

Form PTO-1594 (Rev. 07/05)
OMB Collection 0651-0027 (exp. 6/30/2008)

U.S. DEPARTMENT OF COMMERCE
United States Patent and Trademark Office

RECORDATION FORM COVER SHEET TRADEMARKS ONLY

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):

Americ Disc Inc.

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

Citizenship (see guidelines) Canada

Additional names of conveying parties attached? Yes No

3. Nature of conveyance)/Execution Date(s) :

Execution Date(s) July 26, 2006

- Assignment
- Security Agreement
- Other _____
- Merger
- Change of Name

2. Name and address of receiving party(ies)

Additional names, addresses, or citizenship attached? Yes No

Name: National Bank of Canada
 Internal
 Address: 9th Floor
 Street Address: 600, de La Gauchetière Street West
 City: Montreal, Québec
 State: n/a
 Country: Canada Zip: H3B 4L2

- Association Citizenship _____
 - General Partnership Citizenship _____
 - Limited Partnership Citizenship _____
 - Corporation Citizenship _____
 - Other Bank Citizenship Canada
- 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)

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

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

1916081

Additional sheet(s) attached? Yes No

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

5. Name & address of party to whom correspondence concerning document should be mailed:

Name: Michael J. Clain
 Internal Address: Brauner Baron Rosenzweig & Klein LLP
 Street Address: 61 Broadway, 18th Floor
 City: New York
 State: Ne York Zip: 10006
 Phone Number: (212) 797-9110
 Fax Number: (212) 797-9161
 Email Address: mclain@braunerbaron.com

6. Total number of applications and registrations involved: 1

7. Total fee (37 CFR 2.6(b)(6) & 3.41) \$ 40.00

- Authorized to be charged by credit card
- Authorized to be charged to deposit account
- Enclosed

8. Payment Information:

a. Credit Card Last 4 Numbers 6977
 Expiration Date 06/08
 b. Deposit Account Number _____
 Authorized User Name _____

9. Signature:

Michael Clain
Signature

July 28, 2006

Date

Michael J. Clain, Esq.

Name of Person Signing

Total number of pages including cover sheet, attachments, and document: 48

Documents to be recorded (including cover sheet) should be faxed to (571) 273-0140, or mailed to:
Mail Stop Assignment Recordation Services, Director of the USPTO, P.O. Box 1450, Alexandria, VA 22313-1450

OP \$40.00 1916081

SECURITY AND PLEDGE AGREEMENT

SECURITY AND PLEDGE AGREEMENT (this "**Agreement**"), dated as of July 26, 2006, between:

- (i) DISQUE AMÉRIC INC./AMERIC DISC INC., a corporation constituted pursuant to the *Canada Business Corporations Act* ("**Grantor**"); and
- (ii) NATIONAL BANK OF CANADA (the "**Bank**").

RECITALS:

- A. Grantor and the Bank are party to a Guarantee granted by the Grantor in favor of the Bank dated February 21, 2001, which secures all present and future obligations of DISQUE R.S.B. INC. towards the Bank (as such guarantee may be amended, supplemented, restated or otherwise modified from time to time, the "**Guarantee**").
- B. Concurrently herewith, Grantor and the Bank are entering into a Management Account Agreement, in which CROWN CAPITAL PARTNERS, LIMITED PARTNERSHIP, acting and represented by its general partner, CROWN CAPITAL INVESTMENT PARTNERS GP INC., intervenes (as such agreement may be amended, supplemented, restated or otherwise modified from time to time, the "**Management Account Agreement**").
- C. Concurrently herewith, Grantor and the Bank are entering into a Deed of hypothec (as such agreement may be amended, supplemented, restated or otherwise modified from time to time, the "**Deed of Hypothec**").

ACCORDINGLY, in consideration of the premises, and in order to induce the Bank to enter into the Management Account Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor hereby agrees with the Bank as follows:

1. Defined Terms. (a) Capitalized terms that are defined in the Deed of Hypothec, the Management Account Agreement and the Guarantee and are not otherwise defined herein have the respective meanings given to them in such agreement and, in addition, the following terms have the following meanings:

"**Agreement**" has the meaning specified in the preamble to this Agreement.

"**Bank**" has the meaning specified in the preamble to this Agreement.

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“**Capital Lease**” means any lease of property, real or personal, the obligations of the lessee in respect of which are required in accordance with U.S. generally accepted accounting principles to be capitalized on a balance sheet of the lessee.

“**Chattel Paper**” means any “**chattel paper**”, as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by Grantor.

“**Collateral**” has the meaning specified in Section 2.

“**Contracts**” means all contracts to which Grantor is, or may at any time hereafter become, a party and all agreements and undertakings of any third parties in favor or for the benefit of Grantor.

“**Commercial Tort Claims**” means any “commercial tort claims”, as such term is defined in the Uniform Commercial Code, now existing and described in Schedule VI hereto or hereafter arising and described in written notices delivered by Grantor to the Bank from time to time.

“**Contract Rights**” means any right of a Debtor to payment under a Contract not yet earned by performance and not evidenced by an Instrument or Chattel Paper, now in existence or hereafter arising (including, without limitation, (a) all rights of Grantor to receive moneys due and to become due to it thereunder or in connection therewith, (b) all rights of Grantor to damages arising out of, or for, breach or default in respect thereof and (c) all rights of Grantor to perform and to exercise all remedies thereunder).

“**Copyrights**” means all of the following to the extent that Grantor now has or hereafter acquires any right, title or interest therein: (i) all copyrights in all works, whether published or unpublished, now existing or hereafter created or acquired, all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, registrations, recordings and applications in the United States Copyrights Office, and (ii) all renewals thereof.

“**Copyright Licenses**” means any agreement, written or oral, naming Grantor as licensor or licensee, granting any right to use any Copyright, now in existence or hereafter arising.

“**Deed of Hypothec**” has the meaning specified in the preamble to this Agreement.

“**Default**” means any event which constitutes a Default (as such term is defined therein) under the Deed of Hypothec, Management Account Agreement or the Guarantee.

“**Deposit Account**” means any demand, time, savings, passbook or similar account, or any other “deposit account”, as such term is defined in the Uniform Commercial Code, now or at any time hereafter maintained by Grantor with a bank or other financial institution, including without limitation the deposit accounts listed in Schedule VII hereto.

“Documents” means any **“documents”**, as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by Grantor.

“Equipment” means all machinery, equipment and furniture now owned or hereafter acquired by Grantor or in which Grantor now has or hereafter may acquire any right, title or interest, and any and all additions, substitutions and replacements thereof, wherever located, together with all attachments, components, parts, equipment and accessories installed therein or affixed thereto, including, but not limited to, all **“equipment”**, as such term is defined in the Uniform Commercial Code.

“Financial Asset” means any **“financial asset”**, as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by Grantor.

“Fixtures” means any **“fixture”**, as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by Grantor.

“General Intangibles” means any **“general intangibles”**, as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by Grantor.

“Goods” means any **“goods”**, as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by Grantor.

“Governmental Authority” means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Grantor” has the meaning specified in the preamble to this Agreement.

“Grantor Documents” means, collectively, the Deed of Hypothec, the Management Account Agreement, the Guarantee, this Agreement, and any instrument, document or agreement relating to any of the foregoing.

“Guarantee” has the meaning specified in the preamble to this Agreement.

“Instrument” means any **“instrument”**, as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by Grantor.

“Intellectual Property” means, collectively, Patents, Patent Licenses, Trademarks, Trademark Licenses, Copyrights and Copyright Licenses.

“Inventory” means all inventory, wherever located, now owned or hereafter acquired by Grantor or in which Grantor now has or hereafter may acquire any right, title or interest, including, without limitation, all goods and other personal property now or hereafter owned by Grantor which are held for sale or lease or are furnished or are to be furnished under a contract of service or which constitute raw materials, work in process or materials used or consumed or to

be used or consumed in Grantor's business, or in the processing, packaging or shipping of the same, and all finished goods, including, but not limited to, all "inventory" as such term is defined in the Uniform Commercial Code.

"**Investment Property**" means any "investment property", as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by Grantor.

"**Issuer**" means each issuer of Pledged Shares.

"**Law**" means any international, foreign, federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

"**Leases**" means all interests now or at any time hereafter held by Grantor under any leases of real or personal property, whether as lessor or lessee.

"**Letter of Credit Rights**" means Grantor's right to payment or performance under any letter of credit, whether now existing or hereafter issued, whether or not the beneficiary has demanded or is at the time entitled to demand payment or performance, including without limitation any "letter of credit right", as such term is defined in the Uniform Commercial Code, whether now existing or hereafter created and whether now owned or hereafter acquired by Grantor.

"**Lien**" means any mortgage, pledge, hypothecation, assignment, security deposit arrangement, encumbrance, lien (whether statutory, consensual or otherwise), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement and any Capital Lease having substantially the same economic effect as any of the foregoing).

"**Licenses**" and "**Licensing Agreements**" means the Patent Licenses, the Copyright Licenses and the Trademark Licenses.

"**Management Account Agreement**" has the meaning specified in the preamble to this Agreement.

"**Material Adverse Effect**" means the occurrence of any event or series of events which has or could reasonably be anticipated to have a material adverse effect on (x) the business, assets, liabilities, financial position, results of operations or business prospects of Grantor, (y) the ability of Grantor to pay and perform its Obligations when due, or (z) the validity or enforceability of any of the Grantor Documents, any Lien created by any of the Grantor Documents or the rights and remedies of the Bank under any of the Grantor Documents.

“Obligations” means, with respect to Grantor, any and all obligations, liabilities and/or indebtedness of Grantor to the Bank of whatever nature, whether now existing or hereafter incurred, whether created directly or acquired by the Bank by assignment or otherwise, whether matured or unmatured, joint, several or joint and several, secured or unsecured and whether absolute or contingent, under or pursuant to this Agreement, the Deed of Hypothec, the Guarantee and the Management Account Agreement, including without limitation the payment of the Chargeback, and any other of the Grantor Documents, as all such obligations may, from time to time, be modified, extended or renewed. Grantor’s Obligations shall in any event include, without limitation, all interest or other claims that may accrue or arise after the commencement of bankruptcy, insolvency, reorganization, liquidation or other similar proceedings with respect to Grantor or any of its assets.

“Patents” means (i) all patents and patent applications and the inventions and improvements described and claimed therein, and all patentable inventions, now owned or hereafter acquired or obtained by Grantor, (ii) all registrations and recordings thereof, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, or otherwise, (iii) all reissues, divisions, continuations, renewals, extensions and continuations-in-part of any of the foregoing, (iv) all income, royalties, damages or payments now and hereafter due and/or payable under or with respect to any of the foregoing, including, without limitation, damages or payments for past or future infringements of any of the foregoing, (v) the right to sue for past, present and future infringements of any of the foregoing throughout the world, and (vi) all rights and obligations pursuant to any Patent License with respect thereto, whether Grantor is a licensor or licensee under any such Patent License, and, subject to the terms of such licenses, such right to prepare for sale, sell and advertise for sale, all inventory now or hereafter owned by Grantor and now or hereafter covered by such licenses.

“Patent License” means any agreement, written or oral, providing for the grant by or to Grantor of any right to use any Patent, now in existence or hereafter arising.

“Person” means an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

“Permitted Encumbrances” means any of the Liens listed in Schedule VIII.

“Pledged Collateral” means the Collateral described in Section 2(g).

“Pledged Shares” means all of the shares of Capital Stock listed in Schedule III, together with all certificates evidencing such shares and all other shares of Capital Stock now or at any time hereafter owned by Grantor.

“Proceeds” means (i) all **“proceeds”**, as such term is defined in the Uniform Commercial Code, and (ii) to the extent not included in such definition, (1) any and all proceeds of any insurance, indemnity, warranty, guaranty or letter of credit payable to Grantor from time

to time with respect to any of the Collateral, (2) all payments (in any form whatsoever) paid or payable to Grantor from time to time in connection with any taking of all or any part of the Collateral by any Governmental Authority (or any Person acting under color of Governmental Authority), (3) all judgments in favor of Grantor in respect of the Collateral, (4) any claim of Grantor against third parties for past, present or future infringement or dilution of any Patent or Patent License, Trademark or Trademark License, Copyright or Copyright License and (5) all other amounts from time to time paid or payable or received or receivable under or in connection with any of the Collateral.

“Receivables” means all accounts receivable, book debts, notes, drafts, instruments, documents, acceptances and other forms of obligations now owned or hereafter received or acquired by or belonging or owing to Grantor (including, without limitation, under any trade names, styles or divisions thereof), whether arising out of goods sold by Grantor or services rendered by it or from any other transaction, whether or not the same involves the sale of goods or performance of services by Grantor (including, without limitation, any such obligation which would be characterized as an account, general intangible or chattel paper under the Uniform Commercial Code) and all of Grantor’s rights in, to and under all purchase orders now owned or hereafter received or acquired by it for goods or services, and all of Grantor’s rights to any goods represented by any of the foregoing (including returned or repossessed goods and unpaid seller’s rights) and all moneys due or to become due to Grantor under all contracts for the sale of goods and/or the performance of services by it (whether or not yet earned by performance) or in connection with any other transaction, now in existence or hereafter arising, including without limitation the right to receive the proceeds of said purchase orders and contracts, and all collateral security and guarantees of any kind given by any person or entity with respect to any of the foregoing.

“Supporting Obligation” means any “supporting obligation”, as such term is defined in the Uniform Commercial Code, whether now existing or hereafter created and whether now owned or hereafter acquired by Grantor.

“Trademarks” means (i) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and the goodwill associated therewith, now existing or hereafter adopted or acquired by Grantor, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, or otherwise, and (ii) all renewals thereof.

“Trademark Licenses” means any agreement, written or oral, providing for the grant by or to Grantor of any right to use any Trademark, now in existence or hereafter arising.

“Uniform Commercial Code” means the Uniform Commercial Code as in effect from time to time in the State of New York or, if the context expressly refers to another jurisdiction, the Uniform Commercial Code as in effect from time to time in such other jurisdiction.

“**Vehicles**” means all cars, trucks, trailers, construction and earth moving equipment and other vehicles covered by a certificate of title law of any state, in which Grantor has or hereafter acquires any right, title or interest, and all tires and other appurtenances to any of the foregoing.

(b) Unless otherwise expressly specified herein, defined terms denoting the singular number shall, when in the plural form, denote the plural number of the matter or item to which such defined terms refer, and vice-versa.

(c) Words of the neuter gender mean and include correlative words of the masculine and feminine gender.

(d) The Section and Schedule headings used in this Agreement are for convenience only and shall not affect the construction or meaning of any provisions of this Agreement.

(e) Unless otherwise specified, the words “**hereof**”, “**herein**”, “**hereunder**” and other similar words refer to this Agreement as a whole and not just to the Section, subsection or clause in which they are used; and the words “**this Agreement**” refer to this Agreement as amended, modified or supplemented from time to time.

(f) Unless otherwise specified, references to Sections, Recitals and Schedules are references to Sections of, and Recitals and Schedules to, this Agreement.

2. Security Interest. As security for the due and punctual payment and performance of all of its Obligations, Grantor hereby hypothecates, pledges and assigns to the Bank, and hereby grants to the Bank a lien upon and a continuing security interest in, all of Grantor’s rights, title and interests in, to and under all personal property and fixtures of Grantor, whether now owned or hereafter acquired and wherever located, and whether now existing or hereafter arising or created (all such property and assets are herein collectively called the “**Collateral**”), including, without limitation, the following:

- (a) all Receivables of Grantor;
- (b) all Inventory of Grantor;
- (c) all Equipment of Grantor, including, without limitation, all Vehicles of Grantor (excluding any Equipment subject to purchase money Liens if the terms of the Indebtedness secured by such Liens expressly prohibit Grantor from granting any Lien thereon and any Equipment subject to a Capital Lease which expressly prohibits Grantor from granting any Lien thereon);
- (d) all Contracts and Contract Rights of Grantor (excluding any Contract that expressly prohibits Grantor from granting any Lien thereon);
- (e) all Instruments and Chattel Paper of Grantor;

- (f) all General Intangibles of Grantor, including, without limitation, all Intellectual Property of Grantor;
- (g) all Investment Property and other Financial Assets of Grantor, including, without limitation, (i) the Pledged Shares, (ii) all cash, instruments, securities or other property representing a dividend or other distribution on any of the Pledged Shares, or representing a distribution or return of capital upon or in respect of the Pledged Shares, or resulting from a split-up, revision, reclassification or other like change of the Pledged Shares or otherwise received in exchange therefor, (iii) any warrants, rights or options issued to the holders of, or otherwise in respect of, the Pledged Shares, and (iv) in the event of any consolidation or merger of any Issuer in which such Issuer is not the surviving corporation, all shares of each class of the capital stock of the successor corporation formed by or resulting from such consolidation or merger (provided that nothing herein contained shall be deemed to constitute consent under, or waiver of, any provision of any Grantor Document which prohibits such consolidation or merger by any Issuer);
- (h) all Leases of Grantor (excluding any Lease that expressly prohibits Grantor from granting any Lien thereon);
- (i) all Fixtures of Grantor;
- (j) all Deposit Accounts of Grantor;
- (k) all Letter of Credit Rights of Grantor;
- (l) all Commercial Tort Claims of Grantor;
- (m) all Supporting Obligations that may now or at any time hereafter support the payment or performance of any Receivable, General Intangible, Chattel Paper, Document, Instrument or Investment Property of Grantor;
- (n) all books and records (including, without limitation, computer programs, tapes and related electronic data processing software) relating to Grantor's Receivables, Inventory, Equipment, Contracts, Intellectual Property, Investment Property, Financial Assets, Deposit Accounts, Letter of Credit Rights, Commercial Tort Claims or other assets; and
- (o) to the extent not otherwise included, all cash and non-cash Proceeds and products of any of the foregoing.

3. Obligations Absolute. (a) Grantor hereby agrees that this Agreement shall be binding upon Grantor, and the grant to the Bank of a security interest in the Collateral hereunder shall be irrevocable and unconditional, irrespective of the validity, legality or enforceability of any Grantor Document or any of the Obligations, the absence of any action to enforce the same,

the waiver or consent by the Bank with respect to any provision thereof, the recovery of any judgment against any other Person, or any action to enforce the same or any other similar circumstances. Grantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of merger or bankruptcy of Grantor, any notice to require a proceeding first against any other Person, protest or notice with respect to any promissory note or evidence of the Obligations secured hereby or the Obligations evidenced thereby and all demands whatsoever, and covenants that this Agreement will remain in full force and effect until the termination of all of the Grantor Documents and all of the Obligations shall have been paid in full.

(b) Grantor agrees that, without notice to or further assent by Grantor, the liability of any other Person for or upon any of the Obligations may, from time to time, in whole or in part, be renewed, extended, modified, accelerated, compromised or released by the Bank, as the Bank may deem advisable, and that any other Collateral or liens securing any of the Obligations may, from time to time, in whole or in part (subject, in the case of the Collateral, to the provisions of this Agreement), be exchanged, sold or surrendered by the Bank, as the Bank may deem advisable, all without impairing, abridging, affecting or diminishing this Agreement or the rights of the Bank hereunder or with respect to the Collateral.

4. Representations and Warranties. Grantor hereby makes the following representations and warranties, as to Grantor and its respective Collateral only, which shall be deemed to be repeated and confirmed upon the creation or acquisition by Grantor of each item of Collateral and upon the creation of any Obligation:

(a) Grantor is duly organized, validly existing and in good standing under the laws of the jurisdiction specified in the preamble to this Agreement as its jurisdiction of organization, has full power and authority to own its properties and to carry on its business as now being conducted, is duly qualified to do business and is in good standing in each jurisdiction in which the character of its properties, the transaction of its business, the location of its Inventory or Equipment, the performance of its obligations under its Contracts, or the collection of any of its Receivables make such qualification necessary and where the failure to be so qualified would have a Material Adverse Effect, and has full power and authority to execute, deliver and perform this Agreement.

(b) Its execution, delivery and performance of this Agreement and the granting of the security interest in the Collateral hereunder (i) have all been duly authorized by all requisite action of Grantor, (ii) do not require the approval of its stockholders, partners or members, except, in each case, any such approval that has been obtained and is in full force and effect and (iii) will not (1) violate any provision of Law or its organizational documents, (2) violate, be in conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any material indenture, agreement or other instrument to which it is a party or by which it or any of its properties is bound, (3) violate any governmental or agency rule or regulation or any order of any court, tribunal or governmental agency or (4) result in the creation or imposition of any Lien of any nature whatsoever upon any of the Collateral, except for the security interest created by this Agreement. No authorizations, approvals and consents of, and

no filing and registration with, any Governmental Authority are necessary for the execution, delivery or performance by Grantor of this Agreement or for the validity or enforceability hereof. No consent of any party to a Contract or any account debtor in respect of any Receivable is required in connection with the execution, delivery and performance of this Agreement or the creation of a security interest in such Contract or Receivable pursuant hereto, except such as have been granted and are in full force and effect.

(c) This Agreement constitutes the legal, valid and binding obligation of Grantor, enforceable against Grantor in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting enforceability of creditors' rights generally and except as specific performance may be subject to equitable principles of general applicability. Except for Permitted Encumbrances, this Agreement creates in favor of the Bank a valid lien and security interest in the Collateral, enforceable against Grantor and all third parties and superior in right to all other security interests and Liens, existing or future.

(d) Except for the security interest of the Bank therein, Grantor is, and as to Collateral acquired from time to time after the date hereof Grantor will be, the owner of all of its respective Collateral, having good title thereto, free from any Lien or other right, title or interest of any Person, other than Permitted Encumbrances.

(e) Appropriate financing statements with respect to the security interest created hereunder have been or will be duly filed in all appropriate offices listed in Schedule V hereto; no filing of any other financing statements or other instruments and no recording, filing or indexing of this Agreement is necessary or appropriate in order to preserve and protect the Liens created or intended to be created by this Agreement as legal, valid and enforceable perfected Liens on and security interests in Grantor's Collateral (other than filings or appropriate assignments with the United States Patent and Trademark Office or the United States Copyright Office with respect to Intellectual Property of Grantor, if any, and submission of the certificates of title with respect to the Vehicles, if any, to the relevant motor vehicles department for legending).

(f) There is no financing statement (or similar statement or instrument of registration under the Law of any jurisdiction) now on file or registered in any public office (other than in respect of Permitted Encumbrances) covering any interest of Grantor in its respective Collateral, or intended so to be, and so long as any of the Obligations shall remain unpaid Grantor will not execute, or permit the filing or the continued existence on file of, any financing statement (or similar statement or instrument of registration under the Law of any jurisdiction) relating to its Collateral in any public office, except financing statements filed or to be filed with respect to the security interest granted hereunder to the Bank or with respect to Permitted Encumbrances.

(g) On the date hereof, the chief executive office and principal place of business of Grantor is located at the address set forth for Grantor in Schedule I. The originals of all documents (as well as all duplicates thereof) evidencing or relating to the Receivables, Contracts, Leases, Intellectual Property, Investment Property and other Financial Asscts and the only

original books of account and records of Grantor relating thereto are kept at the office or offices specified in Schedule I. All Inventory and Equipment are held on the date hereof at the locations specified in Schedule II.

(h) The name of Grantor set forth in the preamble hereto is correct. Grantor is not currently doing, and has not at any time during the five years immediately preceding the date hereof done, business under any trade name or other assumed name. During the five years immediately preceding the date hereof Grantor has not had any name other than its present name. Grantor has not merged or consolidated with any other entity during the five years immediately preceding the date hereof.

(i) None of its Collateral constitutes farm products (as such term is defined in the Uniform Commercial Code) or the Proceeds thereof.

(j) None of the account debtors on any Receivables, and none of the parties to any Contracts, is a Governmental Authority.

(k) Grantor is the sole record and beneficial owner of the Pledged Shares listed in said Schedule III. All of the Pledged Shares have been duly authorized and validly issued and are fully paid and non-assessable. Grantor has legal title to the Pledged Shares listed in Schedule III and it has good and lawful authority to pledge all of its Pledged Shares in the manner hereby done or contemplated. The Pledged Shares are not subject to any contractual restriction, or any restriction under the certificate of incorporation or by-laws of any Issuer, upon the transfer thereof, and no right, warrant or option to acquire any of its Pledged Shares exists in favor of any other Person. The shares of Capital Stock of each Issuer listed in Schedule III constitute all of the issued and outstanding shares of Capital Stock of such Issuer.

(l) When any item of Pledged Collateral other than the Pledged Shares is pledged hereunder, (i) Grantor will be the owner thereof free and clear of any Liens of any kind or nature (other than those created hereunder and Permitted Encumbrances), (ii) each share of stock comprising such Pledged Collateral will have been duly authorized, validly issued and be fully paid and non-assessable, and (iii) Grantor will have legal title to such item of Pledged Collateral and Grantor will have good and lawful authority to pledge and deliver such item of Pledged Collateral in the manner hereby contemplated.

5. Covenants.

(a) At all reasonable times upon reasonable notice the Bank shall have full access to, and the right to audit, check, inspect and make abstracts and copies of, Grantor's books, records, audits, correspondence and all other papers and computer tapes and programs relating to the Collateral. The Bank shall have the right to confirm and verify the Receivables and other Collateral and to do whatever the Bank may reasonably deem necessary to protect its interests and Grantor shall furnish such assistance and information as the Bank may require in connection therewith. The Bank may enter from time to time the premises of Grantor (i) at any time after the occurrence and during the continuance of a Default, and (ii) at any reasonable time during

business hours prior to the occurrence of a Default, for the purpose of inspecting the Collateral and any and all records pertaining thereto. In conducting any such inspection prior to the occurrence of a Default, the Bank shall use reasonable efforts to minimize any inconvenience to Grantor.

(b) Grantor will keep the Collateral, at its own expense, in customary good repair and condition, and will not misuse, abuse or waste the Collateral or allow the Collateral to deteriorate (or permit any of the foregoing), except for normal wear and tear, and except where the failure to do so would not be reasonably likely to have a Material Adverse Effect, and will make the Collateral available for inspection by the Bank (i) at all times after the occurrence and during the continuance of a Default, and (ii) at all reasonable times upon reasonable notice during business hours prior to the occurrence of a Default.

(c) Grantor will not create, permit or suffer to exist and will defend the Collateral against, and take such other action as is necessary to remove, any Lien on the Collateral, other than Permitted Encumbrances, and Grantor will defend the right, title and interest of the Bank in and to any of Grantor's rights to the Collateral against the claims and demands of all Persons whomsoever claiming an interest therein adverse to the Bank, other than holders of Permitted Encumbrances. Without limiting the generality of the foregoing, Grantor shall not permit the Collateral or any portion thereof to become attached or affixed to any real estate other than real estate on which the Bank holds a first mortgage, or become a fixture, as that term is defined in the Uniform Commercial Code, other than on such real estate.

(d) Grantor will advise the Bank promptly, in reasonable detail, of (i) any Lien placed on or asserted against any of the Collateral and (ii) the occurrence of any other event which would have a material effect on the aggregate value of the Collateral or on the security interest created by Grantor hereunder.

(e) Grantor will not change the location specified in Section 4(g) of its chief executive office, principal place of business or the office where records concerning its Receivables, Contracts, Leases, Intellectual Property, Investment Property or other Financial Assets are kept, will not keep Inventory or Equipment (other than Inventory in transit) at any location other than the locations specified in Schedule II, and will not change its name, identity or corporate structure, until, in each case, (i) Grantor has given to the Bank not less than 30 days' prior written notice of its intention so to do, clearly describing such new location, name, identity or corporate structure and providing such other information in connection therewith as the Bank may reasonably request, and (ii) Grantor has taken such other actions satisfactory to the Bank (including, without limitation, the delivery of additional financing statements duly signed by Grantor), as are necessary to maintain the security interest of the Bank in the Collateral at all times senior and fully perfected and in full force and effect.

(f) No Vehicle shall be removed from the state which has issued the certificate of title or ownership therefor for a period in excess of four months. Subject to the proviso to this sentence, with respect to each Vehicle, if any, now owned by Grantor, within 15 days of the date hereof, and, with respect to any Vehicles acquired by Grantor subsequent to the date hereof,

within 15 days after the date of acquisition thereof, all applications for certificates of title or ownership indicating the Bank's security interest on the Vehicle covered by such certificate, and any other necessary documentation, shall be filed in each jurisdiction which the Bank shall deem advisable to perfect its security interests in the Vehicles; provided that this shall not prohibit Grantor from using purchase money financing to acquire Vehicles to the extent permitted by the Grantor Documents.

(g) Grantor will furnish to the Bank within ten (10) days after any request therefor by the Bank, statements (prepared by Grantor in form, substance and detail satisfactory to the Bank) of all Receivables of Grantor (showing reconciliations, aging and test verifications thereof and trial balances therefor), itemized by the account debtor, and of the location (and aggregate book value at each such location) of all Inventory of Grantor, each such statement to be certified by its chief financial officer, and, promptly from time to time, such other information as the Bank may reasonably request regarding the Collateral and its operations, business, affairs and financial condition.

(h) Grantor will not sell, transfer, lease or otherwise dispose of any of the Collateral, or attempt, offer or contract to do so, except as permitted by the Grantor Documents. Any sale or other disposition of Inventory or Equipment in the ordinary course of business shall be free and clear of all Liens in favor of the Bank hereunder, it being understood and agreed that such Liens shall attach to all Proceeds of such sale or other disposition.

(i) Grantor will, at its own expense, make, execute, endorse, acknowledge, file and/or deliver to the Bank from time to time such lists, descriptions, schedules, invoices, warehouse receipts, bills of confirmatory assignments, conveyances, financing statements, transfer endorsements, powers of attorney, certificates, reports, duly executed blank stock powers and other instruments of transfer or assignment and other assurance or instruments and take such further steps relating to its respective Collateral and other property or rights covered by the security interest hereby granted by it, as the Bank in its reasonable judgment deems appropriate or advisable to perfect, preserve or protect its security interest in its respective Collateral.

6. Special Provisions Concerning Receivables. (a) As of the time when any Receivable arises, Grantor shall be deemed to have warranted as to such Receivable that such Receivable and all papers and documents relating thereto are genuine and in all respects what they purport to be, and that each such Receivable (i) will represent the genuine, legal, valid and binding obligation of the account debtor thereon for the unpaid amount owed by such account debtor for the sale and delivery by Grantor of the goods, or the performance by Grantor of the services, listed therein, (ii) will be the only original writings evidencing and embodying such obligation of the account debtor named therein, (iii) will evidence true obligations, enforceable in accordance with their respective terms and not subject to any stamp or other taxes, except as shall be disclosed to the Bank, and (iv) will be, to the best knowledge of Grantor, in compliance and will conform with all applicable federal, state and local Laws and applicable Laws of any relevant foreign jurisdiction. Grantor shall take all reasonable steps necessary to preserve the liability of each account debtor, guarantor, endorser, obligor, secondary party on or with respect

to the Receivables. Grantor will notify the Bank in writing of any defenses, set-offs or counterclaims affecting a material portion of Grantor's Receivables, promptly after obtaining knowledge thereof.

(b) Grantor will keep and maintain, at its own expense, satisfactory and complete records of the Receivables, including, but not limited to, records of all payments received, all credits granted thereon, all merchandise returned and all other dealings therewith, and Grantor will make the same available to the Bank, at the Grantor's expense, at any and all reasonable times upon demand of the Bank. At the request of the Bank, Grantor shall legend, in form and manner satisfactory to the Bank, its Receivables and its books, records and documents evidencing or pertaining to its Receivables with an appropriate reference to the fact that such Receivables have been assigned to the Bank and that the Bank has a security interest therein.

(c) Grantor will not rescind or cancel any Indebtedness evidenced by any of the Receivables or modify any term thereof or make any adjustment with respect thereto, or extend or renew the same, or compromise or settle any dispute, claim, suit or legal proceeding relating thereto, or sell any of such Receivables or interest therein, without the prior written consent of the Bank, except as permitted by Section 6(e).

(d) Grantor will duly fulfill all obligations on its part to be fulfilled under or in connection with the Receivables and will do nothing to impair the rights of the Bank in the Receivables.

(e) Grantor will endeavor to collect or cause to be collected from the account debtor on each of its Receivables (including, without limitation, Receivables which are delinquent, such Receivables to be collected in accordance with generally accepted lawful collection procedures), as and when due, any and all amounts owing under or on account of such Receivables, except that prior to the occurrence of a Default Grantor may allow in the ordinary course of business as adjustments to amounts owing under its Receivables (i) an extension or renewal of the time or times of payment, or settlement for less than the total unpaid balance, which Grantor finds necessary in accordance with sound business and credit judgment and (ii) a refund or credit due as a result of returned or damaged Inventory or improper or faulty performance of services. The costs and expenses (including attorney's fees) of collection, whether incurred by Grantor or the Bank, shall be borne by Grantor.

(f) Grantor shall, promptly upon learning thereof, report to the Bank all delays in performance, notices of default, claims made or disputes asserted by any account debtor or other obligor on any Receivable and any other matters materially affecting the value, enforceability or collectibility of any Receivable, which could reasonably be expected to have a Material Adverse Effect.

(g) After the occurrence and during the continuance of any Default, the Bank is authorized and empowered in its sole discretion to accept the return of goods, if any, represented by any Receivable or Contract Rights, without notice to or consent by Grantor, all without discharging or in any way affecting Grantor's liability hereunder or on the Obligations.

(h) After the occurrence and during the continuance of a Default, the Bank shall have the right, upon five days' notice to Grantor that it intends to exercise its rights under this Section 6(h), without further notice to or assent by Grantor, and without affecting the Obligations, in the name of Grantor or in the name of the Bank or otherwise, to take any or all of the following actions: (i) to notify any or all account debtors under any or all of the Receivables to make payment thereof directly to the Bank for the account of Grantor or the Bank and to require Grantor to forthwith give similar notice to the account debtors; (ii) to demand, collect, sue for, receive, compound and give acquittance for any of the Receivables or any part thereof; (iii) to extend the time of payment of, compromise or settle for cash, credit or otherwise, and upon any terms and conditions, any of the Receivables; (iv) to endorse the name of Grantor on any checks, drafts or other orders or instruments for the payment of moneys payable to Grantor which shall be issued in respect of any Receivable; (v) to file any claims and commence, maintain or discontinue any actions, suits or other proceedings deemed by the Bank to be necessary or advisable for the purpose of collecting or enforcing payment of any Receivable; (vi) to execute any instrument and do any and all other things necessary and proper to protect and preserve and realize upon the Receivables and the other rights contemplated hereby; (vii) to require Grantor to forthwith account for and transmit to the Bank in the same form as received, all proceeds (other than physical property) of collection of Receivables received by Grantor and, until so transmitted, to hold the same in trust for the Bank and not commingle such proceeds with any other funds of Grantor; (viii) to require Grantor to deliver, at Grantor's expense, any or all papers, documents, correspondence, records and computer programs and tapes and other electronic data processing software evidencing or relating to the Receivables to the Bank at a place designated by the Bank; (ix) to notify the Post Office authorities to change the address for delivery of mail addressed to Grantor to such address as the Bank may designate; and (x) to do all other acts and things necessary to carry out this Agreement. The Bank shall not be obligated to do any of the acts hereinabove authorized, but in the event that the Bank elects to do any such act, the Bank shall not be responsible to Grantor except for its gross negligence or willful misconduct.

(i) If any Receivable becomes evidenced by a promissory note or similar instrument in the sum of more than \$5,000, Grantor will promptly notify the Bank thereof, and upon request by the Bank will promptly deliver such instrument to the Bank appropriately endorsed to the order of the Bank as further security for the payment in full of the Obligations.

7. Special Provisions Concerning Inventory and Equipment. (a) Grantor will at all times keep all of its Inventory and Equipment insured at its expense, to the extent and in the manner required by the Grantor Documents, against fire, theft, and all other risks to which its Inventory and Equipment may be subject; all policies or certificates with respect to such insurance shall be endorsed to the Bank's satisfaction for the benefit of the Bank, including, without limitation, by naming the Bank as loss payee or additional insured, and evidence of such insurance shall be deposited with the Bank as provided in the Documents. If Grantor shall fail to insure its Inventory and Equipment as provided herein, or if Grantor shall fail so to endorse and deposit all policies or certificates with respect thereto in accordance herewith, the Bank shall have the right (but shall be under no obligation) to procure such insurance and Grantor agrees to

reimburse the Bank for all costs and expenses of procuring such insurance that Grantor failed to procure. The Bank may apply any proceeds of such insurance with respect to its Inventory and Equipment, when received by it, in accordance with Section 13; provided, however, that if the Bank determines, in its sole discretion, that the loss or damage with respect to which such insurance proceeds were paid could not reasonably be expected to have a Material Adverse Effect, the Bank may remit such insurance proceeds to Grantor to be used for repairing, replacing or reconstructing the damaged assets in accordance with a plan that is satisfactory to the Bank. Grantor shall give immediate written notice to the insurers and to the Bank of any loss or damage to its Collateral or any part thereof and shall promptly file all necessary or appropriate proofs of loss with the insurers. Grantor hereby appoints the Bank the attorney-in-fact for Grantor in obtaining, adjusting and canceling any such insurance and endorsing settlement drafts.

(b) The Bank shall have the right, upon the occurrence and during the continuance of a Default, upon five days' notice to Grantor that it intends to exercise its rights under this Section 7(b), without further notice to or assent by Grantor, and without affecting the Obligations, in the name of Grantor or in the name of the Bank or otherwise, to take any or all of the following actions: (i) upon notice to such effect, to require Grantor to deliver, at Grantor's expense, any or all of its Inventory and Equipment to the Bank at a place designated by the Bank; (ii) to take possession of any or all of the Inventory and Equipment and, for that purpose, to enter, with the aid and assistance of any Person, any premises where such Inventory and Equipment, or any part thereof, is, or may be, placed or assembled, to remove any such Inventory or Equipment, and to dispose of or store such Inventory or Equipment in such premises at the expense of Grantor; and (iii) to execute or endorse any instrument (including, without limitation, any invoice, bill of lading, and storage or warehouse receipt) and do all the things necessary and proper to protect and preserve and realize upon the Inventory and Equipment and the other rights contemplated hereby. The Bank shall not be obligated to do any of the acts hereinabove authorized, but in the event that the Bank elects to do any such act, the Bank shall not be responsible to Grantor except for the Bank's own gross negligence or willful misconduct.

(c) Upon taking possession of any Inventory or Equipment pursuant hereto following the occurrence of a Default, the Bank shall have the right to hold, store and/or use, manage, control and sell such Inventory or Equipment. Upon any such taking of possession of any Inventory or Equipment, the Bank may, from time to time at the expense of Grantor, make all such repairs, replacements, alterations, additions and improvements to and of such Inventory or Equipment as the Bank may deem proper. In any such case, the Bank shall have the right to manage and control such Inventory or Equipment and to carry on the business and exercise all rights and powers of Grantor respecting its Inventory and Equipment, all as the Bank shall deem best; and the Bank shall be entitled to collect and receive all issues, profits, fees, revenues and other income of the same and every part thereof. Such issues, profits, fees, revenues and other income shall be applied to pay the expenses incurred by the Bank or its agents in (i) holding such Inventory or Equipment; (ii) performing all repairs, replacements, alterations, additions and improvements which the Bank may be required or may elect to make, if any; and (iii) paying all taxes, assessments, insurance, warehouse fees and other charges upon such Inventory or Equipment or any part thereof, and all other payments, which the Bank may be required or authorized or elect to make (including legal costs and attorneys' fees). Any remaining rents,

issues, profits, fees, revenues and other income shall be applied to the payment of the Obligations in accordance with Section 13.

8. Special Provisions Concerning Intellectual Property. (a) Except to the extent that the Bank, upon prior written notice from Grantor, shall consent in writing, Grantor (either itself or through licensees) will, consistent with sound business judgment, continue to use its Trademarks, if any, on each and every trademark class of goods applicable to its current line as reflected in its current catalogs, brochures and price lists in order to maintain its Trademarks in full force free from any claim of abandonment for nonuse and Grantor will not (nor will it permit any licensee thereof to) do any act or knowingly omit to do any act whereby any Trademark may become invalidated, except for Trademarks the loss of which could not reasonably be expected to result in a Material Adverse Effect.

(b) Grantor shall take all necessary steps, consistent with sound business judgment, in any proceeding before the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, to maintain each application and registration of its Trademarks, Copyrights and Patents, including, without limitation, filing of renewals, affidavits of use, affidavits of incontestability and opposition, interference and cancellation proceedings (except to the extent that dedication, abandonment or invalidation of any Trademark, Patent or Copyright could not reasonably be expected to result in a Material Adverse Effect).

(c) Grantor assumes all responsibility and liability arising from the use of the Trademarks, Copyrights or Patents, and hereby agree jointly and severally to indemnify and hold the Bank harmless from and against any claim, suit, loss, damage or expense (including reasonable attorneys' fees) arising out of any alleged defect in any product manufactured, promoted or sold by Grantor (or any affiliate or subsidiary thereof) in connection with, or which bears or includes, any Trademark, Copyright or Patent or out of the manufacture, promotion, labeling, sale or advertisement of any such product by Grantor (or any affiliate or subsidiary thereof). Grantor agrees that the Bank does not assume, and shall have no responsibility for, the payment of any sums due or to become due under any agreement or contract included in the Collateral or the performance of any obligations to be performed under or with respect to any such agreement or contract by Grantor, and Grantor hereby agrees to indemnify and hold the Bank harmless with respect to any and all claims by any person relating thereto.

(d) Grantor agrees that if it, or any Affiliate or Subsidiary thereof, learns of any use by any person of any term or design likely to cause confusion with any Trademark (other than a Trademark the loss of which could not reasonably be expected to result in a Material Adverse Effect) it shall promptly notify the Bank of such use and, if requested by the Bank, shall join with the Bank, at Grantor's expense, in such action as the Bank, in its reasonable discretion, may deem advisable for the protection of the Bank's interests in and to the Trademarks.

(e) All licenses of its Trademarks, Copyrights or Patents which Grantor has granted to third parties as of the date hereof are set forth in Schedule IV hereto.

(f) The Trademarks, Copyrights and Patents are subsisting, have not been adjudged invalid or unenforceable in whole or in part, and are not currently being challenged in any way, except for Trademarks, Copyrights and Patents the loss of which could not reasonably be expected to result in a Material Adverse Effect.

(g) None of the Trademarks, Copyrights or Patents have lapsed or expired or have been abandoned or canceled, whether due to any failure to pay any maintenance or other fees or make any filing or otherwise except, for Trademarks, Copyrights and Patents the loss of which could not reasonably be expected to result in a Material Adverse Effect.

(h) Each of the Trademarks, Copyrights and Patents is valid and enforceable and Grantor is not aware of any impairments to the Trademarks, Copyrights or Patents which would have a material effect on the validity and/or enforceability thereof, except for Trademarks, Copyrights and Patents the loss of which could not reasonably be expected to result in a Material Adverse Effect.

(i) No claim has been made that the use of any of the Trademarks, Copyrights or Patents constitutes an infringement, except for Trademarks, Copyrights and Patents the loss of which could not reasonably be expected to result in a Material Adverse Effect.

(j) Grantor will continue to use, consistent with past practice, proper statutory notice in connection with its use of the Trademarks, except for Trademarks the loss of which could not reasonably be expected to result in a Material Adverse Effect.

(k) Grantor will use standards of quality in its manufacture of products sold under the Trademarks consistent with those currently employed by it, except for Trademarks the loss of which could not reasonably be expected to result in a Material Adverse Effect.

(l) Grantor shall not adopt or use any mark which is confusingly similar or a colorable imitation of any Trademark unless it shall have granted to the Bank a perfected security interest in such mark pursuant to this Agreement.

(m) Grantor will not (either itself or through licensees) do any act, or omit to do any act, whereby any Copyright may become injected into the public domain, other than Copyrights the loss of which could not reasonably be expected to result in a Material Adverse Effect. Grantor shall notify the Bank immediately if it knows, or has reason to know, that any Copyright may become injected into the public domain or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any court or tribunal in the United States or any other country) regarding Grantor's ownership of any such Copyright or its validity.

(n) Grantor shall take, consistent with sound business judgment, such actions as it may deem necessary to protect its Trademarks, Copyrights or Patents including, where Grantor deems it appropriate, the bringing of suit for infringement, seeking injunctive relief and seeking

to recover any and all damages for such infringement, except for Trademarks, Copyrights and Patents the loss of which could not reasonably be expected to result in a Material Adverse Effect.

9. Additional Provisions Concerning Pledged Shares.

(a) Registration in Nominee Name. The Bank shall have the right to appoint one or more agents for the purpose of retaining physical possession of the certificates representing or evidencing the Pledged Collateral, which may be held (in the discretion of the Bank) in the name of Grantor, endorsed or assigned in blank or in favor of the Bank, or any nominee or nominees of the Bank or any agent appointed by the Bank. In addition to all other rights possessed by the Bank, the Bank may, from time to time after the occurrence and during the continuation of a Default, at the Bank's sole discretion, upon five days' notice to Grantor that it intends to exercise its rights under this Section 9(a), without further notice to or assent by Grantor, and without affecting the Obligations, in the name of Grantor or in the name of the Bank or otherwise, take any or all of the following actions: (i) transfer all or any part of the Pledged Collateral into the name of the Bank or its nominee, with or without disclosing that such Pledged Collateral is subject to the Lien and security interest created hereby; (ii) take control of any proceeds of any of the Pledged Collateral; and (iii) exchange certificates or instruments representing or evidencing Pledged Collateral for certificates or instruments of smaller or larger denominations for any purpose consistent with its rights under this Agreement; provided that all powers of the Bank under this Section shall be subject to the rights of Grantor under Section 11 hereof to the extent that the exercise of such powers represents a sale of an item of Pledged Collateral.

(b) Voting Rights; Dividends, Etc.

(i) So long as no Default has occurred and is continuing, Grantor shall be entitled to exercise any and all voting rights and powers relating or pertaining to the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement.

(ii) So long as no Default has occurred and is continuing, Grantor shall be entitled to receive and retain any and all cash dividends, distributions and returns of capital paid on or with respect to the Pledged Collateral. Any and all stock dividends, liquidating dividends, distributions of property, or redemptions made on or in respect of the Pledged Collateral, whether resulting from a subdivision, combination or reclassification of the outstanding Capital Stock of any Issuer or received in exchange for Pledged Collateral or any part thereof or as a result of any merger, consolidation, acquisition or other exchange of assets to which any Issuer may be a party or otherwise, and any and all cash and other property received in payment of the principal of or in redemption of or in exchange for any Pledged Collateral (either at maturity, upon call for redemption or otherwise), shall become part of the Pledged Collateral and, if received by Grantor, such cash and other property, net of any amounts necessary to satisfy the tax liability of the recipient thereof with respect thereto, shall be held in trust for the benefit of the Bank and shall forthwith be delivered to the Bank or its designated agent (accompanied by proper instruments of assignment and/or stock powers executed by Grantor in accordance with the Bank's instructions) to be held subject to the terms of this Agreement.

(iii) Upon the occurrence of a Default and so long as such Default shall continue, at the option of the Bank (subject to applicable law), (x) all rights of Grantor to exercise the voting rights and powers which Grantor is entitled to exercise pursuant to Section 9(b)(i) shall cease, and all such rights shall thereupon become vested in the Bank, and the Bank shall have the sole and exclusive right and authority to exercise such voting and/or consensual rights and powers and (y) the Bank shall be entitled to receive and retain any and all cash dividends, if any, paid on the Pledged Collateral. Any and all cash and other property paid over to or received by the Bank pursuant to the provisions of this subsection shall be retained by the Bank as part of the Pledged Collateral, and shall be applied in accordance with the provisions hereof.

(iv) Concurrently with its execution of this Agreement, Grantor shall execute and deliver to the Bank an irrevocable proxy to vote the Pledged Shares, substantially in the form of Exhibit A. After the occurrence and during the continuance of a Default, Grantor shall deliver to the Bank such further evidence of such irrevocable proxy or such further irrevocable proxies to vote any shares or stock constituting part of the Pledged Collateral as the Bank may reasonably request.

10. Financing Statements: Documentary Stamp Taxes.

(a) Grantor agrees to sign and deliver to the Bank such financing statements, in form acceptable to the Bank, as the Bank may from time to time reasonably request or as are necessary in the opinion of the Bank to establish and maintain a valid, enforceable and perfected security interest in its Collateral and the other rights and security contemplated hereby which is superior and prior to the rights of all third Persons. Grantor will pay any applicable filing fees and taxes and related expenses. Grantor authorizes the Bank to file any such financing statements without the signature of Grantor. In the event that the Bank files any financing statement against Grantor without its signature, it will notify Grantor promptly of such filing, it being understood and agreed, however, that failure to do so will not affect the validity of such filing.

(b) Grantor agrees to procure, pay for, affix to any and all documents and cancel any documentary tax stamps or similar taxes required by, and in accordance with, applicable Law, and they jointly and severally agree to indemnify the Bank and hold the Bank harmless against any liability (including interest and penalties) in respect of such taxes.

11. Additional Provisions Concerning Remedies and Sale of Collateral.

(a) In addition to any rights and remedies contained herein or now or hereafter granted under applicable Law and not by way of limitation of any such rights and remedies, upon the occurrence and during the continuance of a Default, the Bank shall have all of the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any applicable jurisdiction in addition to the rights and remedies provided herein. The Bank may take legal proceedings for the appointment of a receiver or receivers (to which the Bank shall be entitled as a matter of right) to take possession of the Collateral pending the sale thereof pursuant either to the powers of sale granted by this Agreement or to a judgment, order or decree made in any judicial proceeding for the foreclosure or involving the enforcement of this Agreement.

(b) Upon the occurrence and during the continuance of any Default the Bank shall have the right to seize and take possession of any Collateral (or any paper, documents, correspondence, computer tapes and programs and other electronic data processing software relating to the Collateral), and may enter the premises where such Collateral (or such paper, documents, correspondence, tapes, programs or software) are located for the purpose of effecting such seizure. At any time or from time to time after the occurrence and during the continuance of a Default the Bank may hire and maintain on any of the premises of Grantor a custodian or independent contractor selected by the Bank who shall have full authority to do all lawful acts necessary to protect the Bank's interests and to report to the Bank thereon. Grantor hereby agrees to cooperate with any such Person and to do whatever the Bank may reasonably request to preserve the Collateral. All expenses incurred by the Bank by reason of the employment of any such Person shall be payable by Grantor and shall be secured hereby and shall be a part of the Obligations.

(c) Upon the occurrence and during the continuance of a Default the Bank may, without obligation to resort to other security, at any time and from time to time, sell, re-sell, assign and deliver all or any of the Collateral, in one or more parcels at the same or different times, and all right, title and interest, claim and demand therein and right of redemption thereof, at public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery, and at such price or prices and on such terms as the Bank may determine, with the amounts realized from any such sale to be applied in the manner provided in Section 13. Grantor hereby agrees that all of the foregoing may be effected without demand, advertisement or notice (except as required by Law or as expressly provided herein), all of which (to the extent permitted by Law) are hereby expressly waived. Subject to applicable Law, upon any sale of any of the Collateral, whether made under the power of sale hereby given or under judgment, order or decree in any judicial proceeding for the foreclosure involving the enforcement of this Agreement, (i) the Bank may bid for the property being sold, and upon compliance with the terms of sale may hold, retain and possess and dispose of such property in its own absolute right without further accountability, and may, in paying the purchase money therefor, discharge a portion of the Obligations owing to the Bank in an amount equal to such purchase price; (ii) the Bank may make and deliver to the purchaser or purchasers a good and sufficient deed, bill of sale and instrument of assignment and transfer of the property sold; (iii) the Bank may make all necessary deeds, bills of sale and instruments of assignment and transfer of the property thus sold; but if so requested by the Bank or such purchaser, Grantor shall ratify and confirm any such sale or transfer by executing and delivering to the Bank or such purchaser all property, deeds, bills of sale, instruments of assignment and transfer and releases as may be designated in any such request; (iv) all right, title, interest, claim and demand whatsoever, either in law or in equity or otherwise, of Grantor of, in and to the property so sold shall be divested and such sale shall be a perpetual bar both at law and in equity against Grantor, its successors and assigns, and against any and all Persons claiming or who may claim the property sold or any part thereof from, through or under Grantor, its successors or assigns; and (v) the receipt of the Bank or of the officer thereof making such sale shall be a sufficient discharge to the purchaser or purchasers at such sale for his or their purchase money, and such purchaser or purchasers, and his, its or their assigns or personal representatives, shall not, after paying such purchase money

and receiving such receipt of the Bank or of such officers thereof, be obligated to see to the application of such purchase money or be in any way answerable or responsible for any loss, misapplication or non-application thereof.

(d) To the extent that it may lawfully do so, Grantor agrees that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any appraisalment, valuation, stay, extension or redemption Laws, or any Law permitting it to direct the order in which the Collateral or any part thereof shall be sold, now or at any time hereafter in force, which may delay, prevent or otherwise affect the performance or enforcement of this Agreement or the Obligations, and Grantor hereby expressly waives all benefit or advantage of any such Laws and covenants that it will not hinder, delay or impede the execution of any power granted or delegated to the Bank in this Agreement, but will suffer and permit the execution of every such power as though no such Laws were in force. In the event of any sale of Collateral pursuant to this Agreement by the Bank, the Bank shall, at least 10 days before such sale, give Grantor written notice (which notice may be given by telecopier) of its intention to sell, except that, if the Bank shall determine in its sole discretion that any of the Collateral is perishable or threatens to decline speedily in value, any such sale may be made upon one day's written notice (which notice may be given by telecopier) to Grantor.

(e) Grantor agrees that upon the occurrence of any Default and at any time during the continuance thereof, any of the monies, deposit balances and other property of Grantor held by, or coming into the possession of, the Bank may be applied (including, without limitation, by way of set-off) by the Bank to a reduction of the Obligations.

(f) For the purpose of enabling the Bank to exercise rights and remedies hereunder, Grantor hereby grants to the Bank access upon the occurrence and during the continuance of a Default (after taking into account any applicable grace or cure period) to all media in which any Collateral consisting of Intellectual Property may be recorded or stored and to all computer equipment and software programs used for the compilation or printout thereof to the extent that Grantor may lawfully do so, and hereby authorizes any and all custodians thereof to release such media to the Bank or in accordance with the Bank's instructions upon receipt of a letter executed by the Bank stating that a Default has occurred and is continuing.

(g) For the purpose of enabling the Bank to exercise its rights and remedies under this Agreement at such time as the Bank, without regard to this Section 11(g), shall be lawfully entitled to exercise such rights and remedies and for no other purpose, Grantor hereby grants to the Bank, effective upon the occurrence and during the continuance of a Default and notice by the Bank that it desires to exercise such rights and remedies, an irrevocable, exclusive license, exercisable without payment of royalty or other compensation to Grantor, to use, assign, license or sublicense any of the Collateral consisting of Intellectual Property, including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout thereof.

(h) Grantor understands that compliance with Federal or state securities laws may limit the course of conduct of the Bank if the Bank were to attempt to dispose of all or any part

of the Pledged Collateral and may also limit the extent to which or the manner in which any subsequent transferee of the Pledged Collateral may dispose of the same. Grantor agrees that in any sale of any of the Pledged Collateral the Bank is hereby authorized to comply with any such limitation or restriction in connection with such sale as it may be advised by counsel is necessary in order to (x) avoid any violation of applicable Law (including, without limitation, compliance with such procedures as may restrict the number of prospective bidders and purchasers and/or further restrict such prospective bidders or purchasers to Persons who will represent and agree that they are purchasing for their own account for investment and not with a view to the distribution or resale of such Pledged Collateral) or (y) obtain any required approval of the sale or of the purchaser by any governmental regulatory authority or official. Grantor further agrees that such compliance shall not result in such sale being considered or deemed not to have been made in a commercially reasonable manner, and that the Bank shall not be liable or accountable to Grantor for any discount allowed by reason of the fact that the Pledged Collateral is sold in compliance with any such limitation or restriction.

(i) The Bank shall be under no obligation to delay a sale or disposition of any of the Pledged Shares to permit the Issuer of such Pledged Shares to register them for public sale under the Securities Act of 1933 or under any applicable state securities or blue-sky Laws, provided that no such sale or disposition shall be in violation of applicable securities Laws.

12. Bank Appointed Attorney-in-Fact.

(a) Effective upon the occurrence and during the continuance of a Default, Grantor hereby appoints the Bank as Grantor's attorney-in-fact, with full power of substitution, for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instrument that the Bank may deem necessary or advisable to accomplish the purposes hereof, which appointment is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, the Bank shall have the right and power, in its own name or as attorney-in-fact for Grantor, (i) to take any of the actions specified in Section 6(h) or 7(b) and (ii) generally, to do, at the Bank's option and at Grantor's expense, at any time, or from time to time, all acts and things that the Bank deems necessary to protect, preserve and realize upon the Collateral and the Bank's security interest therein; and Grantor hereby ratifies all that the Bank, acting as attorney-in-fact for Grantor, shall lawfully do or cause to be done by virtue hereof.

(b) Concurrently with the execution and delivery hereof, Grantor will execute and deliver to the Bank a Special Power of Attorney substantially in the form of Exhibit B hereto for the implementation of the assignment, sale or other disposition any of the items of Collateral that constitute Intellectual Property or any portion thereof pursuant to Sections 11(c), 11(d), and 11(g) upon the occurrence and during the continuance of a Default and for the other purposes specified in such Power of Attorney, and Grantor hereby releases the Bank from any claims, causes of action and demands at any time arising out of or with respect to any actions taken or omitted to be taken by the Bank under the power of attorney granted herein or therein, other than actions taken or omitted to be taken through the gross negligence or willful misconduct of the Bank.

13. Application of Moneys; Reassignment of Collateral. Except as otherwise provided herein,

(a) all moneys which the Bank shall receive pursuant to this Agreement shall be applied in the following manner: First, to the payment in full of all costs and expenses incurred by the Bank in connection with the administration and enforcement of, or the preservation of any rights under, this Agreement and the realization on such Collateral (including, without limitation, the fees and disbursement of the Bank's counsel and agents); and, Second, to the payment in full of all other Obligations in such order and manner as the Bank may determine in its sole and absolute discretion; and

(b) The balance, if any, of such moneys after the payment in full of the Obligations, shall be paid over to Grantor or as otherwise required by law or as directed by a court of competent jurisdiction. Upon the payment in full of the Obligations, all Collateral not sold or otherwise disposed of pursuant hereto shall, at the request of Grantor and at the sole cost and expense of Grantor, be reassigned by the Bank to Grantor (or as otherwise directed by a court of competent jurisdiction), without recourse and without any representations, warranties or agreements of any kind, other than that such Collateral is free and clear of any Liens placed thereon by the Bank. Grantor shall remain liable to the Bank for any deficiency remaining on the Obligations after the aforesaid application of such monies to the Obligations.

14. Compliance With Securities Laws.

(a) If the Bank determines to exercise its right to sell any or all of the Pledged Shares, upon written request from the Bank, Grantor shall furnish to the Bank all such information as the Bank may reasonably request in order to determine the number of Pledged Shares which may be sold by the Bank in transactions not requiring registration under the Securities Act of 1933 and the rules of the Securities and Exchange Commission thereunder, as the same are from time to time in effect.

(b) Grantor further agrees that, upon written request from the Bank after the occurrence and during the continuance of a Default, it shall furnish to the Bank such further information, it shall execute and deliver to the Bank such instruments and documents, and it shall do or cause to be done such other acts and things, as the Bank may reasonably require to permit the Bank to sell or dispose of the Pledged Shares or any portion thereof in one or more exempt transactions under the Securities Act of 1933 and the rules of the Securities and Exchange Commission thereunder, as the same are from time to time in effect, and in compliance with any and all other applicable laws, regulations, orders, writs, injunctions, decrees or awards of any and all courts, arbitrators or governmental instrumentalities, domestic or foreign, having jurisdiction over any such sales or dispositions, all at Grantor's sole expense. Grantor further agrees that a breach of any of the covenants contained in this Section 14 will cause irreparable injury to the Bank and that the Bank has no adequate remedy at law in respect of such breach, and agrees that each and every covenant contained in this Section 14 shall be specifically enforceable against Grantor, and Grantor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants, except for a defense that no Default has occurred, that

such Default has been cured or waived, that all of the Obligations have been paid in full or that the Bank has released the Pledged Shares.

15. Exercise of Rights. The Bank shall have the right in its sole discretion to determine which rights, security, liens, guarantees, security interests or remedies it shall retain, pursue, release, subordinate, modify or take any other action with respect to, without in any way modifying or affecting any of the other of them or any of the Bank's rights hereunder. Without limiting the generality of the foregoing, the Bank shall have complete and absolute discretion in determining which items of Collateral it will enforce its rights against, and it shall have no obligation to proceed ratably or in any other order against Grantor's assets.

16. Waivers, Amendments, Required Notices. Grantor hereby waives notice of acceptance of this Agreement, notice of nonpayment of any Obligations or of any Receivables or of any instrument relating thereto, demand, presentment, protest and notice thereof with respect to any and all instruments, notice of Collateral received or delivered, or any other action taken in reliance hereon and all other demands and notices of any description, except such as are expressly provided for herein or which by applicable law may not be waived on the date hereof. No course of dealing between the Bank and Grantor or any other Person, and no failure on the part of the Bank to exercise, and no delay in exercising, any right, power or remedy hereunder, shall operate as a waiver thereof or as a waiver of any Default, nor shall any single or partial exercise by the Bank of any right, power or remedy hereunder or with respect to the Obligations preclude any other or further exercise thereof or the exercise of any other right, power or remedy. No amendment or modification of this Agreement nor any waiver of any provision of this Agreement or consent to any departure by Grantor therefrom shall in any event be effective unless the same shall be in writing and signed by the Bank, and then any such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on Grantor in any case shall, of itself, entitle Grantor to any other or further notice or demand in similar or other circumstances. If notice, whether before or after any Default has occurred, is required by law to be given by the Bank to Grantor, Grantor agrees that, unless otherwise specifically provided herein, ten (10) days' notice given in the manner provided below shall be reasonable notice.

17. Cumulative Rights and Remedies. This Agreement and the liens and security interests granted hereunder are in addition to and not in substitution for any other security interest or collateral now or hereafter held by or on behalf of the Bank to secure the Obligations and shall not operate as a merger of any contract debt or suspend the fulfillment of or affect the rights, remedies or powers of the Bank in respect of the Obligations or any other security interests held by the Bank for the fulfillment thereof. The remedies herein provided are cumulative and not exclusive of any remedy provided by law.

18. Notices. All notices, requests, demands, instructions, directions and other communications provided for hereunder shall be in writing (which term shall include telecopied communications) and shall be mailed (by registered or certified mail, postage prepaid), telecopied or delivered to the applicable party at the address or telecopier number specified for such party on the signature pages of this Agreement or, as to any party, to such other address or

telecopier number as such party shall specify by a notice in writing to the other parties hereto delivered in accordance with the provisions of this Section 18. Each notice, request, demand, instruction, direction or other communication provided for hereunder shall be deemed delivered (a) if by mail, five Business Days after being deposited in the mails, addressed to the applicable party at its address set forth above, (b) if by hand, when delivered to the applicable party at such address, and (c) if by telecopy, when sent to the applicable party at such telecopier number; provided that if the date of delivery by hand pursuant to clause (b) above or the date of transmission by telecopier pursuant to clause (c) above is not a Business Day, then delivery shall be deemed to have occurred on the next succeeding Business Day.

19. Costs and Expenses. (a) Grantor agrees to pay, on demand, whether or not any Default shall have occurred and regardless of whether or not any proceeding to enforce this Agreement or the Obligations shall have been commenced, all of the reasonable costs and expenses (including, without limitation, all reasonable fees and disbursements of legal counsel) incurred by the Bank in connection with (i) the preparation of this Agreement and any related financing statements and other instruments and documents, (ii) the enforcement of this Agreement and the security interests granted hereunder, (iii) any filings or recordings with respect to the security interests granted hereunder (including all filing and recording fees, stamp taxes, recording taxes and intangible property taxes), (iv) the care and preservation of the Collateral, (v) the sale or other disposition of, or other realization upon, the Collateral that is permitted under this Agreement, or (vi) the preparation of any requested amendments to this Agreement or waivers or consents in connection herewith. Any such costs and expenses so incurred by the Bank shall be secured hereby and be a part of the Obligations.

(b) If any lien or tax shall be claimed with respect to the Collateral which, in the opinion of the Bank, may possibly create a valid obligation having priority over the security interest granted to it herein, the Bank may in its sole discretion and without notice to Grantor pay such taxes and/or the amount secured by such lien and the amount of such payment shall be charged to Grantor's account and added to the Obligations secured hereby: provided, however, that the Bank shall not make such payment with respect to any lien or tax being properly contested.

(c) Upon any failure by Grantor to perform any of its duties and obligations hereunder, the Bank may, but shall not be obligated to, perform any or all of such duties and obligations, and Grantor shall pay to the Bank, forthwith upon written demand therefor, an amount equal to the cash or out-of-pocket expense incurred by the Bank in so doing plus interest thereon, from the date such expense is incurred until it is paid in full at a rate per annum equal to the highest rate of interest payable by Grantor from time to time on the Obligations.

20. Successors and Assigns. This Agreement shall be binding upon Grantor and its successors and assigns and shall inure to the benefit of the Bank and its successors, transferees and assigns. Grantor may not assign its rights or obligations hereunder or any portion thereof without the prior written consent of the Bank. The Bank may assign its rights and powers under this Agreement with all or any of the Obligations owing to it and, in the event of any such assignment, the assignee of such rights and powers, to the extent of such assignment, shall have

the same rights and remedies hereunder, and shall be secured hereby to the same extent, as if it had been the Bank on the date hereof.

21. Severability. If any part of this Agreement is contrary to, prohibited by or deemed invalid under the applicable laws or regulations of any jurisdiction, such provision shall, as to such jurisdiction, be inapplicable and deemed omitted to the extent so contrary, prohibited or invalid, but the remainder hereof shall not be invalidated thereby and shall be given full force and effect so far as possible, and any such prohibition or invalidity in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

22. No Assumption of Duties; Limitation on Liabilities; Preservation of Collateral. (a) Nothing herein contained shall be construed to constitute the Bank as Grantor's agent for any purpose whatsoever except for the limited purposes of receiving proceeds of the Collateral as provided above. The Bank does not, by anything contained herein or in any assignment or otherwise, assume Grantor's obligations under any Receivable or other Collateral or any contract or agreement relating thereto, and the Bank shall not be responsible in any way for Grantor's performance of any of the terms and conditions thereof.

(b) Neither the Bank nor any of its directors, officers, employees or agents shall be liable to any Person for any action taken or omitted by the Bank or its officers, directors, employees or agents hereunder or with respect to any transaction contemplated by this Agreement, except for the Bank's or such officers', directors', employees' or agents' gross negligence or willful misconduct. Without limiting the generality of the foregoing, the Bank shall not be responsible or liable for any shortage, discrepancy, damage, loss or destruction of any part of the Collateral wherever the same may be located and regardless of the cause thereof unless due to the Bank's gross negligence or willful misconduct. The Bank shall not, under any circumstances or in any event whatsoever, have any liability for any error or omission or delay of any kind occurring in the settlement, collection or payment of any of the Receivables or any instrument received in payment thereof or for any damage resulting therefrom.

(c) The Bank's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under the Uniform Commercial Code or otherwise, shall be to deal with it in the same manner as the Bank deals with similar property for its own account. Neither the Bank nor any of its respective directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon all or any part of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of Grantor or otherwise.

23. Indemnification. Grantor agrees to pay, and to save the Bank harmless from, any and all liabilities, costs, expenses, losses or damages (including, without limitation, reasonable legal fees and expenses) which may be imposed on, incurred by or asserted against the Bank (i) with respect to, or resulting from, any delay in paying any and all excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral, (ii) with respect to, or resulting from, any delay in complying with any requirement of law applicable to any of the Collateral or (iii) in connection with any investigation, litigation or other proceeding

(whether or not the Bank is a party thereto) related to the entering into or performance of this Agreement or any of the transactions contemplated by this Agreement or the enforcement of any of the terms hereof. In any suit, proceeding or action brought by the Bank under or with respect to any Receivable, License or Contract for any sum owing thereunder, or to enforce any provisions of any Receivable, License or Contract, Grantor will save, indemnify and keep the Bank harmless from and against any liabilities, costs, expense, loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment or reduction or liability whatsoever of the account debtor or obligor thereunder, arising out of a breach by Grantor of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such account debtor or obligor or its successors from Grantor. Notwithstanding the foregoing, Grantor shall not be liable for any of the foregoing to the extent that they arise from the gross negligence or willful misconduct of the Bank.

24. Survival; Termination.

(a) All covenants, agreements, representations and warranties made herein by Grantor shall survive the execution and delivery of this Agreement and shall continue in full force and effect until the termination of all of the Grantor Documents and the payment in full of all of the Obligations.

(b) This Agreement shall terminate when all of the other Grantor Documents have terminated and all of the Obligations have been paid in full; provided, however, that this Agreement shall be reinstated if any payment in respect of the Obligations is rescinded, invalidated, declared to be fraudulent or preferential or otherwise required to be restored or returned by the Bank for any reason, including without limitation by reason of the insolvency, bankruptcy or reorganization of Grantor or any other Person.

25. **GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS PRINCIPLES OF CONFLICTS OF LAW, OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW.**

26. **SUBMISSION TO JURISDICTION.** (a) GRANTOR HEREBY EXPRESSLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ALL FEDERAL AND STATE COURTS SITTING IN THE CITY OF NEW YORK, STATE OF NEW YORK IN CONNECTION WITH ANY ACTION, SUIT OR PROCEEDING RELATING TO THIS AGREEMENT, ANY INSTRUMENT OR DOCUMENT REFERRED TO HEREIN OR RELATED HERETO, OR ANY ITEM OF COLLATERAL, AND IN CONNECTION THEREWITH AGREES THAT ANY PROCESS OR NOTICE OF MOTION OR OTHER APPLICATION TO ANY OF SAID COURTS OR A JUDGE THEREOF MAY BE SERVED UPON GRANTOR WITHIN OR WITHOUT SUCH COURT'S JURISDICTION BY REGISTERED OR CERTIFIED MAIL, AT THE ADDRESS OF GRANTOR SPECIFIED IN SECTION 18 HEREOF (OR AT SUCH OTHER ADDRESS AS GRANTOR SHALL SPECIFY BY A PRIOR NOTICE

IN WRITING TO THE BANK), PROVIDED A REASONABLE TIME FOR APPEARANCE IS ALLOWED.

(b) GRANTOR HEREBY IRREVOCABLY WAIVES ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY INSTRUMENT OR DOCUMENT REFERRED TO HEREIN OR RELATED HERETO BROUGHT IN ANY FEDERAL OR STATE COURT SITTING IN THE CITY OF NEW YORK, STATE OF NEW YORK AND HEREBY FURTHER IRREVOCABLY WAIVES ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c) NOTWITHSTANDING THE FOREGOING, THE BANK OR ANY CREDITOR MAY SUE GRANTOR IN ANY JURISDICTION WHERE GRANTOR OR ANY OF ITS ASSETS MAY BE FOUND AND MAY SERVE LEGAL PROCESS UPON GRANTOR IN ANY OTHER MANNER PERMITTED BY LAW.

27. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY OF ANY DISPUTE ARISING UNDER OR RELATING TO THIS AGREEMENT, ANY INSTRUMENT OR DOCUMENT REFERRED TO HEREIN OR RELATED HERETO, OR ANY ITEM OF COLLATERAL, AND AGREES THAT ANY SUCH DISPUTE SHALL BE TRIED BEFORE A JUDGE SITTING WITHOUT A JURY.

28. Execution in Counterparts: Facsimile Signatures. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, all of which when taken together shall constitute but one and the same agreement. Delivery of an executed signature page to this Agreement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Agreement.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK;
SIGNATURE PAGE TO FOLLOW]

[Signature pages to Security and Pledge Agreement dated as of July 26, 2006]

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

Address:

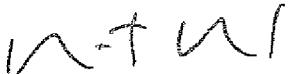
DISQUE AMÉRIC INC./AMERIC DISC INC.

2525, Canadien Street
Drummondville (Quebec)
CANADA J2C 7W2
Attention: Chief Executive Officer
Telecopier: : (819) 478-4575

By: 
Name: Louis-Roch Langlois
Title: Chief Financial Officer

Acknowledged and accepted:

NATIONAL BANK OF CANADA,
as Bank

By: 
Name: Benoît Blais
Title: Senior Manager

Schedule I to
Security and Pledge Agreement

SCHEDULE OF OFFICES

1. Address of Debtors' chief executive offices and principal places of business:

The Chief Executive Office for all Debtors is:

2525, Canadien Street
Drummondville (Quebec)
Canada J2C7W2

The Principal Place of Business of Grantor is as follows:

2525, Canadien Street
Drummondville (Quebec)
Canada J2C7W2

2. Addresses of all offices where the original books of account and records of Grantor relating to the Receivables, Contracts, Leases, Intellectual Property, Investment Property and other Financial Assets are kept:

2525, Canadien Street
Drummondville (Quebec)
Canada J2C7W2

Schedule II to
Security and Pledge Agreement

SCHEDULE OF INVENTORY AND EQUIPMENT LOCATIONS

2525 Canadien Street
Dummondvile (Quebec)
CANADA J2C 7W2

8608, Pie-IX Boulevard
Montreal (Quebec)
CANADA H1Z 4G2

2360 Pilot Knob Road
Mendota Heights, MN 55120

980 Aldrin, Suite 100
Eagan, Minnesota
USA 55420

Schedule III to
Security and Pledge Agreement

SCHEDULE OF PLEDGED SHARES

Name of Pledgor	Name of Issuer	Number of Shares	Class of Shares	Par Value of Shares	Stock Certificate No.
Americ Disc Inc.	Americ Disc U.S.A.- Delaware Inc.	1,000	Class A	\$0.01	2
Americ Disc Inc.	Americ Disc U.S.A.- Delaware Inc.	6,704	Class B	\$13 061.35	3

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Schedule IV to
Security and Pledge Agreement

SCHEDULE OF INTELLECTUAL PROPERTY

- A. Patents: None
- B. Patent Applications: None
- C. Patent Licenses: None

D. Trademarks:

<u>Trade Marks:</u>	Registration Number
<u>CANADA</u>	
DISQUE AMERIC & Dessin	TMA443,664
DISQUE AMERIC AMERIC & DESIGN	TMA442,838 TMA541,120
<u>USA</u>	
AMERIC DISC & DESIGN AMERIC & DESIGN	1,916,0811 TMA2,424,795

<u>Trade Marks:</u>	Registration Demand Number
---------------------	-------------------------------

Domain Names:
RSB-AMERIC.COM
RSBAMERIC.COM
CD-DVD-MANUFACTURE.COM
AMERICDISC.ORG
CDMANUFACTURE.COM
AMERICDISC.NET
DVDMANUFACTURE.COM
AMERICDISC.COM
AMERICDIRECT.COM

- E. Trademark Applications: None

[MTL_LAW\1017987\3]

F. Trademark Licenses: None

G. Copyrights: None

H. Copyright Applications: None

I. Copyright Licenses: None

J. Domain Names:

RSB-AMERIC.COM

RSBAMERIC.COM

AMERICDISCDIRECT.COM

CD-DVD-MANUFACURE.COM

AMERICDISC.ORG

CDMANUFACTURE.COM

AMERICDISC.NET

DVDMANUFACTURE.COM

AMERICDISC.COM

AMERIDIRECT.COM

Schedule V to
Security and Pledge Agreement

SCHEDULE OF FILING OFFICES

District of Columbia
Secretary of State

Schedule VI to
Security and Pledge Agreement

SCHEDULE OF COMMERCIAL TORT CLAIMS

Schedule VII to
Security and Pledge Agreement

SCHEDULE OF DEPOSIT ACCOUNTS

Schedule VIII to
Security and Pledge Agreement

SCHEDULE OF PERMITTED ENCUMBRANCES

Security interests in favor of Crown Capital Partners, Limited Partnership, as successor in interest to National Bank of Canada, New York Branch, as U.S. Collateral Agent under the Security and Pledge Agreement dated as of August 30, 2001, among Americ Disc Inc., its direct and indirect subsidiaries named therein, and National Bank of Canada, New York Branch as U.S. Collateral Agent.

Security in favour of Crown Capital Partners, Limited Partnership.

Security in favour of Transcontinental Inc.

Exhibit A to
Security and Pledge Agreement

FORM OF IRREVOCABLE PROXY

KNOW ALL MEN BY THESE PRESENTS that the undersigned does hereby make, constitute and appoint NATIONAL BANK OF CANADA, as Bank under the Security Agreement (as defined below), and each of the Bank's officers and employees, its true and lawful attorneys, for it and in its name, place and stead, to act as its proxy, at all times when a Default (as such term is defined in the Security Agreement referred to below) has occurred and is continuing, in respect of all of the shares of capital stock of _____, a _____ corporation, _____, a _____ corporation, _____, a _____ corporation, and _____, a _____ corporation (hereinafter referred to as the "Subsidiaries"), which it now or hereafter may own or hold, including, without limitation, the right, on its behalf, to demand the call by any proper officer of each of the Subsidiaries pursuant to the provisions of the respective certificates of incorporation or by-laws of each of the Subsidiaries and as permitted by law of a meeting of each of the Subsidiaries' respective shareholders and at any meeting of shareholders, annual, general or special, to vote for the transaction of any and all business that may come before such meeting, or at any adjournment thereof, including, without limitation, the right to vote for the sale of all or any part of the respective assets of each of the Subsidiaries and/or the liquidation and dissolution of each of the Subsidiaries; giving and granting to its said attorneys full power and authority to do and perform each and every act and thing, whether necessary or desirable to be done in and about the premises, as fully as it might or could do if personally present, with full power of substitution, appointment and revocation, hereby ratifying and confirming all that their respective attorneys shall do or cause to be done by virtue hereof.

This Irrevocable Proxy is given to the Bank and to its officers and employees in consideration of the transactions contemplated by, and in order to carry out the covenant of the undersigned contained in, a certain Security and Pledge Agreement of even date herewith among the undersigned, certain affiliates of the undersigned party thereto, and the Bank (as it may be amended, modified or supplemented from time to time, the "Security Agreement"), and this Proxy shall be irrevocable and coupled with an interest, and shall be effective and binding upon the undersigned and its successors and assigns until the termination of any obligation Bank may have under or pursuant to any Grantor Document (as such terms are defined in the Security Agreement) and the payment in full of all of the Obligations (as defined in the Security Agreement) and may be exercised only after the occurrence and during the continuance of a Default (as defined in the Security Agreement).

This Irrevocable Proxy shall be subject to the terms and conditions of the Security Agreement.

IN WITNESS WHEREOF, the undersigned has caused this Irrevocable Proxy to be executed by its duly authorized officer as of this ____ day of _____, 2006.

DISQUE AMÉRIC INC./
AMERIC DISC INC.

By: _____
Name:
Title:

Exhibit B to
Security and Pledge Agreement

SPECIAL POWER OF ATTORNEY

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

KNOW ALL MEN BY THESE PRESENTS, THAT DISQUE AMÉRIC INC./AMERIC DISC INC., a corporation constituted pursuant to the *Canada Business Corporations Act* (the “**Assignor**”) hereby irrevocably appoints and constitutes National Bank of Canada (the “**Assignee**”) its true and lawful attorney, with full power of substitution, and with full power and authority to perform the following acts on behalf of the Assignor:

1. For the purpose of assigning, selling, licensing or otherwise disposing of all right, title and interest of the Assignor in and to any and all patents listed on Schedule A hereto (the “**Patents**”), any and all trademarks, trade names, trade styles and service marks listed in Schedule B hereto (the “**Trademarks**”), any and all copyrights listed in Schedule C hereto (the “**Copyrights**”), and all registrations, recordings, reissues, extensions and renewals of any of the foregoing, and all pending applications therefor, for the purpose of continuing, protecting and preserving the Patents, the Trademarks and the Copyrights, and for the purpose of the recording, registering and filing of, or accomplishing any other formality with respect to, the foregoing, (a) to execute on its own behalf and/or on the behalf and stead of the Assignor and deliver any and all agreements, documents, instruments of assignment or other papers necessary or advisable to effect such purpose and (b) to take such other actions with respect to the Patents, the Trademarks or the Copyrights as the Assignee deems in its best interest; and
2. To execute on its own behalf and/or on the behalf and stead of the Assignor any and all documents, statements, certificates or other papers necessary or advisable in order to effectuate any of the purposes described above as the Assignee may in its sole discretion determine.

The Assignor hereby ratifies all that the Assignee shall lawfully do or cause to be done under or by virtue of the powers of attorney granted herein and hereby releases the Assignee from any and all claims, causes of action and demands at any time arising out of or with respect to any actions taken or omitted to be taken by the Assignee under the powers of attorney granted herein, other than actions taken or omitted to be taken through the gross negligence or willful misconduct of the Assignee.

This power of attorney is made pursuant to a Security and Pledge Agreement dated as of the date hereof among the Assignor, certain affiliates of the Assignor party thereto, and the

Assignee (the “**Security Agreement**”), takes effect and continues to be effective upon the occurrence and during the continuance of a Default (as such term is defined therein), and is subject to the conditions thereof and may not be revoked until the termination of all of the Grantor Documents (as such terms are defined in the Security Agreement), the expiration or termination of any letters of credit issued thereunder, and the payment in full of all of the Obligations (as defined therein).

**[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK;
SIGNATURE PAGE TO FOLLOW]**

Schedule A to
Special Power of Attorney

SCHEDULE OF PATENTS

[NONE]

Schedule B to
Special Power of Attorney

SCHEDULE OF TRADEMARKS

AMERIC DISC INC.

Trade Marks: Registration Number

Trade Marks:	Registration Number
<u>CANADA</u>	
DISQUE AMERIC & Dessin	TMA443,664
DISQUE AMÉRIC	TMA442,838
AMERIC & DESIGN	TMA541,120
<u>USA</u>	
AMERIC DISC & DESIGN	1,916,0811
AMERIC & DESIGN	TMA2,424,795

Trade Marks:	Registration Demand Number
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<u>Domain Names:</u>	
RSB-AMERIC.COM	
RSBAMERIC.COM	
CD-DVD-MANUFACTURE.COM	
AMERICDISC.ORG	
CDMANUFACTURE.COM	
AMERICDISC.NET	
DVDMANUFACTURE.COM	
AMERICDISC.COM	
AMERICDIRECT.COM	

OTHER DEBTORS: None

Schedule C to
Special Power of Attorney

SCHEDULE OF COPYRIGHTS

[NONE]

[MTL_LAW\1017987\3]

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