

MRD 7/19/00

07-14-2000

FORM PTO-1618A
Expires 06/30/99
OMB 0651-0027



U.S. Department of Commerce
Patent and Trademark Office
TRADEMARK

101405033

OTR/FRANDE

**RECORDATION FORM COVER SHEET
TRADEMARKS ONLY**

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

Submission Type

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

Conveyance Type

- Assignment License
 - Security Agreement Nunc Pro Tunc Assignment
 - Merger Change of Name
 - Other _____
- Effective Date
Month Day Year
05182000

Conveying Party

Mark if additional names of conveying parties attached

Name Hair Club for Men, Ltd., Inc.

Execution Date
Month Day Year
05182000

Formerly _____

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

Receiving Party

Mark if additional names of receiving parties attached

Name Kae-Tech USA, Inc.

DBA/AKA/TA _____

Composed of _____

Address (line 1) 5827 Corporate Way

Address (line 2) _____

Address (line 3) West Palm Beach

Florida

33407

City

State/Country

Zip Code

- Individual General Partnership Limited Partnership Corporation Association
 - Other _____
 - Citizenship/State of Incorporation/Organization Delaware
- 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.)

07/13/2000 ASCOTT 00000067 75482555

FOR OFFICE USE ONLY

01 FC:481
02 FC:482

40.00 DP
450.00 DP

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

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

TRADEMARK
REEL: 002100 FRAME: 0239

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

401-274-9200

Name

John E. Ottaviani

Address (line 1)

Edwards & Angell, LLP

Address (line 2)

2800 BankBoston Plaza

Address (line 3)

Providence RI 02903-2499

Address (line 4)

Pages

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

#

33

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)

75482555

1123852

1573996

1728703

75852025

1317389

1903844

1830003

75587913

1145319

1667060

1982708

Number of Properties

Enter the total number of properties involved.

19

Fee Amount

Fee Amount for Properties Listed (37 CFR 3.41):

\$ 490

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.

John E. Ottaviani, Esq.

Name of Person Signing

Signature

15 June 2000

Date Signed

**RECORDATION FORM COVER SHEET
CONTINUATION
TRADEMARKS ONLY**

FORM PTO-1618C
Expires 06/30/99
OMB 0651-0027

U.S. Department of Commerce
Patent and Trademark Office
TRADEMARK

Conveying Party

Enter Additional Conveying Party

Mark if additional names of conveying parties attached

Execution Date
Month Day Year

Name

Formerly

Individual General Partnership Limited Partnership Corporation Association

Other

Citizenship State of Incorporation/Organization

Receiving Party

Enter Additional Receiving Party

Mark if additional names of receiving parties attached

Name

DBA/AK/TA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)
City State/Country Zip Code

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

Corporation Association

Other

Citizenship/State of Incorporation/Organization

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

Mark if additional numbers attached

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

Trademark Application Number(s)

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

Registration Number(s)

1982707	<input type="text"/>	<input type="text"/>
2043632	<input type="text"/>	<input type="text"/>
2053511	<input type="text"/>	<input type="text"/>
2056220	<input type="text"/>	<input type="text"/>
2116107	<input type="text"/>	<input type="text"/>
2137505	<input type="text"/>	<input type="text"/>
2213938	<input type="text"/>	<input type="text"/>

SECURITY AND PLEDGE AGREEMENT

SECURITY AND PLEDGE AGREEMENT ("Security Agreement") dated as of May 18 2000 by and between HAIR CLUB FOR MEN, LTD., INC., a Florida corporation ("Pledgor") and KAE-TECH USA, INC., a Delaware corporation.

WITNESSETH

WHEREAS, Pledgor has become indebted to the Secured Party in such amount as may be evidenced from time to time on that certain grid promissory note dated as of the date hereof (as amended, supplemented, restated or replaced from time to time, the "Note") made by the Pledgor in favour of the Secured Party; and;

AND WHEREAS, to secure the obligations of the Pledgor to the Secured Party under the Note and any demand for payment thereunder (the "Secured Obligations"), and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Pledgor has agreed to pledge and grant a security interest in the Collateral (as hereinafter defined) as security for the Secured Obligations;

Accordingly, the parties hereto agree as follows:

Section 1. Definitions. Terms defined in the Loan Documents are used herein as defined therein. In addition to such meanings and those set forth in the recitals hereto, as used herein:

"Accounts" shall have the meaning ascribed thereto in Section 3(d) hereof.

"Affiliate" means, with respect to any entity, another entity controlling, controlled by or under common control with such first entity.

"Agent" shall mean National Bank of Canada, as Security Agent for the Lenders.

"Collateral" shall have the meaning ascribed thereto in Section 3 hereof.

"Contracts" shall have the meaning ascribed thereto in Section 3(i) hereof.

"Copyright Collateral" shall mean all Copyrights, whether now owned or hereafter acquired by Pledgor, including without limitation each Copyright identified in Annex 2 hereto.

"Copyrights" shall mean all copyrights, copyright registrations and applications for copyright registrations, including, without limitation, all renewals and extensions thereof, the right to recover for all past, present and future infringements thereof, and all other rights of any kind whatsoever accruing thereunder or pertaining thereto.

"Documents" shall have the meaning ascribed thereto in Section 3(j) hereof.

"Equipment" shall have the meaning ascribed thereto in Section 3(h) hereof.

"Event of Default" shall mean any default under the Note or any breach of any representation, warranty, covenant, undertaking or agreement contained herein.

"First Lender" shall mean National Bank of Canada, as lender, any of its successors and assigns and any of their successors and assigns.

“Fourth Lender” shall mean Cameron Capital Corporation, any of its successors and assigns and any of their successors and assigns.

“Instruments” shall have the meaning ascribed thereto in Section 3(e) hereof.

“Intellectual Property” shall mean, collectively, all Copyright Collateral, all Patent Collateral and all Trademark Collateral, together with (a) all inventions, processes, production methods, proprietary information, know-how and trade secrets; (b) all licenses or user or other agreements granted to Pledgor with respect to any of the foregoing, in each case whether now or hereafter owned or used including, without limitation, the licenses or other agreements with respect to the Copyright Collateral, the Patent Collateral or the Trademark Collateral, listed in Annex 5 hereto; (c) all information, customer lists, identification of suppliers, data, plans, blueprints, specifications, designs, drawings, recorded knowledge, surveys, engineering reports, test reports, manuals, materials standards, processing standards, performance standards, catalogues, computer and automatic machinery software and programs; (d) all field repair data, sales data and other information relating to sales or service of products now or hereafter manufactured; (e) all accounting information and all media in which or on which any information or knowledge or data or records may be recorded or stored and all computer programs used for the compilation or printout of such information, knowledge, records or data; and (f) all licenses, consents, permits, variances, certifications and approvals of governmental agencies now or hereafter held by Pledgor.

“Intercreditor Agreement” means that certain agreement dated as of the date hereof by and among First Lender, Second Lender, Third Lender and Fourth Lender, and intervened in by inter alia, Kae-Tech, the Pledgor, certain of its Affiliates and the Secured Party.

“Inventory” shall have the meaning ascribed thereto in Section 3(f) hereof.

“Issuer” shall have the meaning ascribed thereto in Section 3(a) hereof.

“Kae-Tech” shall mean Kae-Tech Inc., an Ontario corporation.

“Lenders” shall mean First Lender, Second Lender, Third Lender and Fourth Lender.

“Lien” shall mean shall mean and include any lien, pledge, license, mortgage, security interest, claim, lease, charge, condition, restriction, assessment, conditional sales agreement, title retention agreement, hypothec, option, right of first refusal, pre-emptive right, easement, notice filing against the Pledgor or a fictitious or tradename of the Pledgor (whether in the U.S. Patent and Trademark Office (“PTO”), U.S. Copyright Office, any relevant jurisdiction as required under the Uniform Commercial Code as enacted in such state, other filing under comparable legislation in other relevant jurisdictions), or any other encumbrance whatsoever, whether direct or indirect, contingent, accrued, absolute or otherwise.

“Loan Documents” means the loan agreement dated as of the date hereof by and between Kae-Tech, National Bank of Canada, as agent and First Lender and each of the debentures dated as of the date hereof issued by Kae-Tech in favour of each of Second Lender, Third Lender and Fourth Lender, as the same may be amended, supplemented, restated or replaced from time to time.

“Motor Vehicles” shall mean motor vehicles, tractors, trailers and other like property, whether or not the title thereto is governed by a certificate of title or ownership.

“Patent Collateral” shall mean all Patents, whether now owned or hereafter acquired by the Pledgor, including without limitation each Patent identified in Annex 3 hereto.

“Patents” shall mean all patents and patent applications, registrations and recordings, and all right, title and interest therein and thereto, including, without limitation, the inventions and improvements described and claimed therein together with the reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof, all income, royalties, damages and payments now or hereafter due and/or payable under and with respect thereto, including, without limitation, damages and payments for past or future infringements thereof, the right to sue for past, present and future infringements thereof, and all rights corresponding thereto throughout the world.

“Pledged Stock” shall have the meaning ascribed thereto in Section 3(a) hereof.

“Pledgor Documents” means the agreements dated as of the date hereof, entered into by the Pledgor in favour of the Agent securing or guaranteeing the performance of Kae-Tech under any of the Loan Documents, Security Documents, Securityholders’ Agreement or Warrants, which agreements shall include, but shall not be limited to, a guarantee and a security and pledge agreement.

“Second Lender” shall mean National Bank of Canada, as mezzanine lender, any of its successors and assigns and any of their successors and assigns.

“Secured Party” shall mean Kae-Tech USA, Inc.

“Securities” means any shares, participations, partnership, membership or other equity interests in an Issuer or in property or an enterprise of an Issuer (a) which (i) are represented by a certificate representing a security in bearer or registered form, or the transfer of which may be registered upon books maintained for that purpose by or on behalf of such Issuer, (ii) are one of a class or series or by its terms is divisible into a class or series of shares, participations or equity interests and (iii) (x) are, or are of a type, dealt with or traded on securities exchanges or securities markets or (y) are a medium for investment and by their terms expressly provide that they are a security governed by Article 8 of the Uniform Commercial Code and (b) any other shares, participations, partnership, membership or other equity interests in an Issuer or in property or an enterprise of any such Issuer, whether certificated or uncertificated.

“Security Documents” shall mean those certain agreements entered into by Kae-Tech pursuant to the Loan Documents including, without limitation, a demand debenture, a share pledge agreement, conditional assignments of intellectual property, and an assignment of payments and security, to secure the obligations of Kae-Tech to the Lenders, as the same may be amended, supplemented, restated or replaced from time to time.

“Securityholders’ Agreement” shall mean the unanimous securityholders’ agreement dated as of the date hereof between all of the holders of the securities of Kae-Tech, as the same may be amended, supplemented, restated or replaced from time to time.

“Stock Collateral” shall mean, collectively, the Collateral described in clauses (a) through (c) of Section 3 hereof and the proceeds of and to any such property and, to the extent related to any such property or such proceeds, all books, correspondence, credit files, records, invoices and other papers.

“Third Lender” shall mean NB Capital Equity Partners Inc., any of its successors and assigns and any of their successors and assigns.

“Trademark Collateral” shall mean all Trademarks, whether now owned or hereafter acquired by the Pledgor, including each Trademark identified in Annex 4 hereto. Notwithstanding the foregoing, the Trademark Collateral does not and shall not include any Trademark that would be rendered invalid, abandoned, void or unenforceable by reason of its being included as part of the Trademark Collateral.

“Trademarks” shall mean all trade names, trademarks and service marks, logos, trademark and service mark registrations, and applications for trademark and service mark registrations, including, without limitation, all renewals of trademark and service mark registrations and recordations, all rights corresponding thereto throughout the world, the right to recover for all past, present and future infringements thereof, all other rights of any kind whatsoever accruing thereunder or pertaining thereto, all re-issues, extensions or renewals thereof and all licenses thereof, all whether now owned or hereafter acquired, together, in each case, with the product lines and goodwill of the business connected with the use of, and symbolized by, each such trade name, trademark and service mark.

“Uniform Commercial Code” shall mean the Uniform Commercial Code as in effect from time to time in the State of New York, provided that for purposes of Section 3 hereof, the definitions of collateral types referencing the Uniform Commercial Code does not incorporate changes to such definitions upon the enactment of the proposed 1999 revisions to the Uniform Commercial Code, which are contemplated to become effective July 1, 2001, or any similar amendment to the Uniform Commercial Code.

“Warrants” shall mean the warrants issued by Kae-Tech pursuant to the terms of subscription agreement, dated as of the date hereof to each of the Second Lender, Third Lender and Fourth Lender as the same may be amended, supplemented, restated or replaced from time to time.

Section 2. Representations and Warranties. The Pledgor represents and warrants to the Secured Party that:

(a) the Pledgor is the sole legal and beneficial owner of the Collateral in which it purports to grant a security interest pursuant to Section 3 hereof, and no Lien exists or will exist upon such Collateral at any time (and no right or option to acquire the same exists in favour of any other Person), except for Liens created in favour of the Agent by the Pledgor Documents and except for the pledge and security interest in favour of the Secured Party created or provided for herein, which pledge and security interest constitute a perfected pledge and security interest in and to all of such Collateral ranking subordinate to that created by the Pledgor Documents.

(b) The Pledged Stock of the Obligors identified in Annex 1 hereto is, and all other Pledged Stock in which such Obligor shall hereafter grant a security interest pursuant to Section 3 hereof will be, duly authorized, validly existing, fully paid and non-assessable and none of such Pledged Stock is or will be subject to any contractual restriction, or any restriction under the charter or by-laws of the respective Issuer of such Pledged Stock, upon the transfer of such Pledged Stock (except for any such restriction contained herein, in the Intercreditor Agreement or in the Pledgor Documents).

(c) No consent of any person or entity and no authorization, approval or other action by, any notice to or filing with, any governmental authority or regulatory body or other person or entity is required for (i) the grant by the Pledgor of the security interest granted hereby, for the delivery or

performance of this Security Agreement by the Pledgor, (ii) for the perfection or maintenance of the pledge and security interest created hereby, except for the filing of financing and continuation statements duly executed, and the filing and recording of this Security Agreement or another document or Instrument in the PTO against each patent, patent application, trademark or service mark registration, trademark or service mark application, and in the U.S. Copyright Office against each copyright application of the Pledgor set forth in Annexes 2, 3 and 4 hereto, or (iii) for the exercise by the Pledgor of its rights provided for in this Security Agreement or the remedies in respect of the Intellectual Property pursuant to this Security Agreement.

(d) Annex 1 contains a complete and correct list of all Securities of any Issuer owned by the Pledgor and the percentage ownership stake in each respective Issuer.

(e) Annexes 2, 3 and 4 hereto, respectively, set forth under the name of Pledgor a complete and correct list of all Copyrights, Patents and Trademarks owned by the Pledgor on the date hereof; subject to the rights of the Agent under the Pledgor Documents, the Pledgor owns and possesses the right to use, and has done nothing to authorize or enable any other Person to use, any Copyright, Patent or Trademark listed in said Annexes 2, 3 and 4, and all registrations listed in said Annexes 2, 3 and 4 are valid and in full force and effect, and all are subsisting and have not been adjudged invalid, unregistrable or unenforceable in whole or in part; except as may be set forth in Annex 5, the Pledgor owns and possesses the right to use all Copyrights, Patents and Trademarks. Without diminution of the foregoing, Pledgor has made all necessary filings and recordations to protect and maintain its interest in the patents, trademarks and service mark registrations and applications, patent applications, copyright registrations and copyright applications, and licenses set forth on the Annexes hereto.

(f) Annex 5 hereto sets forth a complete and correct list of all franchise agreements, licenses granted or received, and other user agreements included in the Intellectual Property on the date hereof (other than any computer software that is generally available). Each license of Pledgor set forth on Annex 5 is subsisting and has not been adjudged invalid or unenforceable, in whole or in part, and is valid and enforceable.

(g) To the Pledgor's knowledge after due inquiry of its responsible officers, (i) except as set forth in Annex 5 hereto, there is no violation by others of any right of the Pledgor with respect to any Copyright, Patent or Trademark listed in Annexes 2, 3 and 4 hereto, respectively, under the name of the Pledgor and (ii) the Pledgor is not infringing in any respect upon any Copyright, Patent or Trademark of any other Person; and no proceedings have been instituted or are pending against the Pledgor or, to the Pledgor's knowledge, threatened, and no claim against the Pledgor has been received by the Pledgor, alleging any such violation, except as may be set forth in said Annex 5. Pledgor is not aware of any uses of any item of Intellectual Property which would be expected to lead to such item becoming invalid or unenforceable, including unauthorized uses by third parties and uses which were not supported by the goodwill of the business connected with such Intellectual Property.

(h) Save and except for such assignments, transfers or agreements as may be contained in the Pledgor Documents, Pledgor has not made any previous assignment, transfer or agreement constituting a present or future assignment, transfer or encumbrance of any of its Intellectual Property. Pledgor has not granted any release, covenant not to sue, or non-assertion assurance to any person or entity with respect to any part of its Intellectual Property, except as contemplated hereby.

(i) Pledgor has used proper statutory notice in connection with its use of each patent, registered trademark and service mark and copyright contained in Annexes 2, 3 and 4.

(j) Pledgor does not own any Trademarks registered in the United States of America to which the last sentence of the definition of Trademark Collateral applies.

(k) Any goods now or hereafter produced by the Pledgor or any of its subsidiaries included in the Collateral have been and will be produced in compliance with the requirements of the Fair Labor Standards Act, as amended. The Pledgor has taken all reasonably necessary steps to use consistent standards of quality in the manufacture, distribution and sale of all products sold and the provision of all services provided under or in connection with any of the Intellectual Property of the Pledgor and has taken all necessary steps to ensure that all licensed users of any of its Intellectual Property use such consistent standards of quality.

Section 3. Collateral. As collateral security for the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the Secured Obligations and the performance by the Pledgor of all of its covenants and obligations hereunder, the Pledgor hereby pledges and grants to the Secured Party a security interest, ranking subsequent to that granted to the Agent by the Pledgor Documents, in all of the Pledgor's right, title and interest in all of the property and assets of the Pledgor (the "Collateral"), whether now owned by the Pledgor or hereafter acquired and whether now existing or hereafter coming into existence including without limitation:

(a) all Securities issued by any Person (an "Issuer"), whether or not evidenced by certificates, which Securities are identified in Annex 1 hereto under the name of the Pledgor, and all other Securities of Issuers now or hereafter owned by the Pledgor, in each case together with any certificates evidencing the same (collectively, the "Pledged Stock");

(b) all shares, securities, moneys or property representing a dividend on any of the Pledged Stock, or representing a distribution or return of capital upon or in respect of the Pledged Stock, or resulting from a split-up, revision, reclassification or other like change of the Pledged Stock or otherwise received in exchange therefor, and any subscription warrants, rights or options issued to the holders of, or otherwise in respect of, the Pledged Stock;

(c) without affecting the obligations of the Pledgor under any provision prohibiting such action hereunder, under the Intercreditor Agreement or under any of the Pledgor Documents, in the event of any consolidation or merger in which an Issuer is not the surviving corporation or company, all shares of each class of the capital stock, partnership interests, membership interests or other equity interests of the successor corporation or entity formed by or resulting from such consolidation or merger (the Pledged Stock, together with all other certificates, shares, securities, properties or moneys as may from time to time be pledged hereunder pursuant to clause (a) or (b) above and this clause (c) being herein collectively called the "Stock Collateral");

(d) all accounts and general intangibles (each as defined in the Uniform Commercial Code) of the Pledgor constituting any right to the payment of money, including (but not limited to) all moneys due and to become due to the Pledgor in respect of any loans or advances or for Inventory or Equipment or other goods sold or leased or for services rendered, all moneys due and to become due to the Pledgor under any guarantee (including a letter of credit) of the purchase price of Inventory or Equipment sold by the Pledgor and all tax refunds (such accounts, general intangibles and moneys due and to become due being herein called collectively "Accounts");

(e) all instruments, chattel paper or letters of credit (each as defined in the Uniform Commercial Code) of the Pledgor 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 (herein collectively called "Instruments");

(f) all inventory (as defined in the Uniform Commercial Code) of the Pledgor, including Motor Vehicles held by the Pledgor for lease, fuel, tires and other spare parts, all goods obtained by the

Pledgor in exchange for such inventory, and any products made or processed from such inventory including all substances, if any, commingled therewith or added thereto (herein collectively called "Inventory");

(g) all Intellectual Property and all other accounts or general intangibles not constituting Intellectual Property or Accounts;

(h) all equipment (as defined in the Uniform Commercial Code) of the Pledgor, including without limitation all equipment described on Annex 7 hereto and all Motor Vehicles (herein collectively called "Equipment");

(i) each contract, agreement (including without limitation each franchise agreement, lease, and to the extent not covered elsewhere within the definition of Collateral, each license), undertaking, purchase order, supply order and other understanding of Pledgor relating to the sale or other disposition of Inventory or Equipment or the provision of services to or by the Pledgor (hereinafter collectively called "Contracts");

(j) all documents of title (as defined in the Uniform Commercial Code) or other receipts of the Pledgor covering, evidencing or representing Inventory or Equipment (herein collectively called "Documents");

(k) all rights, claims and benefits of the Pledgor against any Person arising out of, relating to or in connection with Inventory or Equipment purchased by the Pledgor, including, without limitation, any such rights, claims or benefits against any Person storing or transporting such Inventory or Equipment;

(l) all other tangible and intangible personal property and fixtures of the Pledgor, including, without limitation, all proceeds, products, offspring, accessions, rents, profits, income, benefits, substitutions and replacements of and to any of the property of the Pledgor described in the preceding clauses of this Section 3 (including, without limitation, any proceeds of insurance thereon and all causes of action, claims and warranties now or hereafter held by the Pledgor in respect of any of the items listed above) and, to the extent related to any property described in said clauses or such proceeds, products and accessions, all books, correspondence, credit files, records, invoices and other papers, including without limitation all tapes, cards, computer runs and other papers and documents owned by and in the possession or under the control of Pledgor or any computer bureau or service company from time to time acting for the Pledgor.

Section 4.

4.01 **Exception for Contractual Rights.** Unless and until the Secured Party so declares to the contrary by notice in writing given to the Pledgor, the security created hereby does not and shall not extend to, and Collateral shall not include, any Contract or license (the "Contractual Rights") to which the Pledgor is a party or of which the Pledgor has the benefit, to the extent that the creation of the security therein would constitute a breach of the terms of or permit any person to terminate the Contractual Rights, but the Pledgor shall hold its interest therein in trust for the Secured Party and shall assign such Contractual Rights to the Secured Party, forthwith upon obtaining the consent of the other party thereto. The Pledgor agrees that it shall, upon the request of the Secured Party, make all reasonable efforts to obtain any consent required to permit any Contractual Rights to be subjected to the security created hereby. To the extent that prior to the occurrence of an Event of Default, the Pledgor has not obtained the requisite consent to permit any Contractual Rights to be subjected to the security created hereby, then, from and after the occurrence of an Event of Default, the Pledgor shall only exercise such Contractual Rights in the manner directed by the Secured Party.

4.02 Transactions in Ordinary Course of Business. Until the occurrence of an Event of Default, the security interest created hereby shall in no way hinder or prevent the Pledgor from selling, assigning, transferring, exchanging, leasing or otherwise disposing of or dealing with the Collateral in the ordinary course of its business and for the purpose of carrying on the same, provided such action is not in breach of the covenants herein contained or contained in the Note. Without in any way limiting the foregoing, until the occurrence of an Event of Default, the grant of a security interest in the Intellectual Property of the Pledgor shall not affect in any way the Pledgor's rights to commercially exploit its Intellectual Property, defend it, enforce the Pledgor's rights in it or with respect to it against third parties in any court or claim and be entitled to receive any damages with respect to any infringement of it.

Section 5. Further Assurances: Remedies. In furtherance of the grant of the pledge and security interest pursuant to Section 3 hereof, the Pledgor hereby agrees with the Secured Party as follows:

5.01 Delivery and Other Perfection. The Pledgor shall, subject to the terms and conditions of the Pledgor Documents and the Intercreditor Agreement:

(a) if any of the shares, securities, moneys or property required to be pledged by the Pledgor under clauses (a), (b) and (c) of Section 3 hereof are received by the Pledgor, forthwith either (x) transfer and deliver to the Secured Party such shares, securities or other equity interests so received by the Pledgor (together with any certificates for any such shares, securities and other equity interests duly endorsed in blank or accompanied by undated stock powers duly executed in blank), all of which thereafter shall be held by the Secured Party, pursuant to the terms of this Agreement, as part of the Collateral or (y) take such other action as the Secured Party shall deem necessary or appropriate to duly record the Lien created hereunder in such shares, securities, other equity interests, moneys or property in said clauses (a), (b) and (c);

(b) deliver and pledge to the Secured Party any and all Instruments, endorsed and/or accompanied by such instruments of assignment and transfer in such form and substance as the Secured Party may request; provided, that so long as no Event of Default shall have occurred, the Pledgor may retain for collection in the ordinary course any Instruments received by the Pledgor in the ordinary course of business and the Secured Party shall, promptly upon request of the Pledgor, make appropriate arrangements for making any Instrument pledged by the Pledgor available to the Pledgor for purposes of presentation, collection or renewal (any such arrangement to be effected, to the extent deemed appropriate by the Secured Party, against trust receipt or like document);

(c) give, execute, deliver, file and/or record any financing statement, notice, instrument, document, agreement or other papers that may be necessary or desirable (in the judgment of the Secured Party) to create, preserve, perfect or validate the security interest granted pursuant hereto or to enable the Secured Party to exercise and enforce its rights hereunder with respect to such pledge and security interest, including, without limitation, causing any or all of the Stock Collateral to be transferred of record into the name of the Secured Party or its nominee (and the Secured Party agrees that if any Stock Collateral is transferred into its name or the name of its nominee, the Secured Party will thereafter promptly give to the respective Pledgor copies of any notices and communications received by it with respect to the Stock Collateral pledged by the Pledgor hereunder), provided that notices to account debtors in respect of any Accounts or Instruments shall be subject to the provisions of clause (i) below;

(d) without limiting the obligations of the Pledgor under Section 5.04(c) hereof, upon the acquisition after the date hereof by the Pledgor of any Equipment covered by a certificate of title or ownership, cause the Secured Party to be listed as the lienholder on such certificate of title and within 120 days of the acquisition thereof deliver evidence of the same to the Secured Party;

(e) keep full and accurate books and records relating to the Collateral, and stamp or otherwise mark such books and records in such manner as the Secured Party may reasonably require in order to reflect the security interests granted by this Agreement;

(f) furnish to the Secured Party from time to time (but, unless (1) an Event of Default shall have occurred, or (2) a material item of Intellectual Property is acquired or abandoned, no more frequently than quarterly) statements and schedules further identifying and describing the Copyright Collateral, the Patent Collateral and the Trademark Collateral, respectively, and such other reports in connection with the Copyright Collateral, the Patent Collateral and the Trademark Collateral, as the Secured Party may reasonably request, all in reasonable detail;

(g) promptly upon request of the Secured Party, following receipt by the Secured Party of any statements, schedules, annexes or reports pursuant to clause (f) above, modify this Agreement by amending Annexes 2, 3 and/or 4 hereto, as the case may be, to include any Copyright, Patent or Trademark that becomes part of the Collateral under this Security Agreement; if the Pledgor fails to so modify this Agreement, the Pledgor acknowledges and hereby authorizes the Secured Party to so modify this Security Agreement, which modification, absent manifest error, shall be binding upon the Pledgor.

(h) permit representatives of the Secured Party, upon reasonable notice, at any time during normal business hours to inspect and make abstracts from its books and records pertaining to the Collateral, and permit representatives of the Secured Party to be present at the Pledgor's place of business to receive copies of all communications and remittances relating to the Collateral, and forward copies of any notices or communications received by the Pledgor with respect to the Collateral, all in such manner as the Secured Party may reasonably require;

(i) upon the occurrence of any Event of Default, upon request of the Secured Party, promptly notify (and the Pledgor hereby authorizes the Secured Party so to notify) each account debtor in respect of any Accounts or Instruments that such Collateral has been assigned to the Secured Party hereunder, and that any payments due or to become due in respect of such Collateral are to be made directly to the Secured Party;

(j) Pledgor will furnish to the Secured Party within ten (10) days of any request therefor by the Secured Party, statements (in form, substance and detail satisfactory to the Secured Party) of all Accounts (including without limitations accounts receivable) of Pledgor (including any aging thereof), itemized by account debtor, and of the location (and aggregate book value at each such location) of all Inventory and Equipment of Pledgor, each such statement to be certified by an executive officer of Pledgor;

(k) Pledgor will advise the Secured Party promptly in reasonable detail, of (i) any Lien placed on or asserted against any of the Collateral, (ii) any material change in the composition of the Collateral, and (iii) the occurrence of any other event that would have a material effect on the aggregate value of the Collateral or on the Liens created hereunder.

5.02 Other Financing Statements and Liens. Except as otherwise affirmatively permitted under the Note, without the prior written consent of the Secured Party, the Pledgor shall not file, cause the filing of, or suffer to be on file, or authorize or permit to be filed or to be on file, in any jurisdiction, any financing statement or like instrument with respect to the Collateral in which the Secured Party is not named as the sole secured party. Pledgor will defend the right, title and interest of the Secured Party in and to any of Pledgor's rights to the Collateral against the claims, suits, proceedings, or Liens of all persons or entities claiming an interest therein adverse to the Secured Party, other than those of the Agent and/or the Lenders.

5.03 Preservation of Rights. Save and except for the prior rights of the Agent, the Secured Party shall not be required to take steps necessary to preserve any rights against prior parties to any of the Collateral before seeking to enforce its rights and remedies hereunder.

5.04 Special Provisions Relating to Certain Collateral.

(a) Stock Collateral.

(1) So long as no Event of Default shall have occurred, the Pledgor shall have the right to exercise all voting, consensual and other powers of ownership pertaining to the Stock Collateral for all purposes not inconsistent with the terms of this Agreement, the Note, the Intercreditor Agreement, the Pledgor Documents, or any other instrument or agreement referred to herein or therein, provided that the Pledgor agrees that it will not vote the Stock Collateral in any manner that is inconsistent with the terms of this Agreement, the Note, the Intercreditor Agreement, the Pledgor Documents or any such other instrument or agreement; and the Secured Party shall execute and deliver to the Pledgor or cause to be executed and delivered to the Pledgor all such proxies, powers of attorney, dividend and other orders, and all such instruments, without recourse, as the Pledgor may reasonably request for the purpose of enabling the Pledgor to exercise the rights and powers that it is entitled to exercise pursuant to this Section 5.04(a)(1).

(2) Unless and until an Event of Default has occurred, the Pledgor shall be entitled to receive and retain any dividends on the Stock Collateral paid in cash out of earned surplus.

(3) If any Event of Default shall have occurred, then for so long as such Event of Default shall continue, and whether or not the Secured Party exercises any available right to declare any Secured Obligation due and payable or seeks or pursues any other relief or remedy available to it under applicable law or under this Agreement, the Note or any other agreement relating to such Secured Obligation, all dividends and other distributions on the Stock Collateral shall, subject to the prior rights of the Agent, be paid directly to the Secured Party and retained by it as part of the Stock Collateral, subject to the terms of this Security Agreement, and, if the Secured Party shall so request in writing, the Pledgor agrees to execute and deliver to the Secured Party appropriate additional dividend, distribution and other orders and documents to that end, provided that if such Event of Default is cured, any such dividend or distribution theretofore paid to the Secured Party shall, upon request of the Pledgor (except to the extent theretofore applied to the Secured Obligations), be returned by the Secured Party to the Pledgor.

(b) Intellectual Property.

(1) For the purpose of enabling the Secured Party to exercise rights and remedies under Section 5.05 hereof at such time as the Secured Party shall be lawfully entitled to exercise such rights and remedies, and for no other purpose, the Pledgor hereby grants to the Secured Party, to the extent assignable, an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to the Pledgor) to use, assign, license or sublicense any of the Intellectual Property now owned or hereafter acquired by the Pledgor, wherever the same may be located, including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout thereof.

(2) Notwithstanding anything contained herein to the contrary, but subject to the provisions of the Note, the Pledgor Documents and the Intercreditor Agreement that limit the right of persons (legal or natural) to dispose of their property, so long as no Event of Default shall have occurred, the Pledgor will be permitted to exploit, use, enjoy, protect, license, sublicense, assign, sell, dispose of or take other actions with respect to the Intellectual Property in the ordinary course of the business of the Pledgor. In furtherance of the foregoing, unless an Event of Default shall have occurred, the Secured Party shall from

time to time, upon the request of the Pledgor, execute and deliver any instruments, certificates or other documents, in the form so requested, that the Pledgor shall have certified are appropriate (in their judgment) to allow them to take any action permitted above (including relinquishment of the license provided pursuant to clause (1) immediately above as to any specific Intellectual Property). Further, upon the payment in full of all of the Secured Obligations and cancellation or termination of the commitments to lend by the Secured Party or earlier expiration of this Agreement or release of the Collateral, the Secured Party shall grant back to the Pledgor the license granted pursuant to clause (1) immediately above. The exercise of rights and remedies under Section 5.05 hereof by the Secured Party shall not terminate the rights of the holders of any licenses or sublicenses theretofore granted by the Pledgor in accordance with the first sentence of this clause (2).

(3) With respect to each patent, patent application, trademark, or service mark registration, trademark or service mark application, copyright registration and copyright application set forth in Annexes 2, 3 or 4 hereto, the Pledgor agrees to take all necessary or desirable steps, including without limitation in the PTO and the United States Copyright Office or in any court, to (i) maintain such patent, trademark or service mark registration and copyright registration, and (i) pursue each such patent application, trademark or service mark application and copyright application now or hereafter included in the Pledgor's Intellectual Property, including without limitation, the filing of responses to office actions issued by the PTO, the filing of affidavits under Sections 8 and 15 of the U.S. Trademark Act, the filing of divisional, continuation, continuation-in-part and substitute applications, the filing of applications for re-issue, renewal or extensions, the payment of maintenance fees, and the participation in interference, re-examination, opposition, cancellation, infringement and misappropriation proceedings. The Pledgor agrees to take corresponding steps with respect to each new or acquired patent, patent application, trademark or service mark registration, trademark or service mark application, copyright registration, or copyright application to which it is now or later becomes entitled. Any and all expenses incurred in connection with such activities will be borne by the Pledgor. The Pledgor shall not discontinue use of or otherwise abandon any patent, patent application, trademark or service mark, trademark or service mark registration, trademark or service mark application, copyright registration, or copyright application now or hereafter included in the Intellectual Property pledged and encumbered hereunder, unless the Pledgor shall have first determined in its reasonable business judgment that such use or pursuant or maintenance of same is no longer desirable in the conduct of the Pledgor's business, in which case, the Pledgor shall give written notice of any such abandonment or discontinuance to the Secured Party within 90 days thereafter.

(4) The Pledgor agrees to notify the Secured Party promptly and in writing if it learns (i) that any item of its Intellectual Property pledged or encumbered hereunder has been determined to have become abandoned or dedicated to the public, (ii) of the institution of any proceeding regarding any of its Intellectual Property, or (iii) of any adverse determination.

(5) In the event that the Pledgor makes the determination in its reasonable business judgment that any item of its Intellectual Property is infringed or misappropriated by a third party, the Pledgor shall promptly notify the Secured Party and will take such actions as the Pledgor, the Agent or the Secured Party deems appropriate under the circumstances to protect such Intellectual Property interest, including without limitation suing for infringement or misappropriation and for an injunction against such infringement or misappropriation. Any expense in connection with such activities will be borne by the Pledgor.

(6) The Pledgor shall continue to use proper statutory notice in connection with its use of each of its patents, registered trademarks and service marks, and copyrights contained in Annex 2, 3 or 4.

(c) Motor Vehicles.

(1) The Pledgor shall from time to time deliver to the Secured Party originals of the certificates of title or ownership for the Motor Vehicles owned by it with the Secured Party listed as lienholder, subject to the prior interest of the Agent and take such other action as the Secured Party shall deem appropriate to perfect the security interest created hereunder in all such Motor Vehicles.

(2) Without limiting the generality of the foregoing clause (1), upon the acquisition after the date hereof by the Pledgor of any Motor Vehicle, the Pledgor shall deliver to the Secured Party originals of the certificates of title or ownership for such Motor Vehicles, together with the manufacturer's statement of origin with the Secured Party listed as lienholder, subject to the prior interest of the Agent; provided, however, if the Motor Vehicle to be acquired is subject to a purchase money security interest, the Secured Party shall be listed as a junior lienholder to the Person holding such purchase money security interest.

(3) Without limiting Section 5.10 hereof, the Pledgor hereby appoints the Secured Party, subject to the rights of the Agent under the Pledgor Documents and Intercreditor Agreement, as its attorney-in-fact, effective the date hereof and terminating upon the termination of this Agreement, for the purpose of (i) executing on behalf of the Pledgor title or ownership applications for filing with appropriate state agencies to enable Motor Vehicles now owned or hereafter acquired by the Pledgor to be retitled and the Secured Party listed as lienholder thereon, (ii) filing such applications with such state agencies and (iii) executing such other documents and instruments on behalf of, and taking such other action in the name of, the Pledgor as the Secured Party may deem necessary or advisable to accomplish the purposes hereof (including, without limitation, the purpose of creating in favour of the Secured Party a perfected Lien on the Motor Vehicles and exercising the rights and remedies of the Secured Party under Section 5.05 hereof). This appointment as attorney-in-fact is irrevocable and coupled with an interest.

(4) Any certificates of title or ownership delivered pursuant to the terms hereof shall be accompanied by odometer statements for each Motor Vehicle covered thereby.

5.05 Events of Default, Etc. Except as explicitly set forth elsewhere herein and subject to the rights of the Agent under the Pledgor Documents and the Intercreditor Agreement, after an Event of Default shall have occurred:

(a) the Pledgor shall, at the request of the Secured Party, assemble the Collateral owned by it at such place or places, reasonably convenient to both the Secured Party and the Pledgor, designated in its request;

(b) the Secured Party may make any reasonable compromise or settlement deemed desirable with respect to any of the Collateral and may extend the time of payment, arrange for payment in installments, or otherwise modify the terms of, any of the Collateral;

(c) the Secured Party shall have all of the rights and remedies with respect to the Collateral of a secured party under the Uniform Commercial Code (whether or not said Code is in effect in the jurisdiction where the rights and remedies are asserted) and such additional rights and remedies to which a secured party is entitled under the laws in effect in any jurisdiction where any rights and remedies hereunder may be asserted, including, without limitation, the right, to the maximum extent permitted by law, to exercise all voting, consensual and other powers of ownership pertaining to the Collateral as if the Secured Party were the sole and absolute owner thereof (and the Pledgor agrees to take all such action as may be appropriate to give effect to such right);

(d) the Secured Party in its discretion may, in its name or in the name of the Pledgor or otherwise, demand, sue for, collect or receive any money or property at any time payable or receivable on account of or in exchange for any of the Collateral, but shall be under no obligation to do so; and

(e) the Secured Party may, upon ten business days' prior written notice to the Pledgors (or upon such shorter notice, or without notice, as may be permitted under the Uniform Commercial Code) of the time and place, with respect to the Collateral or any part thereof that shall then be or shall thereafter come into the possession, custody or control of the Secured Party or its agent, sell, lease, assign or otherwise dispose of all or any part of such Collateral, at such place or places as the Secured Party deems best, and for cash or for credit or for future delivery (without thereby assuming any credit risk), at public or private sale, without demand of performance or notice of intention to effect any such disposition or of the time or place thereof (except such notice as is required above or by applicable statute and cannot be waived), and the Secured Party or anyone else may be the purchaser, lessee, assignee or recipient of any or all of the Collateral so disposed of at any public sale (or, to the extent permitted by law, at any private sale) and thereafter hold the same absolutely, free from any claim or right of whatsoever kind, including any right or equity of redemption (statutory or otherwise), of the Pledgor, any such demand, notice and right or equity being hereby expressly waived and released. In the event of any sale, assignment, or other disposition of any of the Trademark Collateral, the goodwill connected with and symbolized by the Trademark Collateral subject to such disposition shall be included, and the Pledgor shall supply to the Secured Party or its designee, for inclusion in such sale, assignment or other disposition, all Intellectual Property relating to such Trademark Collateral. The Secured Party may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the sale may be so adjourned.

The proceeds of each collection, sale or other disposition under this Section 5.05, including by virtue of the exercise of the license granted to the Secured Party in Section 5.04(b) hereof, shall be applied in accordance with Section 5.09 hereof.

5.06 Deficiency. If the proceeds of sale, collection or other realization of or upon the Collateral pursuant to Section 5.05 hereof are insufficient to cover the costs and expenses of such realization and the payment in full of the Secured Obligations, the Pledgor shall remain liable for any deficiency to the fullest extent permitted by law.

5.07 Removals, Etc. Without at least 30 days' prior written notice to the Secured Party, the Pledgor shall not (i) maintain any of its books and records with respect to the Collateral at any office or maintain its principal place of business (or if it has more than one place of business, its chief executive office) at any place, or permit any Inventory or Equipment to be located anywhere, other than at the address or addresses identified in Annex 6 hereto under its name or in transit from one of such locations to another or (ii) change its name, or the name under which it does business, from the name shown on the signature pages hereto. In connection with the notice required by the immediately preceding sentence, Pledgor shall provide a clear description of such new location and such other information in connection therewith as the Secured Party may reasonably request. With respect to such new location, Pledgor shall have taken such action, satisfactory to the Secured Party (including, without limitation, the delivery of additional financing statements duly signed by Pledgor), to maintain the Lien of the Secured Party in the Collateral at all times fully perfected, in full force and effect, and with the priority as provided by this Security Agreement.

5.08 Private Sale. The Secured Party shall incur no liability as a result of the sale of the Collateral, or any part thereof, at any private sale pursuant to Section 5.05 hereof conducted in a commercially reasonable manner. The Pledgor hereby waives, to the extent permissible under applicable law, any claims against the Secured Party arising by reason of the fact that the price at which the

Collateral may have been sold at such a private sale was less than the price that might have been obtained at a public sale or was less than the aggregate amount of the Secured Obligations.

5.09 Application of Proceeds. Except as otherwise herein expressly provided and except as provided below in this Section 5.09, the proceeds of any collection, sale or other realization of all or any part of the Collateral pursuant hereto, and any other cash at the time held by the Secured Party under Section 3 hereof or this Section 5, shall be applied by the Secured Party:

First, to the payment of the costs and expenses of such collection, sale or other realization, including reasonable out-of-pocket costs and expenses of the Secured Party and the reasonable fees and expenses of its agents and counsel, and all expenses incurred and advances made by the Secured Party in connection therewith;

Next, to the payment in full of the Secured Obligations; and

Finally, after the payment in full of the Secured Obligations, to the payment to the Pledgor, or its successors or assigns, or as a court of competent jurisdiction may direct, of any surplus then remaining.

As used in this Section 5, "**proceeds**" of Collateral shall mean cash, securities and other property realized in respect of, and distributions in kind of, Collateral, including any thereof received under any reorganization, liquidation or adjustment of debt of the Pledgor or any issuer of or obligor on any of the Collateral.

5.10 Attorney-in-Fact. Without limiting any rights or powers granted by this Agreement to the Secured Party while no Event of Default has occurred, upon the occurrence of any Event of Default, subject to the rights of the Agent under the Pledgor Documents and Intercreditor Agreement, the Secured Party is hereby appointed the attorney-in-fact of the Pledgor for the purpose of carrying out the provisions of this Section 5 and taking any action and executing any instruments that the Secured Party may deem necessary or advisable to accomplish the purposes hereof, which appointment as attorney-in-fact is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, so long as the Secured Party shall be entitled under this Section 5 to make collections in respect of the Collateral, the Secured Party shall have the right and power to receive, endorse and collect all checks made payable to the order of the Pledgor representing any dividend, payment or other distribution in respect of the Collateral or any part thereof and to give full discharge for the same.

5.11 Perfection. Prior to or concurrently with the execution and delivery of this Agreement, the Pledgor shall deliver to the Secured Party for filing such financing statements and other documents in such offices as the Secured Party may reasonably request or are otherwise required to perfect the security interests granted by Section 3 of this Agreement.

5.12 Termination. When all Secured Obligations shall have been paid in full and the commitments of the Secured Party under the Note shall have expired or been terminated, this Agreement shall terminate, and the Secured Party shall forthwith cause to be assigned, transferred and delivered, against receipt but without any recourse, warranty or representation whatsoever, any remaining Collateral and money received in respect thereof, to or on the order of the Pledgor and to be released and canceled all licenses and rights referred to in Section 5.04(b) hereof. The Secured Party shall also execute and deliver to the Pledgor upon such termination such Uniform Commercial Code termination statements, certificates for terminating the Liens on the Motor Vehicles and such other documentation as shall be reasonably requested by the Pledgor to effect the termination and release of the Liens on the Collateral.

5.13 Further Assurances. The Pledgor agrees that, from time to time upon the written request of the Secured Party, the Pledgor will execute and deliver such further documents and do such other acts and things as the Secured Party may reasonably request in order fully to effect the purposes of this Agreement.

5.14 Release of Motor Vehicles. So long as no Event of Default shall have occurred, upon the request of the Pledgor, the Secured Party shall execute and deliver to the Pledgor such instruments as the Pledgor shall reasonably request to remove the notation of the Secured Party as lienholder on any certificate of title for any Motor Vehicle; provided that any such instruments shall be delivered, and the release effective only upon receipt by the Secured Party of a certificate from the Pledgor stating that the Motor Vehicle the lien on which is to be released is to be sold or has suffered a casualty loss (with title thereto passing to the casualty insurance company therefor in settlement of the claim for such loss).

5.15 Pledgor Remains Liable. Anything herein to the contrary notwithstanding:

(a) the Pledgor shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein,

(b) neither the execution by the Pledgor of this Security Agreement nor the exercise by the Secured Party of any of its rights hereunder shall release the Pledgor from any of its duties or obligations under any such Contracts, and

(c) the Secured Party shall not have any obligation or liability under any such Contracts by reason of this Security Agreement, nor shall the Secured Party be obligated to perform any of the obligations or duties of the Pledgor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

5.16 Security Interest Absolute. All rights of the Secured Party and the security interests granted to the Secured Party hereunder, and all obligations of the Pledgor hereunder, shall be absolute and unconditional, irrespective of

(a) any lack of validity or enforceability of the Note or any other document or Instrument contemplated thereby;

(b) the failure of the Secured Party to exercise any right or remedy against any other guarantor of, or collateral securing, any Secured Obligations;

(c) any change in the time, manner or place of payment of, or in any other term of, all or any of the Secured Obligations or any other extension, compromise or renewal of any Secured Obligations;

(d) any reduction, limitation, impairment or termination of any Secured Obligations for any reason, including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to (and the Pledgor hereby waives any right to or claim of) any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality, nongenuineness, irregularity, compromise, unenforceability of, or any other event or occurrence affecting, any Secured Obligations or otherwise;

(e) any amendment to, rescission, waiver, or other modification of, or any consent to departure from, any of the terms of the Note or any document or Instrument contemplated thereby;

(f) any addition, exchange, release, surrender or non-perfection of any collateral (including the Collateral), or any amendment to or waiver or release of or addition to or consent to departure from any guaranty, for any of the Secured Obligations; or

(g) any other circumstances which might otherwise constitute a defense available to, or a legal or equitable discharge of the Secured Party or the Pledgor, any surety or any guarantor (other than any defense with respect to prior payment or performance).

Section 6. Miscellaneous.

6.01 No Waiver. No failure on the part of the Secured Party to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise by the Secured Party of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies herein are cumulative and are not exclusive of any remedies provided by law.

6.02 Notices. All notices provided for herein shall be in writing and shall be personally delivered to an officer or other responsible employee of the addressee or sent by facsimile, charges prepaid, at or to the applicable addresses or facsimile numbers, as the case may be, set out opposite the party's name as follows:

To the Secured Party: Kae-Tech USA, Inc.
5827 Corporate Way
West Palm Beach
Florida 33407

Attention: Les Martin
Telecopy No.: (516)697-9599

with a copy to:

Donahue & Partners
Ernst & Young Tower
222 Bay Street, Suite 1800
Toronto, Ontario
M5K 1H6

Attention: Graham Smith
Telecopy No.: (416) 943-2735

To the Pledgor: Hair Club for Men, Ltd., Inc.
5827 Corporate Way
West Palm Beach
Florida 33407

Attention: Les Martin
Telecopy No.: (516)697-9599

with a copy to:

Donahue & Partners
Ernst & Young Tower
222 Bay Street, Suite 1800
Toronto, Ontario
M5K 1H6

Attention: Graham Smith
Telecopy No.: (416) 943-2735

or at or to such other address or addresses or facsimile number or numbers as any party hereto may from time to time designate to the other parties in such manner. Any communication which is personally delivered as aforesaid shall be deemed to have been validly and effectively given on the date of such delivery if such date is a business day and such delivery was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the business day next following such date of delivery. Any communication which is transmitted by facsimile as aforesaid shall be deemed to have been validly and effectively given on the date of transmission if such date is a business day and such transmission was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the business day next following such date of transmission.

6.03 Expenses. The Pledgor agrees to reimburse the Secured Party for all reasonable costs and expenses (including, without limitation, the reasonable fees and expenses of legal counsel) in connection with (i) any Event of Default and any enforcement or collection proceeding resulting therefrom, including, without limitation, all manner of participation in or other involvement with (w) performance by the Secured Party of any obligations of the Pledgor in respect of the Collateral that the Pledgor has failed or refused to perform, (x) bankruptcy, insolvency, receivership, foreclosure, winding up or liquidation proceedings, or any actual or attempted sale, or any exchange, enforcement, collection, compromise or settlement in respect of any of the Collateral, and for the care of the Collateral and defending or asserting rights and claims of the Secured Party in respect thereof, by litigation or otherwise, including expenses of insurance, (y) judicial or regulatory proceedings and (z) workout, restructuring or other negotiations or proceedings (whether or not the workout, restructuring or transaction contemplated thereby is consummated) and (ii) the enforcement of this Section 6.03, and all such costs and expenses shall be Secured Obligations entitled to the benefits of the collateral security provided pursuant to Section 3 hereof.

6.04 Amendments, Etc. The terms of this Agreement may be waived, altered or amended only by an instrument in writing duly executed by the Pledgor and the Secured Party. Any such amendment or waiver shall be binding upon the Secured Party, each holder of any of the Secured Obligations and the Pledgor. Waivers are only binding with respect to the specific breach noted therein, and not for subsequent breaches of the same provision.

6.05 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the Pledgor and the Secured Party. The Secured Party may assign its rights hereunder upon the delivery of notice to the Pledgor. Notwithstanding anything contained herein to the contrary, Pledgor may not sell, transfer or assign all or any portion of its obligations or liabilities hereunder, or any of its rights and interest herein, without the express written consent of the Secured Party.

6.06 Captions. The captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

6.07 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

6.08 Governing Law. This Agreement shall be governed by, and construed in accordance with, the law of the State of New York applicable to contracts to be performed within New York by New York domiciliaries, provided that with respect to the perfection and rights and remedies with respect to assets and properties located outside of New York, applicable local law may govern only to the extent mandated by such applicable local law.

6.09 Agents and Attorneys-in-Fact. The Secured Party may employ agents and attorneys-in-fact in connection herewith and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it in good faith.

6.10 Severability. If any provision hereof is invalid and unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (i) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favour of the Secured Party in order to carry out the intentions of the parties hereto as nearly as may be possible and (ii) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

6.11 Additional Obligors. Upon the execution and delivery by another Person of a supplement to this Security Agreement in accordance with current or future provisions of the Note, such Person shall become a "**Pledgor**" hereunder with the same force and effect as if originally named as a Pledgor herein. The execution and delivery of any such supplement shall not require the consent of the Pledgor. The rights and obligations of the Pledgor hereunder shall remain in full force and effect notwithstanding the addition of any new Pledgor as a party to this Security Agreement.

6.12 Submission To Jurisdiction, etc.:

ANY ACTION OR PROCEEDING WITH RESPECT TO THIS SECURITY AGREEMENT MAY BE (BUT SHALL NOT BE REQUIRED TO BE) BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS SECURITY AGREEMENT, THE PLEDGOR HEREBY IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. THE PLEDGOR HEREBY FURTHER IRREVOCABLY WAIVES TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY CLAIM THAT ANY SUCH COURTS LACK PERSONAL JURISDICTION OVER IT, AND AGREES NOT TO PLEAD OR CLAIM, IN ANY LEGAL ACTION PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT BROUGHT IN ANY OF THE AFOREMENTIONED COURTS, THAT SUCH COURTS LACK PERSONAL JURISDICTION OVER IT. THE PLEDGOR HEREBY IRREVOCABLY DESIGNATES, APPOINTS AND EMPOWERS EDWARDS & ANGELL, LLP (ATTENTION: GEOFFREY ETHERINGTON III, ESQ.), WITH OFFICES ON THE DATE HEREOF AT 750 LEXINGTON AVENUE, NEW YORK, NEW YORK 10022 AS ITS DESIGNEE, APPOINTEE AND AGENT TO RECEIVE, ACCEPT AND ACKNOWLEDGE FOR AND ON ITS BEHALF, AND IN RESPECT OF ITS PROPERTY, SERVICE OF ANY AND ALL LEGAL PROCESS, SUMMONS, NOTICES AND DOCUMENTS THAT MAY BE SERVED IN ANY SUCH ACTION OR PROCEEDING. IF FOR ANY

REASON SUCH DESIGNEE, APPOINTEE AND AGENT SHALL CEASE TO BE AVAILABLE TO ACT AS SUCH, THE PLEDGOR AGREES TO DESIGNATE A NEW DESIGNEE, APPOINTEE AND AGENT IN NEW YORK CITY ON THE TERMS AND FOR THE PURPOSES OF THIS PROVISION SATISFACTORY TO THE SECURED PARTY UNDER THIS SECURITY AGREEMENT. THE PLEDGOR FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OR PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO THE PLEDGOR AT ITS ADDRESS SET FORTH ON ANNEX 6, TO BECOME EFFECTIVE AS SET FORTH IN THE LOAN. THE PLEDGOR HEREBY IRREVOCABLY WAIVES ANY OBJECTIONS TO SUCH SERVICE OF PROCESS AND TO THE EXTENT PERMITTED BY APPLICABLE LAW FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY ACTION OR PROCEEDING COMMENCED HEREUNDER THAT SERVICE OF PROCESS WAS IN ANY WAY INVALID OR INEFFECTIVE TO THE EXTENT MADE IN ACCORDANCE WITH THE TERMS HEREOF. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE SECURED PARTY UNDER THIS SECURITY AGREEMENT TO SERVE PROCESS IN ANY OTHER MANNER EXPRESSLY PERMITTED BY LAW OR TO COMMENCE ANY ACTIONS OR PROCEEDINGS OR OTHERWISE PROCEED AGAINST THE PLEDGOR IN ANY OTHER JURISDICTION.

THE PLEDGOR HEREBY IRREVOCABLY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY OF THE AFORESAID ACTIONS OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS SECURITY AGREEMENT BROUGHT IN THE COURTS REFERRED TO IN THE IMMEDIATELY PRECEDING PARAGRAPH AND HEREBY FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE NOTE OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 7. Intercreditor Agreement.

This Security Agreement is given in accordance with the terms and provisions of the Note. The rights of the Secured Party with respect to this Security Agreement are governed by the Intercreditor Agreement and, to the extent a conflict or inconsistency exists between a provision of this Security Agreement and the provisions of the Intercreditor Agreement, the provisions of the Intercreditor Agreement shall prevail.

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

HAIR CLUB FOR MEN, LTD., INC.

Per: _____

[Signature]
Name:
Title

KAE-TECH USA, INC.

Per: _____

[Signature]
Name:
Title

PLEDGED STOCK

[See Section 3(a).]

<u>Issuer</u>	<u>Certificate Nos.</u>	<u>Registered Owner</u>	<u>Number of Shares/ Equity Interests/ Units Owned</u>	<u>Percentage of Equity Interests</u>
Hair Club for Men, Inc., (Texas)		Hair Club for Men, Ltd., Inc.		100%
Hair Club for Men, Inc., (Maryland)		Hair Club for Men, Ltd., Inc.		100%
Hair Club for Men, Inc., (Michigan)		Hair Club for Men, Ltd., Inc.		100%
HCFM of Cleveland, Inc.		Hair Club for Men, Ltd., Inc.		100%
Hair Club for Men of St. Louis, Ltd.		Hair Club for Men, Ltd., Inc.		100%
Hair Club for Men of Alexandria, Ltd.		Hair Club for Men, Ltd., Inc.		100%
Hair Club for Men of Metairie, Ltd.		Hair Club for Men, Ltd., Inc.		100%
Hair Club for Men of Denver, Ltd.		Hair Club for Men, Ltd., Inc.		100%
Hair Club for Men of Indianapolis, Ltd.		Hair Club for Men, Ltd., Inc.		100%
Hair Club for Men of Phoenix, Ltd.		Hair Club for Men, Ltd., Inc.		100%
Hair Club for Men of Orlando, Inc.		Hair Club for Men, Ltd., Inc.		100%
Hair Club for Men of Philadelphia, Ltd.		Hair Club for Men, Ltd., Inc.		100%
Hair Club for Men of Atlanta, Ltd.		Hair Club for Men, Ltd., Inc.		100%
Hair Club for Men of Westwood, Ltd.		Hair Club for Men, Ltd., Inc.		100%
3115038 Canada Inc.		Hair Club for Men, Ltd., Inc.		100%
Hair Club for Men, Ltd. (Minnesota)		Hair Club for Men, Ltd., Inc.		100%
HCFM of Columbus, Inc.		Hair Club for Men, Ltd., Inc.		100%

<u>Issuer</u>	<u>Certificate Nos.</u>	<u>Registered Owner</u>	<u>Number of Shares/ Equity Interests/ Units Owned</u>	<u>Percentage of Equity Interests</u>
Hair Club for Men of Pittsburgh, Ltd.		Hair Club for Men, Ltd., Inc.		100%
HCFM of Harrisburg, Ltd.		Hair Club for Men, Ltd., Inc.		100%
Hair Club for Women, Ltd.		Hair Club for Men, Ltd., Inc.		100%
Syam Industries, Inc.		Hair Club for Men, Ltd., Inc.		100%
HCA Advertising Services, Inc.		Hair Club for Men, Ltd., Inc.		100%
Hair Club for Men of Milwaukee, Ltd. (Wisconsin)		Hair Club for Men, Ltd., Inc.		51%
Hair Club for Men, Ltd., Inc. (Illinois)		Hair Club for Men, Ltd., Inc.		51%

**LIST OF COPYRIGHTS, COPYRIGHT REGISTRATIONS AND
APPLICATIONS FOR COPYRIGHT REGISTRATIONS**

[See Section 2(b)]

Title	Registration Number	Registration/Filing Date
Hair Club for Men	TX-3-123-377	June 7, 1991
Hair Club for Men Classic Styles	TX-3-218-396	June 25, 1991
What Every Man Should Know About Hair Replacement	TX-3-218-397	June 25, 1991
Hair Club for Men: After 3 Years of Testing Hair Club for Men Announces a Dramatic Improvement in the Strand-By-Strand Method of Replacement	TX-3-218-398	June 25, 1991

LIST OF PATENTS AND PATENT APPLICATIONS

[See Section 2(b)]

NONE

Annex to Security Agreement

79476/jel

**LIST OF TRADE NAMES, TRADEMARKS, SERVICES MARKS,
TRADEMARK AND SERVICE MARK REGISTRATIONS AND
APPLICATIONS FOR TRADEMARK AND SERVICE MARK REGISTRATIONS**

[See Section 2(b)]

U.S.

Trademark/Tradename	Application (A) Or Series No. (S)	Registration or Filing Date
Hair Club for Men	1,123,852	Reg. August 7, 1979
Hair Club	1,317,389	Reg. January 29, 1985
Strand-By-Strand	1,145,319	Reg. December 30, 1980
I'm Not Only The Hair Club President, I'm Also A Client	1,573,996	Reg. December 26, 1989
Hair Club for Women	1,903,844	Reg. July 4, 1995
HCM	1,667,060	Reg. December 3, 1991
Polyfuse	1,728,703	Reg. October 27, 1992
Hair Club for Kids	1,830,003	Reg. April 5, 1994
EXT Going to Great Lengths (Design)	1,982,708	Reg. June 25, 1996
EXT Going to Great Lengths (Text Only)	1,982,707	Reg. June 25, 1996
Preferred Client Program	2,043,632	Reg. March 11, 1997
"The Time is Right" Hair Club for Men	2,053,511	Reg. April 15, 1997
The Time is Right	2,056,220	Reg. April 22, 1997
Poly III	2,116,107	Reg. November 25, 1997
HC For Women	2,137,505	Reg. February 17, 1998

Trademark/Tradename	Application (A) Or Series No. (S)	Registration or Filing Date
Designer Series	2,213,938	Reg. December 29, 1998
A Natural Hair Style For an Active Life	75-482,555	* Reg. May 11, 1998
Follex	75-852,025	* Reg. November 18, 1999
Maxxam	75-587,913	* Reg. November 13, 1998

*These marks are pending

Canadian

Trademark/Tradename	Application (A) Or Series No. (S)	Registration for Filing Date
Hair Club for Men	TMA 307,393	Reg. October 18, 1985
Strand-By-Strand	TMA 307,392	Reg. October 18, 1985
Hair Club	TMA 311,887	Reg. March 7, 1986
I'm Not Only The Hair Club President, I'm Also A Client	TMA 387,083	Reg. July 26, 1991
HCM	TMA 461,040	Reg. August 9, 1996
Polyfuse	TMA 461,759	Reg. August 23, 1996

Pending Applications

	Application (A)	
Trademark/Tradename	Or Series No. (S)	Registration
Hair Club For Men	1,497,082 (December 30, 1993)	Argentina
Hair Club For Men	524,459 (October 12, 1992)	Belgium (Benelux)
Hair Club For Men	2,052,760 (December 23, 1993)	Germany
Hair Club For Men	112,520 (February 1, 1993)	Greece
Hair Club For Men	153,021 (October 20, 1992)	Ireland
Hair Club For Men	85,036 (October 21, 1992)	Israel
Hair Club For Men	636,418 (December 31, 1992)	Italy
Hair Club For Men	84,368 (January 25, 1993)	Poland
Hair Club For Men	129,132 (May 28, 1993)	Russian Federation
Hair Club For Men	1,515,790 (October 14, 1992)	United Kingdom
Hair Club For Men	222,098 (October 12, 1992)	New Zealand
Hair Club For Men	3275675 (April 4, 1997)	Japan
Hair Club for Men	(Pending)	Mexico
Hair Club For Men	4-1998-07408 (pending)	Philippines ¹
	4-1998-07407	
	4-1998-07406	
Hair Club For Men	(pending)	Puerto Rico ²
Hair Club For Men	B1515790 (October 14, 1992)	U.K.
¹ Applications for HCM; HAIR CLUB; and HAIR CLUB FOR MEN		
² Applications for HAIR CLUB; HAIR CLUB FOR MEN; HAIR CLUB FOR KIDS; HCM; I'M NOT ONLY THE HAIR CLUB PRESIDENT, I'M ALSO A CLIENT; POLYFUSE; AND STRAND-BY-STRAND.		

LIST OF CONTRACTS, LICENSES, AND FRANCHISE AND OTHER AGREEMENTS

[See Section 2(d), (e) and (f)]

Assignment of Trademarks Agreement dated as of August 1, 1996	By and between HCM Industries, Inc. and Hair Club for Men, Ltd., Inc. whereby HCM Industries, Inc., is licensed to use and the sublicense of the use of certain trademarks of Hair Club for Men, Ltd, Inc. in the US and Canada
Unwritten, informal and undated agreement	By and between Hair Club for Men, Ltd., Inc. and SYAM Enterprises, Ltd., whereby SYAM is allowed to use certain trademarks of Hair Club for Men, Ltd., Inc.
Equipment Purchase Agreement and related Software License Agreement dated October 24, 1997	By and between Executone Information Systems, Inc. and Hair Club for Men, Ltd., Inc.
License Agreement dated August 1, 1996 between Hair Club for Men, Ltd., Inc., and HCM Industries, Inc.	By and between Hair Club for Men for Men, Ltd., Inc. granted Hair Club for Men Industries, Inc. the right to use and sublicense the use of Hair Club for Men, Ltd., Inc. trademarks throughout the US and Canada
Conditional Assignment of Canadian Intellectual Property (trademarks) dated as of the date hereof	By and between Hair Club for Men, Ltd., Inc., as Assignor in favor of National Bank of Canada, as agent, and security agent for the Lenders as Assignee
Agreement dated January 25, 1999	By and between Hair Club for Men, Ltd., Inc. and Koeppl Associates, Inc. for media planning, placement and coordination – contains provisions for confidentiality of Hair Club for Men, Ltd., Inc. proprietary information
Conditional Assignment of United States Intellectual Property (trademarks) dated as of the date hereof	By and between Hair Club for Men, Ltd., Inc., as Assignor in favor of National Bank of Canada, as agent, and security agent for the Lenders as Assignee
Conditional Assignment of Intellectual Property (copyrights) dated as of the date hereof	By and between Hair Club for Men, Ltd., Inc., as Assignor in favor of National Bank of Canada, as agent, and security agent for the Lenders as Assignee
Assignment of Trade-Mark Licence Agreement dated as of the date hereof	By and between Hair Club for Men, Ltd., Inc., as Assignor in favor of National Bank of Canada, as agent, and security agent for the Lenders as Assignee

VIOLATIONS/INFRINGEMENTS

None

NOTICE ADDRESS FOR PLEDGOR:

Hair Club for Men, Ltd., Inc.
1515 So. Federal Highway, Suite 401
Boca Raton, FL 33432

With a copy to:

Kae-Tech Inc.
5827 Corporate Way
West Palm Beach, Florida 33407
Attention: Les Martin
Telecopy No: (561) 697-9599

And an additional copy to:

Donahue Ernst & Young
Ernst & Young Tower
222 Bay Street, Suite 1800
Toronto, Ontario M5K 1H6
Attention: Graham Smith
Telecopy No: (416) 943-2735

PLEDGOR'S PRINCIPAL ADDRESS:

Hair Club for Men, Ltd., Inc.
1515 So. Federal Highway, Suite 401
Boca Raton, Florida 33432

OTHER OFFICES OF PLEDGOR:

Hair Club for Men, Ltd., Inc.
5001 LBJ Freeway
Heritage Sq., Tower 2
Suite 912
Dallas, Texas 75244

Hair Club for Men, Ltd., Inc.
2071 LeMoin Avenue
Suite 301
Ft. Lee, New Jersey 07024

Annex to Security Agreement

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Hair Club for Men, Ltd., Inc.
163-03 Horace Harding Expressway
Suite 300
Fresh Meadows, New York 11365

Hair Club for Men, Ltd., Inc.
516 W. Shaw Avenue
Suite 107
Fresno, California 93704

Hair Club for Men, Ltd., Inc.
230 Hilton Avenue, Suite 223
Garden City, New York 11550

Hair Club for Men, Ltd., Inc.
535 N. Brand Blvd.
Suite 610
Glendale, California 91203

Hair Club for Men, Ltd., Inc.
185 Madison Avenue, 11th Floor
New York, New York

Hair Club for Men, Ltd., Inc.
770 the City Drive South
Suite 4100
Orange, California 92868

Hair Club for Men, Ltd., Inc.
1792 Tribute Road, Suite 200
Sacramento, California 95815

Hair Club for Men, Ltd., Inc.
701 Northpointe Parkway
Suite 200
West Palm Beach, Florida 33407

Hair Club for Men, Ltd., Inc.
95 Church Street, Suite 302
White Plains, New York 10601

Annex to Security Agreement

79342.ljel

TRADEMARK
REEL: 002100 FRAME: 0271

LIST OF LOCATIONS OF ALL ASSETS INCLUDING EQUIPMENT

[See Section 5.07]

All assets of Pledgor are located at the following addresses:

Hair Club for Men, Ltd., Inc.
1515 So. Federal Highway, Suite 401
Boca Raton, FL 33432

Hair Club for Men, Ltd., Inc.
5001 LBJ Freeway
Heritage Sq., Tower 2
Suite 912
Dallas, Texas 75244

Hair Club for Men, Ltd., Inc.
2071 LeMoins Avenue
Suite 301
Ft. Lee, New Jersey 07024

Hair Club for Men, Ltd., Inc.
163-03 Horace Harding Expressway
Suite 300
Fresh Meadows, New York 11365

Hair Club for Men, Ltd., Inc.
516 W. Shaw Avenue
Suite 107
Fresno, California 93704

Hair Club for Men, Ltd., Inc.
230 Hilton Avenue, Suite 223
Garden City, New York 11550

Hair Club for Men, Ltd., Inc.
535 N. Brand Blvd.
Suite 610
Glendale, California 91203

Hair Club for Men, Ltd., Inc.
185 Madison Avenue, 11th Floor
New York, New York

Annex to Security Agreement

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Hair Club for Men, Ltd., Inc.
770 the City Drive South
Suite 4100
Orange, California 92868

Hair Club for Men, Ltd., Inc.
1792 Tribute Road, Suite 200
Sacramento, California 95815

Hair Club for Men, Ltd., Inc.
701 Northpointe Parkway
Suite 200
West Palm Beach, Florida 33407

Hair Club for Men, Ltd., Inc.
95 Church Street, Suite 302
White Plains, New York 10601

Annex to Security Agreement

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TRADEMARK
REEL: 002100 FRAME: 0273

EQUIPMENT

[See Section 3(h)]

See Annex 6

Annex to Security Agreement

79342.1jel

RECORDED: 07/14/2000

TRADEMARK
REEL: 002100 FRAME: 0274