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

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CONFIDENCE

**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
Effective Date
Month Day Year
- Merger
- Change of Name
- Other

Conveying Party

Mark if additional names of conveying parties attached

Name Execution Date
Month Day Year

Formerly

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

Receiving Party

Mark if additional names of receiving parties attached

Name

DBA/AKA/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 Assignment.)
- Corporation Association
- Other
- Citizenship/State of Incorporation/Organization

07/13/2000 ASCOTT 00000066 2151965

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40.00 DP

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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: 0398

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

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

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

#

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)

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="2151965"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
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Number of Properties Enter the total number of properties involved.

#

Fee Amount Fee Amount for Properties Listed (37 CFR 3.41):

\$

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.



6/15/2000

Name of Person Signing

Signature

Date Signed

SECURITY AND PLEDGE AGREEMENT

SECURITY AND PLEDGE AGREEMENT ("Security Agreement") dated as of May 18, 2000 by and between HCM Industries, Inc., a Florida corporation ("Pledgor") and NATIONAL BANK OF CANADA, as Security Agent (in such capacity, the "Agent") for the Lenders (as defined below).

WITNESSETH

WHEREAS, Kae-Tech Inc. ("Borrower") is the borrower under that certain loan agreement dated as of the date hereof by and between Borrower, National Bank of Canada, as agent and National Bank of Canada, as lender, and such other banks, financial institutions and other person as may become lenders thereunder ("First Lender");

WHEREAS Borrower is the borrower under that certain debenture dated as of the date hereof issued by Borrower in favour of National Bank of Canada, (together with its successors and assigns and any of their successors and assigns, as lender, "Second Lender");

WHEREAS Borrower is the borrower under that certain debenture dated as of the date hereof issued by Borrower in favour of NB Capital Equity Partners Inc., (together with its successors and assigns and any of their successors and assigns, as lender, "Third Lender");

WHEREAS Borrower is the borrower under that certain debenture dated as of the date hereof issued by Borrower in favour of Cameron Capital Corporation, (together with its successors and assigns and any of their successors and assigns, as lender, the "Fourth Lender") (the First Lender, the Second Lender, the Third Lender and the Fourth Lender are hereinafter referred to as the "Lenders", and the loan agreement and three debentures described in the foregoing recitals, as they may be amended, supplemented, restated or replaced from time to time, are hereinafter collectively referred to as the "Loan Documents" and each, a "Loan Document");

WHEREAS pursuant to the terms of the Loan Documents, the Borrower has entered into certain agreements including, without limitation, a demand debenture, a share pledge agreement, conditional assignments of trademarks, assignments of patents, an assignment of accounts and an assignment of payments and security, (collectively, as amended, supplemented, restated or replaced from time to time, the "Security Documents") to secure the obligations of the Borrower to the Lenders;

WHEREAS pursuant to the terms of subscription agreements dated the date hereof, the Borrower has issued warrants as amended, supplemented, restated or replaced from time to time, (the "Warrants") to each of the Second Lender, the Third Lender and the Fourth Lender;

WHEREAS the Borrower is a party to the unanimous securityholders' agreement (as amended, supplemented, restated or replaced from time to time, the "Securityholders' Agreement") dated as of the date hereof between all of the holders of the securities of the Borrower;

WHEREAS, Pledgor (a) receives substantial benefits from the increased liquidity that will be provided by the Lenders to the Borrower and, indirectly, Kae-Tech USA, Inc., a Delaware corporation and the direct owner of all of Pledgor's equity ("Holdco" and collectively with the Borrower, the "Parent Entities"), and (b) acknowledges that it has greater (indirect) access to capital funding by virtue of the liquidity provided to the Parent Entities, and that the entire group of related companies (being the Parent Entities, Pledgor and certain other subsidiary of Holdco) similarly benefit from the facilities contemplated

by the Loan Documents, and that the cross-collateralization thereof and cross-default provisions contained herein and therein are fair and adequate consideration for the benefits to be received by all of such entities party hereto and/or to the Loan Documents or the agreements and instruments described therein and contemplated thereby;

WHEREAS, the Pledgor has issued a Guarantee dated as of the date hereof in favor of the Agent (as amended, supplemented and restated from time to time, the "Guarantee"), providing, subject to the terms and conditions thereof, for the guarantee by the Pledgor of all of the present or future obligations of the Borrower and any direct or indirect Affiliate of the Borrower owing to one or more of the Agent and the Lenders, including under, *inter alia*, the Loan Documents, the Security Documents, the Warrants, the Securityholders' Agreement and all of the documents contemplated thereby and described therein (collectively, the "Secured Obligations"); and

WHEREAS, to induce the Lenders to enter into the Loan Documents and to extend credit thereunder, 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.

"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 the occurrence of either (i) or (ii):

- (i) any event which would constitute an Event of Default under any or all of the Loan Documents; or

- (ii) the non-payment of the purchase price payable under Section 9.4 of the Securityholders' Agreement and Section 5.4 of the agreements under which the Warrants are issued on the Put Date of Closing (as defined in such agreements).

"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, catalogs, 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*, the Pledgor, certain of its Affiliates and the Borrower.

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

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

"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, preemptive 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.

"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.

"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.

"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.

"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.

Section 2. **Representations and Warranties.** The Pledgor represents and warrants to the Agent 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 favor of any other Person), except for Liens affirmatively permitted under the Loan Documents and except for

the pledge and security interest in favor of the Agent created or provided for herein, which pledge and security interest constitute a first priority perfected pledge and security interest in and to all of such Collateral.

(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 or in the Loan Documents).

(c) No consent of any person or entity and no authorization, approval or other action by, an no 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 (including the first and only priority nature of such pledge and security interest), 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.

(c) 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.

(d) 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; 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(h) 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 Agent, for and on behalf of the Lenders, a security interest 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 or under any of the Loan 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 Agent 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 Agent and shall assign such Contractual Rights to the Agent, for and on behalf of the Lenders, forthwith upon obtaining the consent of the other party thereto. The Pledgor agrees that it shall, upon the request of the Agent, 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 Agent.

4.05 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 any of the Credit Documents, the Security Documents, the Securityholders' Agreement or the Warrants. 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 Agent as follows:

5.01 Delivery and Other Perfection. The Pledgor shall:

(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 Agent 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 Agent, pursuant to the terms of this Agreement, as part of the Collateral or (y) take such other action as the Agent 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 Agent any and all Instruments, endorsed and/or accompanied by such instruments of assignment and transfer in such form and substance as the Agent 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 Agent 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 Agent, 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 Agent) to create, preserve, perfect or validate the security interest granted pursuant hereto or to enable the Agent 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 Agent or its nominee (and the Agent agrees that if any Stock Collateral is transferred into its name or the name of its nominee, the Agent 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 Agent 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 Agent;

(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 Agent may reasonably require in order to reflect the security interests granted by this Agreement;

(f) furnish to the Agent from time to time (but, unless (1) an Event of Default shall have occurred, (2) a material item of Intellectual Property is acquired or abandoned, or (3) now or hereinafter required under any or all Loan Documents, 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 Agent may reasonably request, all in reasonable detail;

(g) promptly upon request of the Agent, following receipt by the Agent 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 Agent to so modify this Security Agreement, which modification, absent manifest error, shall be binding upon the Pledgor.

(h) permit representatives of the Agent, 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 Agent 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 Agent may reasonably require;

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

(j) Pledgor will furnish to the Agent within ten (10) days of any request therefor by the Agent, statements (in form, substance and detail satisfactory to the Agent) 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 Agent 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 any of the Loan Documents, without the prior written consent of the Agent, 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 Agent is not named as the sole secured party. Pledgor will defend the right, title and interest of the Agent 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 Agent.

5.03 Preservation of Rights. The Agent 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 Loan 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 Guarantee, the Loan Documents or any such other instrument or agreement; and the Agent 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 Agent 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 Guarantee, the Loan Documents, the Securityholders' Agreement, the Warrants, the other Security Documents or any other agreement relating to such Secured Obligation, all dividends and other distributions on the Stock Collateral shall be paid directly to the Agent and retained by it as part of the Stock Collateral, subject to the terms of this Security Agreement, and, if the Agent shall so request in writing, the Pledgor agrees to execute and deliver to the Agent 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 Agent shall, upon request of the Pledgor (except to the extent theretofore applied to the Secured Obligations), be returned by the Agent to the Pledgor.

(b) Intellectual Property.

(1) For the purpose of enabling the Agent to exercise rights and remedies under Section 5.05 hereof at such time as the Agent shall be lawfully entitled to exercise such rights and remedies, and for no other purpose, the Pledgor hereby grants to the Agent, 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 Loan Documents 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 Agent 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 Lenders or earlier expiration of this Agreement or release of the Collateral, the Agent 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 Agent 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 (ii) 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, reexamination, 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 pursuit 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 Agent within 90 days thereafter.

(4) The Pledgor agrees to notify the Agent 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 Agent and will take such actions as the Pledgor or the Agent 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 Agent originals of the certificates of title or ownership for the Motor Vehicles owned by it with the Agent listed as lienholder and take such other action as the Agent 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 Agent originals of the certificates of title or ownership for such Motor Vehicles, together with the manufacturer's statement of origin with the Agent listed as lienholder; provided, however, if the Motor Vehicle to be acquired is subject to a purchase money security interest, the Agent 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 Agent 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 Agent 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 Agent may deem necessary or advisable to accomplish the purposes hereof (including, without limitation, the purpose of creating in favor of the Agent a perfected Lien on the Motor Vehicles and exercising the rights and remedies of the Agent 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, after an Event of Default shall have occurred:

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

(b) the Agent 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 Agent 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 Agent 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 Agent 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 Agent 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 Agent or its agent, sell, lease, assign or otherwise dispose of all or any part of such Collateral, at such place or places as the Agent 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 Agent 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 Agent or its designee, for inclusion in such sale, assignment or other disposition, all Intellectual Property relating to such Trademark Collateral. The 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 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 Agent 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 Agent, 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 Agent may reasonably request. With respect to such new location, Pledgor shall have taken such action, satisfactory to the Agent (including, without limitation, the delivery of additional financing statements duly signed by Pledgor), to maintain the Lien of the Agent 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 Agent 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 Agent 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 Agent under Section 4 hereof or this Section 5, shall be applied by the Agent:

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 Agent and the reasonable fees and expenses of its agents and counsel, and all expenses incurred and advances made by the Agent in connection therewith;

Next, to the payment in full of the Secured Obligations in accordance with the Intercreditor Agreement; 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 Agent while no Event of Default has occurred, upon the occurrence of any Event of Default, the Agent 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 Agent 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 Agent shall be entitled under this Section 5 to make collections in respect of the Collateral, the Agent 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 (i) deliver to the Agent for filing such financing statements and other documents in such offices as the Agent may reasonably request or are otherwise required to perfect the security interests granted by Section 3 of this Agreement; and (ii) deliver to the Agent all certificates representing any Pledged Stock, to the extent certificated, in suitable form for transfer by delivery, accompanied by all necessary instruments of transfer or assignment, duly executed in blank, in each case 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 Agents under the various Loan Documents shall have expired or been terminated, this Agreement shall terminate, and the Agent 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 Agent 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 Agent, the Pledgor will execute and deliver such further documents and do such other acts and things as the Agent 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 Agent shall execute and deliver to the Pledgor such instruments as the Pledgor shall reasonably request to remove the notation of the Agent 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 Agent 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 Agent of any of its rights hereunder shall release the Pledgor from any of its duties or obligations under any such Contracts, and

(c) the Agent shall not have any obligation or liability under any such Contracts by reason of this Security Agreement, nor shall the Agent 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 Agent and the security interests granted to the Agent hereunder, and all obligations of the Pledgor hereunder, shall be absolute and unconditional, irrespective of

(a) any lack of validity or enforceability of the Guarantee, any Loan Document or any other document or Instrument contemplated thereby;

(b) the failure of the Agent

(1) to assert any claim or demand or to enforce any right or remedy against the Borrower, or any other person or entity under the provisions of the Loan Document or any other document or Instrument contemplated thereby, or

(2) 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 any of the Loan Documents, the Guarantee 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 Borrower, Holdco 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 Agent 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 Agent 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, requests, consents and demands hereunder shall be in writing and telexed, telecopied or delivered to the intended recipient at its Address for Notices specified pursuant in Annex 6 hereto and shall be deemed to have been given at the times specified in the Loan Documents.

6.03 Expenses. The Pledgor agrees to reimburse the Agent and the Lenders for all reasonable costs and expenses of the Agent and Lenders (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 Agent or any Lender 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 Agent or the Lenders 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 Agent. Any such amendment or waiver shall be binding upon the Agent, 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, the Agent and the Lenders. The Agent and any Lender may assign their respective 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 Agent.

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 Agent 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 favor of the Agent 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 any Loan Document or Guarantee, 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 BORROWER 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 AGENT UNDER THIS SECURITY AGREEMENT. THE BORROWER 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 AGENT OR THE LENDERS 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 GUARANTEE, ANY LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Article 7. Intercreditor Agreement

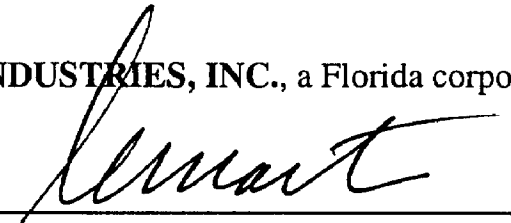
This Security Agreement is given in accordance with the terms and provisions of the Loan Documents. The relative rights of the Lenders with respect to this Security Agreement are governed by the Intercreditor Agreement and, to the extent a conflict or inconsistency exists between a provision of this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

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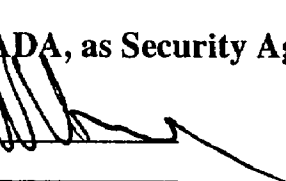
IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed and delivered as of the day and year first above written.

PLEDGOR:

HCM INDUSTRIES, INC., a Florida corporation

By: 
Name: Leslie E. Martin, CEO
Date: May __, 2000
hereunto duly authorized

NATIONAL BANK OF CANADA, as Security Agent

By: 
Print Name: _____
Title: _____
Date: _____
hereunto duly authorized

Annex to Security Agreement

79349.1/

PLEDGED STOCK

[See Section 3(a).]

NONE

Annex to Security Agreement

79476/jcl

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

[See Section 2(b)]

NONE

Annex to Security Agreement

79476/jel

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)]

Trademark/Tradename	Application (A)	Registration
	Or Series No. (S)	or Filing Date
HCM Industries	2,151,965	Reg. April 21, 1998

Annex to Security Agreement

79476/jel

**TRADEMARK
REEL: 002100 FRAME: 0423**

LIST OF CONTRACTS, LICENSES AND OTHER AGREEMENTS

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

Assignment of Trade-Marks 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 to sublicense the use of certain trade-marks of Hair Club for Men, Ltd, Inc. throughout the US and Canada
Conditional Assignment of United States Intellectual Property dated as of the date hereof	By and between HCM Industries, Inc., as Assignor and National Bank of Canada, as agent, and security agent for the Lenders

VIOLATIONS/INFRINGEMENTS

None

LIST OF FRANCHISE AGREEMENTS

[See Section 2(b), (c) and (d)]

LOCATION	FRANCHISEE	DATE OF EXECUTION	EXPIRY DATE	OPTIONS TO RENEW	TERRITORY
Albany, NY	Hair Club for Men of Albany Ltd.	December 31, 1997	December 2003	Three options to renew for five years each	Albany, NY
Albuquerque, NM	Hirsute Corp.	March 21, 1997 as amended February 10, 2000	March 2002	Three options to renew for five years each	Albuquerque / Santa Fe, NM
Amarillo, TX Oklahoma City, OK	Hirsute Corp.	January 17, 1997 as amended February 10, 2000	January 2002	Three options to renew for five years each	Amarillo / Lubbock, TX Oklahoma City, OK
Austin, TX San Antonio, TX	Hirsute Corp.	December 1, 1997 as amended February 10, 2000	November 2002	Three options to renew for five years each	Austin / San Antonio, TX
Birmingham, AL Mobile, AL	HCM of Alabama Inc.	December 30, 1996	December 2001	Three options to renew for five years each	Birmingham/ Mobile, AL
Bloomington, IL	R&L HCM Inc.	December 29, 1997	January 2002	Three options to renew for five years each	Bloomington, IL
Boston / Framingham / Woburn, MA Hartford, CT, Manchester, NH	Hair Club for Men of Boston, Ltd. (Steven Barth)	June 1, 1981, as amended September 1, 1998	June 2001	Automatic 10-year extensions	Boston / Framingham / Woburn, MA Hartford, CT, Manchester, NH
Charleston, WV Pittsburgh, PA	Candu, LLC	October 27, 1998 as amended March 3, 2000	October 2003	Three options to renew for five years each	Charleston / Huntington / Wheeling, WV Pittsburgh, PA Stubinville, OH
Charlotte, NC	HCM of Virginia, LLC	December 3, 1997 as amended December 29, 1999	December 2002	Three options to renew for five years each	Charlotte, NC
Chesapeake/Norfolk, VA Raleigh, NC	HCM of Virginia, LLC	August 28, 1997 as amended October 7, 1997 and as further amended February 10, 2000	August 2002	Three options to renew for five years	Chesapeake / Norfolk, VA Raleigh, NC
Cincinnati / Dayton OH	Cinsea, Inc. (Sean Chmura)	October 19, 1993	October 2003	Two options to renew for five years each	Cincinnati / Dayton OH

Annex to Security Agreement

LOCATION	FRANCHISEE	DATE OF EXECUTION	EXPIRY DATE	OPTIONS TO RENEW	TERRITORY
Ft. Lauderdale / Miami FL	Hair Returns, Inc.	August 1, 1991, as assigned to HCM Industries Inc. by Assignment and Assumption Agreement, and as modified by purchase and sale of Assets Agreement dated August 7, 1998 between Hair Returns Inc. and Jeffrey Connerly	July 2003	Two options to renew for five years each	Ft. Lauderdale / Miami FL
Greenville, SC	HCM of Virginia, LLC	November 2, 1998	November 2003	Three options to renew for five years each	Greenville, SC
East Brunswick, NJ	New Jersey Partners of East Brunswick Inc.	June 26, 1998	June 2003	Three options to renew for five years each	East Brunswick, NJ
Ft. Myers / Naples, FL	JSC Enterprises, Inc.	August 7, 1998 as amended January 28, 2000	August 2003	Three options to renew for five years each	Ft. Myers / Naples, FL
Halifax, NS, New Brunswick, Newfoundland, Prince Edward Island	Hair Club for Men Atlantic Inc.	November 25, 1998	November 2003	Three options to renew for five years each	Halifax, NS, New Brunswick, Newfoundland, Prince Edward Island
Hauppauge / Suffolk County, NY	F.H.S. Hairclub Inc.	June 26, 1998	June 2003	Three options to renew for five years each	Hauppauge / Suffolk County, NY
Kansas City (Lenexa), KS	M.C. Comarc Inc.	October 30, 1998	October 2003	Three options to renew for five years each	Kansas City (Lenexa), KS
Knoxville, TN	Jackross Enterprises LLC	May 5, 1997	May 2002	Three options to renew for five years each	Knoxville, TN
Las Vegas / Reno, NV	Hirsute Corp.	November 26, 1997	November 2002	Three options to renew for five years each	Las Vegas / Reno, NV
Little Rock / Pine Bluff, AR	AMCA, Inc.	March 10, 1999	March 2004	Three options to renew for five years each	Little Rock / Pine Bluff, AR
Louisville / Lexington, KY	Remember When, Inc.	January 6, 1997	January 2002	Three options to renew for five years each	Louisville / Lexington, KY
Memphis, TN	Fatima Enterprises, Inc. and David Lachman	August 8, 1998	August 2004	Two options to renew for five years each	Memphis, Tennessee, Arkansas (countries in), Mississippi

Annex to Security Agreement

LOCATION	FRANCHISEE	DATE OF EXECUTION	EXPIRY DATE	OPTIONS TO RENEW	TERRITORY
Nashville, TN	Fatima Enterprises, Inc. and David Lachman	December 9, 1992	December 2002	Two options to renew for five years each	(countries in), Missouri (one county), Tennessee (counties in) Nashville, TN
Portland, OR Counties in WA	Mega Enterprises Inc., Ronald Truherz and Joseph Santarlasci	September 27, 1991	September 2001	Two options to renew for five years each	Portland, OR, Counties in WA
Providence (Warwick), RI	Hair Club for Men, Ltd., (Steve Barth, Scott Wasserman)	January 1, 1999	December 2003	Three options to renew for five years each	Providence, RI, Bristol and Dukes counties in MA
Puerto Rico	Hair Club for Men of PR, Inc.	October 20, 1999 and related letter dated October 20, 1999	October 2004	Three options to renew for five years each	Puerto Rico
San Diego, CA	Hirsute Corp.	September 29, 1998 as amended February 10, 2000	September 2002	Three options to renew for five years each	San Diego, CA
Seattle, WA	Rojo, Inc., Ronald Truchery and Joseph Santarlasci	June 25, 1990	June 2000	Two options to renew for five years each	Seattle, WA
Staten Island, NY	Vitco Enterprises Inc.	December 31, 1996	December 2001	Three options to renew for five years each	Staten Island, NY
Tampa, FL	K&J Management, Inc. (Steven Barth)	August 13, 1991	August 2001	Two options to renew for five years each	Tampa, FL
Winston-Salem, NC	HCM of Virginia, LLC	May 5, 1998 Terminated December 29, 1999	May 2003	Three options to renew for five years each	Winston-Salem, NC
Columbia, SC Augusta, GA	HCM of Virginia, LLC	Nov. 2, 1998 Terminated April 12, 2000 by Letter Agreement. The Agreement also terminated Franchisee's right to develop Savannah GA and Charleston, SC.	Terminated April 12, 2000.	Terminated April 12, 2000.	Columbia, SC Augusta, GA

NOTICE ADDRESS FOR PLEDGOR:

HCM Industries, 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:

HCM Industries, Inc.
1515 So. Federal Highway, Suite 401
Boca Raton, Florida 33432

OTHER OFFICES OF PLEDGOR:

NONE

LIST OF LOCATIONS OF ALL ASSETS INCLUDING EQUIPMENT
[See Section 5.07]

All assets of Pledgor are locate at the following addresses:

HCM Industries, Inc.
1515 So. Federal Highway, Suite 401
Boca Raton, FL 33432

Annex to Security Agreement

79476/jcl

TRADEMARK
REEL: 002100 FRAME: 0428

EQUIPMENT

[See Section 3(h)]

See Annex 6

Annex to Security Agreement

79476/jel

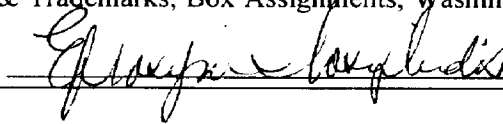
TRADEMARK
REEL: 002100 FRAME: 0429

Applicant: HCM Industries, Inc.

Trademark Name	US Reg./Ser. No.	Date of Reg./Filed
HCM INDUSTRIES	2151965	Apr 21, 1998

Certificate of Mailing Under 37 C.F.R. §1.8(a)

The undersigned hereby certifies that this document is being placed in the United States mail with first-class postage attached, addressed to the Commissioner of Patents & Trademarks, Box Assignments, Washington, DC 20231, on June 15, 2000



Commissioner of Patents & Trademarks
Box Assignments
Washington, DC 20231

TRANSMITTAL SHEET

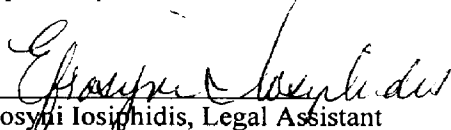
Dear Sir or Madam:

Enclosed with this Transmittal Sheet:

- Security and Pledge Agreement and recordation form cover sheet
- Return Postcard
- A check in the amount of \$40 to cover the recordation fee

If any additional fee is required, applicant would respectfully request being contacted at the phone number listed below. A duplicate of this form is enclosed.

Respectfully submitted,



Efrosyni Iosifidis, Legal Assistant
Edwards & Angell, LLP
2800 BankBoston Plaza
Providence, RI 02903
Tel: (401) 274-9200

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