

6-21-05

06-23-2005

Form PTO-1594 (Rev. 03/05)
OMB Collection 0651-0027 (exp. 6/30/2005)



U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office

REC
TI 103026679

To the Director of the U. S. Patent and Trademark Office: Please record the attached documents or the new address(es) below.

1. Name of conveying party(ies):
 DIVERSIFIED GRAPHICS INCORPORATED

Individual(s) Association
 General Partnership Limited Partnership
 Corporation- State: MINNESOTA
 Other _____

Citizenship (see guidelines) _____

Additional names of conveying parties attached? Yes No

2. Name and address of receiving party(ies) Yes No
 Additional names, addresses, or citizenship attached?
 Name: MARQUETTE CAPITAL FUND I, LP
 Internal Address: _____
 Street Address: 60 SOUTH SIXTH ST., #3230E
 City: MINNEAPOLIS
 State: MN
 Country: USA Zip: 55420

Association Citizenship _____
 General Partnership Citizenship _____
 Limited Partnership Citizenship _____
 Corporation Citizenship _____
 Other _____ Citizenship _____

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
 (Designations must be a separate document from assignment)

3. Nature of conveyance /Execution Date(s) :
 Execution Date(s) MAY 16, 2005

Assignment Merger
 Security Agreement Change of Name
 Other _____

4. Application number(s) or registration number(s) and identification or description of the Trademark.

A. Trademark Application No.(s)
78/307,261
7,6602,322

B. Trademark Registration No.(s)
74/136,990

Additional sheet(s) attached? Yes No

C. Identification or Description of Trademark(s) (and Filing Date if Application or Registration Number is unknown):

5. Name & address of party to whom correspondence concerning document should be mailed:
 Name: GLENDAM. LIPP
 Internal Address: FABYANSKE LAW FIRM
 Street Address: 800 LASALLE AVENUE, #1900
 City: MINNEAPOLIS
 State: MN Zip: 55402
 Phone Number: 612-338-0115
 Fax Number: _____
 Email Address: _____

6. Total number of applications and registrations involved: -13-

7. Total fee (37 CFR 2.6(b)(6) & 3.41) \$340.00
 Authorized to be charged by credit card
 Authorized to be charged to deposit account
 Enclosed

8. Payment Information:
 a. Credit Card Last 4 Numbers _____
 Expiration Date _____
 b. Deposit Account Number _____
 Authorized User Name _____

9. Signature: Glenda M. Lipp 6/14/05
 Signature Date
GLENDAM. LIPP Total number of pages including cover sheet, attachments, and document: 29
 Name of Person Signing

Documents to be recorded (including cover sheet) should be faxed to (703) 306-5995, or mailed to:
Mail Stop Assignment Recordation Services, Director of the USPTO, P.O. Box 1450, Alexandria, VA 22313-1450

06/23/2005 ECOOPER 00000087 78307261

01 FC:8521
02 FC:8522

40.00 OP
300.00 OP

TRADEMARK
REEL: 003184 FRAME: 0151

Additional Trademark Registration Nos.

74/339,208

75/029,762

75/357,518

75/582,427

75/597,067

76/430,541

76/437,463

76/485,829

75/940,763

75/939,667

NOTICE OF SECURITY INTEREST IN U.S. TRADEMARKS

United States Trademark Office:

Please be advised that pursuant to a Security Agreement dated as of May 16, 2005 (the "Security Agreement") by DIVERSIFIED GRAPHICS INCORPORATED, a Minnesota corporation ("Grantor") for the benefit of MARQUETTE CAPITAL FUND I, LP, a Delaware limited partnership, as Collateral Agent ("Secured Party"), Grantor has granted to Secured Party a continuing security interest in, and a continuing lien upon, all of the trademarks and trademark applications described below together with the goodwill of the business with which such trademarks and trademark applications are associated:

TRADEMARKS

See Part I of Exhibit A attached hereto and incorporated herein by reference.

TRADEMARK APPLICATIONS

See Part II of Exhibit A attached hereto and incorporated herein by reference.

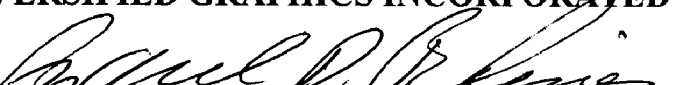
Secured Party's security interest in the described trademark and trademark applications can be terminated only in accordance with the terms of the Security Agreement.

Very truly yours,

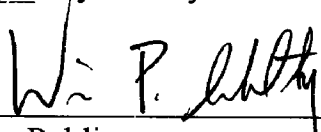
DIVERSIFIED GRAPHICS INCORPORATED

By:

Its:


Paul D. Jones
President & CEO

Subscribed and sworn to before me
this 16th day of May 2005.



Notary Public

EXHIBIT A**TRADEMARKS AND TRADEMARKS APPLICATIONS****PART I. TRADEMARKS**

<u>Ser. No.</u>	<u>Reg. No.</u>	<u>Mark</u>	<u>Filing Date</u>
74/136,990	1,681,167	MARA-MI	2/6/1991
74/339,208	1,790,359	WORLD OF JOURNALS EXPRESS	12/11/1992
75/029,762	2,022,021	GEORGE STANLEY	12/8/1995
75/357,518	2,173,175	ZOOMERANG	9/2/1997
75/582,427	2,439,063	ROOBEE	11/4/1998
75/597,067	2,316,216	WORLD OF JOURNALS	11/30/1998
76/430,541	2,785,718	CARLY'S WISH	7/15/2002
76/437,463	2,723,960	M2 ORIGINALS	8/5/2002
76/485,829	2,790,959	CARLY'S WISH	1/29/2003
75/940,763	2,769,519	EXPRESSIONS OF LOVE	3/9/2000
75/939,667	2,693,710	XXOX	3/9/2000

PART II. TRADEMARK APPLICATIONS

MARK	SERIAL NUMBER	FILING DATE
BLUE MARMALADE	78/307,261	9/30/2003
SIMPLEPRINT	7,6602,322	7/14/2004

SECURITY AGREEMENT
(Grantor)

This SECURITY AGREEMENT is made as of May 16, 2005 (the "Agreement"), by DIVERSIFIED GRAPHICS INCORPORATED, a Minnesota corporation, with its chief executive office at 1700 Broadway NE, Minneapolis, MN 55414 ("Grantor"), in favor of MARQUETTE CAPITAL FUND I, LP, a Delaware limited partnership ("Marquette"), with an office at 60 South Sixth Street, Suite 3230, Minneapolis, MN 55402, in its capacity as collateral agent (in such capacity the "Collateral Agent") for the benefit of itself and for the ratable benefit of the "Lenders" as hereinafter defined.

RECITALS:

A. Grantor has requested extensions of credit from Marquette, Convergent Capital Partners I, L.P., a Delaware limited partnership ("Convergent") and Centerfield Capital Partners, LP, a Delaware limited partnership ("Centerfield"; and collectively with Marquette and Convergent being sometimes referred to herein as the "Lenders" and individually as a "Lender") pursuant to the terms of that certain Senior Subordinated Loan Agreement dated of even date herewith (the Senior Subordinated Loan Agreement as it may be amended, modified, supplemented, increased or restated from time to time being the "Loan Agreement") among Grantor and Lenders.

B. As a condition to the effectiveness of the Loan Agreement and such extensions of credit, the Lenders have required that Grantor grant a security interest in its assets in accordance with this Agreement.

C. Grantor has determined that the execution, delivery and performance of this Agreement are in its best business and pecuniary interest.

NOW, THEREFORE, for good and valuable consideration the receipt and adequacy of which are hereby acknowledged by each of the parties hereto, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

As used herein, the following terms shall have the meanings set forth in this Section:

"Accounts" shall have the meaning provided in the UCC.

"Centerfield" shall have the meaning provided in the recitals hereto.

"Chattel Paper" shall have the meaning provided in the UCC and shall include, without limitation, all Electronic Chattel Paper and Tangible Chattel Paper.

“Collateral” shall mean all property in which a security interest is granted hereunder.

“Collateral Agent” shall have the meaning provided in the preamble hereto.

“Commercial Tort Claim” shall have the meaning provided in the UCC.

“Controlled Property” shall mean property of every kind and description in which Grantor has or may acquire any interest, now or hereafter at any time in the possession or control of Collateral Agent for any reason and all dividends and distributions on or other rights in connection with such property.

“Convergent” shall have the meaning provided in the recitals hereto.

“Data Processing Records and Systems” shall mean all of Grantor’s now existing or hereafter acquired electronic data processing and computer records, software (including, without limitation, all “Software” as defined in the UCC), systems, manuals, procedures, disks, tapes and all other storage media and memory.

“Default” shall have the meaning provided in the Loan Agreement.

“Deposit Accounts” shall have the meaning provided in the UCC and shall include, without limitation, any demand, time, savings, passbook or similar account maintained with a bank.

“Depository Bank” shall mean any financial institution which has entered into a control agreement with the Collateral Agent.

“Document” shall have the meaning provided in the UCC.

“Electronic Chattel Paper” shall have the meaning provided in the UCC.

“Equipment” shall have the meaning provided in the UCC.

“Event of Default” shall have the meaning specified in Article VI hereof.

“Fixtures” shall have the meaning provided in the UCC.

“General Intangibles” shall have the meaning provided in the UCC and shall include, without limitation, all Payment Intangibles.

“Goods” shall have the meaning provided in the UCC and shall include embedded “Software” to the extent included in “Goods” as defined in the UCC.

“Grantor” shall have the meaning provided in the preamble hereto.

“Instruments” shall have the meaning provided in the UCC.

“Insurance Proceeds” shall mean all proceeds of any and all insurance policies payable to Grantor with respect to any Collateral, or on behalf of any Collateral, whether or not such policies are issued to or owned by Grantor.

“Intercreditor Agreement” shall have the meaning provided in the Loan Agreement.

“Inventory” shall have the meaning provided in the UCC.

“Investment Property” shall have the meaning provided in the UCC.

“Lender(s)” shall have the meaning provided in the recitals hereto.

“Letter-of-Credit Rights” shall have the meaning provided in the UCC.

“Loan Agreement” shall have the meaning provided in the recitals hereto.

“Marquette” shall have the meaning provided in the preamble hereto.

“Obligations” shall have the meaning provided in the Loan Agreement.

“Payment Intangibles” shall have the meaning provided in the UCC.

“Proceeds” shall have the meaning provided in the UCC.

“Products” shall mean any goods now or hereafter manufactured, processed or assembled with any of the Collateral.

“Lenders” shall have the meaning provided in the recitals hereto.

“Supporting Obligations” shall have the meaning provided in the UCC.

“Tangible Chattel Paper” shall have the meaning provided in the UCC.

“UCC” shall mean the Uniform Commercial Code as enacted in the State of Minnesota, as amended from time to time; provided, however, that: (a) to the extent that the UCC is used to define any term herein, and such term is defined differently in different Articles of the UCC, the definition of such term contained in Article 9 shall govern; and (b) if, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of, or remedies with respect to, the Collateral Agent’s security interest in any Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of Minnesota, the term “UCC” shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection or priority of, or remedies with respect to, the Collateral Agent’s security interest and for purposes of definitions related to such provisions.

Other terms defined herein shall have the meanings ascribed to them herein. All capitalized terms used herein, and not specifically defined herein, shall have the meaning ascribed to them in the Loan Agreement.

ARTICLE II SECURITY INTERESTS

As security for the payment of all Obligations when due, at stated maturity, by acceleration or otherwise, Grantor hereby grants to Collateral Agent, for the benefit of itself and for the ratable benefit of the Lenders a security interest in all of Grantor's right, title and interest in and to the following, whether now owned or existing or hereafter acquired or arising:

- Accounts;
- Chattel Paper;
- Commercial Tort Claims, if any, described on Exhibit B attached hereto and incorporated herein by reference;
- Controlled Property;
- Deposit Accounts;
- Documents;
- Equipment and Fixtures;
- General Intangibles;
- Instruments;
- Inventory;
- Investment Property;
- Letter-of-Credit Rights;
- Proceeds (whether cash or non-cash Proceeds, including Insurance Proceeds and non-cash Proceeds of all types);
- Products of all the foregoing; and
- Supporting Obligations;

provided, however, that no Lien shall attach to Deposit Accounts until the Senior Debt has been "Paid in Full" (as defined in the Intercreditor Agreement).

ARTICLE III REPRESENTATIONS AND COVENANTS OF GRANTOR

Grantor represents, warrants and covenants that:

3.1 Authorization. The execution and performance of this Agreement have been duly authorized by all necessary action and do not and will not: (a) require any consent or approval of the stockholders of any entity, or the consent of any governmental entity that has not been obtained; or (b) violate any provision of any indenture, contract, agreement or instrument to which it is a party or by which it or any of its properties may be bound.

3.2 Title to Collateral. Grantor owns or has rights (and in the case of after-acquired property will own or have rights) in all of the Collateral and none of the Collateral is subject to any security interest except for the security interest created pursuant to this Agreement or other Permitted Liens.

3.3 Disposition or Encumbrance of Collateral. Grantor will not encumber, sell or otherwise transfer or dispose of the Collateral without the prior written consent of Collateral Agent except as provided in this Section or for Permitted Liens. Until a Default or Event of Default has occurred and is continuing, Grantor may sell Collateral as permitted by Section 6.12 of the Loan Agreement.

3.4 Validity of Accounts. Grantor warrants that all Collateral consisting of Accounts, Chattel Paper and Instruments included in Grantor's schedules, financial statements or books and records are bona fide existing obligations created by the sale and actual delivery of Inventory or the rendition of services to customers in the ordinary course of business, which Grantor then owns free and clear of any security interest other than the security interest created by this Agreement or other Permitted Liens, and which are then unconditionally owing to Grantor without defenses, offset or counterclaim except those arising in the ordinary course of business that are immaterial in the aggregate and that the unpaid principal amount of any such Chattel Paper or Instrument and any security therefor is and will be as represented to Collateral Agent on the date of the delivery thereof to Collateral Agent.

3.5 Maintenance of Tangible Collateral. Grantor will maintain the tangible Collateral in good condition and repair, normal wear and tear excepted. At the time of attachment and perfection of the security interest granted pursuant hereto and thereafter, all tangible Collateral will be located and will be maintained only at the locations set forth on Exhibit A hereto. Except as otherwise permitted by Section 3.3 and for inventory in transit in the ordinary course of business, Grantor will not remove such Collateral from such locations unless, prior to any such removal, Grantor has given written notice to Collateral Agent of the location or locations to which Grantor desires to remove the Collateral, Collateral Agent has given its written consent to such removal, and Grantor has delivered to Collateral Agent acknowledgment copies of financing statements filed where appropriate to continue the perfection of Collateral Agent's security interest in the Collateral, subject only to Permitted Liens in favor of the Senior Lender. Collateral Agent's security interest attaches to all of the Collateral wherever located and Grantor's failure to inform Collateral Agent of the location of any item or items of Collateral shall not impair Collateral Agent's security interest thereon.

3.6 Notation on Chattel Paper. For purposes of the security interest granted pursuant to this Agreement, Collateral Agent has been granted a direct security interest in all Chattel Paper constituting part of the Collateral and such Chattel Paper is not claimed merely as Proceeds of Inventory. Upon Collateral Agent's request following the termination of the Senior Lender's security interest in Grantor's Chattel Paper, Grantor will deliver to Collateral Agent the original of all Chattel Paper. Grantor will not execute any copies of such Chattel Paper constituting part of the Collateral other than those which are clearly marked as a copy. Collateral Agent may stamp any such Chattel Paper with a legend reflecting Collateral Agent's security interest therein.

3.7 Instruments as Proceeds; Deposit Accounts. Notwithstanding any other provision in this Agreement concerning Instruments, Grantor covenants that, after the termination of the Senior Lender's security interest in the Collateral, Grantor will deposit all Instruments constituting cash Proceeds (for example, money and checks) in Deposit Accounts maintained with a Depository Bank. Grantor has granted to the Collateral Agent a direct security interest in all Deposit Accounts constituting part of the Collateral and such Deposit Accounts are not claimed merely as Proceeds of other Collateral.

3.8 Protection of Collateral. All expenses of protecting, storing, warehousing, insuring, handling and shipping of the Collateral, all costs of keeping the Collateral free of any liens, encumbrances and security interests prohibited by this Agreement and of removing the same if they should arise, and any and all excise, property, sales and use taxes imposed by any state, federal or local authority on any of the Collateral or in respect of the sale thereof, shall be borne and paid by Grantor and if Grantor fails to promptly pay any thereof when due, Collateral Agent may, at its option, but shall not be required to pay the same whereupon the same shall constitute Obligations and shall bear interest at the Default Rate specified in the Loan Agreement (the "Interest Rate") and shall be secured by the security interest granted hereunder.

3.9 Insurance. Grantor will procure and maintain, or cause to be procured and maintained, insurance issued by responsible insurance companies insuring the Collateral against damage and loss by theft, fire, collision (in the case of motor vehicles), and such other risks as are usually carried by owners of similar properties or as may be requested by Collateral Agent in an amount equal to the replacement value thereof, and, in any event, in an amount sufficient to avoid the application of any co-insurance provisions and payable, in the case of any loss in excess of the amount permitted to be adjusted and collected by Grantor pursuant to Article V of this Agreement, to Grantor and Collateral Agent jointly. All such insurance shall contain an agreement by the insurer to provide Collateral Agent with 30 days' prior notice of cancellation and an agreement that the interest of Collateral Agent shall not be impaired or invalidated by any act or neglect of Grantor nor by the occupation of the premises wherein such Collateral is located for purposes more hazardous than are permitted by said policy. Grantor will maintain, with financially sound and reputable insurers, insurance with respect to its properties and business against such casualties and contingencies of such types (which may include, without limitation, public and product liability, larceny, embezzlement, business interruption or other criminal misappropriation insurance) as are required by the Senior Lender with respect to its collateral and in such amounts as may from time to time be required by Collateral Agent. Grantor will deliver evidence of such insurance and the policies of insurance or copies thereof to Collateral Agent upon request.

3.10 Compliance with Law. Grantor will not use the Collateral, or knowingly permit the Collateral to be used, for any unlawful purpose or in violation of any federal, state or municipal law.

3.11 Books and Records; Access.

(a) Grantor will permit Collateral Agent and its representatives to examine Grantor's books and records (including Data Processing Records and Systems) and the Collateral as set forth in Section 5.7 of the Loan Agreement.

(b) Collateral Agent shall have authority, at any time, to place, or require Grantor to place, upon Grantor's books and records relating to Accounts, Chattel Paper and other rights to payment covered by the security interest granted hereby a notation or legend stating that such Accounts, Chattel Paper and other rights to payment are subject to Collateral Agent's security interest.

3.12 Notice of Default. Grantor will give notice to Collateral Agent that such Default or Event of Default exists in accordance with Section 5.10(a) of the Loan Agreement.

3.13 Additional Documentation. Grantor will execute, from time to time, and authorizes Collateral Agent to execute from time to time as Grantor's attorney-in-fact and/or file, such financing statements, assignments, and other documents covering the Collateral, including Proceeds, as Collateral Agent may request in order to create, evidence, perfect, maintain or continue its security interest in the Collateral (including additional Collateral acquired by Grantor after the date hereof), and Grantor will pay the cost of filing the same in all public offices in which Collateral Agent may deem filing to be appropriate and will notify Collateral Agent promptly upon acquiring any additional Collateral that may require an additional filing. Upon request, Grantor will deliver all Grantor's Documents, Chattel Paper and Instruments to Collateral Agent.

3.14 Chief Executive Office; State of Incorporation. The location of the chief executive office of Grantor is located in the State set forth in the preamble hereto and will not be changed from such state without 30 days' prior written notice to Collateral Agent. Grantor warrants that its books and records concerning Accounts and Chattel Paper are located at its chief executive office. Grantor's State of organization is the State set forth in the preamble hereto and such State has been its State of organization since the date of Grantor's organization. Grantor's state organization number is set forth on Exhibit A attached hereto. Grantor will not change its State of organization from such State without 30 days' prior written notice to Collateral Agent, Collateral Agent has given its written consent to such change, and Grantor has delivered to Collateral Agent acknowledgment copies of financing statements filed where appropriate to continue the perfection of Collateral Agent's security interest in favor of the Senior Lender, subject only to Permitted Liens in favor of the Senior Lender.

3.15 Name of Grantor. Grantor's exact legal name and type of legal entity is as set forth in the preamble hereto. Grantor will not change its legal name without 30 days' prior written notice to the Collateral Agent, the Collateral Agent has given its written consent to such change, and Grantor has delivered to the Collateral Agent acknowledgment copies of financing statements filed where appropriate to continue the perfection of the Collateral Agent's security interest in the Collateral, subject only to Permitted Liens in favor of the Senior Lender. Grantor has not used any other name within the past five years except those described on Exhibit A attached hereto. Neither Grantor nor, to Grantor's knowledge, any predecessor in title to any of

the Collateral has executed any financing statements or security agreements presently effective as to the Collateral except those perfecting or creating Permitted Liens.

3.16 Disputes, Etc. Grantor shall advise Collateral Agent promptly of Inventory in excess of \$50,000.00 in the aggregate for all customers in any fiscal year which are returned by a customer(s) or otherwise recovered from such customer(s) and unless instructed to deliver such Inventory to Collateral Agent, Grantor shall resell such Inventory for Collateral Agent and assign or deliver to Collateral Agent the resulting Accounts or other Proceeds. Grantor shall also advise Collateral Agent promptly of all disputes and claims in excess of \$50,000.00 for all obligors on the Collateral in any fiscal year and settle or adjust them at no expense to Collateral Agent. After the occurrence and during the continuance of an Event of Default following the termination of the Senior Lender's security interest in the Collateral, Collateral Agent may at all times settle or adjust such disputes and claims directly with the customers for amounts and upon terms which Collateral Agent considers commercially reasonable. No discount, credit, allowance, adjustment or return shall be granted by Grantor to any customer without Collateral Agent's written consent other than discounts, credits, allowances, adjustments and returns made or granted by Grantor in the ordinary course of business prior to the occurrence and during the continuance of an Event of Default; provided, however, that no Collateral Agent's consent shall be required if the Senior Lender has consented to such transaction or no Senior Lender's consent is required for such transaction under the Senior Loan Documents.

3.17 Power of Attorney. Grantor appoints Collateral Agent, or any other person whom Collateral Agent may from time to time designate, as Grantor's attorney with power, to: (a) endorse Grantor's name on any checks, notes, acceptances, drafts or other forms of payment or security evidencing or relating to any Collateral that may come into Collateral Agent's possession; provided, however, that so long as no Event of Default has occurred and is continuing, Collateral Agent shall deposit the same in Grantor's bank account or in accordance with Grantor's instructions; (b) sign Grantor's name on any invoice or bill of lading relating to any Collateral and on drafts against customers; provided, however, that so long as no Event of Default has occurred and is continuing, Collateral Agent shall deposit any collections in Grantor's bank account or in accordance with Grantor's instructions; (c) sign Grantor's name on schedules and confirmatory assignments of Accounts, Chattel Paper, Documents or other Collateral, and on notices of assignment and other public records; (d) notify the post office authorities to change the address for delivery of Grantor's mail to an address designated by Collateral Agent; provided, however, that so long as no Event of Default has occurred and is continuing following the termination of the Senior Lender's security interest in the Collateral, Collateral Agent shall not exercise the power granted by this subsection (d); (e) receive and open all mail addressed to such Grantor; provided, however, that so long as no Event of Default has occurred and is continuing following the termination of the Senior Lender's security interest in the Collateral, Collateral Agent shall not exercise the power granted by this subsection (e); and provided, further, however, that Collateral Agent, in the exercise of the power granted by this subsection (e), shall not open any such mail from any attorney to such Grantor, and shall promptly return to such Grantor any such mail which is of a personal nature or which is otherwise not related or necessary to the enforcement of Collateral Agent's rights under the Loan Documents; (f) sign such Grantor's name on verifications of accounts and on notices to customers and/ or send requests for verification of Accounts, Chattel Paper, Instruments or other Collateral

to customers; provided, however, that so long as no Event of Default has occurred and is continuing, Collateral Agent shall exercise the power granted by this subsection (f) only through a trade accounting firm name and not in any name identifying the verifying party as a bank, lender, secured party or other financial institution; and (g) do all other things as may be necessary to carry out this Agreement; provided, however, that so long as no Event of Default has occurred and is continuing, Collateral Agent shall exercise the powers granted by Section 3.17(g) only upon Grantor's failure to take action reasonably requested by the Collateral Agent within five (5) Business Days after the Collateral Agent has requested that Grantor take the requested action. Grantor ratifies and approves all acts of the attorney taken within the scope of the authority granted. Neither Collateral Agent nor the attorney will be liable for any acts of commission or omission, or for any error in judgment or mistake of fact or law other than as a result of Collateral Agent's gross negligence or willful misconduct. This power, being coupled with an interest, is irrevocable so long as any Obligation remains unpaid. Grantor waives presentment and protest of all instruments and notice thereof, notice of default and dishonor and all other notices to which Grantor may otherwise be entitled.

3.18 Patents and Trademarks, Etc. Grantor agrees with Collateral Agent that, until the security interest granted by this Agreement has been terminated in accordance with the terms hereof:

(a) Grantor will perform all acts and execute all documents including, without limitation, grants of security interest, in form suitable for filing with the United States Patent and Trademark Office, reasonably requested by Collateral Agent at any time to evidence, perfect, maintain, record and enforce Collateral Agent's interest in the Collateral comprised of patents (collectively the "Patents"), patent applications (collectively the "Patent Applications"), trademarks or service marks (collectively the "Trademarks") or of any applications therefor (collectively the "Trademark Applications") or otherwise in furtherance of the provisions of this Agreement;

(b) Except to the extent that Collateral Agent shall consent in writing, Grantor (either itself or through licensees) will, unless Grantor shall reasonably determine that a Trademark (or the use of a Trademark in connection with a particular class of goods or products) is not of material economic value to Grantor: (i) continue to use each Trademark on each and every trademark class of goods in order to maintain each Trademark in full force free from any claim of abandonment for non-use; (ii) maintain as in the past the quality of products and services offered under each Trademark; (iii) employ each Trademark with the appropriate notice of application or registration to the extent required by applicable law to maintain such Trademark; (iv) not use any Trademark except for the uses for which registration or application for registration of such Trademark has been made, unless such use is otherwise lawful; and (v) not (and not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby any Trademark may become invalidated;

(c) Except to the extent that Collateral Agent shall consent in writing, Grantor will not do any act, or omit to do any act, whereby any Patent may become abandoned or

dedicated, unless Grantor shall reasonably determine that a Patent is not of material economic value to Grantor;

(d) Unless Grantor shall reasonably determine that a Patent, Patent Application, Trademark or Trademark Application is not of material economic value to Grantor, Grantor shall notify Collateral Agent immediately if it knows, or has reason to know, of any reason that any Patent, Patent Application, Trademark or Trademark Application may become abandoned or dedicated, or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office or any court) regarding Grantor's ownership of any Patent or Trademark, its rights to register the same, or to keep and maintain the same;

(e) If Grantor, either itself or through any agent, employee, licensee or designee, shall file a Patent Application or Trademark Application for the registration of any Trademark with the United States Patent and Trademark Office, or any similar office or agency in any other country or any political subdivision thereof, Grantor shall promptly inform Collateral Agent, and, upon request of Collateral Agent, shall promptly execute and deliver any and all agreements, instruments, documents and papers as Collateral Agent may reasonably request to evidence Collateral Agent's security interest in such Patent or Trademark and the goodwill and general intangibles of Grantor relating thereto or represented thereby;

(f) Unless Grantor shall reasonably determine that a Patent Application or Trademark Application is not of material economic value to Grantor, Grantor will take all necessary steps, including, without limitation, in any proceeding before the United States Patent and Trademark Office, or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue each Patent Application and Trademark Application (and to obtain the relevant registration) and to maintain each registration of the Patents and Trademarks, including, without limitation, filing of applications for renewal and affidavits of use;

(g) If any Patent or Trademark is infringed, misappropriated or diluted by a third party, then, unless Grantor shall reasonably determine that such Patent or Trademark is not of material economic value to Grantor, Grantor shall either promptly sue for such infringement, misappropriation or dilution to recover any and all damages for such infringement, misappropriation or dilution, or take such other actions as Grantor shall reasonably deem appropriate under the circumstances to protect such Patent or Trademark and, if Grantor commences any such suit, then Grantor shall promptly notify Collateral Agent of the commencement of such suit; and

(h) Grantor agrees that it will not enter into any agreement (for example, a license agreement) which is inconsistent with Grantor's obligations under this Agreement.

3.19 Copyrights. Grantor agrees with Collateral Agent that, until the security interest granted by this Agreement has been terminated in accordance with the terms hereof:

(a) Grantor will perform all acts and execute all documents including, without limitation, grants of security interest, in form suitable for filing with the United States Copyright Office, reasonably requested by Collateral Agent at any time to evidence, perfect, maintain, record and enforce Collateral Agent's interest in the Collateral comprised of copyrights or copyright applications (collectively the "Copyrights") or otherwise in furtherance of the provisions of this Agreement;

(b) Except to the extent that the Collateral Agent shall consent in writing, Grantor (either itself or through licensees) will, unless Grantor shall reasonably determine that a Copyright is not of material economic value to Grantor, publish the materials for which a Copyright has been obtained (the "Works") with any notice of copyright registration required by applicable law to preserve the Copyright;

(c) Unless Grantor shall reasonably determine that a Copyright is not of material economic value to Grantor, Grantor shall notify the Collateral Agent immediately if it knows, or has reason to know, of any reason that any application or registration relating to any Copyright may become abandoned or dedicated or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the United States Copyright Office or any court) regarding Grantor's ownership of any Copyright, its right to register the same, or to keep and maintain the same;

(d) If Grantor, either itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Copyright with the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, Grantor shall promptly inform Collateral Agent, and, upon request of Collateral Agent, execute and deliver any and all agreements, instruments, documents and papers as Collateral Agent may request to evidence Collateral Agent's security interest in such Copyright and the Works relating thereto or represented thereby;

(e) Unless Grantor shall reasonably determine that a Copyright is not of material economic value to Grantor, Grantor will take all commercially reasonable steps, including, without limitation, in any proceeding before the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue each application (and to obtain the relevant registration) and to maintain each registration of the Copyrights;

(f) In the event that any Copyright is infringed by a third party, then, unless Grantor shall reasonably determine that such Copyright is not of material economic value to Grantor, Grantor shall promptly sue to recover any and all damages or take such other actions as Grantor shall reasonably deem appropriate under the circumstances to protect such Copyright and, if Grantor commences any such suit, then Grantor shall promptly notify the Agent of the commencement of such suit; and

(g) Grantor agrees that it will not enter into any agreement (for example, a license agreement) which is inconsistent with Grantor's obligations under this Agreement.

3.20 Control. If the Senior Lender's security interest in Grantor's Deposit Accounts, Investment Property, Letter-of-Credit Rights, and Electronic Chattel Paper has terminated, then Grantor will cooperate with Collateral Agent in obtaining control with respect to Collateral consisting of Deposit Accounts, Investment Property, Letter-of-Credit Rights, and Electronic Chattel Paper. Without limiting the foregoing, if Grantor becomes a beneficiary of a letter of credit, then Grantor shall promptly notify the Collateral Agent thereof and enter into a tri-party agreement with the Collateral Agent and the issuer and/or confirmation bank with respect to such letter of credit assigning the Letter-of-Credit Rights to the Collateral Agent and directing all payments thereunder to the Collateral Agent, all in form and substance reasonably satisfactory to the Collateral Agent.

3.21 Further Acts. Where Collateral is in the possession of a third party, Grantor will join with Collateral Agent in notifying such third party of Collateral Agent's security interest and in obtaining an acknowledgment from such third party that it is holding such Collateral for the benefit of the Collateral Agent.

3.22 Commercial Tort Claims. Grantor shall promptly notify the Collateral Agent of any Commercial Tort Claim acquired by it and, unless otherwise consented to by the Collateral Agent, Grantor shall promptly enter into a supplement to this Agreement granting to the Collateral Agent a security interest in such Commercial Tort Claim.

ARTICLE IV COLLECTIONS

Except as otherwise provided in this Article IV, Grantor shall continue to collect, at its own expense, all amounts due or to become due to Grantor under the Accounts and all other Collateral. In connection with such collections, Grantor may take (and, at Collateral Agent's direction following the occurrence and during the continuance of an Event of Default, shall take) such action as Grantor or Collateral Agent may reasonably deem necessary or advisable to enforce collection of the Accounts and such other Collateral; provided, however, that Collateral Agent shall have the right at any time after the occurrence and during the continuance of an Event of Default, without giving notice to Grantor of Collateral Agent's intention to do so, to notify the account debtors under any Accounts or obligors with respect to such other Collateral of the assignment of such Accounts and such other Collateral to Collateral Agent and to direct such account debtors or obligors to make payment of all amounts due or to become due to Grantor thereunder directly to Collateral Agent and, upon such notification and at the expense of Grantor, to enforce collection of any such Accounts or other Collateral, and to adjust, settle or compromise the amount or payment thereof in the same manner and to the same extent as Grantor might have done, but unless and until Collateral Agent does so or gives Grantor other instructions, Grantor shall make all collections for Collateral Agent. At any time after the occurrence and during the continuance of an Event of Default, Collateral Agent may require that

Grantor instruct all current and future account debtors and obligors on other Collateral to make all payments directly to a lockbox (the "Lockbox") controlled by Collateral Agent. All payments received in the Lockbox shall be transferred to a special bank account (the "Collateral Account") maintained at a Depository Bank for the benefit of Collateral Agent subject to withdrawal by Collateral Agent only. After the earliest to occur of an Event of Default, Collateral Agent's exercise of its right to direct account debtors or other obligors on any Collateral to make payments directly to Collateral Agent or to require Grantor to establish a Lockbox, Grantor shall immediately deliver all full and partial payments on any Collateral received by Grantor to Collateral Agent in their original form, except for endorsements where necessary. If, at the time Collateral Agent instructs Grantor to direct payments to the Lockbox or Grantor is required to deliver such payments to Collateral Agent, the Intercreditor Agreement requires that Collateral Agent turn over such payments to the Senior Lender, then Grantor shall be deemed to be in compliance with its obligations under this Section if the Senior Lender requires that Grantor direct payments to a lockbox for the Senior Lender's benefit and deliver any payments received by Grantor to the Senior Lender and Grantor complies with such requirements. Collateral Agent, at its sole discretion, may hold any collections on the Collateral delivered to it or deposited in the Collateral Account as cash collateral or may apply such collections to the payment of the Obligations in such order as Collateral Agent may elect; provided, however, that after an Event of Default has occurred and is continuing, Collateral Agent shall apply all collections in accordance with Section 7.7. Until such payments are so delivered to Collateral Agent, such payments shall be held in trust by Grantor for and as Collateral Agent's property, and shall not be commingled with any funds of Grantor. Any application of any collection to the payment of any Obligation is conditioned upon final payment of any check or other instrument.

ARTICLE V ASSIGNMENT OF INSURANCE

Grantor hereby assigns to Collateral Agent, as additional security for payment of the Obligations, any and all monies due or to become due under, and any and all other rights of Grantor with respect to, any and all policies of insurance covering the Collateral and Grantor hereby directs the issuer of any such policy to pay any such monies directly to the Collateral Agent in accordance with this Article V. So long as no Event of Default has occurred and is continuing, Grantor may itself adjust and collect for any losses arising out of a single occurrence of up to \$50,000.00 and up to an aggregate amount of \$100,000.00 for all occurrences during any of Grantor's fiscal years or, in either case, any greater amount of losses that are permitted by the Senior Loan Documents to be adjusted and collected by Grantor pursuant to the Senior Loan Documents; provided that Grantor uses the resulting Insurance Proceeds to replace, restore or repair the damaged Collateral. After the occurrence and during the continuance of an Event of Default, or after the losses exceed the amount described in the preceding sentence, Collateral Agent may (but need not) in its own name or in Grantor's name execute and deliver proofs of claim, receive such monies, and settle or litigate any claim against the issuer of any such policy and Grantor directs the issuer to pay any such monies directly to Collateral Agent and Collateral Agent, at its sole discretion and regardless of whether Collateral Agent exercises its right to collect Insurance Proceeds under this Section, may apply any Insurance Proceeds to the payment

of the Obligations, whether due or not, in accordance with Section 7.7 or may permit Grantor to use such Insurance Proceeds for the replacement, restoration or repair of the Collateral.

ARTICLE VI EVENTS OF DEFAULT

The occurrence of any Event of Default as defined in the Loan Agreement shall constitute an Event of Default hereunder ("Event of Default").

ARTICLE VII RIGHTS AND REMEDIES ON DEFAULT

Upon the occurrence and during the continuance of an Event of Default, in addition to the rights granted to Collateral Agent under Articles IV and V hereof and subject to the Intercreditor Agreement, Collateral Agent may exercise any one or more of the following rights and remedies:

7.1 Acceleration of Obligations. Declare any and all Obligations to be immediately due and payable, and the same shall thereupon become immediately due and payable without further notice or demand.

7.2 Right of Offset. Offset, and cause each Lender to offset, any deposits, including unmatured time deposits, then maintained by Grantor with Collateral Agent or such Lender, whether or not then due, against the Obligations, whether or not then due.

7.3 Deal with Collateral. In the name of Grantor or otherwise, demand, collect, receive and give receipt for, compound, compromise, settle and give acquittance for and prosecute and discontinue any suits or proceedings in respect of any or all of the Collateral.

7.4 Realize on Collateral. Take any action which Collateral Agent may deem reasonably necessary or desirable in order to realize on the Collateral, including, without limitation, the power to perform any contract, to endorse in the name of Grantor any checks, drafts, notes, or other instruments or documents received in payment of or on account of the Collateral. Collateral Agent may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral. Collateral Agent may sell the Collateral without giving any warranties as to the Collateral. Collateral Agent may specifically disclaim any warranties of title or the like. This procedure will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral.

7.5 Access to Property. Enter upon and into and take possession of all or such part or parts of the properties of Grantor, including lands, plants, buildings, machinery, equipment, Data Processing Records and Systems and other property as may be necessary or appropriate in the reasonable judgment of Collateral Agent, to permit or enable Collateral Agent to store, lease, sell or otherwise dispose of or collect all or any part of the Collateral, and use and operate said properties for such purposes and for such length of time as Collateral Agent may deem necessary or appropriate for said purposes without the payment of any compensation to Grantor therefor.

Grantor shall provide Collateral Agent with all information and assistance requested by Collateral Agent to facilitate the storage, leasing, sale or other disposition or collection of the Collateral after an Event of Default has occurred and is continuing.

7.6 Other Rights. Exercise any and all other rights and remedies available to it by law or by agreement, including rights and remedies under the UCC as adopted in the relevant jurisdiction or any other applicable law, or under the Loan Agreement and, in connection therewith, Collateral Agent may require Grantor to assemble the Collateral and make it available to Collateral Agent at a place to be designated by Collateral Agent, and any notice of intended disposition of any of the Collateral required by law shall be deemed reasonable if such notice is mailed or delivered to Grantor at its address as shown on Collateral Agent's records at least 10 days before the date of such disposition. If Collateral Agent sells any of the Collateral upon credit, Grantor will be credited only with payments actually made by the purchaser, received by Collateral Agent and applied to the Obligations. If the purchaser fails to pay for such Collateral, then Collateral Agent may re-sell the Collateral and the Obligations will be credited with the proceeds of such sale.

7.7 Application of Proceeds.

(a) All Proceeds of Collateral received by Collateral Agent or any Lender shall be applied in accordance with the UCC, and such Proceeds applied toward the Obligations shall be applied in the following order:

FIRST, to the Collateral Agent and each Lender in an amount equal to such Person's reasonable costs and expenses incurred in connection with the enforcement of this Agreement, the sale or other disposition of the Collateral, the delivery of the Collateral, the collection of any such Proceeds or the collection of the Obligations (including, without limitation, reasonable attorneys' fees and legal expenses regardless of whether suit is commenced);

SECOND, to the extent of any amount remaining after application in accordance with clause FIRST above, to the Collateral Agent for distribution to the Lender for application to the Obligations then due and payable or, if such amount shall be insufficient to pay the Obligations in full, then ratably (without priority of any one over any other) to each Lender in proportion to its Percentage; and

THIRD, to the extent of any amount remaining after application in accordance with clauses FIRST and SECOND above, to Grantor or its successors or assigns or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

(b) When payments to the Lender are based upon their respective Percentages, the amounts received by each Lender shall be promptly applied as follows (for purposes of making determinations under this Section 7.7 only): (i) first, to the unpaid interest and fees constituting part of such Lender's Obligations; (ii) second, to the unpaid principal amount of such Lender's Note; and (C) third, to all other Obligations owed to such

Lender. If any payment to any Lender of its Percentage of any distribution would result in overpayment to such Lender, such excess amount shall instead be ratably distributed in respect of the unpaid Obligations of the other Lenders entitled to such distribution.

(c) For purposes of applying payments received in accordance with this Section 7.7, Collateral Agent shall be entitled to rely upon each Lender for a determination of the outstanding principal, interest and other Obligations owed to such Lender.

7.8 Patents and Trademarks. Upon the occurrence and during the continuance of an Event of Default:

(a) Collateral Agent may, at any time and from time to time, upon thirty (30) days' prior notice to Grantor, license or, to the extent permitted by an applicable license, sublicense, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any Patent or Trademark, throughout the world for such term or terms, on such conditions, and in such manner, as Collateral Agent shall in its sole discretion determine;

(b) Collateral Agent may (without assuming any obligations or liability thereunder), at any time enforce (and shall have the exclusive right to enforce) against any licensor, licensee or sublicensee all rights and remedies of Grantor in, to and under any one or more license or other agreements with respect to any Patent or Trademark and take or refrain from taking any action under any such license or other agreement, and Grantor hereby releases Collateral Agent from, and agrees to hold Collateral Agent free and harmless from and against, any claims arising out of, any action taken or omitted to be taken with respect to any such license or agreement;

(c) Any and all payments received by Collateral Agent under or in respect of any Patent or Trademark (whether from Grantor or otherwise), or received by Collateral Agent by virtue of the exercise of the license granted to Collateral Agent by subsection (g) below, shall be applied to the Obligations in accordance with Section 7.7 hereof;

(d) Collateral Agent may exercise in respect of the Patents and Trademarks, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the UCC;

(e) In order to implement the sale, lease, assignment, license, sublicense or other disposition of any of the Patents and Trademarks pursuant to this Section 7.8, Collateral Agent may, at any time, execute and deliver on behalf of Grantor one or more instruments of assignment of the Patents and Trademarks (or any application or registration thereof), in form suitable for filing, recording or registration in any country. Grantor agrees to pay when due all reasonable costs incurred in any such transfer of the Patents and Trademarks, including any taxes, fees and reasonable attorneys' fees;

(f) In the event of any sale, lease, assignment, license, sublicense or other disposition of any of the Patents or Trademarks pursuant to this Section, Grantor shall supply to Collateral Agent or its designee its know-how and expertise relating to the manufacture and sale of the products relating to any Patent or Trademark subject to such disposition, and its customer lists and other records relating to such Patents or Trademarks and to the distribution of said products; and

(g) For the purpose of enabling Collateral Agent to exercise rights and remedies under this Agreement at such time as Collateral Agent shall be lawfully entitled to exercise such rights and remedies, and for no other purpose, Grantor hereby grants to Collateral Agent, an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to Grantor) to use, license or sublicense at such time any Patent or Trademark, now owned or hereafter acquired by Grantor, and wherever the same may be located, and including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer and automatic machinery software and programs used for the compilation or printout thereof.

7.9 Copyrights. Upon the occurrence and during the continuance of an Event of Default:

(a) Collateral Agent may, at any time and from time to time, upon thirty (30) days' prior notice to Grantor, license or, to the extent permitted by an applicable license, sublicense, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any Copyright, for such term or terms, on such conditions, and in such manner, as Collateral Agent shall in its sole discretion determine;

(b) Collateral Agent may (without assuming any obligations or liability thereunder), at any time, enforce (and shall have the exclusive right to enforce) against any licensor, licensee or sublicensee all rights and remedies of Grantor in, to and under any one or more license or other agreements with respect to any Copyright and take or refrain from taking any action under any such license or other agreement and Grantor hereby releases Collateral Agent from, and agrees to hold Collateral Agent free and harmless from and against, any claims arising out of, any action taken or omitted to be taken with respect to any such license or agreement;

(c) Any and all payments received by Collateral Agent under or in respect of any Copyright (whether from Grantor or otherwise), or received by Collateral Agent by virtue of the exercise of the license granted to Collateral Agent by subsection (f) below, shall be applied to the Obligations in accordance with Section 7.7;

(d) Collateral Agent may exercise in respect of the Copyrights, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the UCC;

(e) In order to implement the sale, lease, assignment, license, sublicense or other disposition of any of the Copyrights pursuant to this Section 7.9, Collateral Agent

may, at any time, execute and deliver on behalf of Grantor one or more instruments of assignment of the Copyrights (or any application or registration thereof), in form suitable for filing, recording or registration in the Copyright Office or any country where the relevant Copyright is of material economic value to Grantor. Grantor agrees to pay when due all reasonable costs incurred in any such transfer of the Copyrights, including any taxes, fees and reasonable attorneys' fees; and

(f) For the purpose of enabling Collateral Agent to exercise rights and remedies under this Agreement at such time as Collateral Agent shall be lawfully entitled to exercise such rights and remedies, and for no other purpose, Grantor hereby grants to Collateral Agent an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to Grantor) to use, license or sublicense any Copyright, now owned or hereafter acquired by Grantor, and wherever the same may be located, and including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer and automatic machinery software and programs used for the compilation or printout thereof.

ARTICLE VIII MISCELLANEOUS

8.1 No Liability on Collateral. It is understood that Collateral Agent does not in any way assume any of Grantor's obligations under any of the Collateral. Grantor hereby agrees to indemnify Collateral Agent against all liability arising in connection with or on account of any of the Collateral, except for any such liabilities arising on account of Collateral Agent's negligence or willful misconduct.

8.2 No Waiver. Collateral Agent shall not be deemed to have waived any of its rights hereunder or under any other agreement, instrument or paper signed by Grantor unless such waiver is in writing and signed by Collateral Agent. No delay or omission on the part of Collateral Agent in exercising any right shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion.

8.3 Remedies Cumulative. All rights and remedies of Collateral Agent shall be cumulative and may be exercised singularly or concurrently, at their option, and the exercise or enforcement of any one such right or remedy shall not bar or be a condition to the exercise or enforcement of any other.

8.4 Governing Law/Jurisdiction. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of Minnesota, except to the extent that the perfection of the security interest hereunder, or the enforcement of any remedies hereunder, with respect to any particular Collateral shall be governed by the laws of a jurisdiction other than the State of Minnesota. AT THE OPTION OF COLLATERAL AGENT, THIS AGREEMENT MAY BE ENFORCED IN ANY FEDERAL COURT OR MINNESOTA STATE COURT SITTING IN MINNEAPOLIS, OR ST. PAUL, MINNESOTA; AND GRANTOR CONSENTS TO THE JURISDICTION AND VENUE OF

ANY SUCH COURT AND WAIVES ANY ARGUMENT THAT VENUE IN SUCH FORUMS IS NOT CONVENIENT. IN THE EVENT GRANTOR COMMENCES ANY ACTION IN ANOTHER JURISDICTION OR VENUE UNDER ANY TORT OR CONTRACT THEORY ARISING DIRECTLY OR INDIRECTLY FROM THE RELATIONSHIP CREATED BY THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, COLLATERAL AGENT, AT ITS OPTION, SHALL BE ENTITLED TO HAVE THE CASE TRANSFERRED TO ONE OF THE JURISDICTIONS AND VENUES ABOVE-DESCRIBED, OR IF SUCH TRANSFER CANNOT BE ACCOMPLISHED UNDER APPLICABLE LAW, TO HAVE SUCH CASE DISMISSED WITHOUT PREJUDICE.

8.5 Expenses. Grantor agrees to pay the reasonable attorneys' fees and legal expenses incurred by Collateral Agent in the exercise of any right or remedy available to it under this Agreement, whether or not suit is commenced, including, without limitation, attorneys' fees and legal expenses incurred in connection with any appeal of a lower court's order or judgment.

8.6 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Grantor and Collateral Agent.

8.7 Recitals. The above Recitals are true and correct as of the date hereof and constitute a part of this Agreement.

8.8 Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

8.9 No Obligation to Pursue Others. Collateral Agent has no obligation to attempt to satisfy the Obligations by collecting them from any other person liable for them and Collateral Agent may release, modify or waive any Collateral provided by any other person to secure any of the Obligations, all without affecting Collateral Agent's rights against Grantor. Grantor waives any right it may have to require Collateral Agent to pursue any third person for any of the Obligations.

8.10 Collateral Agency Agreement. The provisions of the Collateral Agency Agreement by and among the Collateral Agent and the Lenders dated as of even date herewith are incorporated herein by reference as if fully set forth herein.

8.11 Intercreditor Agreement; etc. Notwithstanding anything that may be contained herein to the contrary, all of the provisions of the Agreement, including without limitation, the covenants of Grantor contained herein and all of the rights, remedies and powers provided for herein, are subject to the provisions of the Intercreditor Agreement and the failure of Grantor to comply with any agreement, promise or covenant contained herein as a result of giving effect to the Intercreditor Agreement shall not constitute an Event of Default herein, the Loan Agreement or any other Loan Document until the Senior Debt is Paid in Full. If Grantor's performance of its agreements, promises or covenants contained herein would violate, or be inconsistent with,

Grantor's corresponding agreements, promises or covenants set forth in any Senior Lender Document, then the Grantor's performance of its corresponding agreements, promises and covenants set forth in the Senior Loan Documents shall be deemed to constitute performance of its agreements, promises or covenants for the purposes of this Agreement until the Senior Debt is Paid in Full. Without limiting the generality of the foregoing, the representations, warranties and covenants set forth in Articles III and IV of this Agreement (except to the extent that the same relate to the creation, attachment or perfection of the Collateral Agent's security interest in the Collateral) shall not become effective until the Senior Debt is Paid in Full.

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IN WITNESS WHEREOF, the undersigned has executed this Agreement as of the date and year first above written.

DIVERSIFIED GRAPHICS INCORPORATED

By: *Paul D. Rhines*
Name: *Paul D. Rhines*
Its: *President & CEO*

Accepted and agreed to this _____ day of May, 2005.

Marquette Capital Fund I, LP

By: Marquette Capital Partners, LLC

Its: General Partner

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the undersigned has executed this Agreement as of the date and year first above written.

DIVERSIFIED GRAPHICS INCORPORATED

By: _____
Name: _____
Its: _____

Accepted and agreed to this 14 day of May, 2005.

Marquette Capital Fund I, LP

By: Marquette Capital Partners, LLC
Its: General Partner

By: Gregory T. Dames
Name: Gregory T. Dames
Title: Managing Member

EXHIBIT A

I. Location of Inventory

Minnesota

II. Prior Names within the last five years.

DGI Acquisition Corp.

III. State Organizational Number.

Grantor's state organization number is 3C-679

EXHIBIT B

COMMERCIAL TORT CLAIMS

NONE