licenses or Trademark Licenses to remain in compliance with all Applicable Law, and the Grantors hereby release the Administrative Agent and each of the Lenders from and shall hold them harmless from and against any claims arising out of, any lawful action so taken or omitted to be taken with respect thereto except with respect to the gross negligence or willful misconduct of the Administrative Agent or the Lenders; and

(iii) upon request by the Administrative Agent, the Grantors will execute and deliver to the Administrative Agent a power of attorney, in form and substance satisfactory to the Administrative Agent, for the implementation of any lease, assignment, license, sublicense, grant or option, sale or other disposition of a Patent or Trademark. In the event of any such disposition pursuant to this Section 8, the Grantors shall supply their know-how and expertise relating to the manufacture and sale of the products bearing Trademarks or the products or services made or rendered in connection with Patents, and its customer lists and other records relating to such Patents or Trademarks and to the distribution of said products, to the Administrative Agent.

SECTION 9. Limitation on Duty of Administrative Agent in Respect of Collateral. Beyond reasonable care in the custody thereof, the Administrative Agent shall have no duty as to any Collateral in its possession or control or in the possession or control of any agent or bailee or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto. The Administrative Agent shall be deemed to have exercised reasonable care in the custody of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which it accords its own property, and the Administrative Agent shall not be liable or responsible for any loss or damage to any of the Collateral, or for any diminution in the value thereof, by reason of the act or omission of any warehouseman, carrier, forwarding agency, consignee or other agent or bailee selected by the Administrative Agent in good faith.

SECTION 10. Application of Proceeds. Upon the occurrence and during the continuance of an Event of Default, the proceeds of any sale of, or other realization upon, all or any part of the Collateral shall be applied by the Administrative Agent in accordance with Section 5.5 of the Credit Agreement, and then to payment to the Grantors or their successors or assigns, or as a court of competent jurisdiction may direct, of any surplus then remaining from such proceeds. The Administrative Agent may make distribution hereunder in cash or in kind or, on a ratable basis, in any combination thereof.

SECTION 11. Concerning the Administrative Agent. The provisions of Article XIII of the Credit Agreement shall inure to the benefit of the Administrative Agent in respect of this Agreement and shall be binding upon the parties to the Credit Agreement in such respect. In furtherance and not in derogation of the rights, privileges and immunities of the Administrative Agent therein set forth:

(a) The Administrative Agent is authorized to take all such action as is provided to be taken by it as Administrative Agent hereunder and all other action incidental thereto. As to any matters not expressly provided for herein, the Administrative Agent may request

instructions from the Lenders and shall act or refrain from acting in accordance with written instructions from the Required Lenders (or, when expressly required by this Agreement or the Credit Agreement, all the Lenders) or, in the absence of such instructions, in accordance with its discretion.

(b) The Administrative Agent shall not be responsible for the existence, genuineness or value of any of the Collateral or for the validity, perfection, priority or enforceability of the Security Interests, whether impaired by operation of law or by reason of any action or omission to act on its part (other than any such action or inaction constituting gross negligence or willful misconduct). The Administrative Agent shall have no duty to ascertain or inquire as to the performance or observance of any of the terms of this Agreement by any Grantor.

SECTION 12. Appointment of Collateral Agents. At any time or times, in order to comply with any legal requirement in any jurisdiction or in order to effectuate any provision of the Loan Documents, the Administrative Agent may appoint another bank or trust company or one or more other Persons, either to act as collateral agent or agents, jointly with the Administrative Agent or separately, on behalf of the Administrative Agent and the Lenders with such power and authority as may be necessary for the effectual operation of the provisions hereof and specified in the instrument of appointment (which may, in the discretion of the Administrative Agent, include provisions for the protection of such collateral agent similar to the provisions of Section 11 hereof).

SECTION 13. Expenses. In the event that the Grantors fail to comply with the provisions of the Credit Agreement, this Agreement or any other Loan Document, such that the value of any Collateral or the validity, perfection, rank or value of the Security Interests are thereby diminished or potentially diminished or put at risk, the Administrative Agent if requested by the Required Lenders may, but shall not be required to, effect such compliance on behalf of the Grantors, and the Grantors shall reimburse the Administrative Agent for the costs thereof on demand. All insurance expenses and all expenses of protecting, storing, warehousing, appraising, insuring, handling, maintaining and shipping the Collateral, any and all excise, stamp, intangibles, transfer, property, sales, and use taxes imposed by any state, federal, or local authority or any other Governmental Authority on any of the Collateral, or in respect of the sale or other disposition thereof, shall be borne and paid by the Grantors; and if the Grantors fail promptly to pay any portion thereof when due, the Administrative Agent or any Lender may, at its option, but shall not be required to, pay the same and charge the Grantors' account therefor, and the Grantors agree to reimburse the Administrative Agent or such Lender therefor on demand. All sums so paid or incurred by the Administrative Agent or any Lender for any of the foregoing and any and all other sums for which the Grantors may become liable hereunder and all costs and expenses (including reasonable attorneys' fees, legal expenses and court costs) incurred by the Administrative Agent or any Lender in enforcing or protecting the Security Interests or any of their rights or remedies thereon shall be payable by the Grantors on demand and shall bear interest (after as well as before judgment) until paid at the rate then applicable to Base Rate Loans under the Credit Agreement and shall be additional Secured Obligations hereunder.

SECTION 14. Notices. All notices, communications and distributions hereunder shall be given or made in accordance with Section 14.1 of the Credit Agreement.

SECTION 15. Rights and Remedies Cumulative; Non-Waiver; etc. The enumeration of the rights and remedies of the Administrative Agent and the Lenders set forth in this Agreement is not intended to be exhaustive and the exercise by the Administrative Agent and the Lenders of any right or remedy shall not preclude the exercise of any other rights or remedies, all of which shall be cumulative, and shall be in addition to any other right or remedy given hereunder or under the Loan Documents or that may now or hereafter exist in law or in equity or by suit or otherwise. No delay or failure to take action on the part of the Administrative Agent or any Lender in exercising any right, power or privilege under this Agreement or any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude other or further exercise thereof or the exercise of any other right, power or privilege or shall be construed to be a waiver of any Event of Default. No course of dealing between the Borrowers, the Administrative Agent and the Lenders or their respective agents or employees shall be effective to change, modify or discharge any provision of this Agreement or any of the other Loan Documents or to constitute a waiver of any Event of Default. This Agreement is a Loan Document executed pursuant to the Credit Agreement.

SECTION 16. Successors and Assigns. This Agreement is for the benefit of the Administrative Agent and the Lenders and their successors and assigns (as permitted by the Credit Agreement), and in the event of an assignment of all or any of the Secured Obligations, the rights hereunder, to the extent applicable to the indebtedness so assigned, may be transferred with such indebtedness. This Agreement shall be binding on the Grantors and their successors and assigns; provided, that the Grantors may not assign any of their rights or obligations hereunder without the prior written consent of the Administrative Agent and the Lenders.

SECTION 17. Amendments, Waivers and Consents. No term, covenant, agreement or condition of this Agreement may be amended or waived, nor may any consent be given, except in the manner set forth in Section 14.11 of the Credit Agreement.

SECTION 18. Powers Coupled with an Interest. All authorizations and agencies herein contained with respect to the Collateral are irrevocable and powers coupled with an interest.

SECTION 19. Governing Law. **THIS AGREEMENT SHALL BE GOVERNED BY, CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, WITHOUT REFERENCE TO THE CONFLICTS OR CHOICE OF LAW PRINCIPLES THEREOF.**

SECTION 20. Consent to Jurisdiction. Each Grantor hereby irrevocably consents to the personal jurisdiction of the state and federal courts located in Philadelphia, Pennsylvania, in any action, claim or other proceeding arising out of or any dispute in connection with this Agreement, any rights or obligations hereunder, or the performance of such rights and obligations. Each Grantor hereby irrevocably consents to the service of a summons and complaint and other process in any action, claim or proceeding brought by the Administrative Agent or any Lender in connection with this Agreement, any rights or obligations hereunder, or the performance of such rights and obligations, on behalf of itself or its property, in the manner provided in Section 14.1 of the Credit Agreement. Nothing in this Section 20 shall affect the right of the Administrative Agent or any

Lender to serve legal process in any other manner permitted by Applicable Law or affect the right of the Administrative Agent or any Lender to bring any action or proceeding against any Grantor or its properties in the courts of any other jurisdictions.

SECTION 21. Binding Arbitration; Waiver of Jury Trial.

(a) Binding Arbitration. Upon demand of any party, whether made before or after institution of any judicial proceeding, any dispute, claim or controversy arising out of, connected with or relating to this Agreement, the Notes or any other Loan Documents ("Disputes"), between or among parties to this Agreement, the Notes or any other Loan Document shall be resolved by binding arbitration as provided herein. Institution of a judicial proceeding by a party does not waive the right of that party to demand arbitration hereunder. Disputes may include, without limitation, tort claims, counterclaims, claims brought as class actions, claims arising from Loan Documents executed in the future, disputes as to whether a matter is subject to arbitration, or claims concerning any aspect of the past, present or future relationships arising out of or connected with the Loan Documents. Arbitration shall be conducted under and governed by the Commercial Financial Disputes Arbitration Rules (the "Arbitration Rules") of the American Arbitration Association and Title 9 of the U.S. Code. All arbitration hearings shall be conducted in Philadelphia, Pennsylvania. The expedited procedures set forth in Rule 51, et seq. of the Arbitration Rules shall be applicable to claims of less than \$1,000,000. All applicable statutes of limitation shall apply to any Dispute. A judgment upon the award may be entered in any court having jurisdiction. Notwithstanding anything foregoing to the contrary, any arbitration proceeding demanded hereunder shall begin within ninety (90) days after such demand thereof and shall be concluded within one hundred and twenty (120) days after such demand. These time limitations may not be extended unless a party hereto shows cause for extension and then such extension shall not exceed a total of sixty (60) days. The panel from which all arbitrators are selected shall be comprised of licensed attorneys. The single arbitrator selected for expedited procedure shall be a retired judge from the highest court of general jurisdiction, state or federal, of the state where the hearing will be conducted. The parties hereto do not waive any applicable Federal or state substantive law except as provided herein. Notwithstanding the foregoing, this paragraph shall not apply to any Hedging Agreement that is a Loan Document.

(b) Jury Trial. **THE ADMINISTRATIVE AGENT, EACH LENDER AND EACH BORROWER HEREBY ACKNOWLEDGE THAT BY AGREEING TO BINDING ARBITRATION THEY HAVE IRREVOCABLY WAIVED THEIR RESPECTIVE RIGHTS TO A JURY TRIAL WITH RESPECT TO ANY ACTION, CLAIM OR OTHER PROCEEDING ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, THE NOTES OR THE OTHER LOAN DOCUMENTS, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THEREUNDER, OR THE PERFORMANCE OF SUCH RIGHTS AND OBLIGATIONS.**

(c) Preservation of Certain Remedies. Notwithstanding the preceding binding arbitration provisions, the parties hereto and to the other Loan Documents preserve, without diminution, certain remedies that such Persons may employ or exercise freely, either alone, in conjunction with or during a Dispute. Each such Person shall have and hereby reserves the right

to proceed in any court of proper jurisdiction or by self help to exercise or prosecute the following remedies: (i) all rights to foreclose against any real or personal property or other security by exercising a power of sale granted in the Loan Documents or under applicable law or by judicial foreclosure and sale, (ii) all rights of self help including peaceful occupation of property and collection of rents, set off, and peaceful possession of property, (iii) obtaining provisional or ancillary remedies including injunctive relief, sequestration, garnishment, attachment, appointment of receiver and in filing an involuntary bankruptcy proceeding, and (iv) when applicable, a judgment by confession of judgment. Preservation of these remedies does not limit the power of an arbitrator to grant similar remedies that may be requested by a party in a Dispute.

SECTION 22. Severability. If any provision hereof is invalid and unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (a) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Administrative Agent and the Lenders in order to carry out the intentions of the parties hereto as nearly as may be possible; and (b) the invalidity or unenforceability of any provisions hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

SECTION 23. Headings. The various headings of this Agreement are inserted for convenience only and shall not affect the meaning or interpretation of this Agreement or any provisions hereof.

SECTION 24. Counterparts. This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

[Signatures To Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed under seal by their duly authorized officers, all as of the day and year first written above.

GRANTORS:

[CORPORATE SEAL]

DE&S HOLDING CO.

By: [Signature]
Name: Bernard Spain
Title: Chief Executive Officer

[CORPORATE SEAL]

DOLLAR EXPRESS, INC.

By: [Signature]
Name: Bernard Spain
Title: Chief Executive Officer

[Signatures Continued On The Following Page]

[Security Agreement]

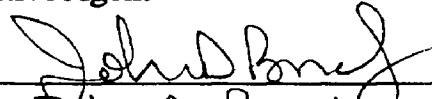
ADMINISTRATIVE AGENT:

FIRST UNION NATIONAL BANK, as
Administrative Agent

By: _____

Name: _____

Title: _____


John D. Brandy
Vice President

SCHEDULE I
(to Security Agreement)

Copyrights and Related Rights

1. DE&S Holding Co. - None
2. Dollar Express, Inc. - None

1645729.07
LIB: CH

TRADEMARK
REEL: 001985 FRAME: 0574

SCHEDULE II
(to Security Agreement)

Patents and Related Rights

1. DE&S Holding Co. - None
2. Dollar Express, Inc. - None

1645729.07
LIB: CH

TRADEMARK
REEL: 001985 FRAME: 0575

SCHEDULE III
(to Security Agreement)

Trademarks and Related Rights

1. DE&S Holding, Inc. - None
2. Dollar Express, Inc. - None

1645729.07
LBB: CH

ANNEX I
(to Security Agreement)

[FORM OF LOCKBOX LETTER]

_____, 19__

[Name and Address of Lockbox Bank)

Re: [CORPORATION]

Ladies and Gentlemen:

We hereby notify you that effective _____, 19__, we have transferred exclusive ownership and control of our lock-box account(s) no[s]. _____ (the "Lockbox Account[s]") maintained with you under the terms of the [Lockbox Agreement] attached hereto as Exhibit A (the "Lockbox Agreement[s]") to First Union National Bank, as Administrative Agent (the "Administrative Agent").

We hereby irrevocably instruct you to make all payments to be made by you out of or in connection with the Lockbox Account(s) (i) to the Administrative Agent for credit to account no. _____ maintained by it at its office at _____ or (ii) as you may otherwise be instructed by the Administrative Agent.

We also hereby notify you that the Administrative Agent shall be irrevocably entitled to exercise any and all rights in respect of or in connection with the Lockbox Account(s), including, without limitation, the right to specify when payments are to be made out of or in connection with the Lockbox Account(s).

All funds deposited into the Lockbox Account(s) will not be subject to deduction, set-off, banker's lien or any other right in favor of any other person than the Administrative Agent, except that you may set-off against the Lockbox Account(s) the face amount of any check deposited in and credited to such Lockbox Account(s) which is subsequently returned for any reason. Your compensation for providing the service contemplated herein shall be mutually agreed between you and us from time to time and we will continue to pay such compensation.

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LIB: CH

TRADEMARK
REEL: 001985 FRAME: 0577

Please confirm your acknowledgment of and agreement to the foregoing instructions by signing in the space provided below

Very truly yours,

By: _____

Name: _____

Title: _____

Acknowledged and agreed
to as of this _____ day
of _____, 19____.

[LOCKBOX BANK]

By: _____

Name: _____

Title: _____

1645729.07
LIB: CH