

06-27-2001

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To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof:

<p>1. Name of conveying party: Source Enterprises, Inc. 215 Park Avenue South New York, New York 10003 [X] Corporation of Delaware</p>	<p>2. Name and address of receiving party: IBJ Whitehall Bank & Trust Company as Administrative Agent One State Street New York, New York 10004 [X] Corporation of New York</p>
<p>3. Nature of conveyance: Amended and Restated Security Agreement Execution Date: <u>May 11, 2001</u></p>	<p>4. Trademark Registration/Application Nos.: 2,331,475; 2,430,037; 2,430,038; 2,446,247; 75/493,410; 75/565,429; 75/566,589; 75/566,595; 75/570,845; 75/791,021; and 76/078,767</p>
<p>5. Name and address of party to whom correspondence concerning document should be mailed: Kristen E. Mollnow, Esq. Nixon Peabody LLP Clinton Square Post Office Box 31051 Rochester, New York 14603</p>	<p>6. Total number of Registrations/Applications involved: 11</p>
<p>7. Total fee (37 CFR 3.41) \$290.00 [\$290.00] Check is enclosed.</p>	<p>8. Deposit Account Number: 50-1804 [X] Charge any additional fees to account.</p>
<p>DO NOT USE THIS SPACE</p>	

To the best of my knowledge and belief, the foregoing information is true and correct and the attached copy is a true and correct copy of the original document.

Kristen E. Mollnow
Kristen E. Mollnow

6-19-01
Date

[Total number of pages including cover sheet and agreement: 43]

06/26/2001 TDIAZ1 00000161 2331475

01 FC:481 40.00 DP
02 FC:482 250.00 DP

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REEL: 002320 FRAME: 0142

AMENDED AND RESTATED SECURITY AGREEMENT

THIS AMENDED AND RESTATED SECURITY AGREEMENT, dated as of May 11, 2001 (the "Agreement" or the "Security Agreement"), is among Source Magazine, LLC, a New York limited liability company (the "Company"), Source Enterprises, Inc., a Delaware corporation ("Holdings"), Source Entertainment, LLC, a California limited liability company ("Source Entertainment"), The Source.com, LLC, a New York limited liability company ("Source.com"), Source Sound Lab, LLC, a Delaware limited liability company ("Source Sound"), Source Music, LLC, a New York limited liability company ("Source Music"), Source Merchandising, LLC, a New York limited liability company ("Source Merchandising"), Source Broadcast Media, LLC, a New York limited liability company ("Source Broadcast"), Source Holdings LLC, a Delaware limited liability company ("Source Holdings"), Surrender Records, Inc., a Massachusetts corporation ("Surrender Records"), Subsidiaries of the Company acquired or formed by the Company after the date hereof (collectively, the "Subsidiary Guarantors" and together with the Company, Holdings, Source Entertainment, Source.com, Source Broadcast, Source Sound, Source Music, Source Merchandising, Source Holdings and Surrender Records, the "Obligors") and IBJ Whitehall Bank & Trust Company, a New York banking corporation, as agent (hereinafter, in such capacity, together with its successors in such capacity, the "Administrative Agent") for the lenders or other financial institutions or entities party, as lenders (collectively, the "Lenders"), to the Credit Agreement referred to below.

Concurrently herewith, the Company, Holdings, Source Entertainment, Source.com, Source Broadcast, Source Sound, Source Music, Source Holdings, Source Merchandising, Surrender Records, the Subsidiary Guarantors, the Lenders and the Administrative Agent are entering into a First Amended and Restated Credit Agreement (such First Amended and Restated Credit Agreement, as the same may be amended or supplemented from time to time is referred to herein as the "Credit Agreement") providing, subject to the terms and conditions thereof, for extensions of credit to be made by the Lenders to the Company in an aggregate principal amount not exceeding \$15,000,000 (the "Loans"). The Loans made or to be made by the Lenders to the Company shall be evidenced by certain promissory notes (as exchanged, replaced, amended, supplemented or modified from time to time and together with the Intercompany Notes, the "Notes") in substantially the respective forms attached to the Credit Agreement.

Pursuant to the Security Agreement dated as of March 31, 2000 (as previously amended, restated, or otherwise modified, the "Initial Security Agreement"), the Obligors party thereto granted a security interest in the "Collateral" referred to therein in order to secure the obligations under the Existing Credit Agreement. The Obligors hereunder wish to continue the security interest granted under the Initial Security Agreement and grant the additional security interest hereunder by amending and restating in its entirety the Initial Security Agreement pursuant to the terms and conditions hereof.

For other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the Obligors have agreed to execute and deliver this Agreement.

As used herein, "UCC" shall mean the Uniform Commercial Code of the State of New York as amended and in effect as of the date hereof. All other capitalized terms, unless defined

herein or in the Schedules attached hereto and made a part hereof, shall have the meanings set forth in the Credit Agreement.

SECTION 1. Security Interest.

1(a) As security for the prompt and complete payment, performance and observance of all Obligations, together with interest and costs of enforcement and collection thereof and of this Security Agreement, including all reasonable attorneys' fees and disbursements incurred by the Lenders and the Administrative Agent (collectively, the "Secured Obligations"), the Obligors hereby grant to the Administrative Agent, for its benefit and the ratable benefit of the Lenders and affiliates of the Lenders with whom the Company may from time to time enter into Interest Rate Hedge Agreements (collectively, the "Credit Parties"), a continuing security interest of first priority in, and the Obligors hereby assign and pledge to the Administrative Agent, for the benefit of the Credit Parties, all of the Obligors' rights, titles and interests in and to the property described on Schedule A-1 attached hereto, in each case whether now owned by any Obligor or hereafter coming into existence, and wherever located (all such property, together with any proceeds and products thereof, being collectively referred to herein as the "Collateral").

1(b) The Obligors irrevocably appoint the Administrative Agent as their lawful attorney and agent to execute financing statements and amendments thereto (to the extent permitted by applicable law), notices of any assignments of any of the Collateral on the Obligors' behalf, and on their behalf to file financing statements and amendments thereto in any appropriate public office.

1(c) This Security Agreement is in addition to and without limitation of any right of the Administrative Agent and/or any of the other Credit Parties under any other security agreement, pledge or leasehold assignment, mortgage or guarantee granted by any Obligor or any third party to the Administrative Agent for the benefit of the Credit Parties or directly to any of the Credit Parties.

1(d) Except as otherwise herein provided, this Security Agreement is absolute and without any conditions. The Administrative Agent can enforce its rights in the Collateral immediately upon an Event of Default without having first to attempt any collection from the Company.

SECTION 2. Collection.

Upon the occurrence and continuation of an Event of Default pursuant to Section 10(a) hereof, the Administrative Agent shall have the following rights and powers in addition to those specified in Section 10(b) hereof:

2(a) The Administrative Agent shall have the right to notify the parties obligated on any or all of the Obligors' Accounts, Contracts, Chattel Paper, Instruments, Insurance, Documents or General Intangibles to make payment thereof directly to the Administrative Agent, and the Administrative Agent may take control of all proceeds of any of the Accounts, Contracts, Chattel Paper, Instruments, Insurance or General Intangibles. The costs of collection and enforcement, including reasonable actual attorney's fees and reasonable out-of-pocket expenses, shall be borne by the Obligors, whether the same are incurred by the Administrative Agent or the

any Obligor. The Obligors will not thereafter without the Administrative Agent's written consent make any adjustment, extend or renew, compromise, compound or settle any of the Accounts, Contracts, Chattel Paper, Instruments, Insurance or General Intangibles, or release, wholly or partly, any person liable for payment thereof.

2(b) Each Obligor hereby irrevocably appoints the Administrative Agent to be such the Obligor's true and lawful attorney, with full power of substitution, in the Administrative Agent's name or such Obligor's name or otherwise for the Administrative Agent's sole use and benefit, but at such Obligor's cost and expense, to exercise at any time all or any of the following powers with respect to all or any of the Collateral:

(i) to demand, sue for, collect, receive and give acquittance for any and all moneys due or to become due upon or by virtue thereof;

(ii) to receive, take, sign, endorse, assign and deliver any and all checks, notes, drafts, acceptances, invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other negotiable and non-negotiable instruments and documents taken or received by the Administrative Agent in connection therewith;

(iii) provided that the Obligations shall have been accelerated, to receive, open and dispose of all mail addressed to such Obligor and to notify the post office authorities to change the address for delivery of mail addressed to such Obligor to such address as the Administrative Agent may designate;

(iv) to sign the name of such Obligor on any Document, on invoices relating to any Account or Contract, drafts against and notices to account debtors or obligors of any Obligor, on financing statements and other public records and on notices to customers;

(v) to execute endorsements, assignments or other instruments of conveyance or transfer and proofs of claim and loss and to adjust and compromise any claims under insurance policies or otherwise;

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

(vii) to sell, transfer, assign or otherwise deal in or with the same or the proceeds thereof and to apply for and obtain any required consents of governmental authority for any sale or other disposition of the Collateral, as full and effectually as if the Administrative Agent were the absolute owner thereof; and

(viii) to apply any or all amounts then in, or thereafter deposited in, the Company Account in the manner provided in Section 10(b)(iii) hereof; and

(ix) to make any allowances and other adjustments with reference thereto and to take all other actions necessary or advisable in the sole discretion of the Administrative Agent to carry out and enforce this Security Agreement or the Secured Obligations.

All acts done under the foregoing authorization are hereby ratified and approved by the Obligors and neither the Administrative Agent nor any designee or agent of the Administrative Agent shall be liable for any acts of commission or omission (other than acts committed or omitted through gross negligence or willful misconduct), for any error of judgment or for any mistake of fact or law. The foregoing power of attorney being coupled with an interest is irrevocable while any Secured Obligations shall remain unpaid. The foregoing authorization shall not be construed in limitation of any other similar authorization to the Administrative Agent under the Credit Agreement or otherwise.

2(c) The Obligors will immediately deliver to the Administrative Agent all proceeds of the Collateral and all original evidence of Accounts, Contracts, Chattel Paper, Instruments, Insurance, Documents, Patents, Trademarks, Copyrights, Copyright Licenses, Records or General Intangibles, including without limitation all notes or other instruments or contracts for the payment of money, appropriately endorsed to the Administrative Agent's order and, regardless of the form of such endorsement, the Obligors hereby waive presentment, demand, notice of dishonor, protest and notice of protest and all other notices with respect thereto; and the Obligors hereby appoint the Administrative Agent as the Obligors' agent and attorney-in-fact to make such endorsement on behalf of and in the name of any Obligor.

2(d) The exercise by the Administrative Agent of or failure to so exercise any authority granted hereinabove shall in no manner affect any of the Obligors' liabilities to the Administrative Agent or the Lenders, and provided, further, that the Administrative Agent shall be under no obligation or duty to exercise any of the powers hereby conferred upon it and it shall be without liability for any act or failure to act in connection with the collection of, or the preservation of any rights under any of, the Collateral.

SECTION 3. General Representations and Warranties.

In addition to the Obligors' representations made in the other Loan Documents, each Obligor represents and warrants to the Administrative Agent and the other Credit Parties, which representations and warranties shall survive execution and delivery of this Agreement, as follows:

3(a) All filings, registrations and recordings necessary or appropriate to create, preserve, protect and perfect the security interest granted by such Obligor to the Administrative Agent hereby in respect to the Collateral have been accomplished and the security interest granted to the Administrative Agent pursuant to this Agreement in and to the Collateral constitutes a perfected security interest therein superior and prior to the rights of all other Persons therein (except for Permitted Liens under the Credit Agreement) and subject to no other Liens (except for Permitted Liens under the Credit Agreement), and is entitled to all the rights, priorities and benefits afforded by the UCC or other relevant laws as enacted in any relevant jurisdiction to perfected security interests.

3(b) Such Obligor is, and as to Collateral acquired by it from time to time after the date hereof the Obligor will be, the owner of all Collateral free from any Lien, security interest, encumbrance or other right, title or interest of any Person (other than Permitted Liens under the Credit Agreement), and such Obligor shall defend its Collateral against all claims and demands

of all Persons at any time claiming the same or any interest therein adverse to the Administrative Agent.

3(c) There is no financing statement (or similar statement or instrument of registration under the law of any jurisdiction) covering or purporting to cover any interest of any kind in the Collateral except for filings and recordings permitted under the Credit Agreement and filings and recordings in favor of the Administrative Agent, for the benefit of the Credit Parties, created or provided for herein, and so long as any of the Secured Obligations remain unpaid such Obligor will not execute or authorize to be filed in any public office any financing statement (or similar statement or instrument of registration under the law of any jurisdiction) or statements relating to the Collateral, except (i) financing statements filed or to be filed in respect of and covering the security interests granted hereby by the Obligors, and (ii) financing statements to be filed in connection with the creation of Liens permitted under the Credit Agreement.

3(d) The office location(s) of such Obligor set forth on Schedule B attached hereto as such Obligor's principal place of business and chief executive office and all other places of business are true and correct.

3(e) Schedule B attached hereto contains a true and complete listing of all of the locations of all the Collateral. In the case of Inventory, Schedule B also sets forth each Warehouseman (as defined in the Uniform Commercial Code as in effect in the state in which the warehouse owned or operated by such Person is located) that from time to time holds Inventory of any of the Obligors and the Permitted Inventory Location (as defined herein) at which such Inventory is so held. In the case of such Inventory, such Obligor further represents and warrants that none of the Inventory is subject to a negotiable warehouse receipt (as defined in the Uniform Commercial Code as in effect in the state in which such Inventory is located).

3(f) Each Obligor further represents and warrants, as to any Inventory, that all such Inventory, other than Inventory in transit in the normal course of business, is held at a Permitted Inventory Location (as defined herein). "Permitted Inventory Location" is defined herein to mean (i) a warehouse or other storage facility owned or leased by an Obligor, or (ii) a warehouse or other storage facility owned, leased or operated by a Warehouseman from whom the Administrative Agent has received a warehouse bailment agreement in form and substance satisfactory to the Administrative Agent with respect to Inventory there held, and, in either case, in jurisdictions where appropriate UCC financing statements shall have liens filed against the Company for the benefit of the Administrative Agent and the other Credit Parties.

3(g) Each Obligor warrants that upon delivery to the Administrative Agent of the certificates evidencing the shares of Pledged Stock from such Obligor (and assuming the control by the Administrative Agent over such certificates in accordance with the requirements of applicable law), the Lien granted pursuant to this Security Agreement will constitute a valid, perfected first priority Lien on the Collateral, enforceable as such against all creditors of such Obligor any persons purporting to purchase any Collateral from such Pledgor.

3(h) The Pledged Stock evidenced by the certificates identified under the name of such Obligor in Schedule C hereto is, and all other Pledged Stock in which such Obligor shall hereafter grant a security interest pursuant to Section 1 hereof will be, duly authorized, validly

issued, 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 Credit Agreement).

3(i) The Pledged Stock evidenced by the certificates identified under the name of such Obligor in Schedule C hereto constitutes (unless otherwise specified) all of the issued and outstanding shares of any class of capital stock, membership interests and any other equity interests of the issuers beneficially owned by such Obligor on the date hereof (whether or not registered in the name of such Obligor) and said Schedule C correctly identifies, as at the date hereof, the respective issuers of such Pledged Stock, the respective class and, if applicable, par value of the shares comprising such Pledged Stock and the respective number of shares (and registered owners thereof) represented by each such certificate.

SECTION 4. Special Provisions Concerning Accounts.

4(a) As of the time when each of its Accounts arises, each Obligor shall be deemed to have represented and warranted that such Accounts and all records, papers and documents relating thereto (if any) are genuine and in all respects what they purport to be, and that all papers and documents (if any) relating thereto (i) will represent the genuine, legal, valid and binding obligation of the account debtor evidencing indebtedness unpaid and owed by such account debtor arising out of the performance of labor or services or the sale or lease and delivery of the merchandise listed therein, or both, (ii) will be the only original writings evidencing and embodying such obligation of the account debtor named therein (other than copies created for purposes other than general accounting purposes), (iii) will evidence true and valid obligations, enforceable in accordance with their respective terms, not subject to the fulfillment of any contract or condition whatsoever or to any defenses, set offs or counterclaims (except with respect to refunds, returns and allowances in the ordinary course of business), or stamp or other taxes, and (iv) will be in compliance and will conform with all applicable federal, state and local laws and applicable laws of any relevant foreign jurisdiction.

4(b) Each Obligor will keep and maintain at its own cost and expense satisfactory and complete records of its Accounts, including, but not limited to, records of all payments received, credits granted thereon, all merchandise returned and all other dealings therewith, and each Obligor will make the same available to the Administrative Agent for inspection, at such Obligor's own cost and expense, at any and all reasonable times upon demand.

4(c) Each Obligor shall endeavor to cause to be collected from the account debtor named in each of its Accounts, as and when due (including, without limitation, Accounts which are delinquent, such Accounts to be collected in accordance with generally accepted lawful collection procedures), any and all amounts owing under or on account of such Accounts, and apply forthwith upon receipt thereof all such amounts as are so collected to the outstanding balance of such Accounts, except that, so long as no Event of Default exists and is continuing, such Obligor may allow in the ordinary course of business as adjustments to amounts owing under its Accounts an extension or renewal of the time or times of payment, or settlement for less than the total unpaid balance, which such Obligor finds appropriate in accordance with sound business judgment. The costs and expenses (including, without limitation, attorneys' fees and

expenses) of collection, whether incurred by such Obligor or the Administrative Agent, shall be borne by such Obligor.

4(d) If any of the Accounts becomes evidenced by an Instrument, the Company will within ten (10) days notify the Administrative Agent thereof, and upon request by the Administrative Agent promptly deliver such Instrument to the Administrative Agent appropriately endorsed to the order of the Administrative Agent as further security hereunder.

4(e) Each Obligor will, at its own expense, make, execute, endorse, acknowledge, file and/or deliver to the Administrative Agent from time to time such vouchers, invoices, schedules, confirmatory assignments, conveyances, financing statements, transfer endorsements, powers of attorney, certificates, reports and other assurances or instruments and take such further steps relating to its Accounts and other property or rights covered by the security interest hereby granted, as the Administrative Agent may reasonably require which are consistent with the terms hereunder.

SECTION 5. Special Provisions Concerning Contracts.

5(a) Each Obligor represents and warrants that no consent of any party (other than any Obligor) to any Contract is required, or purports to be required, in connection with the execution, delivery and performance of this Security Agreement. Each Contract is in full force and effect and is enforceable in accordance with its respective terms and there is no default under any of the terms thereof. Each Obligor does hereby further represent and warrant that it has not assigned or pledged, and hereby covenants that it will not assign or pledge, except as permitted under the Credit Agreement, the whole or any part of the rights hereby assigned to anyone other than the Administrative Agent, its successors or assigns so long as this Security Agreement shall remain in effect. Each Obligor also covenants and agrees that it will not take any action or fail to take any action or institute any proceedings the taking or omission of which might result in the material alteration or impairment of this Security Agreement or any of the material rights created by any of the Contracts or this Security Agreement. Except as specified by a detailed notation corresponding to the applicable Contract on Schedule A-2, each Obligor hereby further represents and warrants that no consent or authorization of, filing with or other act by or in respect of any Governmental Authority is required in connection with the execution, delivery, performance, validity or enforceability of any of the Contracts by any party thereto other than those which have been duly obtained, made or performed, are in full force and effect and do not subject the scope of any such Contract to any material adverse limitations, either specific or general in nature. The right, title and interest of the Obligor in, to and under each Contract are not subject to any defense, offset, counterclaim or claim which could reasonably be expected to have a Material Adverse Effect, nor, as of the date of this Security Agreement and to the best of such Obligor's knowledge, have any of the foregoing been asserted or alleged against any Obligor as to any Contract. Each Obligor has delivered to the Administrative Agent a complete and correct copy of each Contract, including all amendments, supplements and other modifications thereto. No amount payable to any Obligor under or in connection with any Contract is evidenced by any Instrument or Chattel Paper which has not been delivered to the Administrative Agent.

Each Obligor agrees that, so long as this Security Agreement is in effect, it will not, without the prior written consent of the Administrative Agent, amend, modify or permit to be amended or modified any of the Contracts or waive or permit to be waived any material provisions of any of the Contracts, or exercise any right to terminate or cancel any of the Contracts or consent or agree to, or suffer or permit, the termination thereof whether or not on account of any default therein specified if any such amendment, modification or waiver, termination or cancellation could have a Material Adverse Effect.

SECTION 6. Rights and Obligations Concerning Accounts and Contracts.

6(a) Anything herein to the contrary notwithstanding, each Obligor shall remain liable under each of the Accounts and Contracts to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise to each such Account and in accordance with and pursuant to the terms and provisions of each such Contract. None of the Administrative Agent, nor any of the other Credit Parties, shall have any obligation or liability under any Account (or any agreement giving rise thereto) or under any Contract by reason of or arising out of this Security Agreement or the receipt by the Administrative Agent or any such other Credit Party of any payment relating to such Account or Contract pursuant hereto, nor shall the Administrative Agent, nor any other Credit Party be obligated in any manner to perform any of the obligations of the Obligors under or pursuant to any Account (or any agreement giving rise thereto) or under or pursuant to any Contract, to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party under any Account (or any agreement giving rise thereto) or under any Contract, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

6(b) Each Obligor hereby agrees that no liability shall be asserted or enforced against the Administrative Agent in the exercise of the rights and powers granted to the Administrative Agent hereunder, all such liability being hereby expressly waived and released by such Obligor. Without limiting the application of Section 14(a) hereof, each Obligor hereby agrees to indemnify and hold the Administrative Agent harmless for and against any and all liability, expense, cost, loss or damage which the Administrative Agent may incur by reason of any act or omission of any Obligor under any of the Contracts ("Losses"), except to such extent such Losses arise by reason of the gross negligence or willful misconduct of the Administrative Agent. Should the Administrative Agent incur any liability, expense, cost, loss, or damage, (i) under the Contracts for which it is to be indemnified by each Obligor as aforesaid, or (ii) by reason of the exercise of the Administrative Agent's rights hereunder, the amount thereof, including costs, expenses and reasonable actual attorney's fees and expenses, shall be secured hereby and shall be immediately due and payable by the Company to the Administrative Agent.

6(c) The Administrative Agent has the right to make test verifications of the Accounts in any manner and through any medium that it reasonably considers advisable, and the Obligors shall furnish all such assistance and information as the Administrative Agent may require in connection therewith. At any time and from time to time, upon the Administrative Agent's request and at the expense of the Company, the Company shall cause independent public accountants or others satisfactory to the Administrative Agent to furnish to the Administrative

Agent reports showing reconciliations, aging and test verifications of, and trial balances, for, the Accounts. The Administrative Agent may in its own name or in the name of others communicate with account debtors on the Accounts and parties to the Contracts to verify with them to its satisfaction the existence, amount and terms of any Accounts or Contracts, provided that, so long as no Event of Default has occurred and is continuing, the Administrative Agent agrees to provide the Company notice prior to initiating such verification.

6(d) Each Obligor shall promptly notify the Administrative Agent of, and provide to the Administrative Agent copies of, any default notices under any of the Contracts.

SECTION 7. Special Provisions Concerning Patents, Trademarks and Copyrights.

7(a) Each Obligor represents and warrants that it is the true and lawful exclusive owner of the entire and unencumbered right, title and interest in and to each of the Trademarks and Trademark applications listed on Schedule A-3, the Patents and Patent applications listed on Schedule A-4 and the Copyrights listed on Schedule A-5 attached hereto, free and clear of all liens and encumbrances (including, without limitation, any covenant not to sue a third party); that the Trademarks, Patents and Copyrights listed on Schedules A-3, A-4 and A-5 hereto are subsisting, valid, enforceable, and have not been adjudged invalid or unenforceable, in whole or in part; and that such Trademarks, Patents and Copyrights constitute all the registered trademarks, patents and copyrights in the United States Patent and Trademark Office and the United States Copyright Office, respectively, that the Company now owns or uses in connection with its business.

7(b) Each Obligor represents and warrants that it has made all necessary filings and recordations to protect its interest in the Trademarks, Patents, Copyrights and its other intellectual property; that it has and will continue to pay all required taxes, fees, and costs to maintain all of its rights in the Trademarks, Patents, Copyrights and other intellectual property; and that it has received no notice or claim that its use of any of the Trademarks, Patents, Copyrights or other intellectual property infringes the rights of any third party.

7(c) Prior to licensing or assigning any of the Trademarks, Patents, Copyrights or its other intellectual property, each Obligor will give the Administrative Agent written notice of any such license or assignment plus a copy of the draft license agreement or assignment, and, upon execution, a copy of any final agreement or assignment.

7(d) Each Obligor shall, promptly upon learning thereof, notify the Administrative Agent in writing of the name and address of, and furnish such pertinent information that may be available with respect to, any party who may be infringing or otherwise violating any of such Obligor's rights in and to any Trademarks, Patents, Copyrights or other intellectual property or of any party who makes a claim that the use of any of the Trademarks, Patents, Copyrights or other intellectual property otherwise violates any property of any nature of that party or any third party. Unless such Obligor shall reasonably determine that such Trademark, Patents, Copyrights or other intellectual property is not of material economic value to such Obligor, the Obligor further shall diligently prosecute any and all persons who infringe any of its Trademarks, Patents, Copyrights or other intellectual property to recover any and all damages and take such other actions as such, Obligor shall deem appropriate under the circumstances to protect such

Trademarks, Patents, Copyrights or other intellectual property. The Administrative Agent shall have the option, but not the obligation, to participate in any such action at such Obligor's expense and to maintain suits against parties for infringement or misappropriation if Administrative Agent believes such Obligor is not diligently and vigorously proceeding in such action(s).

7(e) If any trademark or service mark registration, patent registration or copyright registration is issued hereafter to any Obligor as a result of any application or registration now or hereafter pending before the United States Patent and Trademark Office, the United States Copyright Office or foreign equivalent thereof, such Obligor shall forthwith execute and deliver a copy of the certificate of registration within thirty (30) days of receipt of such certificate and a grant of security in such trademark, service mark, patent or copyright to the Administrative Agent confirming the grant thereof hereunder, the form of such confirmatory grant to be substantially the same as the form hereof.

7(f) Each Obligor will perform all acts and execute all documents including, without limitation, documents in form suitable for filing with the United States Patent and Trademark Office, the United States Copyright Office, other governmental office and any foreign equivalent thereof, as reasonably requested by the Administrative Agent at any time to evidence, perfect, maintain, record and enforce the Administrative Agent's interest, for the benefit of the Credit Parties, in the Trademarks, Patents, Copyrights and the Company's other intellectual property or otherwise in furtherance of the provisions of this Agreement. In the event of acceleration of the Obligations and foreclosure hereunder upon all or any part of the Collateral which has not been rescinded within (five) 5 Business Days after notice of foreclosure, the Obligors shall, and hereby do, constitute the Administrative Agent as the Obligors' attorney-in-fact to transfer, in any Obligor's name, the Trademarks (including all goodwill associated with the Trademarks), the Patents, the Copyrights and any Obligor's other intellectual property to a third party capable, in the Administrative Agent's judgment, of using and maintaining the nature and quality of the Trademarks, the Patents, the Copyrights and such Obligor's other intellectual property. Such power-of-attorney shall include, without limitation, the right to execute all documents and to do all acts as the Administrative Agent considers necessary to effect any of the foregoing, and all acts of such attorney are hereby ratified and confirmed; such power being coupled with an interest which is irrevocable until the Secured Obligations are paid in full.

7(g) Except to the extent that the Administrative Agent shall consent in writing, each Obligor will, unless such Obligor shall reasonably determine that a Trademark is not of material economic value to such Obligor, (i) continue to use each Trademark in order to maintain each Trademark in full force free from any claim of abandonment for non-use, (ii) employ each Trademark with the appropriate notice of application or registration, (iii) not adopt or use any mark which is confusingly similar or a colorable imitation of any Trademark, (iv) not use any Trademark except for the uses for which registration or application for registration of such Trademark has been made, (v) not (and not permit any licensee or sublicensee thereof, if any, to) do any act or knowingly omit to do any act whereby any Trademark may be subject to dilution, misappropriation, or invalidation, and (vi) ensure and warrant that the quality of the goods and services bearing each applicable Trademark will be maintained at not less than the quality level thereof as exists as of the date of this Agreement, and in that regard, during normal business hours the Administrative Agent and its representatives may inspect the such Obligor's books,

records, and facilities which manufacture, inspect, or store products to ensure that quality of the applicable goods and services are being maintained.

7(h) Each Obligor shall notify the Administrative Agent immediately if it knows, or has reason to know, of any reason that any application or registration relating to any Trademark, Patent, Copyright or other intellectual property of such Obligor may become abandoned or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office or any court) regarding such Obligor's ownership of any Trademark, Patent, Copyright or other intellectual property, its right to register or use the same, or to keep and maintain the same.

7(i) In no event shall any Obligor, either itself or through any agent, employee, licensee or designee, file an application for the registration of any Trademark, Patent, Copyright or other intellectual property with the United States Patent and Trademark Office, the United States Copyright Office, other governmental office, or any similar office or agency in any other country or any political subdivision thereof, unless it promptly informs the Administrative Agent, and, upon request of the Administrative Agent, executes and delivers any and all agreements, instruments, documents and papers as the Administrative Agent may request to evidence the Administrative Agent's security interest in such Trademark, Patent, Copyright or other intellectual property and the goodwill and general intangibles of such Obligor relating thereto or represented thereby, and the Obligors hereby constitutes the Administrative Agent their attorney-in-fact to execute and file all such writings for the foregoing purposes, including without limitation to modify this Agreement by amending Schedule A-3, Schedule A-4 and/or Schedule A-5 (as the case may be) to include any future Trademarks, Patents, Copyrights and other intellectual property, all acts of such attorney being hereby ratified and confirmed; such power being coupled with an interest which is irrevocable until the Secured Obligations are paid in full.

7(j) Each Obligor will take all commercially reasonable steps, including, without limitation, in any proceeding before the United States Patent and Trademark Office, the United States Copyright Office, any other governmental office, or any other office or agency in any other country or any political subdivision thereof, to maintain and pursue each application (and to obtain the relevant registration) and to maintain each registration of the Trademarks, Patents and Copyrights except to the extent permitted under Section 7(g), including but not limited to the appropriate and timely payment of any required fees and the appropriate and timely filing of any documents or declarations necessary to maintain and renew such Trademarks, Patents and Copyrights which may be necessary or appropriate under applicable federal, state, and foreign law.

7(k) Upon the occurrence and during the existence of an Event of Default which results in acceleration, the Administrative Agent may, by written notice to such Obligor, take any or all of the following actions: (i) declare the entire right, title and interest of such Obligor in and to each of the Trademarks, Patents, Copyrights and other intellectual property, together with all related rights and rights of protection to the same, vested, in which event such rights, title and interest shall immediately vest, in the Administrative Agent, in which case such Obligor agrees to execute assignments in form and substance satisfactory to the Administrative Agent, of all its

rights, title and interest in and to the Trademarks, Patents, Copyrights and other intellectual property to the Administrative Agent; (ii) take and use or sell the Trademarks, Patents, Copyrights and other intellectual property and the goodwill of such Obligor's business symbolized by the Trademarks and the right to carry on the business of such Obligor in connection with which the Trademarks have been used; and (iii) direct such Obligor to refrain, in which event such Obligor shall refrain, from using the Trademarks, Patents, Copyrights and its other intellectual property in any manner whatsoever, directly or indirectly, and, if requested by the Administrative Agent, change such Obligor's corporate name to eliminate therefrom any use of any Trademarks and execute such other and further documents that the Administrative Agent may request to further confirm this and to transfer ownership of the Trademarks, Patents, Copyrights and other intellectual property, and any pending trademark and patent application(s) for trademarks, patents, copyrights and other intellectual property in the United States Patent and Trademark Office, the United States Copyright Office, any other governmental office, and in any similar foreign office to the Administrative Agent. After any Event of Default, such Obligor shall cooperate and use its best efforts to obtain any consents, waivers, or agreements necessary to enable the Administrative Agent to exercise its rights and remedies with respect to any Trademark, Patent, Copyright and other intellectual property of such Obligor.

SECTION 8. Special Provisions Relating to Stock Collateral.

8(a) Except with respect to a Foreign Subsidiary, the Obligors will cause the Stock Collateral to constitute at all times 100% of the total number of shares of each class of capital stock of each issuer then outstanding. With respect to any issuer that is a Foreign Subsidiary, the Obligors will cause the Stock Collateral to constitute at all times not less than 65% of the total number of shares of each class of capital stock of such issuer then outstanding.

8(b) So long as no Event of Default shall have occurred and be continuing, the Obligors shall have the right (as provided by the Issuer's organizational documents) 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 Credit Agreement or any other Loan Document referred to herein or therein; and the Administrative Agent shall execute and deliver to the Obligors or cause to be executed and delivered to the Obligors all such proxies, powers of attorney, dividend and other orders, and all such instruments, without recourse, as the Obligors may reasonably request for the purpose of enabling the Obligors to exercise the rights and powers that they are entitled to exercise pursuant to this Section 8(b).

8(c) Unless and until an Event of Default has occurred and is continuing, and subject to any restrictions in the Credit Agreement, the Obligors shall be entitled to receive and retain any dividends on the Stock Collateral paid in cash.

8(d) If any Event of Default shall have occurred, then so long as such Event of Default shall continue, and whether or not the Administrative Agent or any Lender 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 Credit Agreement or any other agreement relating to such Secured Obligation, all dividends and other distributions on the Stock Collateral shall be paid directly to the Administrative Agent and retained by it in the Company Account as part of the Stock Collateral, subject to the terms of this

Agreement, and, if the Administrative Agent shall so request in writing, the Obligors jointly and severally agree to execute and deliver to the Administrative 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 Administrative Agent shall, upon request of the Obligors (except to the extent theretofore applied to the Secured Obligations and to the extent permitted by the Credit Agreement), be returned by the Administrative Agent to the Obligors.

8(e) If, while this Agreement is in effect, any Obligor shall become entitled to receive or shall receive any stock certificate (including, without limitation, any certificate representing a stock dividend or a distribution in connection with any reclassification, increase or reduction of capital, or issued in connection with any reorganization, merger or consolidation, or resulting from a split-up, revision or other like change of the Pledged Stock or otherwise received in exchange therefor), option or rights, whether by purchase or other acquisition or as an addition to, in substitution of, or in exchange for any shares of any Pledged Stock, such Obligor agrees to accept the same as agent of the Administrative Agent and to hold the same in trust on behalf of and for the benefit of the Administrative Agent, and to deliver the same forthwith to the Administrative Agent in the exact form received, with the endorsement of such Obligor when necessary and/or appropriate undated stock powers duly executed in blank, to be held by the Administrative Agent, subject to the terms hereof, as additional collateral security for the Secured Obligations. Any sums paid upon or in respect of the Pledged Stock upon the liquidation or dissolution of the issuer thereof shall be paid over to the Administrative Agent to be held by it in trust as additional collateral security for the Secured Obligations; and in case any distributions of capital shall be made on or in respect of the Pledged Stock or any property shall be distributed upon or with respect to the Pledged Stock pursuant to the recapitalization or reclassification of the capital of the Issuer thereof or pursuant to the reorganization thereof, the property so distributed shall be delivered to the Administrative Agent to be held by it as additional collateral security for the Secured Obligations. All sums of money and property so paid or distributed in respect of the Pledged Stock which are received by any Obligor shall, until paid or delivered to the Administrative Agent, be held by the Pledgor in trust as additional collateral security for the Secured Obligations.

SECTION 9. Covenants of the Obligors.

In addition to the Company's covenants contained in the Credit Agreement, each Obligor covenants that:

9(a) Subject to Section 3(e) and Section 3(f) hereof, the Collateral is and will be located at such Obligor's chief executive office and such other places of business and Permitted Inventory Locations as indicated on Schedule B attached hereto. Each Obligor's records of the Collateral will be located at such Obligor's chief executive office. The chief executive office of each Obligor is located at such address shown on Schedule B attached hereto. Each Obligor will not move its chief executive office, the location of the Collateral or any Records Office (as defined below) except to such new location as such Obligor may establish in accordance with the last sentence of this Section 9(a) and, with respect to Inventory, to Permitted Inventory Locations. The originals of all documents and all electronically stored data and information evidencing all Accounts and Contracts of each Obligor and the only original books of account

and records of each Obligor relating thereto are, and will continue to be, kept at its chief executive office shown on Schedule B attached hereto (each, a "Records Office"), or at such new Records Office as such Obligor may establish in accordance with the last sentence of this Section 9(a). All Accounts, Contracts and records of each Obligor are, and will continue to be, maintained at, and controlled and directed (including, without limitation, for general accounting purposes) from, such Records Office location shown above, or such new location as such Obligor may establish in accordance with the last sentence of this Section 9(a). Each Obligor shall not establish a new location for its chief executive office, the location of the Collateral or any Records Office until (i) it shall have given to the Administrative Agent not less than 45 days' prior written notice of its intention so to do, clearly describing such new location and providing such other information in connection therewith as the Administrative Agent may reasonably request, and (ii) with respect to such new location, it shall have taken all action, satisfactory to the Administrative Agent, to maintain the security interest of the Administrative Agent in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect.

9(b) The Collateral used or useful in its business, in whomsoever's possession they may be, shall be kept in good repair, working order and condition, and that from time to time there will be made to such Collateral all needful and proper repairs, renewals, replacements, extensions, additions, betterments and improvements thereto, to the extent and in the manner customary for companies in similar lines of business under similar circumstances. Each Obligor will not encumber, sell, erase, transfer, assign, abandon or otherwise dispose of the Collateral except for: (i) collection, discharge, discount, compromise or expiration of the Accounts, Chattel Paper, Instruments or General Intangibles in the ordinary course of such Obligor's business, (ii) sale or transfer of Inventory in the ordinary course of business, (iii) dispositions of items of Equipment no longer needed by such Obligor in the ordinary course of business, (iv) Liens as permitted under the Credit Agreement and (v) trade-ins, replacements or exchanges of items of Equipment for other items of Equipment to the extent the same shall promptly be replaced by Equipment having an equal or greater value (in excess of purchase money liens on such items) and useful in such Obligor's business. The inclusion of "products" and "proceeds" of the Collateral under the security interest granted herein shall not be deemed a consent by the Administrative Agent to any sale or other disposition of the Collateral except as expressly permitted herein or in the Credit Agreement.

9(c) Each Obligor will have and maintain insurance at its expense as required pursuant to Section 6.04 of the Credit Agreement. The Administrative Agent is authorized by the Obligors to act as their attorney in collecting, adjusting, settling or cancelling such insurance and endorsing any drafts drawn by insurers. The Administrative Agent may apply any insurance proceeds received by it to the Secured Obligations, whether due or not; provided, however, that, at the request of the Obligors, the Administrative Agent will hold such proceeds (but only to the extent of any proceeds of up to \$500,000) in a special collateral account under the sole dominion and control of the Administrative Agent which shall be pledged to the Administrative Agent hereunder, for use by any Obligor in replacing any damaged Equipment which gave rise to such proceeds, so long as such Obligor is taking steps to replace such Equipment with due diligence and in good faith and so long as no Event of Default has occurred and is continuing hereunder. Each Obligor will immediately notify the Administrative Agent of any damage to or loss of the Collateral in excess of \$50,000. Not later than the expiration date of each insurance policy then in effect, such Obligor shall deliver to the Administrative Agent a certificate of insurance

certifying as to (i) the extension of such policy or the issuance of a renewal policy therefor, describing the same in reasonable detail satisfactory to the Administrative Agent and (ii) the payment in full of the portion of the premium therefor then due and payable (or accompanied by other proof of such payment satisfactory to the Administrative Agent). Each Obligor shall be required forthwith to notify the Administrative Agent if such Obligor shall determine at any time not to, or at any time be unable to, extend or renew any such insurance policy then in effect.

9(d) Each Obligor will use the Collateral for business purposes and not for personal, family, household or farming purposes and not in violation of any statute or ordinance.

9(e) Each Obligor will pay promptly when due all taxes, contributions, charges or levies and assessments upon the Collateral owned by such Obligor or upon its use or sale (other than those the amount or validity of which is currently being contested in good faith by appropriate proceeding and with respect to which appropriate reserves are maintained on the books of such Obligor in accordance with GAAP). At its option the Administrative Agent may discharge taxes, liens or other encumbrances at any time levied against or placed on the Collateral which have not been stayed as to execution and contested with due diligence in appropriate legal proceedings, and the Administrative Agent may pay for insurance on the Collateral and maintenance and preservation of the Collateral if such Obligor fails to do so. Such Obligor shall reimburse the Administrative Agent on demand for any such expense incurred by the Administrative Agent pursuant to the foregoing authorization, together with interest thereon, from the date paid by the Administrative Agent until payment in full by such Obligor, at a per annum rate equal to the Default Rate.

9(f) Each Obligor will at all times and in all material respects keep accurate and complete records of the Collateral. Subject to such notice required pursuant to the Credit Agreement (if any), the Administrative Agent, or any of its agents, shall have the right (in addition to the rights granted to the Administrative Agent pursuant to Section 6(c) hereof) to call at such Obligor's place or places of business during normal business hours, at intervals to be determined by the Administrative Agent, to examine and inspect the Collateral and to inspect, audit, make test verifications and otherwise check and make extracts from the books, records, journals, orders, receipts, correspondence and other data relating to the Collateral or to any other transactions between the parties hereto.

9(g) Each Obligor agrees to stamp its books and records pertaining to Accounts, Contracts, Chattel Paper, Instruments, Documents, Trademarks and General Intangibles to evidence the Administrative Agent's security interest therein in form satisfactory to the Administrative Agent immediately upon the Administrative Agent's written demand.

9(h) Each Obligor will obtain the consent of any Governmental Authority or other Person to the assignment hereunder of any of the Collateral if such consent may be required by the terms of any contract or statute.

9(i) If any action or proceeding shall be commenced, other than any action to collect the Secured Obligations, to which action or proceeding the Administrative Agent or any Lender is made a party and in which it becomes necessary to defend or uphold the Administrative Agent's security interest hereunder, all costs incurred by the Administrative Agent for the

expenses of such litigation (including reasonable actual attorney fees and expenses) shall be deemed part of the Secured Obligations secured hereby, which each Obligor agrees to pay or cause to be paid.

9(j) Each Obligor agrees that if any warehouse receipt or receipt in the nature of a warehouse receipt is issued with respect to any of its Inventory, such warehouse receipt or receipt in the nature thereof shall not be "negotiable" (as such term is used in Section 7-104 of the UCC).

9(k) Each Obligor will, at its own expense, make, execute, endorse, acknowledge, file and/or deliver to the Administrative Agent from time to time such lists, descriptions and designations of its Collateral, warehouse receipts, receipts in the nature of warehouse receipts, bills of lading, documents of title, vouchers, invoices, schedules, confirmatory assignments, conveyances, financing statements, transfer endorsements, powers of attorney, certificates, reports and other assurances or instruments and take such further steps relating to the Collateral and other property or rights covered by the security interest hereby granted, which the Administrative Agent deems appropriate or advisable to perfect, preserve or protect its security interest in the Collateral consistent with the terms hereunder, and such Obligor hereby authorizes the Administrative Agent to execute and file at any time and from time to time one or more financing statements or copies thereof or of this Security Agreement with respect to the Collateral signed only by the Administrative Agent.

9(l) If any Obligor is not the owner of any premises where any Equipment is located, such Obligor will use its reasonable best efforts to furnish such consents and waivers executed by the owners of such premises as the Administrative Agent shall request.

9(m) If any of the shares, securities, moneys or property required to be pledged by such Obligor under Section 1 hereof are received by such Obligor, forthwith either (x) transfer and deliver to the Administrative Agent such shares or securities so received by such Obligor (together with the certificates for any such shares and securities duly endorsed in blank or accompanied by undated stock powers duly executed in blank), all of which thereafter shall be held by the Administrative Agent, pursuant to the terms of this Agreement, as part of the Collateral or (y) take such other action as the Administrative Agent shall deem necessary or appropriate to duly record the Lien created hereunder in such shares, securities, moneys or property referred to in said Section 1.

SECTION 10. Events of Default.

10(a) An Event of Default ("Event of Default") shall have occurred under this Agreement upon (i) the failure by any Obligor to pay when due any Secured Obligations, whether by acceleration or otherwise, (ii) the occurrence of any event, condition or act which is defined or described as an Event of Default in any Loan Document, or (iii) the occurrence of any event, condition or act which pursuant to the terms of any Loan Document gives the Administrative Agent, for the benefit of the Credit Parties, the right to accelerate the payment of any Secured Obligations, regardless of whether the Administrative Agent exercises such right.

10(b) Upon the occurrence and during the existence of an Event of Default, the Administrative Agent shall have all of the rights, powers and remedies set forth in the Credit Agreement, the Notes, this Agreement, the other Loan Documents and any other instrument or other evidence of any of the Secured Obligations secured hereby, together with the rights and remedies of a secured party under the Uniform Commercial Code of the jurisdictions where the Collateral is located, and, without limiting the foregoing, the Administrative Agent may:

(i) personally, or by agents or attorneys, immediately retake possession of the Collateral or any part thereof, from the Company or any other Person who then has possession of any part thereof with or without notice or process of law, and for that purpose may enter upon any Obligor's premises where any of the Collateral is located and remove the same and use in connection with such removal any and all services, supplies, aids and other facilities of such Obligor; and

(ii) instruct the obligor or obligors on any agreement, instrument or other obligation (including, without limitation, the Accounts and the Contracts) constituting the Collateral to make any payment required by the terms of such instrument or agreement directly to the Administrative Agent; and

(iii) withdraw all monies, securities and instruments in the Company Account or any other account for application to the Secured Obligations; and

(iv) sell or otherwise liquidate, or direct the Company to sell or otherwise liquidate, any or all investments made in whole or in part with the Collateral or any part thereof, and take possession of the proceeds of any such sale or liquidation; and

(v) take possession of the Collateral or any part thereof, by directing any Obligor in writing to deliver the same to the Administrative Agent at any place or places designated by the Administrative Agent, in which event such Obligor shall at its own expense

(A) forthwith cause the same to be moved to the place or places so designated by the Administrative Agent and there delivered to the Administrative Agent,

(B) store and keep any Collateral so delivered to the Administrative Agent at such place or places pending further action by the Administrative Agent as provided in Section 9(c) hereof, and

(C) while the Collateral shall be so stored and kept, provide such guards and maintenance services as shall be necessary to

protect the same and to preserve and maintain them in good condition;

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

10(c) Any Collateral repossessed by the Administrative Agent under or pursuant to Section 7(k) or 10(b) and any other Collateral whether or not so repossessed by the Administrative Agent, may be sold, leased or otherwise disposed of under one or more contracts or as an entirety, and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner, at such time or times, at such place or places and on such terms as the Administrative Agent may, in compliance with any mandatory requirements of applicable law, determine to be commercially reasonable. Any of the Collateral may be sold, leased or otherwise disposed of, in the condition in which the same existed when taken by the Administrative Agent or after any overhaul or repair which the Administrative Agent shall determine to be commercially reasonable at a public or private sale or proceeding, or otherwise, by one or more contracts, in one or more parcels, at the same or different times, for cash and/or credit and upon any terms, at such places and times and to such persons as the Administrative Agent deems best, and for that purpose the Administrative Agent may enter peaceably any premises on which the Collateral or any part thereof may be situated and remove the same therefrom and each such Obligor will not resist or interfere with such action. If an Event of Default shall have occurred and be continuing, the Administrative Agent may require each such Obligor to assemble and/or remove the Collateral and make it available to the Administrative Agent at a place to be designated by the Administrative Agent which is reasonably convenient to both parties. Each Obligor hereby agrees that its address and the place or places of location of the Collateral are places reasonably convenient to it to assemble the Collateral. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, if an applicable statute requires reasonable notice of sale or other disposition, the Administrative Agent will send to such Obligor reasonable notice of the time and place of any public sale or reasonable notice of the time after which any private sale or any other disposition thereof is to be made. Each Obligor agrees that requirement of sending reasonable notice shall be met if such notice is mailed, postage prepaid, to such Obligor at least ten (10) days before the time of the sale or disposition. If an Event of Default shall have occurred and be continuing, the Administrative Agent may at any time in its discretion transfer any property constituting Collateral into its own name or that of its nominee and receive the income thereon and hold the same as security for the Secured Obligations. To the extent permitted by any law, the Administrative Agent may itself bid for and purchase the Collateral or any item thereof offered for sale in accordance with this Section without accountability to the Company (except to the extent of surplus money received as provided in Section 10(g)).

10(d) Each Obligor recognizes that the Collateral may not be readily marketable and may not be marketable at all if an Event of Default has occurred. Therefore, in order to enable the Administrative Agent to use such means as it may determine necessary or advisable to realize upon the Collateral from time to time, each Obligor consents that the Administrative Agent may

use whatever means it may reasonably consider necessary or advisable to sell any or all of the Collateral at any time or times after default thereunder, including but not restricted to the giving of an option to purchase any or all of the Collateral to any party and the extending of credit to any purchaser of such Collateral. The Administrative Agent may sell any or all of the Collateral or commit itself to sale without limiting the amount sold to the amount of indebtedness secured thereby, plus costs and expenses of collection.

10(e) The Obligors recognize that, by reason of certain prohibitions contained in the Securities Act of 1933, as amended, and applicable state securities laws, the Administrative Agent may be compelled, with respect to any sale of all or any part of the Stock Collateral, to limit purchasers to those who will agree, among other things, to acquire the Stock Collateral for their own account, for investment and not with a view to the distribution or resale thereof. The Obligors acknowledge that any such private sales may be at prices and on terms less favorable to the Administrative Agent than those obtainable through a public sale without such restrictions, and, notwithstanding such circumstances, agree that any such private sale shall be deemed to have been made in a commercially reasonable manner and that the Administrative Agent shall have no obligation to engage in public sales and no obligation to delay the sale of any Stock Collateral for the period of time necessary to permit the respective issuer or issuer thereof to register it for public sale.

10(f) Upon the occurrence and continuance of an Event of Default, the Administrative Agent may appropriate, set off and apply to the payment of the Secured Obligations, any Collateral in or coming into the possession of the Administrative Agent or its agents, in such manner as the Administrative Agent may in its discretion determine.

10(g) The proceeds of any Collateral obtained pursuant to Section 2(a), 7(k) or 10(b) or disposed of pursuant to Section 10(c) shall be applied as follows:

- (i) to the payment of any and all expenses and fees (including reasonable actual attorneys' fees and expenses) incurred by the Administrative Agent in obtaining, taking possession of, removing, insuring, repairing, storing and disposing of Collateral and any and all amounts incurred by the Administrative Agent in connection therewith;
- (ii) next, any surplus then remaining to the payment of the Secured Obligations in such order as the Administrative Agent may determine (subject to any statutory requirements), and the Obligors shall remain liable for, and shall pay on demand, any deficiency; and
- (iii) after payment in full of all amounts due under subparagraphs 10(g)(i) and 10(g)(ii) above, any surplus then remaining, if any, shall be paid to the Company, subject, however, to the rights of the holder of any then existing Lien of which the Administrative Agent has actual notice (without investigation).

10(h) Each and every right, power and remedy hereby specifically given to the Administrative Agent shall be in addition to every other right, power and remedy specifically given under this Agreement or under the other Security Documents or now or hereafter existing at law or in equity, or by statute and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time or simultaneously and as often and in such order as may be deemed expedient by the Administrative Agent. All such rights, powers and remedies shall be cumulative and the exercise or the beginning of exercise of one shall not be deemed a waiver of the right to exercise of any other or others. The Administrative Agent may exercise its rights with respect to Collateral without resorting to or regard to other Collateral or sources of reimbursement for any of the Secured Obligations. No delay or omission of the Administrative Agent in the exercise of any such right, power or remedy and no renewal or extension of any of the Secured Obligations shall impair any such right, power or remedy or shall be construed to be a waiver of any Default or Event of Default or an acquiescence therein. In the event that the Administrative Agent shall bring any suit to enforce any of its rights hereunder and shall be entitled to judgment, then in such suit the Administrative Agent may recover reasonable expenses, including attorneys' fees, and the amounts thereof shall be included in such judgment.

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

SECTION 11. Deficiency. If the proceeds of sale, collection or other realization of or upon the Collateral pursuant to Section 10 hereof are insufficient to cover the costs and expenses of such realization and the payment in full of the Secured Obligations, the Obligors shall remain liable for any deficiency.

SECTION 12. Private Sale. The Administrative Agent and the Lenders shall incur no liability as a result of the sale of the Collateral, or any part thereof, at any private sale pursuant to Section 10 hereof conducted in a commercially reasonable manner. Subject to the Administrative Agent and the Lenders exercising any rights or remedies in a commercially reasonable manner, each Obligor hereby waives any claims against the Administrative Agent or any Lender 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, even if the Administrative Agent accepts the first offer received and does not offer the Collateral to more than one offeree.

SECTION 13. Waivers.

13(a) Except as otherwise provided in this Agreement, **EACH OBLIGOR HEREBY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, NOTICE OR JUDICIAL HEARING IN CONNECTION WITH THE ADMINISTRATIVE AGENT'S**

TAKING POSSESSION OR THE ADMINISTRATIVE AGENT'S DISPOSITION OF ANY OF THE COLLATERAL, INCLUDING, WITHOUT LIMITATION, ANY AND ALL PRIOR NOTICE AND HEARING FOR ANY PREJUDGMENT REMEDY OR REMEDIES AND ANY SUCH RIGHT WHICH THE DEBTOR WOULD OTHERWISE HAVE UNDER THE CONSTITUTION OR ANY STATUTE OF THE UNITED STATES OR OF ANY STATE, and each Obligor hereby further waives:

- (i) all damages occasioned by such taking of possession except any damages which are the direct result of the Administrative Agent's gross negligence or willful misconduct;
- (ii) all other requirements as to the time, place and terms of sale or other requirements with respect to the enforcement of the Administrative Agent's rights hereunder; and
- (iii) all rights of redemption, appraisalment, valuation, stay, extension or moratorium now or hereafter in force under any applicable law in order to prevent or delay the enforcement of this Agreement or the absolute sale of the Collateral or any portion thereof, and each Obligor, for itself and all who may claim under insofar as it or they, now or hereafter, lawfully may, hereby waives the benefit of all such laws.

Any sale of, or the grant of options to purchase, or any other realization upon, any Collateral shall operate to divest all right, title, interest, claim and demand, either at law or in equity, of each Obligor therein and thereto, and shall be a perpetual bar both at law and in equity against each Obligor and against any and all Persons claiming or attempting to claim the Collateral so sold, optioned or realized upon, or any part thereof, from, through and under such Obligor.

13(b) Each Obligor waives demand, notice, protest, notice of acceptance of this Agreement, notice of loans made, credit extended, Collateral received or delivered or other action taken in reliance hereon and all other demands and notices of any description except as hereinbefore provided. With respect to Secured Obligations and Collateral, each Obligor assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of Collateral, to the addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payments thereon and the settlement, compromising or adjusting of any thereof, all in such time or times as the Administrative Agent may deem advisable. Each Obligor waives all rules of suretyship law and any other law whatsoever which is legally permitted to be waived and which would, if not waived, impair the Administrative Agent's enforcement of its security interests hereunder. By way of example, but not in limitation of the Administrative Agent's rights under this Security Agreement, subject to the terms and conditions of this Security Agreement and the Credit Agreement, the Administrative Agent may, do any of the following without notice to such Obligor (unless such notice or other action is otherwise required pursuant to any of the Loan Documents to which such Obligor is a party):

- (i) change, renew or extend the time for payment of all or any part of the Secured Obligations;

- (ii) change any provision with respect to all or any part of the Secured Obligations;
- (iii) release, surrender, sell or otherwise dispose of any money or property which is in the Administrative Agent's possession as collateral security for the Secured Obligations;
- (iv) fail to perfect a security interest in any property which is pledged or mortgaged as security for payment of the Secured Obligations;
- (v) release or discharge any party liable to the Administrative Agent in whole or in part for the Secured Obligations, or accept any additional parties or guarantors;
- (vi) delay or refrain from exercising any of the Administrative Agent's rights;
- (vii) settle or compromise any and all claims pertaining to the Secured Obligations and the Collateral; and
- (viii) apply any money or property of such Obligor or that of any other party liable to the Administrative Agent for any part of the Secured Obligations in any order such Obligor chooses.

13(c) The Administrative Agent shall have no duty as to the collection or protection of Collateral not in the Administrative Agent's possession, and the Administrative Agent's duty with reference to Collateral in its possession shall be to use reasonable care in the custody and preservation of such Collateral, but such duty shall not require the Administrative Agent to do any of the following (although the Administrative Agent is authorized to reasonably undertake any such action if the Administrative Agent deems such action appropriate):

- (i) exercise any rights under the Collateral or act upon any request made by any Obligor;
- (ii) collect any sums due on the Collateral;
- (iii) notify any Obligor of any maturities or other similar matters concerning the Collateral; or
- (iv) preserve or protect any Obligor's rights in the Collateral or take any action to protect any of the Collateral against claims of others or to preserve rights against prior parties.

SECTION 14. Indemnity and Costs and Expenses.

14(a) Each Obligor agrees to pay, or reimburse the Administrative Agent for any and all fees, costs and expenses of whatever kind or nature incurred in connection with (i) the enforcement or attempted enforcement of the Administrative Agent's rights under this Security Agreement, and (ii) the creation, preservation or protection of the Administrative Agent's Liens

on, and security interest in, the Collateral, including, without limitation, all fees and taxes in connection with the recording or filing of instruments and documents in public offices, payment or discharge of any taxes or Liens upon or in respect of the Collateral, premiums for insurance with respect to the Collateral and all other fees, costs and expenses in connection with protecting, maintaining or preserving the Collateral and the Administrative Agent's interest therein, whether through judicial proceedings or otherwise, or in defending or prosecuting any actions, suits or proceedings arising out of or relating to the Collateral.

14(b) Without limiting the application of Section 14(a) hereof, each Obligor agrees to pay, indemnify and hold the Administrative Agent and the other Credit Parties (collectively, the "Indemnitees") harmless from and against any loss, costs, damages and expenses which any such Indemnitee may suffer, expend or incur in consequence of or growing out of any misrepresentation by any Obligor in this Agreement or any of the other Loan Documents or in any statement or writing contemplated by or made or delivered pursuant to or in connection with this Agreement or any of the other Security Documents or any breach by any Obligor of this Agreement or any of the other Loan Documents.

14(c) If and to the extent that the obligations of any Obligor under this Section 14 are unenforceable for any reason, each Obligor hereby agrees to make the maximum contribution to the payment and satisfaction of such obligations which is permissible under applicable law.

14(d) Any amounts paid by any Indemnitee as to which such Indemnitee has the right to reimbursement shall constitute Secured Obligations secured by the Collateral. The indemnity obligations of the Obligors contained in this Section 14 shall continue in full force and effect notwithstanding the full payment of all the Notes issued under the Credit Agreement and all of the other Secured Obligations and notwithstanding the discharge thereof.

SECTION 15. The Administrative Agent. Without limiting any provision hereof, the Administrative Agent shall be entitled to the rights, powers, immunities, exculpations and privileges set forth in Article IX of the Credit Agreement as if the same were set forth in full in this Agreement. The Lenders shall have no rights hereunder to realize upon the Collateral or otherwise enforce the provisions of this Agreement, it being understood that such rights and remedies may be exercised only by the Administrative Agent.

SECTION 16. Successors and Assigns. The covenants, representations, warranties and agreements herein set forth shall be binding upon each Obligor, its legal representatives, successors and assigns, and shall inure to the benefit of the Administrative Agent, the Lenders and their respective successors and assigns. The successor of the Administrative Agent hereunder shall forthwith become vested with and shall be entitled to exercise all the powers and rights given by this Agreement to the Administrative Agent, as if said successor were originally named as secured party herein.

SECTION 17. Administrative Agent May Perform. If any Obligor fails to perform any agreement contained herein, the Administrative Agent may itself perform, or cause performance of, such agreement, and the expenses of the Administrative Agent incurred in connection therewith shall be payable by such Obligor on demand.

SECTION 18. No Waiver; Remedies. No failure on the part of the Administrative Agent to exercise, and no delay in exercising, and no course of dealing with respect to, any right, power, or remedy under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder and under any of the other Loan Documents preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. The remedies provided herein and in the other Loan Documents are cumulative and not exclusive of any remedies provided by law.

SECTION 19. Governing Law. **THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ANY CHOICE OF LAW RULES WHICH WOULD REQUIRE THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION EXCEPT TO THE EXTENT THAT THE LAWS OF THE JURISDICTIONS WHERE THE COLLATERAL IS LOCATED APPLY TO THE CREATION, ATTACHMENT, PERFECTION, PRIORITY AND ENFORCEMENT OF LIENS ON AND SECURITY INTERESTS IN THE COLLATERAL.**

SECTION 20. Severability. If any provision hereof shall be held to be invalid, illegal or 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 (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.

SECTION 21. Amendments. None of the terms or provisions of this Security Agreement may be waived, altered, modified, or amended except by an agreement in writing signed by the Administrative Agent and the Obligors (but, as to the Administrative Agent, only with the consent of the requisite Lenders as provided in the Credit Agreement).

SECTION 22. Additional Subsidiary Guarantors. As contemplated in Section 6.09 of the Credit Agreement, new Subsidiaries of the Company acquired or formed by the Company after the date hereof must become a "Subsidiary Guarantor" under the Credit Agreement and this Agreement, by executing and delivering to the Administrative Agent a Guarantee Assumption Agreement in the form of Exhibit C-2 to the Credit Agreement. Accordingly, upon the execution and delivery of any such Guarantee Assumption Agreement by any such Subsidiary, such new Subsidiary shall automatically and immediately, and without any further action on the part of any Person, become an "Obligor" for all purposes of this Agreement, and each of the Annexes hereto shall be supplemented in the manner specified in such Guarantee Assumption Agreement.

SECTION 23. Notices. All notices, statements, requests and demands herein provided for shall be in writing and shall be deemed to have been given or made when delivered to the respective addresses and in the manner specified in Section 10.01 of the Credit Agreement.

SECTION 24. Counterparts. This Agreement may be executed in any number of counterparts, all of which, when taken together shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing any such counterpart.

SECTION 25. Termination. When all Secured Obligations shall have been paid in full and the Commitments under the Credit Agreement have expired or been terminated, this Agreement shall terminate, and the Administrative Agent shall 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 for the account of the Company. The Administrative Agent shall also execute and deliver to the Obligors upon such termination such UCC termination statements and such other documentation as shall be reasonably requested as necessary by the Obligors to effect the termination and release of the Liens on the Collateral, all at the expense of the Obligors.

SECTION 26. Amendment and Restatement. (i) This Agreement amends and restates in its entirety the Initial Security Agreement and (ii) the Liens on the "Collateral" referred to in the Initial Security Agreement are hereby extended without release or termination thereof as Liens on the Collateral under this Agreement.

[SIGNATURE PAGES FOLLOW]

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

SOURCE MAGAZINE, LLC, as an Obligor

By: David Mays
Name: David Mays
Title: Manager

SOURCE ENTERPRISES, INC. , as an Obligor

By: David Mays
Name: David Mays
Title: President and Secretary

SOURCE ENTERTAINMENT, LLC, as an Obligor

By: David Mays
Name: David Mays
Title: Manager

SOURCE.COM, LLC, as an Obligor

By: David Mays
Name: David Mays
Title: Manager

SOURCE BROADCAST MEDIA, LLC, as an Obligor

By: David Mays
Name: David Mays
Title: Manager

SOURCE SOUND LAB, LLC, as an Obligor

By: David Mays
Name: David Mays
Title: Manager

SOURCE MUSIC, LLC, as an Obligor

By: David Mays
Name: David Mays
Title: Manager

SOURCE HOLDINGS LLC, as an Obligor

By: David Mays
Name: David Mays
Title: Manager

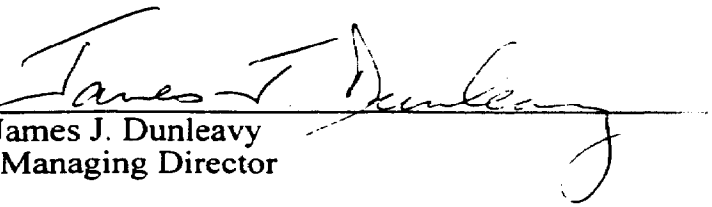
SOURCE MERCHANDISING, LLC, as an Obligor

By: David Mays
Name: David Mays
Title: Manager

SURRENDER RECORDS, INC. , as an Obligor

By: David Mays
Name: David Mays
Title: President and Treasurer

IBJ WHITEHALL BANK & TRUST COMPANY,
as Administrative Agent

By: 
James J. Dunleavy
Managing Director

SCHEDULE A-1

to

Security Agreement and UCC-1 Financing Statement
in favor of

IBJ Whitehall Bank & Trust Company
as the Administrative Agent for the Lenders
and the other Credit Parties*

granted by SOURCE MAGAZINE, LLC, SOURCE ENTERPRISES, INC. (f/k/a
SOURCE PUBLICATIONS, INC.), SOURCE ENTERTAINMENT, LLC,
SOURCE.COM, LLC, SOURCE BROADCAST MEDIA, LLC, SOURCE
SOUND LAB, LLC, SOURCE MUSIC, LLC, SOURCE HOLDINGS LLC,
SOURCE MERCHANDISING, LLC and SURRENDER RECORDS, INC.
as Obligors

(i) All equipment (as defined in the UCC) in all of its forms, wherever located, now existing or hereafter acquired, including, without limitation, all machinery and other goods, furniture, furnishings, trade fixtures, office supplies, motor vehicles, tools, computers (including hardware and software) and other office equipment, all equipment and other goods and property more particularly described in capital leases and any subleases or assignments thereof, and all other tangible personal property used in connection with or related to the operation of the Obligors' business, together with all parts, fittings, special tools, alterations, attachments, additions, accessories, improvements, substitutions, replacements and accessions thereto, and all proceeds and products arising therefrom (the "Equipment");

(ii) All inventory (as defined in the UCC) and merchandise in all of its forms, wherever located, now existing or hereafter acquired including, but not limited to, (i) all raw materials and work in process therefor, finished goods thereof, and materials used or consumed in the manufacture or production thereof, (ii) goods in which the Obligor has an interest in mass or a joint or other interest or right of any kind (including, without limitation, goods in which the Obligors have an interest or right as consignee), and (iii) goods which are returned to or repossessed by the Obligors, and all accessions thereto and products and proceeds thereof and general intangibles arising therefrom (the "Inventory");

(iii) All of the Obligors' accounts (as defined in the UCC), whether now existing or hereafter acquired, including without limitation any and all rights evidenced by an account, note, contract, security agreement, chattel paper, or other evidence of indebtedness or security, together with (a) all security pledged, assigned, hypothecated or granted to or held by the Obligors to secure the foregoing, (b) all of the Obligors' right, title and interest in and to any goods, the sale of which gave rise thereto, (c) all guarantees, endorsements and indemnifications on, or of, any of the foregoing, (d) all powers of attorney for the execution of any evidence of indebtedness or security or other writing in connection therewith, (e) all books, records, ledger cards, and invoices relating thereto, (f) all evidences of the filing of financing statements and other statements and the registration of other instruments in connection therewith and amendments thereto, notices to other creditors or secured parties, and certificates from filing or other registration officers, (g) all credit information, reports and memoranda relating thereto, and (h)

all other writings related in any way to the foregoing, and all proceeds and general intangibles arising therefrom (the "Accounts");

(iv) All of the contracts and agreements of the Obligors listed on Schedule A-2 attached hereto, together with all schedules, exhibits, documents and certificates referred to therein, as amended, supplemented or otherwise modified from time to time, including without limitation, all rights of the Obligors to (a) receive moneys due and to become due to it thereunder or in connection therewith, (b) damages arising out of, or for, breach or default in respect thereof, (c) compel performance of the terms thereof, (d) benefits and claims under all warranty and indemnity provisions contained therein, (e) all insurance payments provided therein and (f) any other moneys due and to become due to the Obligors thereunder or in connection therewith (the "Contracts");

(v) All chattel paper (as defined in the UCC), now owned or hereafter acquired, and all proceeds and general intangibles arising therefrom (the "Chattel Paper");

(vi) All instruments (as defined in the UCC) of the Obligors, now owned or hereafter acquired, and all proceeds and general intangibles arising therefrom (the "Instruments");

(vii) All of the Obligors' now existing and hereafter acquired general intangibles (as defined in the UCC), including without limitation all of the Obligors' rights and interest in any contracts, franchises, licenses, leases, easements, customer lists, methods of doing business, copyrights, the Trademarks, the Patents, non-compete agreements, distribution agreements, and all other general intangibles, and intellectual, proprietary and intangible property and the proceeds of any of the foregoing (the "General Intangibles");

(viii) All of the Obligors' right, title and interest in, to and under any now existing or hereafter created or acquired United States (or individual State thereof) and foreign servicemarks and trademarks (including without limitation the trademarks listed on Schedule A-3 attached hereto), trade names, trade styles, logos and/or designs, and trade dress, including, without limitation, the goodwill of the business to which each of the foregoing relates, all registrations, recordings, and applications with respect to the foregoing, all affidavits of use and incontestability, all renewals thereof, all licenses, royalties, income, claims, damages, payments, and proceeds of suit now or hereafter payable or due for past or future infringements of any of the foregoing; the right (but not the obligation) to sue for past, present, and future infringements of any of the foregoing; all rights corresponding to the foregoing throughout the world; and all proceeds and general intangibles arising therefrom (the "Trademarks");

(ix) All of the Obligors' right, title and interest in, to and under any now existing or hereafter created or acquired United States and foreign patents, patent applications, and patentable inventions, including, but not limited to, each patent and patent application referred to in Schedule A-4 attached hereto; all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations of any of the foregoing; all licenses, royalties, income, claims, damages, payments, and proceeds of suit now or hereafter payable or due for past or future infringements of any of the foregoing; the right (but not the obligation) to sue for past, present, and future infringements of any of the foregoing; all rights corresponding to the

foregoing throughout the world; and all proceeds and general intangibles arising therefrom (the "Patents");

(x) All of the Obligors' right, title and interest in, to and under any now existing or hereafter created or acquired (a) copyrights in all original works of authorship fixed in any tangible medium of expression including, without limitation, all databases, source codes, object codes and manuals, whether published or unpublished, now or hereafter existing, in the United States and all foreign countries, and all applications, registrations, renewals, extensions and recordings relating thereto filed in the United States Copyright Office or in any other governmental office or agency in the United States or elsewhere, (b) all other rights which the Obligors presently have or hereafter acquires pursuant to any Copyright License, including, without limitation, copyright assignments, exclusive and non-exclusive licenses, and all right, title and interest of the Obligors in all physical material embodying works with respect to which the Obligor own or hold rights in any Copyrights or Copyright Licenses (the "Copyrights"), (c) any agreement, written or oral, naming the Obligors as licensors or licensees, granting any right in or to any Copyright or copyright registration in the United States or any foreign country excluding any license that prohibits the granting of a security interest therein (except to the extent such prohibition is ineffective under the UCC) or (d) any and all present and future agreements, including, without limitation, assignments and consents, as any such agreements may from time to time be amended or supplemented, pursuant to which the Obligors now have or hereafter acquire any direct or beneficial interest in any Copyright, or is a grantor of rights to any third party with respect to any copyright, whether as a party to any such agreement or as an assignee of any rights under any such agreement excluding, however, non-exclusive computer software licenses excluding any license that prohibits the granting of a Security interest therein (except to the extent such prohibition is ineffective under the UCC) ("Copyright License"); including, but not limited to, each Copyright and Copyright License referred to in Schedule A-5 attached hereto; and all proceeds and general intangibles arising from any of the foregoing.

(xi) All of the Obligors' books, records and other property relating to or referring to any of the foregoing, including without limitation, all books, records, ledger cards and other property and general intangibles at any time evidencing or relating to the Accounts, Inventory, Instruments, Chattel Paper, Documents, Trademarks, Patents and General Intangibles, and the proceeds thereof (the "Records");

(xii) All insurance policies held by the Obligors or naming the Obligors as loss payee (including, without limitation, casualty insurance, key-man life insurance, property insurance and business interruption insurance), and all such insurance policies entered into after the date hereof, and all proceeds and general intangibles arising therefrom (the "Insurance");

(xiii) All documents of title (as defined in the UCC) or other receipts of the Obligors covering, evidencing or representing any Inventory or Equipment wherever located, now owned or hereafter acquired, and all proceeds and general intangibles arising therefrom (the "Documents");

(xiv) All of the Obligors' rights as a seller of goods under Article 2 of the UCC or otherwise with respect to Inventory, and all goods represented by or securing any of the Accounts, all of the

Obligors' rights therein, including, without limitation, rights as an unpaid vendor or lienor and including rights of stoppage in transit, replevin and reclamation ("Other Rights");

(xv) All guarantees, mortgages or security interests on real or personal property, leases or other agreements or property now or hereafter securing or relating to any of the items referred to above in favor of the Obligors, or now or hereafter acquired for the purpose of securing and enforcing any of such items in favor of the Obligors, and the proceeds thereof (the "Obligor's Security"); and

(xvi) All shares of capital stock, membership interests or other equity interests of each Subsidiary (each as "Issuer" and collectively the "Issuers") of the respective Obligors, and any shares of capital stock, membership interests or other equity interests obtained in the future by such Obligors and the certificates representing such shares, membership interest or other equity interests, in each case subject to a maximum pledged interest of 65% of such shares, membership interests or other equity interests with respect to any Foreign Subsidiary (collectively, the "Pledged Stock"); and all shares, membership interest and other equity interests, 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 and all distributions from time to time received on account of such Pledged Stock (including any amounts in respect of indemnification of the Obligors on account of such Pledged Stock whether in cash, securities, instruments or other property, in each case subject to a maximum pledge of 65% of such shares, membership interests and other equity interests with respect to any Foreign Subsidiary; and in the event of any consolidation or merger in which an Issuer is not the surviving corporation, all shares of each class of the capital stock, membership interests and other equity interests of the successor corporation (unless such successor corporation is such Obligor itself) formed by or resulting from such consolidation or merger, in each case subject to a maximum pledge of 65% of such shares, membership interests and other equity interests with respect to any Foreign Subsidiary.

(xvii) All sums at any time standing to Obligors' credit on the books of Lenders and all moneys, securities, and other property of the Obligor at any time in the Administrative Agent's possession, including, without limitation, all monies, securities and instruments deposited or required to be deposited in the Company Account and any other account, whether now existing or hereafter from time to time acquired, and all proceeds and general intangibles arising therefrom ("Other Property").

- * As used in this Schedule A-1, "Lenders" means IBJ Whitehall Bank & Trust Company, its successors and assigns (including each "Lender" which shall become party to the First Amended and Restated Credit Agreement between the Obligors, IBJ Whitehall Bank & Trust Company, as Administrative Agent for the Lenders or other financial institutions or entities party, as Lenders, thereunder). All other capitalized terms shall have the meanings ascribed thereto in the Security Agreement.

SCHEDULE A-2
to
Security Agreement and UCC-1 Financing Statement
in favor of
IBJ Whitehall Bank & Trust Company
as the Administrative Agent for the Lenders
and the other Credit Parties*
granted by SOURCE MAGAZINE, LLC, SOURCE ENTERPRISES, INC. (f/k/a
SOURCE PUBLICATIONS, INC.), SOURCE ENTERTAINMENT, LLC,
SOURCE.COM, LLC, SOURCE BROADCAST MEDIA, LLC, SOURCE
SOUND LAB, LLC, SOURCE MUSIC, LLC, SOURCE HOLDINGS LLC,
SOURCE MERCHANDISING, LLC and SURRENDER RECORDS, INC.
as Obligors

List of Contracts

- 1 Agreement, dated February 22, 2000, between Strategic Research Institute L.P. and the Company.
- 2 Fulfillment Services Agreement, dated May 1, 1992, between Kable News Company, Inc. and Holdings (currently being renewed).
- 3 Agreement, dated March 13, 2000, between RR Donnelley & Sons Company and Holdings, as assigned to the Company.
- 4 Agreement, dated March 1, 1996, between WorldWide Media Service, Inc. and Holdings, as assigned to the Company.
- 5 Distribution Agreement, dated February 26, [2001], between Curtis Circulation Company and Holdings, as assigned to the Company.
- 6 Contribution Agreement, dated January 1, 1999, between Holdings and Company.
- 7 Assignment of Trademarks, dated March 31, 2000, between Holdings and Company.

* As used in this Schedule A-2, "Lenders" means IBJ Whitehall Bank & Trust Company, its successors and assigns (including each "Lender" which shall become party to the First Amended and Restated Credit Agreement between the Obligors, IBJ Whitehall Bank & Trust Company, as Administrative Agent for the Lenders or other financial institutions or entities party, as Lenders, thereunder). All other capitalized terms shall have the meanings ascribed thereto in the Security Agreement.

SCHEDULE A-3

to
Security Agreement and UCC-1 Financing Statement
in favor of

IBJ Whitehall Bank & Trust Company
as the Administrative Agent for the Lenders
and the other Credit Parties*

granted by SOURCE MAGAZINE, LLC, SOURCE ENTERPRISES, INC. (f/k/a
SOURCE PUBLICATIONS, INC.), SOURCE ENTERTAINMENT, LLC,
SOURCE.COM, LLC, SOURCE BROADCAST MEDIA, LLC, SOURCE
SOUND LAB, LLC, SOURCE MUSIC, LLC, SOURCE HOLDINGS LLC,
SOURCE MERCHANDISING, LLC and SURRENDER RECORDS, INC.
as Obligors

Description of Trademarks

UNITED STATES TRADEMARK REGISTRATIONS

Obligor	Mark	Serial No.	Filing Date	Reg. No.	Reg. Date
<p>Source Magazine LLC; Source Enterprises, Inc. assignment of interest to Source Magazine, LLC on 3/31/00; recorded on 5/2/00 on Reel/Frame 2077/0433;</p> <p>Assignment of interest from Source Enterprises, Inc. to Source Magazine, LLC on 3/31/00; recorded 4/4/00 at Reel/Frame: 2061/0277;</p> <p>Security Agreement granted by Source Magazine, LLC to IBJ Whitehall Bank & Trust Company on 3/31/00; recorded on 5/2/00 at Reel/Frame: 2077/0380;</p> <p>Security interest granted by Source Enterprises, Inc. to State Street Bank and Trust Company on 4/22/99; recorded on 7/13/99 at Reel/Frame: 1927/0098;</p> <p>Source Publications, Inc. changed name to Source Enterprises, Inc. on 4/23/98; recorded 2/28/00 at Reel/Frame: 2094/0674.</p>	<p>Our Athletes Our Voice</p>	75/566,491	10/7/98	2,323,481	2/29/00

<p>Source Enterprises, Inc. assignment of interest to Source Magazine on 3/31/00; recorded on 5/2/00 on Reel/Frame 2077/0433;</p> <p>Assignment of interest from Source Enterprises, Inc. to Source Magazine, LLC on 3/31/00; recorded 4/4/00 at Reel/Frame: 2061/0277;</p> <p>Security Agreement granted by Source Magazine, LLC to IBJ Whitehall Bank & Trust Company on 3/31/00; recorded on 5/2/00 at Reel/Frame: 2077/0380;</p> <p>Security interest granted by Source Enterprises, Inc. to State Street Bank and Trust Company on 4/22/99; recorded on 7/13/99 at Reel/Frame: 1927/0098;</p> <p>Source Publications, Inc. changed name to Source Enterprises, Inc. on 4/23/98; recorded 2/28/00 at Reel/Frame: 2094/0674.</p>	<p>The Magazine of Hip-Hop Music, Culture and Politics</p>	<p>75/567,003</p>	<p>10/7/98</p>	<p>2,264,663</p>	<p>7/27/99</p>
<p>Source Enterprises, Inc. assignment of interest to Source Magazine, LLC on 3/31/00; recorded on 5/2/00 on Reel/Frame 2077/0433;</p> <p>Assignment of interest from Source Enterprises, Inc. to Source Magazine, LLC on 3/31/00; recorded 4/4/00 at Reel/Frame: 2061/0277;</p> <p>Security Agreement granted by Source Magazine, LLC to IBJ Whitehall Bank & Trust Company on 3/31/00; recorded on 5/2/00 at Reel/Frame: 2077/0380;</p> <p>Security interest granted by Source Enterprises, Inc. to State Street Bank and Trust Company on 4/22/99; recorded on 7/13/99 at Reel/Frame: 1927/0098;</p>	<p>The Source Sports</p>	<p>75/476,692</p>	<p>4/29/98</p>	<p>2,264,663</p>	<p>7/27/99</p>

Source Publications, Inc. changed name to Source Enterprises, Inc. on 4/23/98; recorded 2/28/00 at Reel/Frame: 2094/0674.					
Source Enterprises, Inc. Security interest granted by Source Enterprises, Inc. (formerly Source Publications, Inc.) to State Street Bank and Trust Company on 4/22/99; recorded on 7/13/99 at Reel/Frame: 1927/0098	THE SOURCE	75/566,588	10/7/98	2,331,475	3/21/00
Source Enterprises, Inc.	UNSIGNED HYPE	76/017,717	4/5/00	2,430,037	2/20/01
Source Enterprises, Inc.	UNSIGNED HYPE	76/017,718	4/5/00	2,430,038	2/20/01
Source Enterprises, Inc.	WELCOME TO THE HIP-HOP GENERATION	75/942,775	3/13/00	2,446,247	4/24/01
Source Enterprises, Inc. assignment of a part interest to Source Magazine, LLC on 3/31/00; recorded on 4/10/00 on Reel/Frame 2063/0040; Assignment of interest from Source Enterprises, Inc. to Source Magazine, LLC on 3/31/00; recorded 5/2/00 at Reel/Frame: 2077/0433; Source Publications, Inc. changed name to Source Enterprises, Inc. on 4/23/98; recorded 2/28/00 at Reel/Frame: 2094/0674	(words and design)	75/565,428	10/7/98	2,356,796	6/13/00
Source Enterprises, Inc. assignment of interest to Source Magazine, LLC on 3/31/00; recorded on 5/2/00 on Reel/Frame 2077/0433; Assignment of interest from Source Enterprises, Inc. to Source Magazine, LLC on 3/31/00; recorded 4/4/00 at Reel/Frame: 2061/0277; Security Agreement granted by Source Magazine, LLC to IBJ	THE SOURCE	74/583,551	10/7/94	1,954,494	2/6/96

<p>Whitehall Bank & Trust Company on 3/31/00; recorded on 5/2/00 at Reel/Frame: 2077/0380;</p> <p>Source Publications, Inc. changed name to Source Enterprises, Inc. on 4/23/98; recorded 2/28/00 at Reel/Frame: 2094/0674;</p> <p>Security interest granted by Source Publications, Inc. to State Street Bank and Trust Company on 12/30/96; recorded on 1/6/97 at Reel/Frame: 1564/0395.</p>					
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UNITED STATES COMMON LAW MARKS

Carlito's Way	Hip-Hop Quotable
Coast to Coast	Independent's Day
Ear to the Street	Microphone Check
Fashionation	Off tha Head
Fat Tape	Players to Playaz
Hip Hop Hall of Fame	Unsigned Hype

UNITED STATES PENDING TRADEMARK APPLICATION

Obligor	Mark	Serial No.	Filing Date	Status
Source Enterprises, Inc.	MADE MEN	75/570,845	10/15/98	Statement of Use due 3/7/01
Source Enterprises, Inc.	RAY BENZINO'S MADE MEN	75/565,429	10/7/98	Statement of Use due 3/7/01
Source Enterprises, Inc.	S (words and design)	75/566,589	10/7/98	Allowed to Register 4/12/01
Source Enterprises, Inc.	THE SOURCE	75/566,595	10/7/98	Request for Extension of Time to Oppose filed 1/17/01

Source Enterprises, Inc.	THE SOURCE	75/791,021	9/2/99	Response to Final Office Action due 4/27/01
Source Enterprises, Inc.	THE SOURCE APPROVED	76/078,767	6/27/00	Response to Non-Final Office Action due 8/27/01
Source Enterprises, Inc.	THE SOURCE TELEVISION	75/493,410	5/29/98	Statement of Use due 3/14/01

FOREIGN PENDING TRADEMARK APPLICATIONS

Obligor	Mark	Serial No.	Filing Date	Application No.	Status
Source Publications (Name Change Pending)	The Source (Canada)	873,289	3/25/98	873,289	Pending
Source Publications (Name Change Pending)	The Source (UK)	2,166,702	5/13/98	2,166,702	Pending

* As used in this Schedule A-3, "Lenders" means IBJ Whitehall Bank & Trust Company, its successors and assigns (including each "Lender" which shall become party to the First Amended and Restated Credit Agreement between the Obligor, IBJ Whitehall Bank & Trust Company, as Administrative Agent for the Lenders or other financial institutions or entities party, as Lenders, thereunder). All other capitalized terms shall have the meanings ascribed thereto in the Security Agreement.

SCHEDULE A-4
to
Security Agreement and UCC-1 Financing Statement
in favor of
IBJ Whitehall Bank & Trust Company
as the Administrative Agent for the Lenders
and the other Credit Parties*
granted by SOURCE MAGAZINE, LLC, SOURCE ENTERPRISES, INC. (f/k/a
SOURCE PUBLICATIONS, INC.), SOURCE ENTERTAINMENT, LLC,
SOURCE.COM, LLC, SOURCE BROADCAST MEDIA, LLC, SOURCE
SOUND LAB, LLC, SOURCE MUSIC, LLC, SOURCE HOLDINGS LLC,
SOURCE MERCHANDISING, LLC and SURRENDER RECORDS, INC.
as Obligors

Description of Patents

None.

- * As used in this Schedule A-4, "Lenders" means IBJ Whitehall Bank & Trust Company, its successors and assigns (including each "Lender" which shall become party to the First Amended and Restated Credit Agreement between the Obligors, IBJ Whitehall Bank & Trust Company, as Administrative Agent for the Lenders or other financial institutions or entities party, as Lenders, thereunder). All other capitalized terms shall have the meanings ascribed thereto in the Security Agreement.

SCHEDULE A-5
to
Security Agreement and UCC-1 Financing Statement
in favor of
IBJ Whitehall Bank & Trust Company
as the Administrative Agent for the Lenders
and the other Credit Parties*
granted by SOURCE MAGAZINE, LLC, SOURCE ENTERPRISES, INC. (f/k/a
SOURCE PUBLICATIONS, INC.), SOURCE ENTERTAINMENT, LLC,
SOURCE.COM, LLC, SOURCE BROADCAST MEDIA, LLC, SOURCE
SOUND LAB, LLC, SOURCE MUSIC, LLC, SOURCE HOLDINGS LLC,
SOURCE MERCHANDISING, LLC and SURRENDER RECORDS, INC.
as Obligor

Description of Copyrights

Title of Work	Owner	Registration No.	Registration Date
California minority business enterprises directory	Source Publications, Inc.	TX94051	8/24/78
Minority business enterprise system database description & documentation	Source Publications, Inc.	Txu7765	8/24/78
Minority/women's business enterprises directory, December 1981	Source Publications, Inc.	TX821369	12/2/81
National minority business information system: a national directory of minority and women owned firms	Source Publications, Inc.	TX759555	8/24/81
Retail profits: management and financial strategies for the successful retailer - - Vol. 1, No. 1, Oct. 1991	Source Publications, Inc.	TX3290613	4/13/92
Source Publications present The "J.G." report: or, From the horse's mouth	Source Publications	TX531767	8/19/80

- * As used in this Schedule A-5, "Lenders" means IBJ Whitehall Bank & Trust Company, its successors and assigns (including each "Lender" which shall become party to the First Amended and Restated Credit Agreement between the Obligor, IBJ Whitehall Bank & Trust Company, as Administrative Agent for the Lenders or other financial institutions or entities party, as Lenders, thereunder). All other capitalized terms shall have the meanings ascribed thereto in the Security Agreement.

SCHEDULE B

to

Security Agreement

in favor of

IBJ Whitehall Bank & Trust Company
as the Administrative Agent for the Lenders
and the other Credit Parties*

granted by SOURCE MAGAZINE, LLC, SOURCE ENTERPRISES, INC. (f/k/a
SOURCE PUBLICATIONS, INC.), SOURCE ENTERTAINMENT, LLC,
SOURCE.COM, LLC, SOURCE BROADCAST MEDIA, LLC, SOURCE
SOUND LAB, LLC, SOURCE MUSIC, LLC, SOURCE HOLDINGS LLC,
SOURCE MERCHANDISING, LLC and SURRENDER RECORDS, INC.
as Obligors

Chief Executive of all Obligors:

215 Park Avenue, 11th Floor
New York, NY 10003

All Other Places of Business:

9229 Sunset Boulevard
West Hollywood, CA 90069

35 Union Square West, 4th floor
New York, NY 10003

141 Fifth Avenue
New York, NY 10010

480 Neponset Street #1
Canton, MA 02021
(Surrender Records, Inc)

**All Locations of Collateral
(including Permitted Inventory Locations):**

None.

- * As used in this Schedule B, "Lenders" means IBJ Whitehall Bank & Trust Company, its successors and assigns (including each "Lender" which shall become party to the Credit Agreement between the Company, IBJ Whitehall Bank & Trust Company, as Administrative Agent for the Lenders or other financial institutions or entities party, as Lenders, thereunder). All other capitalized terms shall have the meanings ascribed thereto in the Security Agreement.

SCHEDULE B
to
Security Agreement
in favor of
IBJ Whitehall Bank & Trust Company
as the Administrative Agent for the Lenders
and the other Credit Parties*
granted by SOURCE MAGAZINE, LLC, SOURCE ENTERPRISES, INC. (f/k/a
SOURCE PUBLICATIONS, INC.), SOURCE ENTERTAINMENT, LLC,
SOURCE.COM, LLC, SOURCE BROADCAST MEDIA, LLC, SOURCE
SOUND LAB, LLC, SOURCE MUSIC, LLC, SOURCE HOLDINGS LLC,
SOURCE MERCHANDISING, LLC and SURRENDER RECORDS, INC.
as Obligors

Pro Forma Capitalization Chart

Obligor	Jurisdiction of Incorporation	Registered Owner	Percentage of Shares/Membership Interests ¹
Source Enterprises, Inc.	Delaware	David Mays	100%
The Source.com, LLC	New York	David Mays	100%
Surrender Records, Inc.	Massachusetts	David Mays	100%
Source Holdings LLC	Delaware	David Mays	100% ²
Source Magazine, LLC	New York	Source Enterprises, Inc.	100% ³
Source Sound Lab, LLC	Delaware	Source Enterprises, Inc.	100%
Source Entertainment, LLC	California	Source Enterprises, Inc.	99%
Source Entertainment, LLC	California	David Mays	1%
Source Music, LLC	New York	Source Entertainment, LLC	100%
Source Broadcast Media, LLC	New York	Source Entertainment, LLC	100%
Source Merchandising, LLC	New York	Source Enterprises, Inc.	100%

¹ Unless otherwise indicated, for each Obligor, number of shares/membership interests owned by the identified registered owner represents 100% of the issued and outstanding capital stock of such Obligor.

² Subject to Section 6.11 of the Credit Agreement, Source Holdings LLC will be owned by Source Enterprises, Inc. and up to 10% of Source Holdings LLC may be owned by outside investors. On the Restatement Effective Date, Source Holdings LLC is owned by David Mays.

³ Subject to Section 6.11 of the Credit Agreement, Source Magazine, LLC will be owned by Source Holdings LLC. On the Restatement Effective Date, Source Magazine, LLC is owned by Source Enterprises, Inc.