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FORM PTO-159  
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FORM COVER SHEET  
MARKS ONLY

U.S. DEPARTMENT OF  
COMMERCE  
Patent and Trademark Office

JAN 16 2002

1-1608

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

<p>1. Name of conveying party(ies): American Pharmaceutical Partners, Inc.</p> <p><input type="checkbox"/> Individual(s)   <input type="checkbox"/> Association  <input type="checkbox"/> General Partnership   <input type="checkbox"/> Limited Partnership  <input checked="" type="checkbox"/> Corporation-State: Delaware  <input type="checkbox"/> Other</p> <p>Additional name(s) of conveying party(ies) attached  <input type="checkbox"/> Yes   <input checked="" type="checkbox"/> No</p>	<p>2. Name and address of receiving party(ies): Name: <u>Canadian Imperial Bank of Commerce, as Agent</u>  Internal Address: _____  Street Address: <u>425 Lexington Avenue</u>  City: <u>New York</u>   State: <u>NY</u>   ZIP: <u>10017</u></p> <p><input type="checkbox"/> Individual(s) citizenship _____  <input type="checkbox"/> Association _____  <input type="checkbox"/> General Partnership _____  <input type="checkbox"/> Limited Partnership _____  <input type="checkbox"/> Corporation-State _____  <input checked="" type="checkbox"/> Other Bank _____</p> <p>If assignee is not domiciled in the United States, a domestic representative designation is attached   <input type="checkbox"/> Yes   <input type="checkbox"/> No  (Designations must be a separate document from Assignment)  Additional name(s) &amp; address(es) attached?   <input type="checkbox"/> Yes   <input checked="" type="checkbox"/> No</p>
<p>3. Nature of conveyance:</p> <p><input type="checkbox"/> Assignment   <input type="checkbox"/> Merger</p> <p><input checked="" type="checkbox"/> Security Agreement   <input type="checkbox"/> Change of Name</p> <p><input type="checkbox"/> Other _____</p> <p>Execution Date: <u>December 14, 2001</u></p>	<p>4. Application Number(s) or registration number(s):  A. Trademark Application.(s)  SEE ATTACHED SCHEDULE 1.1(h)</p> <p>B. Trademark registration No.(s)  SEE ATTACHED SCHEDULE 1.1(h)</p> <p>Additional numbers attached?   <input type="checkbox"/> Yes   <input checked="" type="checkbox"/> No</p>
<p>5. Name and Address of party to whom correspondence concerning document should be mailed:</p> <p>Name: _____</p> <p>Internal Address: _____</p> <p><b>Reedfax  Crystal Plaza One  Suite 1207  2001 Jefferson Davis Hwy.  Arlington, Virginia 22202</b></p> <p>Street Address: _____</p> <p>City: _____ State: _____ ZIP: _____</p>	<p>6. Total number of applications and registrations involved: ..... <u>24</u></p> <p>7. Total fee (37 CFR 3.41):..... \$ <u>615.<sup>00</sup></u></p> <p><input type="checkbox"/> Enclosed  <input type="checkbox"/> Authorized to be charged to deposit account</p> <p>8. Deposit account number:  _____</p> <p>(Attach duplicate copy of this page if paying by deposit account)</p>
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<p>9. Statement and signature.  To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.</p> <p><u>Imole Ogowewo</u>  Name of Person Signing</p> <p><u>Imole Ogowewo</u>  Signature</p> <p><u>January 9, 2002</u>  Date</p>	

Total number of pages including cover sheet, attachments, and document:  
Mail documents to be recorded with required coversheet information to:  
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01 FC:481  
02 FC:482

40.00 OP  
575.00 OP

TRADEMARK  
REEL: 002428 FRAME: 0067

SCHEDULE 1.1(h)

Trademarks

Pledgor: American Pharmaceutical Partners, Inc.

Registrations:

REGISTRATION NUMBER	REGISTRATION DATE	COUNTRY	DESCRIPTION
1,711,083	9/1/92	US	NEBUPENT
1,562,957	10/31/89	US	LYPHOCIN
1,423,565	1/6/87	US	PEDTRACE
1,423,564	1/6/87	US	NEOTRACE
1,388,211	4/1/86	US	MAXIFILL
1,358,807	9/10/85	US	PENTAM
1,354,923	8/20/95	US	MAXIVIAL
1,337,524	5/28/85	US	HEP-FLUSH
1,322,945	3/5/85	US	LYPHOLYTE
1,322,944	3/5/85	US	TRACELYTE
1,342,141	6/18/85	US	VITAGARD
1,306,775	11/27/84	US	MVC 9+3
1,282,090	6/19/84	US	LYPHOMED
1,311,934	1/1/85	US	IDOPEN
1,282,074	6/19/84	US	MOLYPEN
1,434,449	3/31/87	US	P.T.E.
1,282,073	6/19/84	US	SELEPEN
1,291,778	8/28/94	US	SPARK KIT
1,252,131	9/27/83	US	INJECT-ALL
1,207,817	9/14/82	US	M.T.E.
817,875	11/1/66	US	BRISTOJECT
774,860	8/11/64	US	MURI-LUBE
TMA373,150	9/7/90	Canada	LYPHOMED
TMA410,525	4/2/93	Canada	M.V.C. 9+4
TMA404,528	11/6/92	Canada	M.V.C. 9+4 ( <u>Pediatric</u> )
TMA420,490	12/10/93	Canada	NEBUPENT
TMA415,174	8/6/93	Canada	LYPHOCIN
TMA403,647	10/9/92	Canada	PEDTRACE
TMA403,378	10/2/92	Canada	NEOTRACE
TMA404,158	10/23/92	Canada	MAXIFILL
TMA332,071	9/18/87	Canada	LYPHOLYTE
TMA403,379	10/2/92	Canada	TRACELYTE
TMA318,665	9/19/86	Canada	MVC 9+3
TMA313,405	4/18/86	Canada	IODOPEN
TMA313,452	4/18/86	Canada	P.T.E.
TMA313,572	4/25/86	Canada	M.T.E.

Applications:

SERIAL NUMBER	FILE DATE	COUNTRY	DESCRIPTION
76115374	8/22/2000	US	APP and Design
76115231	8/22/2000	US	APP American Pharmaceutical Partners, Inc. and Design

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SECURITY AGREEMENT

By

AMERICAN PHARMACEUTICAL PARTNERS, INC.  
as Borrower

and

THE GUARANTORS PARTY HERETO FROM TIME TO TIME

and

CANADIAN IMPERIAL BANK OF COMMERCE,  
as Administrative Agent

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Dated as of December 14, 2001

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## SECURITY AGREEMENT

THIS SECURITY AGREEMENT (the "Agreement"), dated as of December 14, 2001, is made by AMERICAN PHARMACEUTICAL PARTNERS, INC., a Delaware corporation having an office at 10866 Wilshire Boulevard, Suite 1270, Los Angeles, California 90024 (the "Borrower"), WEBDRUGSOURCE.COM, INC., a California corporation having an office at 10866 Wilshire Boulevard, Suite 1270, Los Angeles, California 90024 ("WebDrugSource.com"), as guarantor, and EACH OF THE OTHER GUARANTORS FROM TIME TO TIME PARTY HERETO BY EXECUTION OF A JOINDER AGREEMENT (such guarantors, together with WebDrugSource.com, collectively, the "Guarantors"), as pledgors, assignors and debtors (the Borrower, together with the Guarantors, in such capacities and together with any successors in such capacities, the "Pledgors," and each, a "Pledgor"), in favor of CANADIAN IMPERIAL BANK OF COMMERCE ("CIBC"), a national banking association having an office at 425 Lexington Avenue, New York, New York 10017, in its capacity as Administrative Agent for the lending institutions (the "Lenders") from time to time party to the Credit Agreement (as hereinafter defined), as pledgee, assignee and secured party (in such capacities and together with any successors in such capacities, the "Administrative Agent").

### R E C I T A L S :

A. Pursuant to that certain credit agreement, dated as of December 14, 2001 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement") among the Borrower, the Lenders and CIBC, as Administrative Agent, the Lenders have agreed to make to or for the account of the Borrower certain Loans (as hereinafter defined) and issue certain Credit Agreement L/Cs (as hereinafter defined).

B. The Borrower owns all the issued and outstanding shares of WebDrugSource.com. At such time as each Guarantor (other than WebDrugSource.com) executes a Joinder Agreement, the Borrower will own, directly or through its Subsidiaries (as hereinafter defined), all the issued and outstanding shares of such Guarantor.

C. WebDrugSource.com has, pursuant to a Guarantee Agreement (as hereinafter defined), among other things, guaranteed the obligations of the Borrower under the Credit Agreement and the other Loan Documents (as hereinafter deferred). Contemporaneously with the execution and delivery of a Joinder Agreement, each Guarantor (other than WebDrugSource.com) shall have, pursuant to a Guarantee Agreement, among other things, guaranteed the obligations of the Borrower under the Credit Agreement and the other Loan Documents.

D. Each Pledgor is or will be the legal and/or beneficial owner of the Pledged Collateral (as hereinafter defined) to be pledged by it hereunder.

E. Each Guarantor from time to time party hereto will receive substantial benefits from the execution, delivery and performance of the Loan Documents.

F. It is a condition to the obligations of the Lenders to make the Loans under the Credit Agreement and issue the Credit Agreement L/Cs that each Pledgor execute and deliver the applicable Loan Documents, including this Agreement.

G. This Agreement is given by the Borrower and WebDrugSource.com and, upon execution and delivery of the applicable Joinder Agreement, will be given by each other Pledgor, in favor of the Administrative Agent for (i) its benefit, (ii) the benefit of the Lenders and (iii) the benefit of each Lender Affiliate (as hereinafter defined) party to any Specified Hedge Agreement (as hereinafter defined) (the parties described in clauses (i) through (iii) of this recital collectively, the "Secured Parties") to secure the payment and performance of all of the Secured Obligations (as hereinafter defined).

## A G R E E M E N T :

NOW THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Pledgors and the Administrative Agent hereby agree as follows:

### ARTICLE I

#### DEFINITIONS AND INTERPRETATION

##### SECTION 1.1 Definitions.

(a) The following capitalized terms used herein that are defined in the UCC have the meanings assigned to the uncapitalized definitions thereof in the UCC:

"Account"; "Bank"; "Certificates of Title"; "Chattel Paper"; "Commercial Tort Claims"; "Commodity Account"; "Commodity Contract"; "Commodity Intermediary"; "Contract"; "Deposit Account"; "Documents"; "Electronic Chattel Paper"; "Entitlement Holder"; "Entitlement Order"; "Equipment"; "Financial Asset"; "Fixtures"; "Goods"; "Inventory"; "Investment Property"; "Letter-of-Credit Rights"; "Letters of Credit"; "Securities Account"; "Security Entitlement"; "Securities Intermediary"; and "Tangible Chattel Paper".

(b) Capitalized terms used but not otherwise defined herein that are defined in the Credit Agreement shall have the meanings given to them in the Credit Agreement, including the following:

"Affiliate"; "Asset Sale"; "Assignment of Intercompany Mortgage"; "Business Day"; "Cash Equivalents"; "Closing Date"; "Collateral"; "Assignment of Intercompany Mortgage"; "Commitment"; "Default"; "Domestic Subsidiary"; "Event of Default"; "GAAP"; "Governmental Authority"; "Guarantee Agreement"; "Guarantor"; "Lender Affiliate"; "Lien"; "Loan"; "Loan Documents"; "Loan Party"; "Material Adverse Effect"; "Mortgage"; "Notes"; "Person"; "Recovery"

Event"; Reinvestment Notice"; Security Documents"; Specified Hedge Agreement"; and Subsidiary".

(c) The following terms shall have the following meanings:

Additional Pledged Interests" shall mean, collectively, with respect to each Pledgor, (i) all options, warrants, rights, agreements, additional membership or partnership interests or other interests of whatever class of any issuer of Initial Pledged Interests or any interest in any such issuer, including, without limitation, all rights, privileges, authority and powers of such Pledgor relating to the equity or membership or partnership interests in any such issuer or under the Operative Agreement of any such issuer, from time to time acquired by such Pledgor in any manner and (ii) all the membership, partnership or other interests, as applicable, of each limited liability company, partnership or other entity (other than a corporation) hereafter acquired or formed by such Pledgor and all options, warrants, rights, agreements, additional membership or partnership interests or other interests of whatever class of such limited liability company, partnership or other entity including, without limitation, all rights, privileges, authority and powers of such Pledgor relating to such equity or membership or partnership interests or under the Operative Agreement of such limited liability company, partnership or other entity, from time to time acquired by such Pledgor in any manner, in each case, including the certificates, instruments and agreements representing such additional interests and any and all interest of such Pledgor in the entries on the books of any Securities Intermediary pertaining to such additional interests other than Excluded Property of the type described in clauses (A), (C) and (D) of the definition thereof.

Additional Pledged Shares" shall mean, collectively, with respect to each Pledgor, all (i) options, warrants, rights, agreements, additional shares of capital stock of whatever class of any issuer of the Initial Pledged Shares or any interest in any such issuer, including, without limitation, all rights, privileges, authority and powers of such Pledgor relating to such additional shares issued by any such issuer under the Operative Agreement of any such issuer, from time to time acquired by such Pledgor in any manner and (ii) all the issued and outstanding shares of capital stock of each corporation hereafter acquired or formed by such Pledgor and all options, warrants, rights, agreements or additional shares of capital stock of whatever class of such corporation including, without limitation, all rights, privileges, authority and powers of such Pledgor relating to such shares or under the Operative Agreement of such corporation, from time to time acquired by such Pledgor in any manner, in each case, including the certificates representing such additional shares and any and all interest of such Pledgor in the entries on the books of any Securities Intermediary pertaining to such additional shares other than Excluded Property of the type described in clauses (A), (C) and (D) of the definition thereof.

Agreement" shall mean this Agreement, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the provisions hereof.

American BioScience" shall mean American BioScience, Inc. a California corporation.

“American BioScience Intercompany Note” shall mean that certain Intercompany Demand Promissory Note between American BioScience and Borrower dated as of July 24, 2001, as amended and restated as of the Closing Date.

“American BioScience License Agreement” shall mean that certain License Agreement by and between American BioScience, Inc. and Borrower dated November 20, 2001, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the provisions hereof.

“Architect’s Certificate” shall have the meaning assigned to such term in Section 4.15(vii)(d)(2).

“Asset Sale Assets” shall mean any and all assets that are the subject of an Asset Sale.

“Borrower” shall have the meaning assigned to such term in the Preamble hereof.

“Borrower Intercompany Loan Collateral” shall mean, collectively, with respect to each Pledgor, all right, title and interest of such Pledgor in, to and under (i) the Borrower Intercompany Note, the Borrower Intercompany Mortgage and the other Borrower Intercompany Loan Documents, (ii) all Supporting Obligations for or in respect of or relating to the Borrower Intercompany Note and Borrower Intercompany Mortgage, (iii) all Accounts and General Intangibles arising from or in connection with, existing in respect of, or relating to the Borrower Intercompany Loan Documents and (iv) all other rights and remedies of such Pledgor arising under or in connection with, existing in respect of or relating to the Borrower Intercompany Loan Documents, whether provided by contract or otherwise available under applicable law or in equity, including, without limitation, all rights and remedies provided under any Borrower Intercompany Loan Document.

“Borrower Intercompany Loan Documents” shall mean, collectively, the Borrower Intercompany Note, the Borrower Intercompany Mortgage and all other collateral instruments or documents delivered to or in favor of WebDrugSource.com in connection therewith.

“Borrower Intercompany Mortgage” shall mean that certain Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated as of the Closing Date by the Borrower in favor of WebDrugSource.com, encumbering, among other things, certain real property known as 3159 Staley Road, Grand Island, Erie County, New York.

“Borrower Intercompany Note” shall mean that certain Intercompany Note by the Borrower in favor of WebDrugSource.com dated as of the Closing Date, substantially in the form of Exhibit E-7 to the Credit Agreement.

“Charges” shall mean any and all property and other taxes, assessments and special assessments, levies, fees and all governmental charges imposed upon or assessed against, and all claims (including landlords’, carriers’, mechanics’, workmen’s, repairmen’s, laborers’, materialmen’s,

suppliers' and warehousemen's Liens and other claims arising by operation of law) against, all or any portion of the Pledged Collateral.

"Collateral Account" shall mean a collateral account or sub-account established and maintained by the Administrative Agent (or a Lender that agrees to be an administrative sub-agent for the Administrative Agent) in its name as Administrative Agent for the Secured Parties in accordance with the provisions of Section 9.1 hereof and all funds from time to time on deposit in the Collateral Account including, without limitation, all Cash Equivalents and all certificates and instruments from time to time representing or evidencing such investments; all notes, certificates of deposit, checks and other instruments from time to time hereafter delivered to or otherwise possessed by the Administrative Agent for or on behalf of any Pledgor in substitution for, or in addition to, any or all of the Pledged Collateral, or the Mortgaged Property or any other Collateral; and all interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the items constituting Pledged Collateral, or the Mortgaged Property or any other Collateral.

"Contested Liens" shall mean, collectively, any Liens incurred in respect of any Charges to the extent that the amounts owing in respect thereof are not yet delinquent or are being contested and otherwise comply with the provisions of Section 4.16 hereof.

"Control Agreement" shall mean an agreement in form and substance reasonably acceptable to the Administrative Agent sufficient to establish control over any applicable Investment Property (including, without limitation, any Securities Account or Commodity Account) or Deposit Account.

"Copyrights" shall mean, collectively, with respect to each Pledgor, all copyrights (whether statutory or common law and whether established or registered in the United States or any other country) now owned or hereafter created or acquired by or assigned to such Pledgor, whether published or unpublished, and all copyright registrations and applications made by such Pledgor including, without limitation, the copyrights, registrations and applications listed in Schedule 1.1(e) annexed hereto, together with any and all (i) rights and privileges arising under applicable law with respect to such Pledgor's use of any copyrights, (ii) reissues, renewals, continuations and extensions thereof, (iii) income, fees, royalties, damages, claims and payments now or hereafter due and/or payable with respect thereto, including, without limitation, damages and payments for past, present or future infringements thereof, (iv) rights corresponding thereto throughout the world and (v) rights to sue for past, present or future infringements thereof.

"Cost of Construction" shall mean the sum, so far as it relates to the reconstructing, renewing, restoring or replacing of the tangible personal property and the Mortgaged Property, of (i) obligations incurred or assumed by any Pledgor or undertaken by any tenant pursuant to the terms of any lease or license for labor, materials and other expenses and to contractors, builders and materialmen, (ii) the cost of contract bonds and of insurance of every kind, nature or character that may reasonably be deemed by any Pledgor to be necessary or appropriate during the course of construction, (iii) the expenses incurred or assumed by any Pledgor for estimates, plans and specifications and preliminary investigations therefor, and for supervising construction, as well as for the performance of all

other duties required by or necessary for proper construction and (iv) other costs, fees and expenses (including attorneys fees) in connection therewith.

“Credit Agreement” shall have the meaning assigned to such term in the Recital A hereof.

“Credit Agreement L/Cs” shall mean “Letters of Credit,” as such term is defined in the Credit Agreement.

“Destruction” shall mean any and all damage to, or loss (including loss of title) or destruction of, all or any portion of the Pledged Collateral or Mortgaged Property.

“Distributions” shall mean, collectively, with respect to each Pledgor, all dividends, cash, options, warrants, rights, instruments, distributions, returns of capital or principal, income, interest, profits and other property, interests (debt or equity) or proceeds, including as a result of a split, revision, reclassification or other like change of the Pledged Securities, from time to time received, receivable or otherwise distributed to such Pledgor in respect of or in exchange for any or all of the Pledged Securities or Pledged Intercompany Notes.

“Estimate” shall have the meaning assigned to such term in Section 4.15(vii)(d)(2).

“Excluded Property” shall mean, collectively, (A) any property or asset hereafter acquired by such Pledgor which is subject to a Lien permitted to be incurred pursuant to Sections 7.3(c), 7.3(d), 7.3(g) and 7.3(k) of the Credit Agreement solely to the extent that the documents evidencing such Lien prohibit the grant of a security interest in or Lien on such property or asset; provided, however, that at such time as such property or asset is no longer subject to such Lien or such prohibition, such property or asset shall (without any act or delivery by any Person) constitute Pledged Collateral hereunder; (B) any rights of such Pledgor under any General Intangible or License (other than the American BioScience License Agreement) if, and to the extent, the granting of a security interest therein in favor of the Administrative Agent would cause a default under the provisions of, or be prohibited by the express terms of, such General Intangible or License (other than the American BioScience License Agreement); provided, however, that at such time as such General Intangible or License is no longer subject to such prohibition, such General Intangible or License shall (without any act or delivery by any Person) constitute Pledged Collateral hereunder; provided, further, that no General Intangible or License containing such prohibition shall constitute Excluded Property to the extent that any such prohibition would be rendered ineffective pursuant to Section 9-406, 9-407 or 9-408 of the Uniform Commercial Code (or any successor provision or provisions) of any jurisdiction or any other applicable law or principle of equity); (C) shares of stock or options in Hi-Sun and CAPCO held directly or indirectly by the Borrower at any time; (D) the membership interests in Drug Source Co., LLC; and (E) any Permit solely to the extent the granting of a security interest therein in favor of the Administrative Agent would be prohibited by law; provided, however, that at such time as such Permit is no longer subject to such prohibition, such Permit shall (without any act or delivery by any Person) constitute Pledged Collateral hereunder.

“Full Replacement Cost” shall mean the cost associated with replacing any Pledged Collateral and Mortgaged Property subject to any Destruction and, to the extent applicable, the Cost of Construction to replace the tangible personal property and Mortgaged Property, exclusive of depreciation.

“General Intangibles” shall mean, collectively, with respect to each Pledgor, all “general intangibles,” as such term is defined in the UCC, of such Pledgor and, in any event, shall include, without limitation, (i) all of such Pledgor’s rights, title and interest in, to and under all Contracts and Insurance Policies, (ii) all know-how and warranties relating to any of the Pledged Collateral or the Mortgaged Property, (iii) any and all other rights, claims, choses-in-action and causes of action of such Pledgor against any other Person and the benefits of any and all collateral or other security given by any other Person in connection therewith, (iv) all guarantees, endorsements and indemnifications on, or of, any of the Pledged Collateral or any of the Mortgaged Property, (v) all lists, books, records, correspondence, ledgers, print-outs, files (whether in printed form or stored electronically), tapes and other papers or materials containing information relating to any of the Pledged Collateral or any of the Mortgaged Property including, without limitation, all customer or tenant lists, identification of suppliers, data, plans, blueprints, specifications, designs, drawings, appraisals, recorded knowledge, surveys, studies, engineering reports, test reports, manuals, standards, processing standards, performance standards, catalogs, research data, computer and automatic machinery software and programs and the like pertaining to the operations of such Pledgor or any of the Pledged Collateral or any of the Mortgaged Property, field repair data, sales data and other information relating to sales of products now or hereafter manufactured, distributed or franchised by such Pledgor, accounting information pertaining to such Pledgor’s operations or any of the Pledged Collateral or any of the Mortgaged Property and all media in which or on which any of the information or knowledge or data or records relating to such operations or any of the Pledged Collateral or any of the Mortgaged Property may be recorded or stored and all computer programs used for the compilation or printout of such information, knowledge, records or data, (vi) all licenses, consents, permits, variances, certifications, authorizations and approvals, however characterized, of any Governmental Authority (or any Person acting on behalf of a Governmental Authority) now or hereafter acquired or held by such Pledgor pertaining to operations now or hereafter conducted by such Pledgor or any of the Pledged Collateral or any of the Mortgaged Property including, without limitation, building permits, certificates of occupancy, environmental certificates, industrial permits or licenses and certificates of operation, and (vii) all rights to reserves, deferred payments, deposits, refund, indemnification or claims to the extent the foregoing relate to any Pledged Collateral or any of the Mortgaged Property and claims for tax or other refunds against any Governmental Authority relating to any Pledged Collateral or any of the Mortgaged Property.

“Goodwill” shall mean, collectively, with respect to each Pledgor, the goodwill connected with such Pledgor’s business including, without limitation, (i) all goodwill connected with the use of and symbolized by any of the Intellectual Property in which such Pledgor has any interest and (ii) all know-how, trade secrets, customer and supplier lists, proprietary information, inventions, methods, procedures, formulae, descriptions, compositions, technical data, drawings, specifications, name plates, catalogs, confidential information and the right to limit the use or disclosure thereof by any person or entity, pricing and cost information, business and marketing plans and proposals, consulting agreements, engineering contracts and such other assets which relate to such goodwill.

“Guarantors” shall have the meaning assigned to such term in the Preamble hereof.

“Indemnified Liabilities” shall have the meaning assigned to such term in Section 12.4 hereof.

“Indemnities” shall have the meaning assigned to such term in Section 12.4 hereof.

“Initial Pledged Interests” shall mean, with respect to each Pledgor, all membership interests and/or partnership interests, as applicable, of each issuer described in Schedule 1.1(a) annexed hereto that is a partnership, limited liability company or other entity (other than a corporation) together with all rights, privileges, authority and powers of such Pledgor in and to each such issuer or under the Operative Agreement of each such issuer, and the certificates, instruments and agreements representing such membership or partnership interests and any and all interest of such Pledgor in the entries on the books of any Securities Intermediary pertaining to such membership or partnership interests.

“Initial Pledged Shares” shall mean, collectively, with respect to each Pledgor, the issued and outstanding shares of capital stock of each Person described in Schedule 1.1(b) annexed hereto together with all rights, privileges, authority and powers of such Pledgor in and to each such issuer or under the Operative Agreement of each such issuer, and the certificates, instruments and agreements representing the Initial Pledged Shares and any and all interest of such Pledgor in the entries on the books of any Securities Intermediary pertaining to the Initial Pledged Shares.

“Instruments” shall mean, collectively, with respect to each Pledgor, all “instruments,” as such term is defined in Article 9, rather than Article 3, of the UCC to the extent such instruments evidence any amounts payable under or in connection with any item of Pledged Collateral or Mortgaged Property or such instruments constitute Proceeds of any item of Pledged Collateral or Mortgaged Property, and in any event shall include, without limitation, all promissory notes, drafts, bills of exchange or acceptances.

“Insurance Certificates” shall mean a certificate evidencing the Insurance Requirements in form and substance reasonably satisfactory to the Administrative Agent.

“Insurance Policies” shall mean, collectively, with respect to each Pledgor, all insurance policies held by such Pledgor or naming such Pledgor as insured, additional insured or loss payee (including, without limitation, the Required Insurance Policies), all such insurance policies entered into after the date hereof, other than insurance policies (or certificates of insurance evidencing such insurance policies) relating to health and welfare insurance and life insurance policies in which such Pledgor is not named as beneficiary (i.e., insurance policies that are not “Key Man” insurance policies) and all rights, claims and recoveries relating thereto (including, without limitation, all dividends, returned premiums and other rights to receive money in respect of any of the foregoing).

“Insurance Requirements” means, collectively, with respect to each Pledgor, all provisions of the Insurance Policies, all requirements of the issuer of any of the Insurance Policies applicable to the Pledged Collateral or the Mortgaged Property or any use or condition thereof.



“Intellectual Property” shall mean, collectively, the Patents, Trademarks, Copyrights, and Licenses.

“Joinder Agreement” shall mean the form of joinder agreement attached hereto as Exhibit 3.

“Lenders” shall have the meaning assigned to such term in the Preamble hereof.

“Liability Insurance” shall mean, collectively, the insurance policies and coverages described in clause (B) and, to the extent applicable, clauses (E) and (F) of Section 4.15 hereof.

“Licenses” shall mean, collectively, with respect to each Pledgor, all license and distribution agreements and covenants not to sue with any other party with respect to any Patent, Trademark, or Copyright or any other patent, trademark or copyright, whether such Pledgor is a licensor or licensee, distributor or distributee under any such license or distribution agreement, including, without limitation, the American BioScience License Agreement and the license and distribution agreements listed in Schedule 1.1(f) annexed hereto, together with any and all (i) renewals, extensions, supplements and continuations thereof, (ii) income, fees, royalties, damages, claims and payments now and hereafter due and/or payable thereunder and with respect thereto including, without limitation, damages and payments for past, present or future infringements or violations thereof, (iii) rights to sue for past, present and future infringements or violations thereof and (iv) any other rights to use, exploit or practice any or all of the Patents, Trademarks or Copyrights or any other patents, trademarks or copyrights.

“Mortgage” shall mean each “Mortgage,” as defined in the Credit Agreement and the Borrower Intercompany Mortgage.

“Mortgaged Property” shall have the meaning assigned to such term in each Mortgage (including, without limitation, the Borrower Intercompany Mortgage).

“Net Cash Proceeds” shall mean, in connection with any Asset Sale or any Recovery Event, the proceeds thereof in the form of cash and Cash Equivalents (including any such proceeds received by way of deferred payment of principal pursuant to a note or installment receivable or purchase price adjustment receivable or otherwise, but only as and when received) of such Asset Sale or Recovery Event, net of attorneys’ fees, accountants’ fees, investment banking fees, amounts required to be applied to the repayment of Indebtedness or any other Contractual Obligation secured by a Lien expressly permitted hereunder or under the applicable Mortgage or, in the case of any asset that shall not constitute Collateral, under the Credit Agreement on any asset that is the subject of such Asset Sale or Recovery Event (other than any Lien created pursuant to a Security Document or the Borrower Intercompany Loan Documents) and other fees and expenses actually incurred in connection therewith, net of taxes paid or reasonably estimated to be payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements) and net of the amount of any cash collateral account, escrow or reserve established in connection with any Asset Sale to secure contingent liabilities, repayment obligations, indemnification obligations and purchase price ad-

justments that could become payable in connection therewith, less any payment, liability or purchase price adjustment paid by the Borrower or any Subsidiary after the closing of the Asset Sale.

“Officer’s Certificate” shall mean, as applied to any corporation, a certificate in form and substance reasonably satisfactory to the Administrative Agent executed on behalf of such corporation by its Chairman of the Board (if an officer), its Chief Executive Officer, its Chief Operating Officer, its Chief Financial Officer, its President or one of its Vice Presidents (or an equivalent officer) or any Assistant Treasurer in their official (and not individual) capacities.

“Operative Agreement” shall mean (i) in the case of any limited liability company or partnership or other non-corporate entity, any membership or partnership agreement or other organizational agreement or document thereof and (ii) in the case of any corporation, any charter or certificate of incorporation and by-laws thereof.

“Patents” shall mean, collectively, with respect to each Pledgor, all patents issued or assigned to and all patent applications and registrations made by such Pledgor (whether established or registered or recorded in the United States or any other country), including, without limitation, the patents, patent applications, registrations and recordings listed in Schedule 1.1(g) annexed hereto, together with any and all (i) rights and privileges arising under applicable law with respect to such Pledgor’s use of any patents, (ii) inventions and improvements described and claimed therein, (iii) reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof, (iv) income, fees, royalties, damages, claims and payments now or hereafter due and/or payable thereunder and with respect thereto including, without limitation, damages and payments for past, present or future infringements thereof, (v) rights corresponding thereto throughout the world, and (vi) rights to sue for past, present or future infringements thereof.

“Perfection Certificate” shall mean that certain Perfection Certificate dated the Closing Date, delivered by the Borrower in favor of the Administrative Agent (for the benefit of the Secured Parties).

“Permit” shall mean any and all permits, certificates, approvals, authorizations, consents, licenses, variances, franchises or other instruments, however characterized, of any Governmental Authority (or any Person acting on behalf of a Governmental Authority) now or hereafter acquired or held, together with all amendments, modifications, extensions, renewals and replacements of any thereof.

“Permitted Liens” shall mean the Liens permitted by Section 7.3 of the Credit Agreement.

“Plans and Specifications” shall have the meaning assigned to such term in Section 4.15(vii)(d)(1).

“Pledge Amendment” shall have the meaning assigned to such term in Section 6.1 hereof.

“Pledged Collateral” shall have the meaning assigned to such term in Section 2.1 hereof.

“Pledged Intercompany Notes” shall mean, with respect to each Pledgor, all intercompany notes described in Schedule 1.1(c) annexed hereto, including, without limitation, the American BioScience Intercompany Note and the Borrower Intercompany Note (and each other intercompany note hereafter acquired by such Pledgor) and all certificates, instruments or agreements evidencing such intercompany notes and all assignments, amendments, restatements, supplements, extensions, renewals, replacements or modifications thereof to the extent permitted pursuant to the terms hereof.

“Pledged Interests” shall mean, collectively, the Initial Pledged Interests and the Additional Pledged Interests; provided, however, that to the extent applicable, such Pledgor shall not be required to pledge any interest possessing more than 65% of the voting power or control of all classes of interests entitled to vote of any Subsidiary which is a controlled foreign corporation (as defined in Section 957(a) of the Tax Code) and, in any event, shall not be required to pledge the interests of any Subsidiary otherwise required to be pledged pursuant to this Agreement to the extent that such pledge would constitute an investment of earnings in United States property under Section 956 (or a successor provision) of the Tax Code, which investment would trigger an increase in the gross income of a United States shareholder of such Pledgor pursuant to Section 951 (or a successor provision) of the Tax Code; provided, however, that such Pledgor shall not be required to pledge any interest constituting Excluded Property of the type described in clauses (A), (C) and (D) of the definition thereof.

“Pledged Securities” shall mean, collectively, the Pledged Interests, the Pledged Shares and the Successor Interests.

“Pledged Shares” shall mean, collectively, the Initial Pledged Shares and the Additional Pledged Shares; provided, however, that such Pledgor shall not be required to pledge shares possessing more than 65% of the voting power of all classes of capital stock entitled to vote of any Subsidiary which is a controlled foreign corporation (as defined in Section 957(a) of the Tax Code) and, in any event, shall not be required to pledge the shares of stock of any Subsidiary otherwise required to be pledged pursuant to this Agreement to the extent that such pledge would constitute an investment of earnings in United States property under Section 956 (or a successor provision) of the Tax Code, which investment would trigger an increase in the gross income of a United States shareholder of such Pledgor pursuant to Section 951 (or a successor provision) of the Tax Code; provided, further, that such Pledgor shall not be required to pledge any shares constituting Excluded Property of the type described in clauses (A), (C) and (D) of the definition thereof.

“Pledgor” shall have the meaning assigned to such term in the Preamble hereof.

“Premises” shall have the meaning assigned to such term in the applicable Mortgage.

“Prior Liens” shall mean, collectively, the Liens identified in Schedule 1.1(d) annexed hereto relating to the items of Pledged Collateral identified in such Schedule.

“Proceeds” shall mean, collectively, all “proceeds,” as such term is defined in Section 9-102 of the UCC or under other relevant law.

“Property Insurance” shall mean, collectively, the insurance policies and coverages described in clauses (A), (C) and (D) and to the extent applicable, clause (F) of Section 4.15(ii) hereof.

“Prudent Operator” shall mean the standard of care taken by a prudent operator of property and assets similar in use and configuration to the Pledged Collateral or Mortgaged Property, as the case may be, and located in the locality where the Pledged Collateral or Mortgaged Property, as the case may be, is located.

“Recovery Event” shall mean any settlement of or payment in respect of any property or casualty or title insurance claim or any condemnation proceeding relating to all or any portion of the Pledged Collateral or Mortgaged Property.

“Recovery Event Assets” shall mean any and all assets that are the subject of a Recovery Event.

“Replacement Assets” shall mean assets acquired with Net Cash Proceeds which, in the case of assets acquired or restored utilizing Net Cash Proceeds from a Recovery Event, assets that are of substantially the same quality and workmanship as the Recovery Event Assets.

“Required Insurance Policies” means, collectively, with respect to each Pledgor, the insurance policies and coverages maintained by such Pledgor with respect to the Pledged Collateral pursuant to Section 4.15 hereof and with respect to the Mortgaged Property pursuant to Section 8.1 of the Mortgage in each case, together with all renewals and extensions thereof.

“Requirements of Law” shall mean, collectively, any and all requirements of any Governmental Authority including, without limitation, any and all laws, ordinances, rules, regulations or similar statutes or case law, in each case binding upon the applicable Pledgor or any of its property or to which such Pledgor or any of its property is subject.

“Restoration Commitment” shall have the meaning assigned to such term in Section 4.15(vii)(d)(3).

“Restoration Letter of Credit” shall have the meaning assigned to such term in Section 4.15(vii)(d)(3).

“Secured Obligations” shall mean all obligations (whether or not constituting future advances, obligatory or otherwise) of the Borrower and any and all of the Guarantors from time to time arising under or in respect of this Agreement, the Credit Agreement, the Notes, the Guarantee Agreements, the Credit Agreement L/Cs, the other Loan Documents and the Specified Hedge Agreements (including, without limitation, the obligations to pay principal, interest and all other charges, fees, expenses, commissions, reimbursements, premiums, indemnities and other payments related to or in respect of the obligations contained in this Agreement, the Credit Agreement, the Notes, the

Guarantee Agreement, the Credit Agreement L/Cs, the other Loan Documents and the Specified Hedge Agreements), in each case whether (i) such obligations are direct or indirect, secured or unsecured, joint or several, absolute or contingent, reduced to judgment or not, liquidated or unliquidated, disputed or undisputed, legal or equitable, due or to become due whether at stated maturity, by acceleration or otherwise, (ii) arising in the regular course of business or otherwise, (iii) for payment or performance, (iv) discharged, stayed or otherwise affected by any bankruptcy, insolvency, reorganization or similar proceeding with respect to any Loan Party or any other Person, and/or (v) now existing or hereafter arising (including, without limitation, interest and other obligations arising or accruing after the commencement of any bankruptcy, insolvency, reorganization or similar proceeding with respect to any Loan Party or any other Person, or which would have arisen or accrued but for the commencement of such proceeding, even if such obligation or the claim therefor is not enforceable or allowable in such proceeding).

“Secured Parties” shall have the meaning assigned to such term in Recital G hereof.

“Securities Act” shall have the meaning assigned to such term in Section 10.4(ii) hereof.

“Securities Collateral” shall mean, collectively, the Pledged Securities, the Pledged Intercompany Notes and the Distributions.

“Specified Tort Claim” shall mean each Commercial Tort Claim including, without limitation, that certain claim filed by the Borrower against CMH Care Group, Inc. (“CMH”) in U.S. District Court for the District of New Jersey, Civil Action #00-5613(KSH), alleging, among other things, fraud and unjust enrichment, based on CMH’s diversion and sale into the general wholesale/retail marketplace of the Borrower’s pharmaceutical products;

“Successor Interests” shall mean, collectively, with respect to each Pledgor, all shares of each class of the capital stock of the successor corporation or interests or certificates of the successor limited liability company, partnership or other entity owned by such Pledgor (unless such successor is such Pledgor itself) formed by or resulting from any consolidation or merger in which any Person listed in Schedule 1.1(a) or Schedule 1.1(b) hereto is not the surviving entity; provided, however, that the pledge of the Successor Interests affected hereby shall in no event affect the obligations of such Pledgor under any provision prohibiting such action hereunder or under the Credit Agreement.

“Supporting Obligations” shall mean “supporting obligations,” as such term is defined in the UCC, including, without limitation, the Borrower Intercompany Mortgage.

“Taking” shall mean any taking of the Pledged Collateral or the Mortgaged Property or any portion thereof, in or by condemnation or other eminent domain proceedings pursuant to any law, general or special, or by reason of the temporary requisition of the use of the Pledged Collateral or Mortgaged Property or any portion thereof, by any Governmental Authority, civil or military.

“Tax Code” shall mean the Internal Revenue Code of 1986, as amended from time to time.

“**Trademarks**” shall mean, collectively, with respect to each Pledgor, all trademarks (including service marks), slogans, logos, certification marks, trade dress, uniform resource locations (URL’s), domain names, corporate names and trade names, whether registered or unregistered, owned by or assigned to such Pledgor and all registrations and applications for the foregoing (whether statutory or common law and whether established or registered in the United States or any other country) including, without limitation, the registrations and applications listed in Schedule 1.1(h) annexed hereto, together with any and all (i) rights and privileges arising under applicable law with respect to such Pledgor’s use of any trademarks, (ii) reissues, continuations, extensions and renewals thereof, (iii) income, fees, royalties, damages and payments now and hereafter due and/or payable thereunder and with respect thereto, including, without limitation, damages, claims and payments for past, present or future infringements thereof, (iv) rights corresponding thereto throughout the world and (v) rights to sue for past, present and future infringements thereof.

“**UCC**” shall mean the Uniform Commercial Code as in effect on the date hereof in the State of New York; provided, however, that if by reason of mandatory provisions of law, the perfection or the effect of perfection or non-perfection of the security interest in any item or portion of the Pledged Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, “UCC” shall also mean the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection.

**SECTION 1.2 Interpretation.** In this Agreement, unless otherwise specified, (i) singular words include the plural and plural words include the singular, (ii) words importing any gender include the other gender, (iii) references to any Person include such Person’s successors and assigns and in the case of an individual, the word “successors” includes such Person’s heirs, devisees, legatees, executors, administrators and personal representatives, (iv) references to any statute or other law include all applicable rules, regulations and orders adopted or made thereunder and all statutes or other laws amending, consolidating or replacing the statute or law referred to, (v) the words “consent,” “approve” and “agree,” and derivations thereof or words of similar import, mean the prior written consent, approval or agreement of the Person in question, (vi) the words “include” and “including,” and words of similar import, shall be deemed to be followed by the words “without limitation”, (vii) the words “hereto,” “herein,” “hereof” and “hereunder,” and words of similar import, refer to this Agreement in its entirety, (viii) unless otherwise expressly indicated, references to Articles, Sections, Schedules, Exhibits, subsections, paragraphs and clauses are to the Articles, Sections, Schedules, Exhibits, subsections, paragraphs and clauses hereof, (ix) the Schedules and Exhibits to this Agreement, in each case as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the provisions hereof, are incorporated herein by reference, (x) the titles and headings of Articles, Sections, Schedules, Exhibits, subsections, paragraphs and clauses are inserted as a matter of convenience only and shall not affect the construction of any provisions hereof and (xi) all obligations of each Pledgor hereunder shall be satisfied by each Pledgor at each Pledgor’s sole cost and expense.

**SECTION 1.3 Resolution of Drafting Ambiguities.** Each Pledgor acknowledges and agrees that it was represented by counsel in connection with the execution and delivery hereof, that it and its counsel reviewed and participated in the preparation and negotiation hereof and that any

rule of construction to the effect that ambiguities are to be resolved against the drafting party (i.e., the Administrative Agent) shall not be employed in the interpretation hereof.

## ARTICLE II

### GRANT OF SECURITY AND SECURED OBLIGATIONS

SECTION 2.1 Pledge. As collateral security for the payment and performance in full of all the Secured Obligations, each Pledgor hereby pledges, assigns, transfers and grants to the Administrative Agent for its benefit and for the benefit of the Secured Parties, a first priority security interest in and to and pledge of all of the right, title and interest of such Pledgor in, to and under the following property, wherever located, whether now existing or hereafter arising or acquired from time to time (collectively, the "Pledged Collateral"): (i) Goods; (ii) Equipment; (iii) Documents; (iv) Instruments; (v) Chattel Paper; (vi) Letters of Credit and Letter-of-Credit Rights; (vii) Pledged Securities; (viii) Pledged Intercompany Notes; (ix) Distributions; (x) Accounts; (xi) Inventory; (xii) Investment Property and Financial Assets; (xiii) Intellectual Property; (xiv) Commercial Tort Claims including, without limitation, each Specified Tort Claim; (xv) General Intangibles; (xvi) Deposit Accounts; (xvii) the Collateral Account; (xviii) Fixtures; (xix) Borrower Intercompany Loan Collateral (xx) Supporting Obligations; (xxi) all books and records relating to the Pledged Collateral; and (xxii) to the extent not covered by clauses (i) through (xxi) of this sentence, all other personal property and any and all Proceeds of any and all of the foregoing; provided, however, that Pledged Collateral shall not include any Excluded Property.

SECTION 2.2 Secured Obligations. This Agreement secures, and the Pledged Collateral is collateral security for, the payment and performance in full when due of the Secured Obligations.

#### SECTION 2.3 Security Interest.

(a) Each Pledgor hereby irrevocably authorizes the Administrative Agent at any time and from time to time to file in any relevant jurisdiction any initial financing statements (including fixture filings) and amendments thereto that contain the information required by Article 9 of the Uniform Commercial Code of each applicable jurisdiction for the filing of any financing statement or amendment, including, without limitation, (i) whether the Pledgor is an organization, the type of organization and any organizational identification number issued to the Pledgor and (ii) in the case of a financing statement filed as a fixture filing or covering Pledged Collateral constituting minerals or the like to be extracted or timber to be cut, a sufficient description of the real property to which such Pledged Collateral relates. The Pledgor agrees to provide such information to the Administrative Agent promptly upon request.

(b) Each Pledgor hereby ratifies its authorization for the Administrative Agent to file in any relevant jurisdiction any initial financing statements or amendments thereto if filed prior to the date hereof.

(c) The Administrative Agent is further authorized to file filings with the United States Patent and Trademark Office or United States Copyright Office (or any successor office or any similar office in any other country) or other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the security interest granted by each Pledgor hereunder, without the signature of any Pledgor, and naming any Pledgor or the Pledgors, as debtors, and the Administrative Agent for its benefit and the benefit of the Administrative Agent for its benefit and the benefit of the Lenders, as Secured Party.

SECTION 2.4 No Release. Nothing set forth in this Agreement shall relieve the Pledgor from the performance of any term, covenant, condition or agreement on the Pledgor's part to be performed or observed under or in respect of any of the Pledged Collateral or from any liability to any Person under or in respect of any of the Pledged Collateral or shall impose any obligation on the Administrative Agent or any other Secured Party to perform or observe any such term, covenant, condition or agreement on the Pledgor's part to be so performed or observed or shall impose any liability on the Administrative Agent or any other Secured Party for any act or omission on the part of the Pledgor relating thereto or for any breach of any Specified Hedge Agreement, any representation or warranty on the part of the Pledgor contained in this Agreement, Credit Agreement or the other Security Documents, or under or in respect of the Pledged Collateral or made in connection herewith or therewith. The obligations of the Pledgor contained in this Section 2.4 shall survive the termination hereof and the discharge of the Pledgor's other obligations under this Agreement, the Credit Agreement, any Specified Hedge Agreement and the other Security Documents.

### ARTICLE III

#### PERFECTION; SUPPLEMENTS; FURTHER ASSURANCES; USE OF PLEDGED COLLATERAL

SECTION 3.1 Delivery of Certificated Securities Collateral. All certificates, agreements or instruments representing or evidencing the Securities Collateral, to the extent not previously delivered to the Administrative Agent, shall immediately upon receipt thereof by any Pledgor be delivered to and held by or on behalf of the Administrative Agent pursuant hereto. All certificated Securities Collateral shall be in suitable form for transfer by delivery or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Administrative Agent. The Administrative Agent shall have the right, at any time upon the occurrence and during the continuance of any Event of Default, to endorse, assign or otherwise transfer to or to register in the name of the Administrative Agent or any of its nominees or endorse for negotiation any or all of the Securities Collateral, without any indication that such Securities Collateral is subject to the security interest hereunder. In addition, the Administrative Agent shall have the right after the occurrence and during the continuance of an Event of Default to exchange certificates representing or evidencing Securities Collateral for certificates of smaller or larger denominations.

SECTION 3.2 Perfection of Uncertificated Securities Collateral. If any issuer of Pledged Interests is organized in a jurisdiction which does not permit the use of certificates to evi-



dence equity ownership, or if any of the Pledged Interests are at any time not evidenced by certificates of ownership, then each applicable Pledgor shall, to the extent permitted by applicable law, record such pledge on the equityholder register or the books of the issuer, cause the issuer to execute and deliver to the Administrative Agent an acknowledgment of the pledge of such Pledged Interests substantially in the form of Exhibit 1 annexed hereto, execute any customary pledge forms or other documents necessary or appropriate to complete the pledge and give the Administrative Agent the right to transfer such Pledged Interests under the terms hereof and provide to the Administrative Agent an opinion of counsel, in form and substance satisfactory to the Administrative Agent, confirming such pledge and perfection thereof.

**SECTION 3.3 Financing Statements and Other Filings.** As of the Closing Date, the only filings, registrations and recordings necessary and appropriate to create, preserve, protect, publish notice of and perfect the security interest granted by each Pledgor to the Administrative Agent (for the benefit of the Secured Parties) pursuant to this Agreement in respect of the Pledged Collateral are listed in Schedule 7 of the Perfection Certificate. All such filings, registrations and recordings have been filed, registered and recorded contemporaneously with the execution of the Loan Documents or shall be filed, registered and recorded immediately after the date thereof. Each Pledgor agrees that at any time and from time to time, at the sole cost and expense of the Pledgors, it will execute and file and refile, or permit the Administrative Agent to file and refile, such financing statements, continuation statements and other documents (including, without limitation, this Agreement), in form acceptable to the Administrative Agent, in such offices (including, without limitation, the United States Patent and Trademark Office and the United States Copyright Office) as the Administrative Agent may in its reasonable judgment deem necessary or appropriate, wherever required or permitted by law in order to perfect, continue and maintain a valid, enforceable, first priority security interest in the Pledged Collateral as provided herein and to preserve the other rights and interests granted to the Administrative Agent hereunder, as against third parties, with respect to any Pledged Collateral. Each Pledgor hereby authorizes the Administrative Agent to file any such financing or continuation statement or other document without the signature of such Pledgor where permitted by law, including, without limitation, the filing of a financing statement describing the Pledged Collateral as "all assets in which the Pledgor now owns or hereafter acquires rights."

**SECTION 3.4 Other Actions.** In order to further insure the attachment, perfection and priority of, and the ability of the Administrative Agent to enforce, the Administrative Agent's security interest in the Pledged Collateral, each Pledgor agrees, in each case at such Pledgor's own expense, to take the following actions with respect to the following Pledged Collateral:

(a) **Instruments and Tangible Chattel Paper.** If any amount payable under or in connection with any of the Pledged Collateral shall be evidenced by any Instrument or Tangible Chattel Paper, the Pledgor acquiring such Instrument or Tangible Chattel Paper shall forthwith endorse, assign and deliver the same to the Administrative Agent, accompanied by such instruments of transfer or assignment duly executed in blank as the Administrative Agent may from time to time specify.

(b) **Deposit Accounts.** For each Deposit Account (other than any Deposit Account listed on Schedule 3.4 annexed hereto) that any Pledgor at any time opens or maintains

(other than Deposit Accounts individually having a balance of less than \$25,000 or in the aggregate with all such Deposit Accounts not maintained in compliance with clauses (i) and (ii) of this sentence having a balance of less than \$100,000), such Pledgor shall promptly notify the Administrative Agent thereof and, at the Administrative Agent's option, (i) pursuant to a Control Agreement cause the Bank to agree to comply at any time with instructions from the Administrative Agent to such depository Bank directing the disposition of funds from time to time credited to such Deposit Account, without further consent of such Pledgor or any other Person, or (ii) arrange for the Administrative Agent to become the customer of the Bank with respect to the Deposit Account, with the Pledgor being permitted, only with the consent of the Administrative Agent, to exercise rights to withdraw funds from such Deposit Account pursuant to an agreement in form and substance satisfactory to the Administrative Agent. As of the date hereof, such Pledgor maintains no Deposit Accounts other than those set forth in Schedule 3.4 annexed hereto. Within 60 days after the date hereof, each Deposit Account set forth in Schedule 3.4 (other than Deposit Accounts individually having a balance of less than \$25,000 or in the aggregate with all such Deposit Accounts not maintained in compliance with clauses (i) and (ii) of the first sentence of this Section 3.4(b) having a balance of less than \$100,000) shall be subject to a Control Agreement which is in full force and effect or if no Control Agreement is in effect, such Pledgor shall close such Deposit Account. Notwithstanding the foregoing, the Administrative Agent agrees with each Pledgor that the Administrative Agent shall not give any such instructions or withhold any withdrawal rights from any Pledgor under any Control Agreement, unless an Event of Default has occurred and is continuing, or, after giving effect to any withdrawal that would occur. The provisions of this Section 3.4(b) shall not apply to Deposit Accounts for which the Administrative Agent is the depository.

(c) Investment Property. (i) If any Pledgor shall at any time hold or acquire any certificated securities constituting Investment Property (unless such certificated securities constitute Excluded Property of the type described in clause (A), (C) or (D) of the definition of Excluded Property), such Pledgor shall immediately endorse, assign and deliver the same to the Administrative Agent, accompanied by such instruments of transfer or assignment duly executed in blank, all in form and substance reasonably satisfactory to the Administrative Agent. If any securities now or hereafter acquired by any Pledgor constituting Investment Property are uncertificated and are issued to such Pledgor or its nominee directly by the issuer thereof (unless such uncertificated securities constitute Excluded Property of the type described in clause (A), (C) or (D) of the definition of Excluded Property), such Pledgor shall immediately notify the Administrative Agent thereof and such Pledgor shall at the Administrative Agent's option (i) use its commercially reasonable efforts to obtain a Control Agreement to cause the issuer to agree to comply with instructions from the Administrative Agent as to such securities, without further consent of any Pledgor, such nominee or any other Person, or (ii) arrange for the Administrative Agent to become the registered owner of the securities for security purposes. If any securities constituting Investment Property, whether certificated or uncertificated, or other Investment Property now or hereafter acquired by any Pledgor are held by such Pledgor or its nominee through a Securities Intermediary or Commodity Intermediary (unless such Investment Property constitutes Excluded Property of the type described in clause (A), (C) or (D) of the definition of Excluded Property), such Pledgor

shall immediately notify the Administrative Agent thereof and, at the Administrative Agent's option, (i) obtain a Control Agreement to cause such Securities Intermediary or Commodity Intermediary, as the case may be, to agree to comply with Entitlement Orders or other instructions from the Administrative Agent to such Securities Intermediary as to such securities or other Investment Property, or to apply any value distributed on account of any Commodity Contract as directed by the Administrative Agent to such Commodity Intermediary, as the case may be, in each case without further consent of any Pledgor, such nominee or any other Person, or (ii) in the case of Financial Assets constituting Investment Property or other Investment Property held through a Securities Intermediary, arrange for the Administrative Agent to become the Entitlement Holder with respect to such Investment Property, with the Pledgor being permitted, only with the consent of the Administrative Agent, to exercise rights to withdraw or otherwise deal with such Investment Property pursuant to an agreement in form and substance reasonably satisfactory to the Administration Agent. As of the date hereof such Pledgor maintains no Securities Accounts or Commodity Accounts with any Securities Intermediary or Commodity Intermediary other than as set forth in Schedule 3.4 annexed hereto. Within 60 days after the date hereof, each Securities Account or Commodities Account set forth in Schedule 3.4 shall be subject to a Control Agreement (other than such Securities Accounts or Commodity Accounts individually having a balance of less than \$25,000 or in the aggregate with all such Securities Accounts or Commodity Accounts not so subject to a Control Agreement having a balance of less than \$100,000) which is in full force and effect or, if no Control Agreement is in full force and effect, such Pledgor shall close such Securities Account or Commodity Account. Notwithstanding the foregoing, the Administrative Agent agrees with each of the Pledgors that the Administrative Agent shall not give any such Entitlement Orders or instructions or directions to any such issuer, Securities Intermediary or Commodity Intermediary, and shall not withhold its consent to the exercise of any withdrawal or dealing rights by any Pledgor, unless an Event of Default has occurred and is continuing, or, after giving effect to any such investment and withdrawal rights would occur. The provisions of this Section 3.4(c) shall not apply to any Financial Assets credited to a Securities Account for which the Administrative Agent is the Securities Intermediary.

(ii) As between the Administrative Agent and the Pledgors, the Pledgors shall bear the investment risk with respect to the Investment Property, and the risk of loss of, damage to, or the destruction of the Investment Property, whether in the possession of, or maintained as a security entitlement by, or subject to the control of, the Administrative Agent, a Securities Intermediary, Commodities Intermediary, the Pledgor or any other Person; provided, however, that nothing contained in this Section 3.4(c) shall release or relieve any Securities Intermediary or Commodities Intermediary, of its duties and obligations to the Pledgors or any other Person under any Control Agreement or under applicable law. Each Pledgor shall promptly pay all Charges and fees of whatever kind or nature with respect to the Investment Property pledged by it or this Agreement. In the event any Pledgor shall fail to make such payment contemplated in the immediately preceding sentence, the Administrative Agent may do so for the account of such Pledgor and the Pledgors shall promptly reimburse and indemnify the Administrative Agent from all costs and expenses incurred by the Administrative Agent under this Section 3.4(c) in accordance with Section 12.4 hereof.

(d) Electronic Chattel Paper and Transferable Records. If any amount payable under or in connection with any of the Pledged Collateral shall be evidenced by any Electronic Chattel Paper or any "transferable record," as that term is defined in Section 201 of the Federal Electronic Signatures in Global and National Commerce Act, or in Section 16 of the Uniform Electronic Transactions Act as in effect in any relevant jurisdiction, the Pledgor acquiring such Electronic Chattel Paper or transferable record shall promptly notify the Administrative Agent thereof and, at the request of the Administrative Agent, shall take such action as the Administrative Agent may reasonably request to vest in the Administrative Agent control under UCC Section 9-105 of such Electronic Chattel Paper or control under Section 201 of the Federal Electronic Signatures in Global and National Commerce Act or, as the case may be, Section 16 of the Uniform Electronic Transactions Act, as so in effect in such jurisdiction, of such transferable record. The Administrative Agent agrees with such Pledgor that the Administrative Agent will arrange, pursuant to procedures reasonably satisfactory to the Administrative Agent and so long as such procedures will not result in the Administrative Agent's loss of control, for the Pledgor to make alternations to the Electronic Chattel Paper or transferable record permitted under UCC Section 9-105 or, as the case may be, Section 201 of the Federal Electronic Signatures in Global and National Commerce Act or Section 16 of the Uniform Electronic Transactions Act for a party in control to allow without loss of control, unless an Event of Default has occurred and is continuing or would occur after taking into account any action by such Pledgor with respect to such electronic chattel paper or transferable record.

(e) Letter-of-Credit Rights. Upon the occurrence and during the continuance of an Event of Default and upon the request and option of the Administrative Agent, each Pledgor shall promptly notify the Administrative Agent of each Letter of Credit then existing or thereafter issued in favor of such Pledgor and, at the request and option of the Administrative Agent, such Pledgor shall, pursuant to an agreement in form and substance satisfactory to the Administrative Agent, either (i) arrange for the issuer and any confirmer of such Letter of Credit to consent to an assignment to the Administrative Agent of the proceeds of any drawing under the Letter of Credit or (ii) arrange for the Administrative Agent to become the transferee beneficiary of the Letter of Credit, with the Administrative Agent agreeing, in each case, that the proceeds of any drawing under the Letter of Credit are to be applied as provided in the Credit Agreement.

(f) Commercial Tort Claims. If any Pledgor shall at any time hold or acquire a Commercial Tort Claim relating to any of the Pledged Collateral, the Pledgor shall promptly notify the Administrative Agent in writing signed by such Pledgor of the brief details thereof and grant to the Administrative Agent in such writing a security interest therein and in the Proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance satisfactory to the Administrative Agent.

(g) Excluded Property. After the Administrative Agent's request therefor, the Pledgors shall deliver to the Administrative Agent an Officer's Certificate setting forth all General Intangibles and Licenses excluded by the provisions of clause (B) of the definition of Excluded Property and all Permits excluded by the provisions of clause (E) of the definition

of Excluded Property, in each case, that are material to the operation of each Pledgor's business. At the Agent's request, each Pledgor shall use commercially reasonable efforts to obtain as soon as practicable the consent (which shall be in form and substance reasonably satisfactory to the Administrative Agent) of the other parties to each General Intangible, License or Permit listed in such Officer's Certificate to permit the assignment, transfer or grant of security interest in such General Intangible, License or Permit pursuant to the terms hereof.

SECTION 3.5 Joinder of Affiliates. The Pledgors shall cause each Wholly Owned Subsidiary of the Borrower which, from time to time, after the date hereof shall be required to pledge any assets to the Administrative Agent for the benefit of the Secured Parties pursuant to the provisions of the Credit Agreement, to execute and deliver to the Administrative Agent a joinder agreement substantially in the form of Exhibit 3 annexed hereto and, upon such execution and delivery, such Wholly Owned Subsidiary shall constitute a "Guarantor" and a "Pledgor" for all purposes hereunder with the same force and effect as if originally named as a Guarantor and Pledgor herein. The execution and delivery of such joinder agreement shall not require the consent of any Pledgor hereunder. The rights and obligations of each Pledgor hereunder shall remain in full force and effect notwithstanding the addition of any new Guarantor and Pledgor as a party to this Agreement.

SECTION 3.6 Motor Vehicles. At any time after the occurrence and during the continuance of an Event of Default, each Pledgor shall, upon the request of the Administrative Agent, deliver to the Administrative Agent originals of the certificates of title or ownership for the motor vehicles (and any other Equipment covered by Certificates of Title or ownership owned by it) with the Administrative Agent listed as lienholder therein, unless such vehicles or Equipment constitutes Excluded Property of the type described in clause (A) of the definition of Excluded Property.

SECTION 3.7 Supplements; Further Assurances. Each Pledgor agrees to take such further actions, and to execute and deliver to the Administrative Agent such additional assignments, agreements, supplements, powers and instruments, as the Administrative Agent may in its reasonable judgment deem necessary or appropriate, wherever required or permitted by law, in order to perfect, preserve and protect the security interest in the Pledged Collateral as provided herein and the rights and interests granted to the Administrative Agent hereunder, to carry into effect the purposes hereof or better to assure and confirm unto the Administrative Agent or permit the Administrative Agent to exercise and enforce its respective rights, powers and remedies hereunder with respect to any Pledged Collateral. Without limiting the generality of the foregoing, each Pledgor shall make, execute, endorse, acknowledge, file or refile and/or deliver to the Administrative Agent from time to time upon request such lists, descriptions and designations of the Pledged Collateral, copies of warehouse receipts, receipts in the nature of warehouse receipts, bills of lading, documents of title, vouchers, invoices, schedules, confirmatory assignments, supplements, additional security agreements, conveyances, financing statements, transfer endorsements, powers of attorney, certificates, reports and other assurances or instruments. The Administrative Agent may institute and maintain, in its own name or in the name of any Pledgor, such suits and proceedings as the Administrative Agent may be advised by counsel shall be necessary or expedient to prevent any impairment of the security interest in or the perfection thereof in the Pledged Collateral. All of the foregoing shall be at the sole cost and expense of the Pledgors.

SECTION 3.8 Use and Pledge of Pledged Collateral. Unless an Event of Default shall have occurred and be continuing, the Administrative Agent shall from time to time execute and deliver, upon written request of any Pledgor and at the sole cost and expense of the Pledgors, any and all instruments, certificates or other documents, in a form reasonably requested by such Pledgor, necessary or appropriate in the reasonable judgment of such Pledgor to enable such Pledgor to continue to exploit, license, use, enjoy and protect the Pledged Collateral in accordance with the terms hereof and of the Credit Agreement. The Pledgors and the Administrative Agent acknowledge that this Agreement is intended to grant to the Administrative Agent for the benefit of the Secured Parties a security interest in and Lien upon the Pledged Collateral and shall not constitute or create a present assignment of any of the Pledged Collateral.

#### ARTICLE IV

#### REPRESENTATIONS, WARRANTIES AND COVENANTS

Each Pledgor represents, warrants and covenants as follows:

SECTION 4.1 Title and Authority. Such Pledgor has good title to, or a valid leasehold interest in, the Pledged Collateral with respect to which it has purported to grant a security interest and Lien hereunder and has power and authority, and the legal right to grant to the Administrative Agent the security interest in and Liens on such Pledged Collateral pursuant hereto and to execute, deliver and perform its obligations in accordance with the terms of this Agreement, without the consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the execution, delivery, performance, validity or enforceability of this Agreement (other than any consent that would be required in connection with the Administration Agent's exercise of its remedies hereunder in respect of any lease, license or other contract restricting the assignment thereof).

SECTION 4.2 Validity of Security Interest. The security interest in and Lien on the Pledged Collateral granted to the Administrative Agent (for the benefit of the Secured Parties) hereunder constitutes (a) a legal and valid security interest in all the Pledged Collateral securing the payment and performance of the Secured Obligations, and (b) subject to the filings described in Schedule 7 of the Perfection Certificate and the execution of the Control Agreements described herein, a perfected security interest in all Pledged Collateral. The security interest and Lien granted to the Administrative Agent for the benefit of the Secured Parties pursuant to this Agreement in and on the Pledged Collateral will constitute a perfected, continuing first priority security interest therein, superior and prior to the rights of all other Persons therein other than, in the case of any Pledged Collateral (other than the Securities Collateral), with respect to the holders of (i) the Prior Liens, (ii) Contested Liens and (iii) Permitted Liens.

SECTION 4.3 Limitation on Liens. Such Pledgor is as of the date hereof, and, as to Pledged Collateral acquired by it from time to time after the date hereof, such Pledgor will be, the sole direct and beneficial owner of all Pledged Collateral pledged by it hereunder free from any Lien

or other right, title or interest of any Person other than, in the case of any Pledged Collateral (other than the Securities Collateral), Permitted Liens and Liens in favor of IBJ Whitehall Business Credit Corporation, as Agent, whose liens have been released or authorized to be released on the date hereof. Such Pledgor shall, at its own cost and expense, defend title to the Pledged Collateral pledged by it hereunder and the security interest therein and Lien thereon granted to the Administrative Agent and the priority thereof against all claims and demands of all Persons, at its own cost and expense, at any time claiming any interest therein adverse to the Administrative Agent or any other Secured Party.

**SECTION 4.4 Other Financing Statements.** There is no (nor will there be any) valid or effective 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 Pledged Collateral other than, in the case of any Pledged Collateral (other than the Securities Collateral), financing statements relating to Permitted Liens. So long as any of the Secured Obligations remain unpaid, or the Commitments of the Lenders to make any Loan or to issue any Credit Agreement L/Cs shall not have expired or been sooner terminated, no Pledgor shall execute, authorize or permit 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 any Pledged Collateral, except, in the case of any Pledged Collateral (other than the Securities Collateral), financing statements filed or to be filed in respect of and covering the security interests granted by such Pledgor to the holder of the Permitted Liens.

**SECTION 4.5 Chief Executive Office; Change of Name; Jurisdiction of Organization.** The exact legal name, type of organization, jurisdiction of organization, Federal Taxpayer Identification Number, organizational identification number and chief executive office of such Pledgor is indicated next to its name in Schedule 1(a) of the Perfection Certificate. Such Pledgor shall not change (i) its corporate name, (ii) the location of its chief executive office, its principal place of business, any office in which it maintains books or records relating to Pledged Collateral owned by it or any office or facility at which Pledged Collateral owned by it is located (including the establishment of any such new office or facility), (iii) its identity or type of organization, corporate structure, (iv) its Federal Taxpayer Identification Number or organizational identification number or (including, without limitation, by merging with or into any other entity, reorganizing, dissolving, liquidating, reincorporating or incorporating in any other jurisdiction) until (A) it shall have given the Administrative Agent not less than 15 days' prior written notice (in the form of an Officer's Certificate) of its intention so to do, clearly describing such change and providing such other information in connection therewith as the Administrative Agent may request and (B) with respect to such change, such Pledgor shall have taken all action reasonably satisfactory to the Administrative Agent to maintain the perfection and priority of the security interest of the Administrative Agent for the benefit of the Secured Parties in the Pledged Collateral intended to be granted hereby, including, without limitation, using commercially reasonable efforts to obtain waivers of landlord's or warehousemen's liens with respect to such new location, if applicable, and if tangible personal property with a value in excess of \$250,000 is situated at such location. Each Pledgor agrees to promptly provide the Administrative Agent with certified organizational documents reflecting any of the changes described in the preceding sentence. Notwithstanding the foregoing, with respect to the move contemplated by the Borrower to 11777 San Vicente Blvd., Los Angeles, California 90049 and that, in connection therewith, the Borrower may have to temporarily locate to the offices of American BioScience, Inc., 2730 Wilshire

Blvd., Santa Monica, California 90403, pending finalization of its office lease and the build out of its space at the San Vicente location, the Borrower shall notify the Administrative Agent promptly (but in no event later than 15 days) thereafter of such move to each such location (it being understood that the Borrower shall not have to deliver 15 days prior written notice of such move or relocation).

SECTION 4.6 Location of Inventory and Equipment. All Equipment of such Pledgor is located at the chief executive office or such other location listed in Schedules 2(b) and 2(d) of the Perfection Certificate. Such Pledgor shall not move any Inventory and Equipment to any location other than one within the continental United States that is listed in Schedules 2(b) and 2(d) of the Perfection Certificate with respect to such Pledgor until (i) it shall have given the Administrative Agent not less than 15 days' prior written notice (in the form of an Officer's Certificate) of its intention so to do, clearly describing such new location within the Continental United States and providing such other information in connection therewith as the Administrative Agent may request and (ii) with respect to such new location, such Pledgor shall have taken all action satisfactory to the Administrative Agent to maintain the perfection and priority of the security interest of the Administrative Agent for the benefit of the Secured Parties in the Pledged Collateral intended to be granted hereby, including, without limitation, using commercially reasonable efforts to obtain waivers of landlord's or warehouseman's liens with respect to such new location, if applicable.

SECTION 4.7 Condition and Maintenance of Equipment. The Equipment of such Pledgor is in good repair, working order and condition, reasonable wear and tear excepted (other than Equipment that is obsolete or no longer useful in its business). Each Pledgor shall cause the Equipment to be maintained and preserved in good repair, working order and condition, reasonable wear and tear excepted (other than Equipment that is obsolete or no longer useful in its business), and shall as quickly as commercially practicable make or cause to be made all repairs, replacements and other improvements which are necessary or appropriate in the conduct of such Pledgor's business; provided, however, that in the case of any Destruction which (individually or in the aggregate) exceeds \$500,000 to any of the Equipment, such Pledgor shall give prompt notice thereof to the Administrative Agent.

SECTION 4.8 Corporate Names; Prior Transactions. Such Pledgor has not, during the past five years, been known by or used any other corporate or fictitious name or been a party to any merger or consolidation, or acquired all or substantially all of the assets of any Person, or acquired any of its property or assets out of the ordinary course of business, except as set forth in Schedule 1(c) of the Perfection Certificate.

SECTION 4.9 Due Authorization and Issuance. All of the Initial Pledged Shares have been, and to the extent any Pledged Shares are hereafter issued such Shares will be upon such issuance, duly authorized, validly issued and fully paid and nonassessable. All of the Initial Pledged Interests have been fully paid for, and there is no amount or other obligation owing by any Pledgor to any issuer of the Initial Pledged Interests in exchange for or in connection with the issuance of the Initial Pledged Interests or any Pledgor's status as a partner or a member of any issuer of the Initial Pledged Interests.



SECTION 4.10 No Violations, etc. The pledge of the Pledged Securities pursuant to this Agreement does not violate Regulation T, U or X of the Federal Reserve Board.

SECTION 4.11 No Options, Warrants, etc. There are no options, warrants, calls, rights, commitments or agreements of any character to which such Pledgor is a party or by which it is bound obligating such Pledgor to issue, deliver or sell or cause to be issued, delivered or sold additional Pledged Securities or obligating such Pledgor to grant, extend or enter into any such option, warrant, call, right, commitment or agreement. There are no voting trusts or other agreements or understandings to which such Pledgor is a party with respect to the transfer, voting or exercise of any other right of the equity interests of any issuer of the Pledged Securities.

SECTION 4.12 No Claims. Such Pledgor owns or has rights to use all of the Pledged Collateral pledged by it hereunder and all rights with respect to any of the foregoing used in, necessary for or material to such Pledgor's business as currently conducted and as contemplated to be conducted pursuant to the Loan Documents. To the best of each Pledgor's knowledge, the use by such Pledgor of such Pledged Collateral and all such rights with respect to the foregoing do not infringe on the rights of any Person. To the best of each Pledgor's knowledge, except as indicated on Schedule 4.6 of the Credit Agreement, no claim has been made and remains outstanding that such Pledgor's use of any Pledged Collateral does or may violate the rights of any third Person that could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

SECTION 4.13 No Conflicts, Consents, etc. Neither the execution and delivery hereof by each Pledgor nor the consummation of the transactions herein contemplated nor the fulfillment of the terms hereof (i) violates any Operative Agreement of such Pledgor or any issuer of Pledged Interests, (ii) (other than any consent that would be required in connection with the Administrative Agent's exercise of its remedies hereunder in respect of any lease, license or other contract restricting the assignment thereof) violates the terms of any agreement, indenture, mortgage, deed of trust, equipment lease, property lease, instrument or other document to which such Pledgor is a party, or by which it may be bound or to which any of its properties or assets may be subject, except if such conflict or violation could not reasonably be expected to have a Material Adverse Effect, (iii) conflicts with any Requirement of Law applicable to any such Pledgor or its property, except if such conflict or violation could not reasonably be expected to have a Material Adverse Effect, or (iv) results in or requires the creation or imposition of any Lien (other than the Lien contemplated hereby) upon or with respect to any of the property now owned or hereafter acquired by such Pledgor. No consent of any party (including, without limitation, equityholders or creditors of such Pledgor) and no consent, authorization, approval, license or other action by, and no notice to or filing with, any Governmental Authority or regulatory body or other Person is required for (A) the pledge by such Pledgor of the Pledged Collateral pledged by it pursuant to this Agreement or for the execution, delivery or performance hereof by such Pledgor, except as set forth in Schedule 4.13 annexed hereto, (B) the exercise by the Administrative Agent of the voting or other rights provided for in this Agreement or (C) the exercise by the Administrative Agent of the remedies in respect of the Pledged Collateral pursuant to this Agreement (other than, in the case of clauses (B) and (C) of the sentences, any consent that would be required in connection with the Administrative Agent's exercise of its remedies hereunder in respect of any lease, license or other contract restriction on the assignment thereof). In the event that the Administrative Agent desires to exercise any remedies, voting or consensual rights or attorney-in-fact

powers set forth in this Agreement and determines it necessary to obtain any approvals or consents of any Governmental Authority or any other Person therefor, then, upon the reasonable request of the Administrative Agent, such Pledgor agrees to use its commercially reasonable best efforts to assist and aid the Administrative Agent to obtain as soon as practicable any necessary approvals or consents for the exercise of any such remedies, rights and powers.

SECTION 4.14 Pledged Collateral. All information set forth herein, including the schedules annexed hereto, and all information contained in any documents, schedules and lists heretofore delivered to any Secured Party in connection with this Agreement, in each case, relating to the Pledged Collateral, is accurate and complete in all material respects. The Pledged Collateral described on the schedules annexed hereto and the Perfection Certificate constitutes all of the property of such type of Pledged Collateral owned or held by the Pledgors.

SECTION 4.15 Insurance; Condemnation.

(i) Required Insurance Policies and Coverages. No Pledgor shall take any action that impairs the rights of the Administrative Agent or any Secured Party in the Pledged Collateral except as permitted pursuant to Sections 7.3, 7.4 and 7.5 of the Credit Agreement and (A) as of the date hereof, the Pledged Collateral and the use, occupancy and operation thereof comply with all Insurance Requirements, except where failure to so comply would not result in a Material Adverse Effect, and there exists no default under any Insurance Requirement, (B) all premiums due and payable with respect to the Required Insurance Policies have been paid, (C) all Insurance Policies are in full force and effect and such Pledgor has not received written notice of violation or cancellation thereof and (D) all Insurance Policies or Insurance Certificates have been delivered to the Administrative Agent in form reasonably satisfactory to the Administrative Agent. Each Pledgor shall at all times keep the Pledged Collateral insured, at such Pledgor's own expense, to the Administrative Agent's satisfaction against fire, theft and all other risks to which the Pledged Collateral may be subject, in such amounts and with such deductibles as would be maintained by a Prudent Operator or as the Administrative Agent may otherwise reasonably require, including, without limitation, the following insurance policies and coverages:

- (A) physical hazard insurance on an "all risk" basis covering, without limitation, hazards commonly covered by fire and extended coverage, lightning, wind-storm, civil commotion, hail, riot, strike, water damage, sprinkler leakage, collapse and malicious mischief, in an amount equal to the Full Replacement Cost of the Equipment and Inventory;
- (B) commercial general liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Pledged Collateral, and covering any and all claims, including, without limitation, all legal liability to the extent insurable imposed upon the Administrative Agent and all court costs and attorneys' fees, arising out of or connected with the possession, use, leasing, operation or condition of the Pledged Collateral;

- (C) explosion insurance in respect of any boilers, machinery and similar apparatus located on or comprising the Equipment and Inventory;
- (D) business interruption insurance;
- (E) worker's compensation insurance as required by the laws of the state where the Pledged Collateral is located to protect such Pledgor and the Administrative Agent against claims for injuries sustained in the course of employment at the premises of such Pledgor; and
- (F) such other insurance against risks as the Administrative Agent may from time to time require.

(ii) Required Form of Insurance Policies. Each Insurance Policy described in clause (i) of this Section 4.15 shall provide that:

- (A) it may not be modified, reduced, canceled or otherwise terminated without at least thirty (30) days' prior written notice to the Administrative Agent (10 days for nonpayment of premiums);
- (B) the Administrative Agent is permitted to pay any premium therefor within ten (10) days after receipt of any notice stating that such premium has not been paid when due;
- (C) all losses thereunder shall be payable notwithstanding any act or negligence of such Pledgor or its agents or employees which otherwise might have resulted in a forfeiture of all or a part of such insurance payments;
- (D) to the extent such Insurance Policy constitutes Property Insurance, all losses payable thereunder shall be payable to the Administrative Agent, as loss payee, pursuant to a standard non-contributory New York mortgagee endorsement and shall be in an amount at least sufficient to prevent coinsurance liability; and
- (E) with respect to Liability Insurance, the Administrative Agent shall be named as an additional insured.

(iii) Notices; Settlements:

- (a) If there shall occur any Destruction, Taking or the commencement of any proceeding therefor, the applicable Pledgor shall promptly send to the Administrative Agent a written notice of the nature and extent of such Destruction or of such Taking or commencement of proceedings therefor. The proceeds of any insurance payable in respect of such Destruction and the proceeds, award or payment in respect of any Taking are hereby assigned and shall be paid to the Administrative Agent. Each Pledgor shall take all steps

necessary to notify the condemning authority of such assignment. The Administrative Agent may, at its option, participate in any proceedings or negotiations which might result in any Taking, and the applicable Pledgor shall deliver or cause to be delivered to the Administrative Agent all instruments requested by it to permit such participation. The Administrative Agent may be represented by counsel satisfactory to it at the reasonable expense of the applicable Pledgor in connection with any such participation. The applicable Pledgor shall pay all reasonable fees, costs and expenses incurred by the Administrative Agent in connection with any Taking and in seeking and obtaining any award or payment on account thereof.

(b) Settlement of any claim under any of the Required Insurance Policies, if such claim involves any loss in excess of \$500,000 (in the reasonable judgment of the Administrative Agent), shall require the prior written approval of the Administrative Agent, which approval shall not be unreasonably withheld or delayed, and such Pledgor shall cause each such policy to contain a provision to such effect.

(iv) Renewals. At least ten (10) days prior to the expiration of any Required Insurance Policy, such Pledgor shall deliver to the Administrative Agent a Required Insurance Policy or Policies renewing or extending such expiring Required Insurance Policy or Policies, renewal or extension Insurance Certificates or other reasonable evidence of renewal or extension providing that the Insurance Policies are in full force and effect.

(v) Additional Insurance. Such Pledgor shall not purchase separate insurance policies concurrent in form or contributing in the event of loss with those Required Insurance Policies required to be maintained under this Section 4.15, unless the Administrative Agent is included thereon as an additional insured and, if applicable, with loss payable to the Administrative Agent under an endorsement containing the provisions described in clause (ii) of this Section 4.15. Such Pledgor shall immediately notify the Administrative Agent whenever any such separate insurance policy is obtained and shall promptly deliver to the Administrative Agent the Required Insurance Policy or Insurance Certificate evidencing such insurance.

(vi) Blanket Coverage. Such Pledgor may maintain the coverages required by clause (i) of this Section 4.15 under blanket policies covering the Pledged Collateral and other property owned or operated by such Pledgor or an Affiliate of such Pledgor if the terms of such blanket policies otherwise comply with the provisions of clause (i) of this Section 4.15 and contain specific coverage allocations in respect of the Equipment and Inventory complying with the provisions of clause (i) of this Section 4.15.

(vii) Net Cash Proceeds Relating to Recovery Events and Asset Sales. (a) In the event there shall be any Net Cash Proceeds in respect of any Recovery Event, such Pledgor shall have the right, at such Pledgor's option, to apply such Net Cash Proceeds to replace, restore or otherwise repair the Recovery Event Assets with Replacement Assets having a fair market value at least equal to the amount of such Net Cash Proceeds, in accordance with the proviso set forth in Section 2.9(b)(ii)

of the Credit Agreement. In the event such Pledgor elects so to replace, restore or otherwise repair such Recovery Event Assets with any Net Cash Proceeds in excess of \$500,000 such Pledgor shall deliver to the Administrative Agent a Reinvestment Notice in accordance with the provisions of Section 2.9(b)(ii) of the Credit Agreement. In the event such Reinvestment Notice shall not be delivered, such Net Cash Proceeds shall be applied toward the repayment of the Loans in accordance with the provisions of Section 2.9(b)(ii) of the Credit Agreement. If such Net Cash Proceeds shall be in an amount less than \$500,000 and there shall not have occurred and be continuing any Event of Default at such time (in which event such Net Cash Proceeds shall not be deposited in the Collateral Account), such Net Cash Proceeds shall be delivered to the Pledgor to be used to replace, restore or repair the Recovery Event Assets with Replacement Assets.

(b) In the event there shall be any Net Cash Proceeds in respect of any Asset Sale in an amount less than \$5,000,000 in the aggregate in any fiscal year of the Borrower, such Pledgor shall have the right, at such Pledgor's option, to apply such Net Cash Proceeds to reinvest in new or existing properties or assets having a fair market value at least equal to the amount of such Net Cash Proceeds in accordance with the provisions of Section 2.9(b)(i) of the Credit Agreement. In the event such Pledgor elects so to reinvest such Net Cash Proceeds, such Pledgor shall deliver to the Administrative Agent a Reinvestment Notice in accordance with the provisions of Section 2.9(b)(i) of the Credit Agreement. In the event such Reinvestment Notice shall not be delivered, such Net Cash Proceeds shall be applied toward the repayment of the Loans in accordance with the provisions of Section 2.9(b)(i) of the Credit Agreement. If such Net Cash Proceeds shall be in an amount less than \$500,000 and there shall not have occurred and be continuing any Event of Default at such time (in which event such Net Cash Proceeds shall not be deposited in the Collateral Account), such Net Cash Proceeds shall be delivered to the Pledgor to be used in accordance with the provisions of the Credit Agreement.

(c) In the event there shall be any Net Cash Proceeds from any Recovery Event relating to any Pledged Collateral or Net Cash Proceeds from any Asset Sale relating to any Pledged Collateral, in an amount equal to or greater than \$500,000, the Administrative Agent shall not release any part of such Net Cash Proceeds until the applicable Pledgor has furnished to the Administrative Agent (i) an Officer's Certificate setting forth a brief description of the Replacement Assets to be acquired, rebuilt or restored and the dollar amount of the expenditures to be made, or costs incurred by such Pledgor in connection therewith, (ii) all security agreements and Mortgages and other items required by the provisions of Section 6.10 of the Credit Agreement to among other things, subject such Replacement Assets to the Lien of the Security Documents in favor of the Administrative Agent, for its benefit and for the benefit of the other Secured Parties, and (iii) a Reinvestment Notice. Each request for payment shall be made on at least ten (10) days' prior notice to the Administrative Agent and such request shall state that the Replacement Assets acquired, rebuilt or restored have a fair market value at least equal to the amount of the Net Cash Proceeds requested to be released from the Collateral Account.

(d) In the event there shall be any Net Cash Proceeds relating to any Premises constituting Mortgaged Property in an amount equal to or greater than \$500,000, the Administrative Agent shall not release any part of such Net Cash Proceeds except in accordance with the provisions

of Section 4.15(e) hereof, and the applicable Pledgor shall, prior to commencing any work to affect a restoration of such Mortgaged Property, promptly furnish to the Administrative Agent:

- (1) complete plans and specifications (the "Plans and Specifications") for the restoration:
- (2) a certificate (an "Architect's Certificate") of an independent, reputable architect or engineer reasonably acceptable to the Administrative Agent and licensed in the state where such Mortgaged Property is located (A) listing all permits and approvals required by law in connection with the restoration, (B) stating that all permits and approvals required by law to commence work in connection with the restoration have been obtained, (C) stating that the Plans and Specifications have been reviewed and approved by the signatory thereto, (D) stating such signatory's estimate (an "Estimate") of the costs of completing the restoration and (E) stating that upon completion of such restoration in accordance with the Plans and Specifications, the value and utility of such Mortgaged Property will be approximately equal to or greater than the value and utility thereof immediately prior to the Destruction or Taking relating to such restoration; and
- (3) if the Estimate exceeds the Net Cash Proceeds (plus the amount of the availability under the Revolving Facility and the amount deposited by the applicable Pledgor in a separate sub-account of the Collateral Account designated as the "Restoration Sub-Account") a surety bond for, guarantee of, or irrevocable letter of credit (a "Restoration Letter of Credit") or other irrevocable and unconditional commitment to provide funds (each, a "Restoration Commitment") for the payment of the excess cost of such, or in favor of the Administrative Agent, which bond, guarantee Restoration Letter of Credit or Restoration Commitment shall be signed by a surety or sureties or guarantor(s), as the case may be, acceptable to the Administrative Agent and, in the case of a Restoration Letter of Credit or Restoration Commitment, (A) shall be provided by a Lender or other financial institution having capital and surplus in excess of \$500 million as shown in its most recent available statement of financial condition and (B) shall be in an amount not less than the excess of the amount of the Estimate over the amount of the Net Cash Proceeds (plus the amount of the availability under the Revolving Facility and the amount deposited by the applicable Pledgor in a separate sub-account of the Collateral Account designated as the "Restoration Sub-Account") then held by the Administrative Agent for application toward the cost of such restoration.

The Administrative Agent shall have the right to review and approve the Plans and Specifications (which approval shall not be unreasonably withheld or delayed). Promptly upon any approval of the Plans and Specifications by the Administrative Agent, the applicable Pledgor shall commence and diligently continue to perform the restoration in accordance with such approved Plans and Specifications. The applicable Pledgor shall so complete such restoration with its own funds to the extent that the amount of any Net Cash Proceeds is insufficient for such purpose.

- (e) In the event the applicable Pledgor shall perform a restoration of any Premises constituting Mortgaged Property as provided in Section 4.15(d) hereof, the Administrative Agent

shall apply any Net Cash Proceeds held by the Administrative Agent on account of the applicable Destruction or Taking to the payment of the cost of performing such restoration and shall pay portions of the same, from time to time, to the applicable Pledgor or, at the Administrative Agent's option, exercised from time to time, directly to the contractors, subcontractors, materialmen, laborers, engineers, architects and other Persons rendering services or material for such restoration, subject to the following conditions:

(1) Each request for payment shall be made on at least ten (10) days' prior notice to the Administrative Agent and shall be accompanied by an Architect's Certificate stating (A) that all the restoration work then completed has been done in compliance with the Plans and Specifications, as approved by the Administrative Agent, and in accordance with all provisions of law, (B) the sums requested are required to reimburse the applicable Pledgor for payments by the applicable Pledgor to, or are due to, the contractors, subcontractors, materialmen, laborers, engineers, architects, or other persons rendering services or materials for the restoration, and that, when added to the sums, if any, previously paid out by the Administrative Agent, such sums do not exceed the cost of the restoration to the date of such Architect's Certificate, (C) whether or not the Estimate continues to be accurate, and if not, what the entire cost of such restoration is then estimated to be and (D) that the amount of the Net Cash Proceeds (plus the amount of the availability under the Revolving Facility and the amount deposited by the applicable Pledgor in a separate sub-account of the Collateral Account designated as the "Restoration Sub-Account") remaining after giving effect to such payment will be sufficient on completion of the restoration to pay for the same in full (including, in detail, an estimate by trade of the remaining costs of completion);

(2) Each request for payment shall be accompanied by (A) a title insurance policy, binder or endorsement in form and substance satisfactory to the Administrative Agent confirming that (x) all Liens (other than Permitted Collateral Liens) covering that part of the restoration previously paid for, if any, have been waived and (y) there has not been filed with respect to all or any portion of such Mortgaged Property any Lien (other than Permitted Collateral Liens) and (B) such lien waivers as Administrative Agent shall reasonably request evidencing that all Liens (other than the Permitted Collateral Liens) covering that part of the restoration previously paid for, if any, have been waived; and

(3) The final request for any payment after the restoration has been completed shall be accompanied by an Architect's Certificate listing all Permits necessary to comply with all Requirements of Law in connection with or as a result of such restoration and stating that all of the same have been obtained.

In the event that there shall be any surplus after application of the Net Cash Proceeds to restoration of such Mortgaged Property, such surplus shall be applied as Net Cash Proceeds in accordance with Section 2.9 of the Credit Agreement.

SECTION 4.16 Payment of Taxes; Compliance with Laws; Contesting Liens; Claims. Each Pledgor represents and warrants that all Charges imposed upon or assessed against the Pledged Collateral have been paid and discharged except to the extent such Charges constitute a Lien

not yet due and payable or a Permitted Lien. Each Pledgor shall comply with all Requirements of Law applicable to the Pledged Collateral the failure to comply with which would have a Material Adverse Effect. Notwithstanding the foregoing, each Pledgor may at its own expense contest the validity, amount or applicability of any Charges so long as the contest thereof shall be conducted in accordance with, and permitted pursuant to the provisions of, the Credit Agreement. Notwithstanding the foregoing provisions of this Section 4.16, (i) no contest of any such obligation may be pursued by such Pledgor if such contest would expose the Administrative Agent or any other Secured Party to (A) any possible criminal liability or (B) unless such Pledgor shall have furnished a bond or other security therefor satisfactory to the Administrative Agent, or such Secured Party, as the case may be, any additional civil liability for failure to comply with such obligations and (ii) if at any time payment or performance of any obligation contested by such Pledgor pursuant to this Section 4.16 shall become necessary to prevent the imposition of remedies because of non-payment, such Pledgor shall pay or perform the same, in sufficient time to prevent the imposition of remedies in respect of such default or prospective default.

SECTION 4.17 Access to Pledged Collateral, Books and Records; Other Information. The Administrative Agent shall have right of access to the properties of each Pledgor in accordance with Section 6.6 of the Credit Agreement.

SECTION 4.18 Benefit to Guarantors. Each Guarantor will receive substantial benefit as a result of the execution, delivery and performance of the Loan Documents.

SECTION 4.19 Borrower Intercompany Loan Collateral. Each Pledgor agrees that, at its sole cost and expense, until the payment and satisfaction in full of the Secured Obligations (but excluding Hedge Agreements and contingent and unliquidated indemnity obligations not due or payable) in accordance with their terms.

(a) Such Pledgor shall not take or omit to take any action, or do anything, or grant any consent, waiver or ratification, that may (i) impair the value of the Borrower Intercompany Loan Collateral or the value of the Liens created, granted and/or confirmed herein, (ii) cause or permit any Lien to encumber any of the Borrower Intercompany Loan Collateral or (iii) result in sale, assignment, transfer or other disposition of the Borrower Intercompany Loan Collateral;

(b) Such Pledgor shall promptly perform and observe all of the terms, covenants and conditions required to be performed and observed by it under or in respect of the Borrower Intercompany Loan Documents, and any and all documents and agreements related thereto, and shall do all things necessary to preserve and to keep unimpaired its rights thereunder;

(c) Such Pledgor shall promptly furnish the Administrative Agent with copies of any notice given or received under or in respect of any of the Borrower Intercompany Loan Collateral;



(d) Without the prior written consent of the Administrative Agent, such Pledgor shall not and shall not agree to (i) assign (other than the assignment of the Borrower Intercompany Loan Document as contemplated hereby) or surrender its rights and interests under any Borrower Intercompany Loan Document nor terminate or cancel or permit the termination or cancellation of any Borrower Intercompany Loan Document or (ii) modify, change, supplement, alter, terminate, cancel, waive, release or amend, nor permit the modification, change, supplementation, alteration, termination, cancellation, waiver, release or amendment of, any Borrower Intercompany Loan Document or the terms thereof, either orally or in writing; and such Pledgor does hereby expressly release, relinquish and surrender unto the Administrative Agent all its rights, power and authority to terminate, cancel, modify, change, supplement, alter, waive, release or amend the Borrower Intercompany Loan Documents;

(e) Such Pledgor shall deliver to the Administrative Agent, promptly after such Pledgor knows or has reason to believe that any breach or default by any Person obligated under the Borrower Intercompany Loan Documents, has occurred, a notice of such breach or default describing the same in reasonable detail and, together with such notice, a description of the action that such Pledgor proposes to take with respect thereto. Without limiting the generality of the foregoing, and upon any such breach or default, such Pledgor, at the written request of the Administrative Agent, shall promptly enforce its rights and remedies under the Borrower Intercompany Loan Documents as is necessary and appropriate in order to collect any defaulted payments, provided that the manner of such enforcement shall be approved by the Administrative Agent and, in any event, such Pledgor shall not exercise any rights or remedies under any Borrower Intercompany Loan Documents on account of any breach or default under or in respect thereof without the prior written approval of the Administrative Agent; and

(f) Each Pledgor shall warrant and defend its title to the Borrower Intercompany Loan Collateral and the pledge and security interest granted in favor of the Administrative Agent therein against all claims and demands of all Persons whomsoever, and shall maintain and preserve such pledge and security interest at all times.

## ARTICLE V

### CERTAIN PROVISIONS CONCERNING ACCOUNTS

SECTION 5.1 Special Representations and Warranties. As of the time when each of its Accounts arises, each Pledgor shall be deemed to have represented and warranted that such Account and all records, papers and documents relating thereto (i) are genuine and correct and in all material respects what they purport to be, (ii) represent the legal, valid and binding obligation of the account debtor, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability, evidencing indebtedness unpaid and owed by such account debtor, arising out of the performance of labor or services or the sale, lease, license, assignment or other disposition

and delivery of the goods or other property listed therein or out of an advance or a loan, (iii) will, in the case of a Account, except for the original or duplicate original invoice sent to a purchaser evidencing such purchaser's account, be the only original writings evidencing and embodying such obligation of the account debtor named therein and (iv) are in all material respects in compliance and conform with all applicable Federal, state and local laws and applicable laws of any relevant foreign jurisdiction.

SECTION 5.2 Maintenance of Records. Each Pledgor shall keep and maintain at its own cost and expense complete records of each Account, in a manner consistent with prudent business practice, including, without limitation, records of all payments received, all credits granted thereon, all merchandise returned and all other documentation relating thereto. Each Pledgor shall, at such Pledgor's sole cost and expense, upon the Administrative Agent's demand made at any time after the occurrence and during the continuance of any Event of Default, deliver all tangible evidence of Accounts, including, without limitation, all documents evidencing Accounts and any books and records relating thereto to the Administrative Agent or to its representatives (copies of which evidence and books and records may be retained by such Pledgor). Upon the occurrence and during the continuance of any Event of Default, the Administrative Agent may transfer a full and complete copy of any Pledgor's books, records, credit information, reports, memoranda and all other writings relating to the Accounts to and for the use by any Person that has acquired or is contemplating acquisition of an interest in the Accounts or the Administrative Agent's security interest therein without the consent of any Pledgor.

SECTION 5.3 Legend. Each Pledgor shall legend, at the request of the Administrative Agent made at any time after the occurrence of any Event of Default and in form and manner satisfactory to the Administrative Agent, the Accounts and the other books, records and documents of such Pledgor evidencing or pertaining to the Accounts with an appropriate reference to the fact that the Accounts have been assigned to the Administrative Agent for the benefit of the Secured Parties and that the Administrative Agent has a security interest therein.

SECTION 5.4 Modification of Terms, etc. No Pledgor shall rescind or cancel any indebtedness evidenced by any Account or modify any term thereof or make any adjustment with respect thereto except in the ordinary course of business consistent with prudent business practice, or extend or renew any such indebtedness except in the ordinary course of business consistent with prudent business practice or compromise or settle any dispute, claim, suit or legal proceeding relating thereto or sell any Account or interest therein except in the ordinary course of business consistent with prudent business practice without the prior written consent of the Administrative Agent. Each Pledgor shall timely fulfill all obligations on its part to be fulfilled under or in connection with the Accounts.

SECTION 5.5 Collection. Each Pledgor shall cause to be collected from the account debtor of each of the Accounts, as and when due in the ordinary course of business consistent with prudent business practice (including, without limitation, Accounts that are delinquent, such Accounts to be collected in accordance with generally accepted commercial collection procedures), any and all amounts owing under or on account of such Account, and apply forthwith upon receipt thereof all such amounts as are so collected to the outstanding balance of such Account, except that any

Pledgor may, with respect to an Account, allow in the ordinary course of business (i) a refund or credit due as a result of returned or damaged or defective merchandise and (ii) such extensions of time to pay amounts due in respect of Accounts and such other modifications of payment terms or settlements in respect of Accounts as shall be commercially reasonable in the circumstances, all in accordance with such Pledgor's ordinary course of business consistent with its collection practices as in effect from time to time. The costs and expenses (including, without limitation, attorneys' fees) of collection, in any case, whether incurred by any Pledgor, the Administrative Agent or any Secured Party, shall be paid by the Pledgors.

## ARTICLE VI

### CERTAIN PROVISIONS CONCERNING SECURITIES COLLATERAL

**SECTION 6.1 Pledge of Additional Securities Collateral.** Each Pledgor shall, upon obtaining any Pledged Securities or Pledged Intercompany Notes of any Person (with the exception of any Excluded Property), accept the same in trust for the benefit of the Administrative Agent and forthwith deliver to the Administrative Agent a pledge amendment, duly executed by such Pledgor, in substantially the form of Exhibit 2 annexed hereto (each, a "Pledge Amendment"), and the certificates and other documents required under Section 3.1 and Section 3.2 in respect of the additional Pledged Securities or Pledged Intercompany Notes which are to be pledged pursuant to this Agreement, and confirming the attachment of the Lien hereby created on and in respect of such additional Pledged Securities or Pledged Intercompany Notes. Each Pledgor hereby authorizes the Administrative Agent to attach each Pledge Amendment to this Agreement and agrees that all Pledged Securities or Pledged Intercompany Notes listed on any Pledge Amendment delivered to the Administrative Agent shall for all purposes hereunder be considered Pledged Collateral.

### **SECTION 6.2 Voting Rights; Distributions; etc.**

(i) So long as no Event of Default shall have occurred and be continuing:

(A) Each Pledgor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Securities Collateral or any part thereof for any purpose not inconsistent with the terms or purposes hereof, the Indenture or any other document evidencing the Secured Obligations; provided, however, that no Pledgor shall in any event exercise such rights in any manner which may have a material adverse effect on the value of the Pledged Collateral or the Lien and security interest intended to be granted to the Administrative Agent hereunder.

(B) Each Pledgor shall be entitled to receive and retain, and to utilize free and clear of the Lien hereof, any and all Distributions, but only if and to the extent made in accordance with the provisions of the Credit Agreement; provided, however, that any and all such Distributions consisting of rights or interests in the form of securities shall be forthwith delivered to the Administrative Agent to hold as Pledged Collateral and shall, if received by any Pledgor,

be received in trust for the benefit of the Administrative Agent, be segregated from the other property or funds of such Pledgor and be forthwith delivered to the Administrative Agent as Pledged Collateral in the same form as so received (with any necessary endorsement).

(C) The Administrative Agent shall be deemed without further action or formality to have granted to each Pledgor all necessary consents relating to voting rights and shall, if necessary, upon written request of any Pledgor and at the sole cost and expense of the Pledgors, from time to time execute and deliver (or cause to be executed and delivered) to such Pledgor all such instruments as such Pledgor may reasonably request in order to permit such Pledgor to exercise the voting and other rights which it is entitled to exercise pursuant to Section 6.2(i)(A) hereof and to receive the Distributions which it is authorized to receive and retain pursuant to Section 6.2(i)(B) hereof.

(ii) Upon the occurrence and during the continuance of any Event of Default:

(A) All rights of each Pledgor to exercise the voting and other consensual rights it would otherwise be entitled to exercise pursuant to Section 6.2(i)(A) hereof without any action or the giving of any notice shall cease, and all such rights shall thereupon become vested in the Administrative Agent, which shall thereupon have the sole right to exercise such voting and other consensual rights.

(B) All rights of each Pledgor to receive Distributions which it would otherwise be authorized to receive and retain pursuant to Section 6.2(i)(B) hereof shall cease and all such rights shall thereupon become vested in the Administrative Agent, which shall thereupon have the sole right to receive and hold as Pledged Collateral such Distributions.

(iii) Each Pledgor shall, at its sole cost and expense, from time to time execute and deliver to the Administrative Agent appropriate instruments as the Administrative Agent may request in order to permit the Administrative Agent to exercise the voting and other rights which it may be entitled to exercise pursuant to Section 6.2(ii)(A) hereof and to receive all Distributions which it may be entitled to receive under Section 6.2(ii)(B) hereof.

(iv) All Distributions which are received by any Pledgor contrary to the provisions of Section 5.2(ii)(B) hereof shall be received in trust for the benefit of the Administrative Agent, shall be segregated from other funds of such Pledgor and shall immediately be paid over to the Administrative Agent as Pledged Collateral in the same form as so received (with any necessary endorsement).

SECTION 6.3 Operative Agreements. Each Pledgor has delivered to the Administrative Agent true, correct and complete copies of the Operative Agreements. The Operative Agreements are in full force and effect, have not as of the date hereof been amended or modified except as disclosed to the Administrative Agent, and there is no existing default by any party thereunder or any event which, with the giving of notice of passage of time or both, would constitute a default by any party thereunder. Each Pledgor shall deliver to the Administrative Agent a copy of any notice of default given or received by it under any Operative Agreement promptly after such Pledgor gives or

receives such notice. No Pledgor will terminate or agree to terminate any Operative Agreement or make any amendment or modification to any Operative Agreement which may have a material adverse effect on the value of the Pledged Interests and Distributions relating thereto or the Lien and security intended to be granted to the Administrative Agent hereunder, except as permitted by the Credit Agreement.

SECTION 6.4 Defaults, etc. Such Pledgor is not in default in the payment of any portion of any mandatory capital contribution, if any, required to be made under any agreement to which such Pledgor is a party relating to the Pledged Securities pledged by it. No Securities Collateral pledged by such Pledgor is subject to any defense, offset or counterclaim, nor have any of the foregoing been asserted or alleged against such Pledgor by any Person with respect thereto, and as of the date hereof, there are no certificates, instruments, documents or other writings (other than the Operative Agreements and certificates, if any, delivered to the Administrative Agent) which evidence any Pledged Securities of such Pledgor.

## ARTICLE VII

### CERTAIN PROVISIONS CONCERNING INTELLECTUAL PROPERTY

SECTION 7.1 Grant of License. For the purpose of enabling the Administrative Agent, during the continuance of an Event of Default, to exercise rights and remedies under Article X hereof at such time as the Administrative Agent shall be lawfully entitled to exercise such rights and remedies, and for no other purpose, each Pledgor hereby grants to the Administrative Agent, to the extent assignable, an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to such Pledgor) to use, assign, license or sublicense any of the Intellectual Property now owned or hereafter acquired by such Pledgor, wherever the same may be located, including in such license access to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout hereof.

SECTION 7.2 Registrations. Except pursuant to licenses and other user agreements entered into by any Pledgor in the ordinary course of business that are listed in Schedule 1.1(f) annexed hereto, on and as of the date hereof (i) each Pledgor owns and possesses the right to use, and has done nothing to authorize or enable any other Person to use, any Copyright, Patent or Trademark listed in Schedules 1.1(e), 1.1(g) and 1.1(h) annexed hereto, and (ii) all registrations listed in Schedules 1.1(e), 1.1(g) and 1.1(h) annexed hereto are valid and in full force and effect, except such registrations of any Copyright, Patent or Trademark not necessary to such Pledgor's business.

SECTION 7.3 No Violations or Proceedings. To each Pledgor's knowledge, on and as of the Closing Date and the date of each extension of Credit, (i) except as set forth in Schedule 7.3 annexed hereto, there is no material violation by others of any right of such Pledgor with respect to any Copyright, Patent or Trademark listed in Schedules 1.1(e), 1.1(g) and 1.1(h) annexed hereto, respectively, pledged by it under the name of such Pledgor that in such Pledgor's reasonable opinion,

could individually or in the aggregate reasonably be expected to have a Material Adverse Effect, (ii) such Pledgor is not infringing upon any copyright, patent or trademark of any other Person that, if such infringement could individually or in the aggregate reasonably be expected to have a Material Adverse Effect, and (iii) except as may be set forth in Schedule 7.3, no proceedings have been instituted or are pending against such Pledgor or, to such Pledgor's knowledge, threatened, and no claim against such Pledgor has been received by such Pledgor, alleging any such violation, that, in such Pledgor's reasonable opinion, is reasonably likely, to be found to be successful on the merits, and if found successful on the merits such violation, infringement or proceeds would reasonably be expected to have a Material Adverse Effect.

**SECTION 7.4 Protection of Lender's Security.** On a continuing basis, each Pledgor shall, at its sole cost and expense, (i) promptly following its becoming aware thereof, notify the Administrative Agent of (A) any material adverse determination in any proceeding in the United States Patent and Trademark Office or the United States Copyright Office with respect to any material Patent, Trademark or Copyright or (B) the institution of any proceeding or any adverse determination in any Federal, state or local court or administrative body regarding such Pledgor's claim of ownership in or right to use any of the Intellectual Property, its right to register such Intellectual Property or its right to keep and maintain such registration in full force and effect that, in such Pledgor's reasonable opinion, is reasonably likely, to be found to be successful on the merits, and if found successful, would be reasonably likely to have a Material Adverse Effect, (ii) maintain and protect the Intellectual Property necessary for the operation of such Pledgor's business as presently conducted and as contemplated by the Credit Agreement, (iii) not permit to lapse or become abandoned any Intellectual Property necessary for the operation of such Pledgor's business as presently conducted and as contemplated by the Credit Agreement and as contemplated by the Credit Agreement, and not settle or compromise any pending or future litigation or administrative proceeding with respect to such Intellectual Property, in each case except as shall be consistent with commercially reasonable business judgment, (iv) upon such Pledgor obtaining knowledge thereof, promptly notify the Administrative Agent in writing of any event which may be expected to materially and adversely affect the value or utility of the Intellectual Property or any portion thereof necessary for the operation of such Pledgor's business, the ability of such Pledgor or the Administrative Agent to dispose of the Intellectual Property or any portion thereof or the rights and remedies of the Administrative Agent in relation thereto including, without limitation, a levy or threat of levy or any legal process against the Intellectual Property or any portion thereof, (v) not license the Intellectual Property other than licenses entered into by such Pledgor in, or incidental to, the ordinary course of business, or amend or permit the amendment of any of the licenses in a manner that materially and adversely affects the right to receive payments thereunder, or in any manner that would materially impair the value of the Intellectual Property or the Lien on and security interest in the Intellectual Property intended to be granted to the Administrative Agent for the benefit of the Secured Parties, without the consent of the Administrative Agent, (vi) until the Administrative Agent exercises its rights to make collection, diligently keep adequate records respecting the Intellectual Property and (vii) furnish to the Administrative Agent from time to time upon request detailed statements and amended schedules further identifying and describing the Intellectual Property and such other materials evidencing or reports pertaining to the Intellectual Property as the Administrative Agent may from time to time request.

SECTION 7.5 After-Acquired Property. If any Pledgor shall, at any time before the Secured Obligations have been paid in full, (i) obtain any rights to any additional Intellectual Property (with the exception of Excluded Property) or (ii) become entitled to the benefit of any additional Intellectual Property (with the exception of Excluded Property) or any renewal or extension thereof, including any reissue, division, continuation, or continuation-in-part of any Intellectual Property, or any improvement on any Intellectual Property, the provisions hereof shall automatically apply thereto and any such item enumerated in clause (i) or (ii) of this Section 7.5 with respect to such Pledgor shall automatically constitute Intellectual Property if such would have constituted Intellectual Property at the time of execution hereof and be subject to the Lien and security interest created by this Agreement without further action by any party. Each Pledgor shall promptly (i) provide to the Administrative Agent written notice of any of the foregoing and (ii) confirm the attachment of the Lien and security interest created by this Agreement to any rights described in clauses (i) and (ii) of the immediately preceding sentence of this Section 7.5 by execution of an instrument in form acceptable to the Administrative Agent.

SECTION 7.6 Modifications. Each Pledgor authorizes the Administrative Agent to modify this Agreement by amending Schedules 1.1(e), 1.1(g) and 1.1(h) annexed hereto to include any Intellectual Property acquired or arising after the date hereof of such Pledgor including, without limitation, any of the items listed in Section 7.5 hereof (but excluding any Excluded Property).

SECTION 7.7 Litigation. Unless there shall occur and be continuing any Event of Default, each Pledgor shall have the right to commence and prosecute in its own name, as the party in interest, for its own benefit and at the sole cost and expense of the Pledgors, such applications for protection of the Intellectual Property and suits, proceedings or other actions to prevent the infringement, counterfeiting, unfair competition, dilution, diminution in value or other damage as are necessary to protect the Intellectual Property. Upon the occurrence and during the continuance of any Event of Default, the Administrative Agent shall have the right but shall in no way be obligated to file applications for protection of the Intellectual Property and/or bring suit in the name of any Pledgor, the Administrative Agent or the Secured Parties to enforce the Intellectual Property and any license thereunder. In the event of such suit, each Pledgor shall, at the reasonable request of the Administrative Agent, do any and all lawful acts and execute any and all documents requested by the Administrative Agent in aid of such enforcement and the Pledgors shall promptly reimburse and indemnify the Administrative Agent for all costs and expenses incurred by the Administrative Agent in the exercise of its rights under this Section 7.7 in accordance with Section 10.3 hereof. In the event that the Administrative Agent shall elect not to bring suit to enforce the Intellectual Property, each Pledgor agrees, at the reasonable request of the Administrative Agent, to take all commercially reasonable actions necessary, whether by suit, proceeding or other action, to prevent the infringement, counterfeiting, unfair competition, dilution, diminution in value of or other damage to any of the Intellectual Property by others and for that purpose agrees to diligently maintain any suit, proceeding or other action against any Person so infringing necessary to prevent such infringement.

## ARTICLE VIII

### TRANSFERS AND OTHER LIENS

SECTION 8.1 Transfers and Other Liens. No Pledgor shall (i) sell, convey, assign or otherwise dispose of, or grant any option with respect to, any of the Pledged Collateral pledged by it hereunder except as permitted by the Credit Agreement or (ii) create or permit to exist any Lien upon or with respect to any of the Pledged Collateral pledged by it hereunder other than, in the case of Pledged Collateral (other than Securities Collateral), Permitted Liens.

## ARTICLE IX

### COLLATERAL ACCOUNT AND COLLECTION OF ACCOUNTS

#### SECTION 9.1 Collateral Account.

(a) The Administrative Agent is hereby authorized to establish and maintain at its office at 425 Lexington Avenue, New York, New York 10017, in the name of the Administrative Agent and pursuant to a Control Agreement, a restricted deposit account designated "American Pharmaceutical Partners, Inc. Collateral Account." Each Pledgor shall deposit into the Collateral Account from time to time (A) the cash proceeds of any of the Pledged Collateral or Mortgaged Property (including pursuant to any Asset Sale thereof) to the extent required by the Credit Agreement, this Security Agreement or any other Loan Documents, (B) the cash proceeds of any Taking or Destruction with respect to Pledged Collateral or Mortgaged Property to the extent required by this Agreement (it being understood that in the event no Event of Default shall have occurred and be continuing, such Pledgor shall not be obligated to deposit such Net Cash Proceeds which are in an amount less than \$500,000), (C) any cash in respect of any Pledged Collateral or Mortgaged Property to which the Administrative Agent (or, in the case of the Mortgaged Property subject to the Borrower Intercompany Mortgage, the Borrower Intercompany Loan Documents) is entitled pursuant to the Loan Documents (or, in the case of the Mortgaged Property subject to the Borrower Intercompany Mortgage, the Borrower Intercompany Loan Documents) and (D) any cash such Pledgor is required to pledge as additional collateral security hereunder pursuant to the Loan Documents.

(b) The balance from time to time in the Collateral Account shall constitute part of the Pledged Collateral and shall not constitute payment of the Secured Obligations until applied as hereinafter provided. So long as no Event of Default has occurred and is continuing or will result therefrom, the Administrative Agent shall within two Business Days of receiving a request of the applicable Pledgor for release of cash proceeds constituting (A) Net Cash Proceeds from any Recovery Event from the Collateral Account, remit such cash proceeds on deposit in the Collateral Account to or upon the order of such Pledgor, so long as such Pledgor has satisfied the conditions relating thereto set forth in Section 4.15(vii), (B) Net Cash Proceeds from any Asset Sale from the Collateral Account, remit such cash proceeds on deposit in the Collateral Account, so long as such Pledgor has satisfied the conditions relating thereto set forth in Section 4.15(vii) and (C) with respect to the L/C Sub-Account at such time as all Credit Agreement L/Cs shall have been terminated and all of the li-



abilities in respect of the Credit Agreement L/Cs have been paid in full. At any time following the occurrence and during the continuance of an Event of Default, the Administrative Agent may in its reasonable discretion apply or cause to be applied (subject to collection) the balance from time to time outstanding to the credit of the Collateral Account to the payment of the Secured Obligations in the manner specified in Article XI hereof, subject, however, in the case of amounts deposited in the L/C Sub-Account, to the provisions of Section 9.2. The Pledgors shall have no right to withdraw, transfer or otherwise receive any fund deposited in the Collateral Account except to the extent specifically provided herein.

(c) Amounts on deposit in the Collateral Account shall be invested from time to time in Cash Equivalents as the applicable Pledgor (or, after the occurrence and during the continuance of an Event of Default, the Administrative Agent) shall determine, which Cash Equivalents shall be held in the name and be under the control of the Administrative Agent (or any sub-agent); provided that at any time after the occurrence and during the continuance of an Event of Default, the Administrative Agent may in its discretion at any time and from time to time elect to liquidate any such Cash Equivalents and to apply or cause to be applied the proceeds thereof to the payment of the Secured Obligations in the manner specified in Article XI hereof.

**SECTION 9.2** Cover for Credit Agreement L/C Liabilities. Amounts deposited into the Collateral Account as cover for liabilities in respect of Credit Agreement L/Cs under the Credit Agreement pursuant to Section 3 thereof shall be held by the Administrative Agent in a separate sub-account designated as the "L/C Sub-Account" (the "L/C Sub-Account") and, notwithstanding any other provision hereof to the contrary, all amounts held in the L/C Sub-Account shall constitute collateral security first for the liabilities in respect of Credit Agreement L/Cs outstanding from time to time and second as collateral security for the other Secured Obligations hereunder until such time as all Credit Agreement L/Cs shall have been terminated and all of the liabilities in respect of Credit Agreement L/Cs have been paid in full.

## ARTICLE X

### REMEDIES

**SECTION 10.1** Remedies. Upon the occurrence and during the continuance of any Event of Default, the Administrative Agent may from time to time exercise in respect of the Pledged Collateral, in addition to the other rights and remedies provided for herein or otherwise available to it, to the extent permitted by law:

(i) Personally, or by agents or attorneys, immediately take possession of the Pledged Collateral or any part thereof, from any Pledgor 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 Pledgor's premises where any of the Pledged Collateral is located, remove such Pledged Collateral, remain present at such premises to receive copies of all communications and remittances relating to the Pledged Collateral and use in connection with

such removal and possession any and all services, supplies, aids and other facilities of any Pledgor;

(ii) Demand, sue for, collect or receive any money or property at any time payable or receivable in respect of the Pledged Collateral including, without limitation, instructing the obligor or obligors on any agreement, instrument or other obligation constituting part of the Pledged Collateral to make any payment required by the terms of such agreement, instrument or other obligation directly to the Administrative Agent, and in connection with any of the foregoing, compromise, settle, extend the time for payment and make other modifications with respect thereto; provided, however, that in the event that any such payments are made directly to any Pledgor, prior to receipt by any such obligor of such instruction, such Pledgor shall segregate all amounts received pursuant thereto in trust for the benefit of the Administrative Agent and shall promptly (but in no event later than one Business Day after receipt thereof) pay such amounts into the Collateral Account;

(iii) Sell, assign, grant a license to use or otherwise liquidate, or direct any Pledgor to sell, assign, grant a license to use or otherwise liquidate, any and all investments made in whole or in part with the Pledged Collateral or any part thereof, and take possession of the proceeds of any such sale, assignment, license or liquidation;

(iv) Take possession of the Pledged Collateral or any part thereof, by directing any Pledgor in writing to deliver the same to the Administrative Agent at any place or places so designated by the Administrative Agent, in which event such Pledgor shall at its own expense: (A) forthwith cause the same to be moved to the place or places designated by the Administrative Agent and there delivered to the Administrative Agent, (B) store and keep any Pledged Collateral so delivered to the Administrative Agent at such place or places pending further action by the Administrative Agent and (C) while the Pledged Collateral shall be so stored and kept, provide such security and maintenance services as shall be necessary to protect the same and to preserve and maintain them in good condition. Each Pledgor's obligation to deliver the Pledged Collateral as contemplated in this Section 10.1(iv) is of the essence hereof. Upon application to a court of equity having jurisdiction, the Administrative Agent shall be entitled to a decree requiring specific performance by any Pledgor of such obligation;

(v) Withdraw all moneys, instruments, securities and other property in any bank, financial securities, deposit or other account of any Pledgor constituting Pledged Collateral for application to the Secured Obligations as provided in Article IX hereof;

(vi) Retain and apply the Distributions to the Secured Obligations as provided in Article IX hereof;

(vii) Exercise any and all rights as beneficial and legal owner of the Pledged Collateral, including, without limitation, perfecting assignment of and exercising any and all voting, consensual and other rights and powers with respect to any Pledged Collateral; and

(viii) All the rights and remedies of a secured party on default under the UCC, and the Administrative Agent may also in its sole discretion, without notice except as specified in Section 8.2 hereof, sell, assign or grant a license to use the Pledged Collateral or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or at any of the Administrative Agent's offices or elsewhere, for cash, on credit or for future delivery, and at such price or prices and upon such other terms as the Administrative Agent may deem commercially reasonable. The Administrative Agent or any other Secured Party or any of their respective Affiliates may be the purchaser, licensee, assignee or recipient of any or all of the Pledged Collateral at any such sale and shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Pledged Collateral sold, assigned or licensed at such sale, to use and apply any of the Secured Obligations owed to such Person as a credit on account of the purchase price of any Pledged Collateral payable by such Person at such sale. Each purchaser, assignee, licensee or recipient at any such sale shall acquire the property sold, assigned or licensed absolutely free from any claim or right on the part of any Pledgor, and each Pledgor hereby waives, to the fullest extent permitted by law, all rights of redemption, stay and/or appraisal which it now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. The Administrative Agent shall not be obligated to make any sale of Pledged Collateral regardless of notice of sale having been given. The Administrative Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Each Pledgor hereby waives, to the fullest extent permitted by law, any claims against the Administrative Agent arising by reason of the fact that the price at which any Pledged Collateral may have been sold, assigned or licensed at such a private sale was less than the price which might have been obtained at a public sale, even if the Administrative Agent accepts the first offer received and does not offer such Pledged Collateral to more than one offeree.

SECTION 10.2 Notice of Sale. Each Pledgor acknowledges and agrees that, to the extent notice of sale shall be required by law, ten days' notice to such Pledgor of the time and place of any public sale or of the time after which any private sale or other intended disposition is to take place shall be commercially reasonable notification of such matters. No notification need be given to any Pledgor if it has signed, after the occurrence of an Event of Default, a statement renouncing or modifying any right to notification of sale or other intended disposition.

SECTION 10.3 Waiver of Notice and Claims. Each Pledgor hereby waives, to the fullest 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 Pledged Collateral, including, without limitation, any and all prior notice and hearing for any prejudgment remedy or remedies and any such right which such Pledgor would otherwise have under law, and each Pledgor hereby further waives, to the fullest extent permitted by applicable law: (i) all damages occasioned by such taking of possession, (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, appraisal, valuation, stay, extension or moratorium now or hereafter in force under any applicable law. The Administrative Agent shall not be liable for any incorrect or improper payment made pursuant to this Article X in the absence of gross negligence or willful mis-

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

SECTION 10.4 Certain Sales of Pledged Collateral.

(i) Each Pledgor recognizes that, by reason of certain prohibitions contained in law, rules, regulations or orders of any Governmental Authority, the Administrative Agent may be compelled, with respect to any sale of all or any part of the Pledged Collateral, to limit purchasers to those who meet the requirements of such Governmental Authority. Each Pledgor acknowledges that any such 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, agrees that any such restricted sale shall be deemed to have been made in a commercially reasonable manner and that, except as may be required by applicable law, the Administrative Agent shall have no obligation to engage in public sales.

(ii) Each Pledgor recognizes that, by reason of certain prohibitions contained in the Securities Act of 1933, as amended (the "Securities Act"), and applicable state securities laws, the Administrative Agent may be compelled, with respect to any sale of all or any part of the Securities Collateral, to limit purchasers to Persons who will agree, among other things, to acquire such Securities Collateral for their own account, for investment and not with a view to the distribution or resale thereof. Each Pledgor acknowledges 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 (including, without limitation, a public offering made pursuant to a registration statement under the Securities Act), and, notwithstanding such circumstances, agrees 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 Securities Collateral for the period of time necessary to permit the issuer thereof to register it for a form of public sale requiring registration under the Securities Act or under applicable state securities laws, even if such issuer would agree to do so.

(iii) If the Administrative Agent determines to exercise its right to sell any or all of the Securities Collateral, upon written request, the applicable Pledgor shall from time to time furnish to the Administrative Agent all such information as the Administrative Agent may reasonably request in order to determine the number of securities included in the Securities Collateral which may be sold by the Administrative Agent as exempt transactions under the Securities Act and the rules of the Securities and Exchange Commission thereunder, as the same are from time to time in effect.

SECTION 10.5 No Waiver; Cumulative Remedies.

(i) No failure on the part of the Administrative Agent to exercise, no course of dealing with respect to, and no delay on the part of the Administrative Agent in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise

of any such right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy; nor shall the Administrative Agent be required to look first to, enforce or exhaust any other security, collateral or guaranties. The remedies herein provided are cumulative and are not exclusive of any remedies provided by law.

(ii) In the event that 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 Pledgors, the Administrative Agent and each other Secured Party shall be restored to their respective former positions and rights hereunder with respect to the Pledged Collateral, and all rights, remedies and powers of the Administrative Agent and the other Secured Parties shall continue as if no such proceeding had been instituted.

SECTION 10.6 Certain Additional Actions Regarding Intellectual Property. If any Event of Default shall have occurred, upon the written demand of Administrative Agent, each Pledgor shall execute and deliver to Administrative Agent an assignment or assignments of the registered Patents, Trademarks and/or Copyrights and such other documents as are necessary or appropriate to carry out the intent and purposes hereof. Within five Business Days of written notice thereafter from Administrative Agent, each Pledgor shall make available to Administrative Agent, to the extent within such Pledgor's power and authority, such personnel in such Pledgor's employ on the date of the Event of Default as Administrative Agent may reasonably designate to permit such Pledgor to continue, directly or indirectly, to produce, advertise and sell the products and services sold by such Pledgor under the registered Patents, Trademarks and/or Copyrights, and such persons shall be available to perform their prior functions on Administrative Agent's behalf.

## ARTICLE XI

### APPLICATION OF PROCEEDS

SECTION 11.1 Application of Proceeds. The proceeds received by the Administrative Agent in respect of any sale of, collection from or other realization upon all or any part of the Pledged Collateral pursuant to the exercise by the Administrative Agent of its remedies shall be applied, together with any other sums then held by the Administrative Agent pursuant to this Agreement, promptly by the Administrative Agent as follows:

FIRST, to the payment of all reasonable costs and expenses, fees, commissions and taxes of such sale, collection or other realization including, without limitation, compensation to the Administrative Agent and its agents and counsel, and all expenses, liabilities and advances made or incurred by the Administrative Agent in connection therewith, together with interest on each such amount at the highest rate then in effect under the Credit Agreement from and after the date such amount is due, owing or unpaid until paid in full;

SECOND, to the payment of all other reasonable costs and expenses of such sale, collection or other realization including, without limitation, compensation to the other Secured Parties and their agents and counsel and all costs, liabilities and advances made or incurred by the other Secured Parties in connection therewith, together with interest on each such amount at the highest rate then in effect under the Credit Agreement from and after the date such amount is due, owing or unpaid until paid in full;

THIRD, without duplication of amounts applied pursuant to clauses FIRST and SECOND above, to the indefeasible payment in full in cash, pro rata, of (i) interest, principal and other amounts constituting secured Obligations (other than the obligations arising under the Specified Hedge Agreements) in each case equally and ratably in accordance with the respective amounts thereof then due and owing and (ii) the obligations arising under the Specified Hedge Agreements in accordance with the terms of the Specified Hedge Agreements; and

FOURTH, the balance, if any, to the Person lawfully entitled thereto (including the Pledgors or their respective successors or assigns).

In the event that any such proceeds are insufficient to pay in full the items described in clauses FIRST through THIRD of this Article XI, the Pledgors shall remain liable for any deficiency.

## ARTICLE XII

### MISCELLANEOUS

#### SECTION 12.1 Concerning Administrative Agent.

(i) The Administrative Agent has been appointed as Administrative Agent pursuant to the Credit Agreement. The actions of the Administrative Agent hereunder are subject to the provisions of the Credit Agreement. The Administrative Agent shall have the right hereunder to make demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking action (including, without limitation, the release or substitution of the Pledged Collateral), in accordance with this Agreement and the Credit Agreement. The Administrative Agent may employ agents and attorneys-in-fact in connection herewith and shall not be liable for the negligence or misconduct of any such agents or attorneys-in-fact selected by it in good faith. The Administrative Agent may resign and a successor Administrative Agent may be appointed in the manner provided in the Credit Agreement. Upon the acceptance of any appointment as the Administrative Agent by a successor Administrative Agent, that successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent under this Agreement, and the retiring Administrative Agent shall thereupon be discharged from its duties and obligations under this Agreement. After any retiring Administrative Agent's resignation, the provisions hereof shall inure to its benefit as to any actions taken or omitted to be taken by it under this Agreement while it was the Administrative Agent.

(ii) The Administrative Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Pledged Collateral in its possession if such Pledged Collateral is accorded treatment substantially equivalent to that which the Administrative Agent, in its individual capacity, accords its own property consisting of similar instruments or interests, it being understood that neither the Administrative Agent nor any of the Secured Parties shall have responsibility for (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relating to any Securities Collateral, whether or not the Administrative Agent or any other Secured Party has or is deemed to have knowledge of such matters, or (ii) taking any necessary steps to preserve rights against any Person with respect to any Pledged Collateral.

(iii) The Administrative Agent shall be entitled to rely upon any written notice, statement, certificate, order or other document or any telephone message reasonably believed by it to be genuine and correct and to have been signed, sent or made by the proper person, and, with respect to all matters pertaining to this Agreement and its duties hereunder, upon advice of counsel selected by it.

(iv) With respect to any of its rights and obligations as a Lender, the Administrative Agent shall have and may exercise the same rights and powers hereunder. The term "Lenders," "Lender" or any similar terms shall, unless the context clearly otherwise indicates, include the Administrative Agent in its individual capacity as a Lender. The Administrative Agent may accept deposits from, lend money to, and generally engage in any kind of banking, trust or other business with, such Pledgor or any Affiliate of such Pledgor to the same extent as if the Administrative Agent were not acting as administrative agent.

(v) If any item of Pledged Collateral also constitutes collateral granted to the Administrative Agent under any other deed of trust, mortgage, security agreement, pledge or instrument of any type, in the event of any conflict between the provisions hereof and the provisions of such other deed of trust, mortgage, security agreement, pledge or instrument of any type in respect of such collateral, the Administrative Agent, in its sole discretion, shall select which provision or provisions shall control.

**SECTION 12.2 Administrative Agent May Perform; Administrative Agent Appointed Attorney-in-Fact.** If any Pledgor shall fail to perform any covenants contained in this Agreement or any Mortgage, (including, without limitation, such Pledgor's covenants to (i) pay the premiums in respect of all required insurance policies hereunder or thereunder, (ii) pay Charges, (iii) make repairs, (iv) discharge Liens or (v) pay or perform any obligations of such Pledgor under any Pledged Collateral or any Mortgaged Property) or if any warranty on the part of any Pledgor contained herein shall be breached, the Administrative Agent may (but shall not be obligated to), after notice to such Pledgor, do the same or cause it to be done or remedy any such breach, and may expend funds for such purpose; provided, however, that the Administrative Agent shall in no event be bound to inquire into the validity of any tax, lien, imposition or other obligation which such Pledgor fails to pay or perform as and when required hereby and which such Pledgor does not contest in accordance with the provisions of Section 4.16 hereof or Section 9.1 of the applicable Mortgage. Any and all amounts so expended by the Administrative Agent shall be paid by the Pledgors in accordance with the provisions of Section 12.3 hereof. Neither the provisions of this Section 12.2 nor any action taken by the Ad-

ministrative Agent pursuant to the provisions of this Section 12.2 shall prevent any such failure to observe any covenant contained in this Agreement or any Mortgage nor any breach of warranty from constituting an Event of Default. Each Pledgor hereby appoints the Administrative Agent its attorney-in-fact, with full authority in the place and stead of such Pledgor and in the name of such Pledgor, or otherwise, from time to time in the Administrative Agent's discretion to take any action and to execute any instrument consistent with the terms hereof and the other Loan Documents which the Administrative Agent may deem necessary or advisable to accomplish the purposes of this Section. The foregoing grant of authority is a power of attorney coupled with an interest and such appointment shall be irrevocable for the term hereof. Each Pledgor hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof.

SECTION 12.3 Expenses. Each Pledgor will upon demand pay to the Administrative Agent the amount of any and all costs and expenses, including the reasonable out-of-pocket fees and expenses of its counsel and the reasonable out-of-pocket fees and expenses of any experts and agents which the Administrative Agent may incur in connection with (i) any action, suit or other proceeding affecting the Pledged Collateral, the "Pledged Collateral," as defined in the American BioScience Pledge Agreement (such pledged collateral, the "American BioScience Pledged Collateral") and the Mortgaged Property, or any part thereof commenced, in which action, suit or proceeding the Administrative Agent is made a party or participates or in which the right to use the Pledged Collateral or the American BioScience Pledged Collateral or the Mortgaged Property or any part thereof is threatened, or in which it becomes necessary in the reasonable judgment of the Administrative Agent to defend or uphold the Lien hereof or the Lien of the American BioScience Pledge Agreement, the Collateral Assignment of Mortgage, or any Mortgage (including, without limitation, any action, suit or proceeding to establish or uphold the compliance of the Pledged Collateral or the American BioScience Pledged Collateral or the Mortgaged Property with any requirements of any Governmental Authority or law), (ii) the collection of the Secured Obligations, (iii) the enforcement and administration hereof or of the American BioScience Pledge Agreement, the Collateral Assignment of Mortgage, or any Mortgage, (iv) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Pledged Collateral or the American BioScience Pledged Collateral or the Mortgaged Property, (v) the exercise or enforcement of any of the rights of the Administrative Agent or any Secured Party hereunder or under the American BioScience Pledge Agreement, the Collateral Assignment of Mortgage, or any Mortgage or (vi) the failure by any Pledgor to perform or observe any of the provisions hereof or of the American BioScience Pledge Agreement, the Collateral Assignment of Mortgage, or any other Mortgage. All amounts expended by the Administrative Agent and payable by any Pledgor under this Section 12.3 shall be due upon demand therefor (together with interest thereon accruing at the default rate during the period from and including the date on which such funds were so expended to the date of repayment) and shall be part of the Secured Obligations. Each Pledgor's obligations under this Section 12.3 shall survive the termination hereof and the discharge of such Pledgor's other obligations under this Agreement, the Credit Agreement and the other Loan Documents.

SECTION 12.4 Indemnity.

(i) Indemnity. Each Pledgor agrees to indemnify, pay and hold harmless the Administrative Agent and each of the other Secured Parties and the officers, directors, employees,



affiliates, agents and controlling persons of the Administrative Agent and each of the other Secured Parties (collectively, the "Indemnitees") from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs (including, without limitation, settlement costs), expenses or disbursements of any kind or nature whatsoever (including, without limitation, the fees and disbursements of counsel for such Indemnitees in connection with any investigative, administrative or judicial proceeding, commenced or threatened, whether or not such Indemnitee shall be designated a party thereto) which may be imposed on, incurred by, or asserted against that Indemnitee, in any manner relating to or arising out of this Agreement or any other Loan Document (including, without limitation, any misrepresentation by any Pledgor in this Agreement or any other Loan Document or any Intercompany Loan Document or by American BioScience in the American BioScience Pledge Agreement) or any Intercompany Loan Document (the "Indemnified Liabilities"); provided, however, that no Pledgor shall have any obligation to an Indemnitee hereunder with respect to Indemnified Liabilities if such Indemnified Liabilities arise from the gross negligence or willful misconduct of that Indemnitee. To the extent that the undertaking to indemnify, pay and hold harmless set forth in the preceding sentence may be unenforceable because it is violative of any law or public policy, each Pledgor shall contribute the maximum portion which it is permitted to pay and satisfy under applicable law to the payment and satisfaction of all Indemnified Liabilities incurred by the Indemnitees or any of them.

(ii) Survival. The obligations of the Pledgors contained in this Section 12.4 shall survive the termination hereof and the discharge of the Pledgors' other obligations under this Agreement, any Specified Hedge Agreement and under the other Loan Documents.

(iii) Reimbursement. Any amounts paid by any Indemnitee as to which such Indemnitee has the right to reimbursement shall constitute Secured Obligations secured by the Pledged Collateral.

SECTION 12.5 Continuing Security Interest; Assignment. This Agreement shall create a continuing security interest in the Pledged Collateral and shall (i) be binding upon the Pledgors, their respective successors and assigns and (ii) inure, together with the rights and remedies of the Lender hereunder, to the benefit of the Administrative Agent and the other Secured Parties and each of their respective successors, transferees and assigns permitted under the Credit Agreement. No other Persons (including, without limitation, any other creditor of any Pledgor) shall have any interest herein or any right or benefit with respect hereto. Without limiting the generality of the foregoing clause (ii), any Secured Party may assign or otherwise transfer any indebtedness held by it secured by this Agreement to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Secured Party, herein or otherwise, subject however, to the provisions of the Credit Agreement and any Specified Hedge Agreement.

SECTION 12.6 Termination; Release.

(a) The Pledged Collateral shall be released from the Lien of this Agreement in accordance with the provisions of the Credit Agreement. Upon termination hereof or any release of Pledged Collateral in accordance with the provisions of the Credit Agreement, the Administrative Agent shall, upon the request and at the sole cost and expense of the Pledgors, assign, transfer and

deliver to Pledgor, against receipt and without recourse to or warranty by the Administrative Agent, such of the Pledged Collateral to be released (in the case of a release) as may be in possession of the Administrative Agent and as shall not have been sold or otherwise applied pursuant to the terms hereof, and, with respect to any other Pledged Collateral, proper documents and instruments (including UCC-3 termination statements or releases) acknowledging the termination hereof or the release of such Pledged Collateral, as the case may be.

(b) The Pledged Collateral sold or transferred as permitted by the provisions of Section 7.5 of the Credit Agreement shall be released from the Lien of this Agreement upon compliance with the applicable provisions if the Credit Agreement and this Agreement relating thereto.

(c) If a Subsidiary is liquidated by the Borrower pursuant to the provisions of Section 7.4 of the Credit Agreement, such Subsidiary shall no longer constitute a Pledgor or Guarantor hereunder upon compliance with the applicable provisions of the Credit Agreement and this Agreement relating thereto.

**SECTION 12.7 Modification in Writing.** No amendment, modification, supplement, termination or waiver of or to any provision hereof, nor consent to any departure by any Pledgor therefrom, shall be effective unless the same shall be made in accordance with the terms of the Credit Agreement and unless in writing and signed by the Administrative Agent. Any amendment, modification or supplement of or to any provision hereof, any waiver of any provision hereof and any consent to any departure by any Pledgor from the terms of any provision hereof shall be effective only in the specific instance and for the specific purpose for which made or given. Except where notice is specifically required by this Agreement or any other document evidencing the Secured Obligations, no notice to or demand on any Pledgor in any case shall entitle any Pledgor to any other or further notice or demand in similar or other circumstances.

**SECTION 12.8 Notices.** Unless otherwise provided herein or in the Credit Agreement, any notice or other communication herein required or permitted to be given shall be given in the manner and become effective as set forth in the Credit Agreement, as to any Pledgor, addressed to it at the address of the Borrower set forth in the Credit Agreement and as to the Administrative Agent, addressed to it at the address set forth in the Credit Agreement, or in each case at such other address as shall be designated by such party in a written notice to the other party complying as to delivery with the terms of this Section 12.8.

**SECTION 12.9 GOVERNING LAW.** THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

**SECTION 12.10 CONSENT TO JURISDICTION AND SERVICE OF PROCESS; WAIVER OF JURY TRIAL.** ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST ANY PLEDGOR WITH RESPECT TO THIS AGREEMENT MAY BE BROUGHT IN THE SUPREME COURT OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY, THE COURTS OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK AND APPELLATE COURTS OF ANY THEREOF, AND BY EXECUTION AND DELIVERY HEREOF,

EACH PLEDGOR ACCEPTS FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE NONEXCLUSIVE JURISDICTION OF THE AFORESAID COURTS AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH THIS AGREEMENT. EACH PLEDGOR AGREES THAT SERVICE OF PROCESS IN ANY PROCEEDING MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL), POSTAGE PREPAID, TO THE BORROWER AT ITS ADDRESS SET FORTH IN THE CREDIT AGREEMENT OR AT SUCH OTHER ADDRESS OF WHICH THE ADMINISTRATIVE AGENT SHALL HAVE BEEN NOTIFIED PURSUANT THERETO. IF ANY AGENT APPOINTED BY ANY PLEDGOR REFUSES TO ACCEPT SERVICE, SUCH PLEDGOR HEREBY AGREES THAT SERVICE UPON IT BY MAIL SHALL CONSTITUTE SUFFICIENT NOTICE. NOTHING HEREIN SHALL AFFECT THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT OF THE LENDER TO BRING PROCEEDINGS AGAINST ANY PLEDGOR IN THE COURTS OF ANY OTHER JURISDICTION. THE PLEDGORS HEREBY IRREVOCABLY WAIVE ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 12.11 Severability of Provisions. Any provision hereof which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 12.12 Execution in Counterparts. This Agreement and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original, but all such counterparts together shall constitute one and the same agreement.

SECTION 12.13 Business Days. In the event any time period or any date provided in this Agreement ends or falls on a day other than a Business Day, then such time period shall be deemed to end and such date shall be deemed to fall on the next succeeding Business Day, and performance herein may be made on such Business Day, with the same force and effect as if made on such other day.

SECTION 12.14 No Credit for Payment of Taxes or Imposition. Such Pledgor shall not be entitled to any credit against the principal, premium, if any, or interest payable under the Credit Agreement, and such Pledgor shall not be entitled to any credit against any other sums which may become payable under the terms thereof or hereof, by reason of the payment of any Tax on the Pledged Collateral or any part thereof.

SECTION 12.15 No Claims Against Administrative Agent. Nothing contained in this Agreement shall constitute any consent or request by the Administrative Agent, express or implied, for the performance of any labor or services or the furnishing of any materials or other property

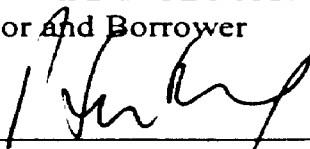
in respect of the Pledged Collateral or any part thereof, nor as giving any Pledgor any right, power or authority to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against the Administrative Agent in respect thereof or any claim that any Lien based on the performance of such labor or services or the furnishing of any such materials or other property is prior to the Lien hereof.

SECTION 12.16 Obligations Absolute. All obligations of each Pledgor hereunder shall be absolute and unconditional irrespective of:

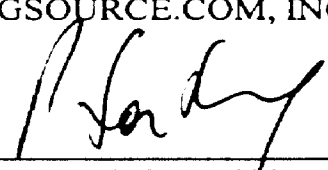
- (i) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like of any Pledgor or any other Loan Party;
- (ii) any lack of validity or enforceability of the Credit Agreement, any Specified Hedge Agreement or any other Loan Document, or any other agreement or instrument relating thereto;
- (iii) any change in the time, manner or place of payment of, or in any other term of, all or any of the Secured Obligations, or any other amendment or waiver of or any consent to any departure from the Credit Agreement, any other Loan Document, any Specified Hedge Agreement or any other agreement or instrument relating thereto;
- (iv) any pledge, exchange, release or non-perfection of any other collateral, or any release or amendment or waiver of or consent to any departure from any guarantee, for all or any of the Secured Obligations;
- (v) any exercise, non-exercise or waiver of any right, remedy, power or privilege under or in respect hereof, the Credit Agreement, any other Loan Document or any Specified Hedge Agreement on any other agreement or instrument relating thereto except as specifically set forth in a waiver granted pursuant to the provisions of Section 10.3 hereof; or
- (vi) any other circumstances which might otherwise constitute a defense available to, or a discharge of, any Pledgor.

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

AMERICAN PHARMACEUTICAL PARTNERS,  
INC., as Pledgor and Borrower

By:   
Name: Patrick Soon-Shiong  
Title: Chairman of the Board; President and  
Chief Executive Officer

WEBDRUGSOURCE.COM, INC., as a Guarantor and  
Pledgor

By:   
Name: Patrick Soon-Shiong  
Title: Chief Executive Officer

CANADIAN IMPERIAL BANK OF COMMERCE, as  
Administrative Agent

By: \_\_\_\_\_  
Name:  
Title:

Master Security Agreement

TRADEMARK  
REEL: 002428 FRAME: 0127

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

AMERICAN PHARMACEUTICAL PARTNERS,  
INC., as Pledgor and Borrower

By: \_\_\_\_\_  
Name: Patrick Soon-Shiong  
Title: President and Chief Executive Officer

WEBDRUGSOURCE.COM, INC., as a Guarantor and  
Pledgor

By: \_\_\_\_\_  
Name: Patrick Soon-Shiong  
Title: Chief Executive Officer

CANADIAN IMPERIAL BANK OF COMMERCE, as  
Administrative Agent

By: \_\_\_\_\_  
Name: **TERENCE MOORE**  
Title: **EXECUTIVE DIRECTOR**  
**CIBC WORLD MARKETS CORP., AS AGENT**

Master Security Agreement

TRADEMARK  
REEL: 002428 FRAME: 0128

SCHEDULE 1.1(a)

Initial Pledged Interests

None.

SCHEDULE 1.1(b)

Initial Pledged Shares

Pledgor: American Pharmaceutical Partners, Inc.

<u>ISSUER</u>	<u>CLASS OF STOCK</u>	<u>CERTIFICATE NO(S).</u>	<u>NUMBER OF SHARES</u>	<u>PERCENTAGE OF ALL ISSUED CAPITAL OR OTHER EQUITY INTERESTS OF ISSUER</u>
Pharmaceutical Partners of Canada Inc./ Partenaires Pharmaceutique du Canada Inc.	Common	1	100	100%
WebDrugSource.com, Inc.	Common	1	1,000	100%



SCHEDULE 1.1(c)

Initial Intercompany Notes

Pledgor: American Pharmaceutical Partners, Inc.

<u>ISSUER</u>	<u>PRINCIPAL AMOUNT</u>	<u>DATE OF ISSUANCE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>
American BioScience, Inc.	\$23,000,000	7/24/01, amended and restated 12/14/01	The interest rate as defined in Section 3 of the Second Amended and Restated Intercompany Demand Promissory Note dated July 24, 2001, as amended and restated December 14, 2001 issued by American Bio-Science, Inc. to the Borrower as holder.	On Demand

Pledgor: WebDrugSource.com, Inc.

<u>ISSUER</u>	<u>PRINCIPAL AMOUNT</u>	<u>DATE OF ISSUANCE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>
American Pharmaceutical Partners, Inc.	\$12,033,044	December 14, 2001	10%	December 14, 2007

SCHEDULE 1.1(d)

Prior Liens

I. Prior Liens with Respect to Pledged Collateral

<u>Debtor</u>	<u>Jurisdiction</u>	<u>Secured Party</u>	<u>File Number/Date</u>	<u>Collateral</u>
American Pharmaceutical Partners, Inc. (Lessee)	Illinois Secretary of State	Newcourt Technologies Corporation (Lessor)	4228083 6/26/00	Lease Agreement No. 005  1 IBM 620-2181 to 720-2063 w/ 1503 Interactive Upgrade Card  1 IBM Model 9406-3004 256 MB Main Storage  Equipment location: 1101 Perimeter Drive Schaumburg, IL 60173
American Pharmaceutical Partners, Inc. (Lessee)	Illinois Secretary of State	AT&T Systems Leasing Corp. (Lessor)	3871935 6/26/98	Specific equipment listed on attached Exhibit A to Equipment Schedule 001.  Equipment location: Parkway North Center, Three Parkway North, Deerfield, IL 60015-2548
American Pharmaceutical Partners, Inc. (Lessee)	Illinois Secretary of State	AT&T Systems Leasing Corp. (Lessor)	3902900 9/02/98	Equipment Lease Agreement No. 001  1 5494 Ext. Controller w/1100 Token Ring Feature  Equipment location: Parkway North Center, Three Parkway North, Deerfield, IL 60015-2548
American Pharmaceutical Partners, Inc., as Lessee	Illinois Secretary of State	Newcourt Communications Finance Group as Lessor	4021717 4/16/99	Equipment lease pursuant to Lease No. X168510, including but not limited to, Lucent Technologies Inc. Definity Prologix Solutions and Intuity Audix, and all attachments, replacements and rentals and a right to use license for any software related to any of the foregoing.  Equipment location, includes but

				not limited to: 1101 Perimeter Center Ste 300, Schaumburg, IL 60173
American Pharmaceutical Partners, Inc. (Lessee)	Illinois Secretary of State	Newcourt Technologies Corporation (Lessor)	4050678 6/14/99	Lease Agreement No. 004 specific equipment listed on Exhibit A to Equipment Schedule No. 004  Equipment location: Parkway North Center 1101 Perimeter Drive Schaumburg, IL 60173
American Pharmaceutical Partners, Inc.	Illinois Secretary of State	Canon Financial Services Inc.	4054057 6/21/99	1 copier Model NP6085 Serial # NFD13031 Lease #001-0127418-003
American Pharmaceutical Partners, Inc.	Erie County, NY	Hy-Grade Distributors	Book 00069 Page 38 10/01/99	Nobles Automatic 5300T Scrubber w/ Battery & Charger NI-AS5300TPC
American Bio-Science, Inc.	California Secretary of State	Copelco Capital, Inc.	9936160910	Lease transaction, filed for notification purposes only L#1819470 2 Konica KA7040 Copier systems

## II. Space Leases:

Lease Agreement dated April 18, 1996, as amended, by and between Borrower as landlord, and Contract Packaging Associates, Inc. as tenant, for property located at 2045 N. Cornell Avenue, Melrose Park, Illinois.

## III. FIXTURES:

"Prior Liens" as defined in that certain Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing by American Pharmaceutical Partners, Inc. (mortgagor) to Canadian Imperial Bank of Commerce (mortgagee) dated as of December 14, 2001 relating to premises located at in Melrose Park, Cook County, Illinois, and as set forth on Schedule B thereto.

"Prior Liens" as defined in that certain Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing by American Pharmaceutical Partners, Inc. (mortgagor) to WebDrug-Source.com, Inc. (mortgagee) dated as of December 14, 2001 relating to premises in Grand Island, Erie County, New York, and as set forth on Schedule B thereto.]

SCHEDULE 1.1(e)

Copyrights

None.

SCHEDULE 1.1(f)

License/Distribution Agreements

Patent Licenses:

Patent License Agreement between American Pharmaceuticals Partners, Inc. and Pharmaceutical Partners of Canada Inc./Partenaires Pharmaceutiques Du Canada Inc., dated June 1 1998.

SCHEDULE 1.1(g)

Patents

Pledgor: American Pharmaceutical Partners, Inc.

Registrations:

<u>REGISTRATION NUMBER</u>	<u>REGISTRATION DATE</u>	<u>COUNTRY</u>	<u>DESCRIPTION</u>
4,879,308	11/07/89	US	Aqueous Nitroglycerin Injection And Manufacturing Process
4,915,956	04/10/90	US	Liquid Cisplatin Formulations
6,136,814 <sup>1</sup>	10/24/00	US	Aqueous Acyclovir Product

Applications:

<u>APPLICATION NUMBER</u>	<u>APPLICATION DATE</u>	<u>COUNTRY</u>	<u>DESCRIPTION</u>
2347330	5/10/01	Canada	Liquid Injectable Formulation of Disodium Pamidronate

<sup>1</sup> The assignee of patent 6,136,814 is currently recorded as Fujisawa USA, Inc. However, this patent was acquired from Fujisawa USA, Inc. pursuant to an Asset Purchase Agreement between American Pharmaceutical Partners, Inc. and Fujisawa USA, Inc. dated March 27, 1998.

SCHEDULE 1.1(h)

Trademarks

Pledgor: American Pharmaceutical Partners, Inc.

Registrations:

REGISTRATION NUMBER	REGISTRATION DATE	COUNTRY	DESCRIPTION
1,711,083	9/1/92	US	NEBUPENT
1,562,957	10/31/89	US	LYPHOCIN
1,423,565	1/6/87	US	PEDTRACE
1,423,564	1/6/87	US	NEOTRACE
1,388,211	4/1/86	US	MAXIFILL
1,358,807	9/10/85	US	PENTAM
1,354,923	8/20/95	US	MAXIVIAL
1,337,524	5/28/85	US	HEP-FLUSH
1,322,945	3/5/85	US	LYPHOLYTE
1,322,944	3/5/85	US	TRACELYTE
1,342,141	6/18/85	US	VITAGARD
1,306,775	11/27/84	US	MVC 9+3
1,282,090	6/19/84	US	LYPHOMED
1,311,934	1/1/85	US	IDOPEN
1,282,074	6/19/84	US	MOLYPEN
1,434,449	3/31/87	US	P.T.E.
1,282,073	6/19/84	US	SELEPEN
1,291,778	8/28/94	US	SPARK KIT
1,252,131	9/27/83	US	INJECT-ALL
1,207,817	9/14/82	US	M.T.E.
817,875	11/1/66	US	BRISTOJECT
774,860	8/11/64	US	MURI-LUBE
TMA373,150	9/7/90	Canada	LYPHOMED
TMA410,525	4/2/93	Canada	M.V.C. 9+4
TMA404,528	11/6/92	Canada	M.V.C. 9+4 ( <u>Pediatric</u> )
TMA420,490	12/10/93	Canada	NEBUPENT
TMA415,174	8/6/93	Canada	LYPHOCIN
TMA403,647	10/9/92	Canada	PEDTRACE
TMA403,378	10/2/92	Canada	NEOTRACE
TMA404,158	10/23/92	Canada	MAXIFILL
TMA332,071	9/18/87	Canada	LYPHOLYTE
TMA403,379	10/2/92	Canada	TRACELYTE
TMA318,665	9/19/86	Canada	MVC 9+3
TMA313,405	4/18/86	Canada	IODOPEN
TMA313,452	4/18/86	Canada	P.T.E.
TMA313,572	4/25/86	Canada	M.T.E.

Applications:

SERIAL NUMBER	FILE DATE	COUNTRY	DESCRIPTION
76115374	8/22/2000	US	APP and Design
76115231	8/22/2000	US	APP American Pharmaceutical Partners, Inc. and Design



SCHEDULE 3.4

Deposit Accounts

Deposit Accounts:

<u>Bank</u>	<u>Account Number(s)</u>
Chase Manhattan	475-001397
Goldman Sachs	027125848010
Harris Bank	0370060264
HSBC Bank	806-27070-5
IBJ Whitehall Bank & Trust	01986102, 01986500, 01986607, 01986306, 01986403, 01986209
M&I Bank of Mayville	199224

## SCHEDULE 4.13

### Required Consents

1. The License Agreement dated November 20, 2001, between the Borrower and American Bio-Science, Inc. ("ABI"), pursuant to which ABI granted a license to the Borrower for the sale and use (among other rights) of ABI-007, permits the Borrower to assign the License Agreement to its lenders as collateral security under a credit facility and following acceleration of that credit facility the Borrower's lenders have the right to assign the License Agreement to a third party, however, that third party must be reasonably satisfactory to ABI in no event is ABI obligated to consent to the assignment to a Competitor (as defined in the License Agreement).
2. The Manufacturing Agreement dated November 20, 2001, between the Borrower and ABI, pursuant to which ABI granted the Borrower the right to manufacture (among other rights) ABI-007, allows ABI to withhold its consent to an assignment by the Borrower's lender or otherwise to the extent that the Manufacturing Agreement is assigned to a competitor.
3. The Borrower may not assign its rights in the Group Purchasing Agreement dated December 12, 1997, between Borrower and Premier Purchasing Partners L.P. ("Premier"), as amended on October 19, 2001, without the consent of Premier.

SCHEDULE 7.3

Violations or Proceedings

None.

EXHIBIT 1

ISSUER ACKNOWLEDGMENT

The undersigned hereby (i) acknowledges receipt of a copy of that certain security agreement (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Security Agreement"; capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Security Agreement), dated as of December 14, 2001, among American Pharmaceutical Partners, Inc. (the "Borrower"), the Guarantors from time to time party thereto, and Canadian Imperial Bank of Commerce, as Administrative Agent (in such capacity and together with any successors in such capacity, the "Administrative Agent"), (ii) agrees promptly to note on its books the security interests granted to the Administrative Agent and confirmed under the Security Agreement, (iii) agrees that it will comply with instructions of the Administrative Agent with respect to the applicable Securities Collateral without further consent by the applicable Pledgor, (iv) agrees to notify the Administrative Agent upon obtaining knowledge of any interest in favor of any Person in the applicable Securities Collateral that is adverse to the interest of the Administrative Agent therein and (v) waives any right or requirement at any time hereafter to receive a copy of the Security Agreement in connection with the registration of any Securities Collateral thereunder in the name of the Administrative Agent or its nominee or the exercise of voting rights by the Administrative Agent or its nominee.

[NAME OF ISSUER]

By: \_\_\_\_\_  
Name:  
Title:

EXHIBIT 2

SECURITY AGREEMENT AMENDMENT

This Security Pledge Amendment, dated as of [\_\_\_\_\_, \_\_\_\_], is delivered pursuant to Section 6.1 of that certain security agreement (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Security Agreement"; capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Security Agreement), dated as of December 14, 2001, among [the Borrower, the undersigned, the other] Guarantors from time to time party thereto and Canadian Imperial Bank of Commerce, as Administrative Agent (in such capacity and together with any successors in such capacity, the "Administrative Agent"). The undersigned hereby agrees that this Pledge Amendment may be attached to the Security Agreement and that the Pledged Securities and/or Pledged Intercompany Notes listed on this Pledge Amendment shall be deemed to be and shall become part of the Pledged Collateral and shall secure all Secured Obligations.

PLEGGED SECURITIES

<u>ISSUER</u>	<u>CLASS OF STOCK OR INTEREST</u>	<u>PAR VALUE</u>	<u>CERTIFICATE NO(S).</u>	<u>NUMBER OF SHARES OR INTEREST</u>	<u>PERCENTAGE OF ALL ISSUED CAPITAL OR OTHER EQUITY INTERESTS OF ISSUER</u>
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PLEGGED INTERCOMPANY NOTES

<u>ISSUER</u>	<u>PRINCIPAL AMOUNT</u>	<u>DATE OF ISSUANCE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>
---------------	-------------------------	-------------------------	----------------------	----------------------

[\_\_\_\_\_] as Pledgor

By: \_\_\_\_\_  
Name:  
Title:

AGREED TO AND ACCEPTED:

CANADIAN IMPERIAL BANK OF COMMERCE,  
as Administrative Agent

By: \_\_\_\_\_  
Name:  
Title:

EXHIBIT 3

[Name of New Pledgor]  
[Address of New Pledgor]

[Date]

[Name and Address  
of Lender]

Ladies and Gentlemen:

Reference is made to that certain security agreement (as amended, amended and re-stated, supplemented or otherwise modified from time to time, the "Security Agreement"; capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Security Agreement), dated as of December 14, 2001, among American Pharmaceutical Partners, Inc. (the "Borrower"), each of the Guarantors listed on the signature pages thereto or from time to time party thereto by execution of a joinder agreement, and Canadian Imperial Bank of Commerce, as administrative agent (in such capacity and together with any successors in such capacity, the "Administrative Agent").

This letter supplements the Security Agreement and is delivered by the undersigned, \_\_\_\_\_ (the "New Pledgor"), pursuant to Section 3.5 of the Security Agreement. The New Pledgor hereby agrees to be bound as a Guarantor and as a Pledgor by all of the terms, covenants and conditions set forth in the Security Agreement to the same extent that it would have been bound if it had been a signatory to the Security Agreement on the execution date of the Security Agreement and without limiting the generality of the foregoing, hereby grants and pledges to the Administrative Agent, as collateral security for the full, prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of the Secured Obligations, a Lien on and security interest in, all of its right, title and interest in, to and under the Pledged Collateral and expressly assumes all obligations and liabilities of a Guarantor and Pledgor thereunder. The New Pledgor hereby makes, with respect to itself, each of the representations and warranties and agrees, with respect to itself, to each of the covenants applicable to the Pledgors contained in the Security Agreement.

Attached hereto are supplements to each of the schedules to the Security Agreement with respect to the New Pledgor. Such supplements shall be deemed to be part of the Security Agreement.

This agreement and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original, but all such counterparts together shall constitute one and the same agreement.

THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CON-  
STRUED AND ENFORCED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW  
YORK.



IN WITNESS WHEREOF, the New Pledgor has caused this letter agreement to be executed and delivered by its duly authorized officer as of the date first above written.

[NEW PLEDGOR]

By: \_\_\_\_\_  
Name:  
Title:

AGREED TO AND ACCEPTED:

CANADIAN IMPERIAL  
BANK OF COMMERCE,  
as Administrative Agent

By: \_\_\_\_\_  
Name:  
Title: