

TRADEMARK ASSIGNMENT

Electronic Version v1.1
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	SECURITY INTEREST

CONVEYING PARTY DATA

Name	Formerly	Execution Date	Entity Type
Kindermusik International, Inc.		05/20/2008	CORPORATION:

RECEIVING PARTY DATA

Name:	First American Bank
Street Address:	1650 Louis Avenue
City:	Elk Grove Village
State/Country:	ILLINOIS
Postal Code:	60007
Entity Type:	CORPORATION:

PROPERTY NUMBERS Total: 12

Property Type	Number	Word Mark
Registration Number:	1052082	KINDERMUSIK
Registration Number:	3183901	KINDERMUSIK SIGN AND SING
Registration Number:	3215020	KINDERMUSIK MUSIC BOX
Registration Number:	3034579	KINDERMUSIK FOR THE YOUNG CHILD
Registration Number:	3083212	DO-RE-ME & YOU!
Registration Number:	2719044	KINDERMUSIK OUR TIME
Registration Number:	2719043	KINDERMUSIK IMAGINE THAT!
Registration Number:	2300792	KINDERMUSIK FOUNDATIONS OF LEARNING
Registration Number:	2269763	KINDERMUSIK VILLAGE
Serial Number:	78799645	SENSE-SATIONAL
Serial Number:	78708373	KINDERMUSIK FAMILY TIME
Serial Number:	78444683	A,B,C MUSIC & ME!

CORRESPONDENCE DATA

CH \$315.00 1052082

Fax Number: (202)408-3141
Correspondence will be sent via US Mail when the fax attempt is unsuccessful.
Phone: 800-927-9801x2348
Email: jpaterso@cscinfo.com
Correspondent Name: Corporation Service Company
Address Line 1: 1090 Vermont Avenue NW, Suite 430
Address Line 2: Attn: Jean Paterson
Address Line 4: Washington, DISTRICT OF COLUMBIA 20005

ATTORNEY DOCKET NUMBER:	583091
NAME OF SUBMITTER:	Jean Paterson
Signature:	/Jean Paterson/
Date:	06/05/2008

Total Attachments: 41

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UCC FINANCING STATEMENT

File Number: 20080046733E
Date Filed: 05/20/2008 03:42 PM
Elaine F. Marshall
NC Secretary of State

FILER INFORMATION

CONTACT INFORMATION FOR FILER:

CONTACT EMAIL ldwilliams@schiffhardin.com	CONTACT NAME Schiff Hardin LLP	CONTACT PHONE 30309	CONTACT FAX (404) 437-7100
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SEND ACKNOWLEDGEMENT TO:

PACKET # 36001-0000	CLIENTS ACCOUNT # 103313		
ORGANIZATION NAME Schiff Hardin LLP			
MAILING ADDRESS 1201 West Peachtree Street NW, One Atlantic Center, Suite 2300	CITY Atlanta	STATE GA	POSTAL CODE 30309
COUNTRY	COUNTRY		

FILE RECORD

RECORD DATA (UNIQUE SEQUENTIAL ID:0001)

FILING TYPE Initial		
FILERS UNIQUE ID	ALTERNATE NAME DESIGNATION	ALTERNATE FILING TYPE UCC
ADDITIONAL INFORMATION		

DEBTOR DATA (UNIQUE SEQUENTIAL ID: 001)

1a. ORGANIZATION NAME Kindermusik International, Inc.			
2d. TAX ID #: SSN OR EIN	2e. TYPE OF ORGANIZATION Corporation	2f. JURISDICTION OF North Carolina	2g. ORGANIZATIONAL ID#, if any 0334599
1c. MAILING ADDRESS 203 S. Church Street	CITY Greensboro	STATE NC	POSTAL CODE 27401
COUNTRY USA	ALTERNATIVE CAPACITY OF DEBTOR		

SECURED PARTY DATA (UNIQUE SEQUENTIAL ID: 001)

3a. ORGANIZATION NAME First American Bank			
3c. MAILING ADDRESS 1650 Louis Avenue	CITY Elk Grove Village	STATE IL	POSTAL CODE 60007
COUNTRY USA			

4. This FINANCING STATEMENT covers the following collateral:

The security interest covered by this Financing Statement includes ALL PROPERTY AND ASSETS OF THE DEBTOR of every kind and nature, wherever located, whether now owned or hereafter acquired or arising, and all Proceeds and products thereof, including, without limitation, all (i) Accounts (including, Accounts Receivable), (ii) Equipment, (iii) General Intangibles, (iv) Inventory, (v) Instruments, (vi) Pledged Debt, (vii) Pledged Equity, (viii) Documents, (ix) Chattel Paper (whether tangible or electronic), (x) Deposit Accounts, (xi) Letter of Credit Rights (whether or not the letter of credit is evidenced in writing), (xii) Commercial Tort Claims, (xiii) Intellectual Property, (xiv) Supporting Obligations, (xv) any other contract rights or rights to the payment of money, (xvi) insurance claims and proceeds, (xvii) tort claims and (xviii) unless otherwise agreed upon in writing by such Debtor and the Secured Party, other property owned or held by or on behalf of such Grantor that may be delivered to and held by the Secured Party pursuant to the terms hereof (collectively, the Collateral), as more particularly described in Attachment I hereto, incorporated herein by this reference.

**ATTACHMENT I
TO FINANCING STATEMENT BETWEEN
KINDERMUSIK INTERNATIONAL, INC, AS DEBTOR, AND
FIRST AMERICAN BANK, AS SECURED PARTY**

The security interest covered by this Financing Statement includes ALL PROPERTY AND ASSETS OF THE DEBTOR of every kind and nature, wherever located, whether now owned or hereafter acquired or arising, and all Proceeds and products thereof, including, without limitation, all (i) Accounts Receivable, (ii) Equipment, (iii) General Intangibles, (iv) Inventory, (v) Instruments, (vi) Pledged Debt, (vii) Pledged Equity, (viii) Documents, (ix) Chattel Paper (whether tangible or electronic), (x) Deposit Accounts, (xi) Letter of Credit Rights (whether or not the letter of credit is evidenced in writing), (xii) Commercial Tort Claims, (xiii) Intellectual Property, (xiv) Supporting Obligations, (xv) any other contract rights or rights to the payment of money, (xvi) insurance claims and proceeds, (xvii) tort claims and (xviii) unless otherwise agreed upon in writing by such Debtor and the Secured Party, other property owned or held by or on behalf of such Grantor that may be delivered to and held by the Secured Party pursuant to the terms hereof (collectively, the Collateral). For purposes hereof, the term Collateral shall include (i) all such rights as would not violate any enforceable provision under any General Intangible if the granting of a security interest therein or an assignment thereof would violate an enforceable provision of such General Intangible and (ii) any Equity Interest of any Grantor in any Subsidiary (other than a foreign Subsidiary). As used herein, the following terms shall have the following meanings:
Account Debtor : as defined in the ILUCC.
Accounts : as defined in the ILUCC.
Accounts Receivable : all Accounts and all right, title and interest in any returned goods, together with all rights, titles, securities and guarantees with respect thereto, including any rights to stoppage in

transit, replevin,
reclamation and resales, and all related security interests, liens and pledges, whether voluntary
or involuntary, in
each case whether now existing or owned or hereafter arising or acquired.
Chattel Paper : as defined in the ILUCC.
Commercial Tort Claims : as defined in the ILUCC.
Copyright License : any written agreement, now or hereafter in effect, granting any right to any
third
party under any Copyright now or hereafter owned by Debtor or which such Grantor otherwise
has the right to
license, or granting any right to such Grantor under any Copyright now or hereafter owned by
any third party, and
all rights of such Grantor under any such agreement.
Copyrights : all of the following now owned or hereafter acquired by Debtor: (i) all copyright
rights in
any work subject to the copyright laws of the United States or any other country, whether as
author, assignee,
transferee or otherwise, and (ii) all registrations and applications for registration of any such
copyright in the United
States or any other country, including registrations, recordings, supplemental registrations and
pending applications
for registration in the United States Copyright Office.
Deposit Accounts : as defined in the ILUCC.
Documents : as defined in the ILUCC.
Equipment : as defined in the ILUCC, and shall include, without limitation, all equipment,
furniture and
furnishings, and all tangible personal property similar to any of the foregoing, including tools,
parts and supplies of
every kind and description, and all improvements, accessions or appurtenances thereto, that
are now or hereafter
owned by Debtor.
Equity Interests : with respect to (i) a corporation, the capital stock thereof, (ii) a partnership,
any
partnership interest therein, including all rights of a partner in such partnership, whether
arising under the
partnership agreement of such partnership or otherwise, (iii) a limited liability company, any
membership interest
therein, including all rights of a member of such limited liability company, whether arising
under the limited liability
company agreement of such limited liability company or otherwise, (iv) any other firm,
association, trust, business
enterprise or other entity that is similar to any other Person listed in clauses (i), (ii) and (iii), and
this clause (iv), of
this definition, any equity interest therein or any other interest therein that entitles the holder
thereof to share in the
net assets, revenue, income, earnings or losses thereof or to vote or otherwise participate in
any election of one or
more members of the managing body thereof and (v) all warrants and options in respect of any
of the foregoing and
all other securities that are convertible or exchangeable therefor.
General Intangibles : as defined in the ILUCC, and shall include, without limitation, all
corporate or
other business records, indemnification claims, contract rights (including rights under leases,
whether entered into as
lessor or lessee, interest rate protection agreements and other agreements), Intellectual
Property, goodwill,
registrations, franchises, tax refund claims, guarantee, claim, security interest or other security
held by or granted to
Debtor to secure payment by an Account Debtor of any of the Accounts Receivable or payment
by the relevant

obligor of any of the Pledged Debt.

ILUCC : the UCC as in effect from time to time in the State of Illinois.

Instruments has the meaning ascribed thereto in the ILUCC.

Intellectual Property : all intellectual and similar property of Debtor of every kind and nature now owned

or hereafter acquired by Debtor, including inventions, designs, Patents, Copyrights, Trademarks, Licenses, trade

secrets, confidential or proprietary technical and business information, customer lists, know-how, show-how or other

data or information, software and databases and all embodiments or fixations thereof and related documentation,

registrations and franchises, and all additions, improvements and accessions to, and books and records describing or

used in connection with, any of the foregoing.

Inventory : as defined in the ILUCC, and shall include, without limitation, all goods of Debtor, whether

now owned or hereafter acquired, held for sale or lease, or furnished or to be furnished by Debtor under contracts of

service, or consumed in Debtor's business, including raw materials, intermediates, work in process, packaging

materials, finished goods, semi-finished inventory, scrap inventory, manufacturing supplies and spare parts, and all

such goods that have been returned to or repossessed by or on behalf of Debtor.

Letter of Credit Rights : as defined in the ILUCC.

License : any Patent License, Trademark License, Copyright License or other license or sublicense to

which Debtor is a party.

Patent License : any written agreement, now or hereafter in effect, granting to any third party any right to

make, use or sell any invention on which a Patent, now or hereafter owned by Debtor or which Debtor otherwise has

the right to license, is in existence, or granting to Debtor any right to make, use or sell any invention on which a

Patent, now or hereafter owned by any third party, is in existence, and all rights of Debtor under any such

agreement.

Patents : all of the following now owned or hereafter acquired by Debtor: (i) all letters patent of the

United States or any other country, all registrations and recordings thereof, and all applications for letters patent of

the United States or any other country, including registrations, recordings and pending applications in the United

States Patent and Trademark Office or any similar offices in any other country, and (ii) all reissues, continuations,

divisions, continuations-in-part, renewals or extensions thereof, and the inventions disclosed or claimed therein,

including the right to make, use or sell the inventions disclosed or claimed therein.

Pledged Debt : all right, title and interest of Debtor to the payment of any loan, advance or other debt of

every kind and nature (other than Accounts Receivable and General Intangibles), whether due or to become due,

whether or not it has been earned by performance, and whether now or hereafter acquired or arising in the future,

other than intercompany debt among the Guarantors incurred for cash management purposes in the ordinary course

of business. Pledged Debt shall include all indebtedness owed to Debtor by a qualified retirement plan including,

without limitation, an employee stock ownership plan or trust.

Pledged Equity : with respect to Debtor, all right, title and interest of such Grantor in any Equity Interests

of any now existing or hereafter acquired or organized Subsidiary, whether now or hereafter acquired or arising in the future.

Pledged Securities : the Pledged Debt, the Pledged Equity and all notes, chattel paper, instruments, certificates, files, records, ledger sheets and documents covering, evidencing, representing or relating to any of the

foregoing, in each case whether now existing or owned or hereafter arising or acquired.

Proceeds : as defined in the ILUCC, and shall include, without limitation, any consideration received

from the sale, exchange, license, lease or other disposition of any asset or property that constitutes Collateral, any value received as a consequence of the possession of Collateral and any payment received from any insurer or other

person or entity as a result of the destruction, loss, theft, damage or other involuntary conversion of whatever nature

of any asset or property that constitutes Collateral, including (i) any claim of Debtor against any third party for (and

the right to sue and recover for and the rights to damages or profits due or accrued arising out of or in connection

with) past, present or future infringement or dilution of any Intellectual Property now or hereafter owned by Debtor,

or licensed under any license, (ii) all rights and privileges with respect to, and all payments of principal or interest,

dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in

respect of, in exchange for or upon the conversion of, any of the Pledged Securities and (iii) any and all other

amounts from time to time paid or payable under or in connection with the Collateral.

Supporting Obligations : as defined in the ILUCC.

Trademark License : any written agreement, now or hereafter in effect, granting to any third party any

right to use any Trademark now or hereafter owned by Debtor or which Debtor otherwise has the right to license, or

granting to Debtor any right to use any Trademark now or hereafter owned by any third party, and all rights of

Debtor under any such agreement.

Trademarks : all of the following now owned or hereafter acquired by Debtor: (i) all trademarks, service

marks, trade names, corporate names, company names, business names, fictitious business names, trade styles, trade

dress, logos, other source or business identifiers, designs and general intangibles of like nature, now existing or

hereafter adopted or acquired, all registrations and recordings thereof, and all registration and recording applications

filed in connection therewith, including registrations and registration applications in the United States Patent and

Trademark Office, any State of the United States or any similar offices in any other country or any political

subdivision thereof, and all extensions or renewals thereof, including but not limited to the trademarks and

trademark applications attached hereto as Exhibit A, (ii) all goodwill associated therewith or symbolized thereby

and (iii) all other assets, rights and interests that uniquely reflect or embody such goodwill.

UCC : with respect to any jurisdiction, the Uniform Commercial Code as from time to time in effect in

such jurisdiction.

Exhibit A:

Trademarks and Trademark Applications

Mark: KINDERMUSIK Registration No.: 1052082 Registration Date: 11/1976;

Mark: KINDERMUSIK SIGN & SING Registration No.: 3183901 Registration Date:
12/2006;
Mark: KINDERMUSIK MUSIC BOX Registration No.: 3215020 Registration Date:
3/2007;
Mark: KINDERMUSIK FOR THE YOUNG CHILD Registration No.: 3034579
Registration Date: 12/2005;
Mark: DO-RE-ME & YOU Registration No.: 3083212 Registration Date:
4/2006;
Mark: KINDERMUSIK OUR TIME Registration No.: 2719044 Registration Date:
5/2003;
Mark: KINDERMUSIK IMAGINE THAT Registration No.: 2719043 Registration
Date: 5/2003;
Mark: KINDERMUSIK FOUNDATIONS OF LEARNING Registration No.: 2300792
Registration Date: 12/1999;
Mark: KINDERMUSIK VILLAGE Registration No.: 2269763 Registration Date:
8/1999;

Mark Application: SENSE-SENSATIONAL Serial No.: 78799645 Filing Date:
1/2006;
Mark Application: KINDERMUSIK FAMILY TIME Serial No.: 78708373 Filing Date:
9/2005;
Mark Application: ABC MUSIC & ME Serial No.: 78444683 Filing Date:
1/2004

GRANT OF SECURITY INTEREST (TRADEMARKS)

The undersigned, **KINDERMUSIK INTERNATIONAL, INC.**, a North Carolina corporation (the "*Grantor*"), is obligated to **FIRST AMERICAN BANK**, an Illinois banking corporation (the "*Secured Party*") together with any lenders from time to time party to that certain Credit Agreement, dated as of May 21, 2008 (as amended, restated, supplemented or otherwise modified from time to time, the "*Credit Agreement*"), by and between the Grantor and the Secured Party, and pursuant to which the Grantor has entered into the Security Agreement, dated as of May 21, 2008 (as amended, restated, supplemented or otherwise modified from time to time, the "*Security Agreement*"), by and between the Grantor, the Secured Party and any affiliates of Grantor from time to time party thereto.

Pursuant to the Security Agreement, the Grantor has granted to the Secured Party a security interest in and to all of the right, title and interest of the Grantor in and to the trademarks listed on Schedule 1, which trademarks are registered in the United States Patent and Trademark Office (the "*Trademarks*"), together with the goodwill of the business symbolized by the Trademarks and the applications and registrations thereof, and all proceeds thereof, including, without limitation, any and all causes of action which may exist by reason of infringement thereof (the "*Collateral*"), to secure the prompt payment, performance and observance of the Obligations (as defined in the Security Agreement).

FOR GOOD AND VALUABLE CONSIDERATION, the receipt of which is hereby acknowledged, and for the purpose of recording the grant of the security interest as aforesaid, the Grantor does hereby further grant to the Secured Party a security interest in, the Collateral to secure the prompt payment, performance and observance of the Obligations (as defined in the Security Agreement).

The Grantor does hereby further acknowledge and affirm that the rights and remedies of the Secured Party with respect to the security interest in the Collateral made and granted hereby are set forth in the Security Agreement, the terms and provisions of which are hereby incorporated herein by reference as if fully set forth herein.

The Secured Party's address is: 1650 Louis Avenue, Elk Grove Village, Illinois.

[Signature on Following Page]

Schedule 1
to
Grant of Security Interest (Trademarks)
by Kindermusik International, Inc.
Dated as of May __, 2008

MARK	REGISTRATION NO.	REGISTRATION DATE
Kindermusik	1052082	11/1976
Kindermusik Sign & Sing	3183901	12/2006
Kindermusik Music Box	3215020	3/2007
Kindermusik for the Young Child	3034579	12/2005
Do-Re-Me & You	3083212	4/2006
Kindermusik Our Time	2719044	5/2003
Kindermusik Imagine That	2719043	5/2003
Kindermusik Foundations of Learning	2300792	12/1999
Kindermusik Village	2269763	8/1999

MARK	SERIAL NO.	REGISTRATION DATE
Sense-Sensational	78799645	1/2006
Kindermusik Family Time	78708373	9/2005
ABC Music & Me	78444683	1/2004

SECURITY AGREEMENT

SECURITY AGREEMENT, dated as of May 21, 2008, among **KINDERMUSIK INTERNATIONAL, INC.**, a North Carolina corporation ("*Borrower*"), each of the Subsidiaries and Affiliates of the Borrower from time to time party hereto (each such Subsidiary or Affiliate, individually, a "*Guarantor*" and, collectively, the "*Guarantors*"; the Guarantors and the Borrower are referred to herein individually as a "*Grantor*" and collectively as the "*Grantors*") and **FIRST AMERICAN BANK**, an Illinois banking corporation, as Lender and as agent for other participating lenders from time to time party to the credit agreement referred to below (in such capacity, referred to herein as "*Lender*").

The Borrower and the Lender are parties to the Credit Agreement dated as of the date hereof (as amended, restated, supplemented or otherwise modified from time to time, the "*Credit Agreement*").

It is a condition to the obligation of the Lender to make Loans and extensions of credit under the Credit Agreement that the Grantors shall have executed and delivered this Security Agreement.

Accordingly, in consideration of the foregoing, the Grantors and the Lender hereby agree as follows:

Section 1. Definitions

(a) Unless the context otherwise requires, capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Credit Agreement.

(b) As used herein, the following terms shall have the following meanings:

"*Account Debtor*": as defined in the ILUCC.

"*Accounts*": as defined in the ILUCC.

"*Accounts Receivable*": all Accounts and all right, title and interest in any returned goods, together with all rights, titles, securities and guarantees with respect thereto, including any rights to stoppage in transit, replevin, reclamation and resales, and all related security interests, liens and pledges, whether voluntary or involuntary, in each case whether now existing or owned or hereafter arising or acquired.

"*Chattel Paper*": as defined in the ILUCC.

"*Collateral*": with respect to any Grantor, all personal property of every kind and nature, wherever located, whether now owned or hereafter acquired or arising, and all Proceeds and products thereof, including, without limitation, all (i) Accounts Receivable, (ii) Equipment, (iii) General Intangibles, (iv) Inventory, (v) Instruments, (vi) Pledged Debt, (vii) Pledged Equity, (viii) Documents, (ix) Chattel Paper (whether tangible or electronic), (x) Deposit Accounts, (xi) Letter of Credit Rights (whether or not the letter of credit is evidenced in writing), (xii) Commercial Tort Claims, (xiii) Intellectual Property, (xiv) Supporting Obligations, (xv) any other contract rights or rights to the payment of money, (xvi) insurance claims and proceeds, (xvii) tort claims and (xviii) unless otherwise agreed upon in writing by such Grantor and the Lender, other property owned or held by or on behalf of such Grantor that may be delivered to and held by the Lender pursuant to the terms hereof. Notwithstanding anything to the contrary in any Loan Document, for purposes hereof, the term "*Collateral*" shall include (i) all such rights as would not violate any enforceable provision under any General Intangible if the granting of a

security interest therein or an assignment thereof would violate an enforceable provision of such General Intangible and (ii) any Equity Interest of any Grantor in any Subsidiary (other than a foreign Subsidiary).

“*Commercial Tort Claims*”: as defined in the ILUCC.

“*Copyright License*”: any written agreement, now or hereafter in effect, granting any right to any third party under any Copyright now or hereafter owned by any Grantor or which such Grantor otherwise has the right to license, or granting any right to such Grantor under any Copyright now or hereafter owned by any third party, and all rights of such Grantor under any such agreement.

“*Copyrights*”: all of the following now owned or hereafter acquired by any Grantor: (i) all copyright rights in any work subject to the copyright laws of the United States or any other country, whether as author, assignee, transferee or otherwise, and (ii) all registrations and applications for registration of any such copyright in the United States or any other country, including registrations, recordings, supplemental registrations and pending applications for registration in the United States Copyright Office, including those listed on Schedule 6.

“*Deposit Accounts*”: as defined in the ILUCC.

“*Documents*”: as defined in the ILUCC.

“*Equipment*”: as defined in the ILUCC, and shall include, without limitation, all equipment, furniture and furnishings, and all tangible personal property similar to any of the foregoing, including tools, parts and supplies of every kind and description, and all improvements, accessions or appurtenances thereto, that are now or hereafter owned by any Grantor.

“*Equity Interests*”: with respect to (i) a corporation, the capital stock thereof, (ii) a partnership, any partnership interest therein, including all rights of a partner in such partnership, whether arising under the partnership agreement of such partnership or otherwise, (iii) a limited liability company, any membership interest therein, including all rights of a member of such limited liability company, whether arising under the limited liability company agreement of such limited liability company or otherwise, (iv) any other firm, association, trust, business enterprise or other entity that is similar to any other Person listed in clauses (i), (ii) and (iii), and this clause (iv), of this definition, any equity interest therein or any other interest therein that entitles the holder thereof to share in the net assets, revenue, income, earnings or losses thereof or to vote or otherwise participate in any election of one or more members of the managing body thereof and (v) all warrants and options in respect of any of the foregoing and all other securities that are convertible or exchangeable therefor.

“*General Intangibles*”: as defined in the ILUCC, and shall include, without limitation, all corporate or other business records, indemnification claims, contract rights (including rights under leases, whether entered into as lessor or lessee, interest rate protection agreements and other agreements), Intellectual Property, goodwill, registrations, franchises, tax refund claims, guarantee, claim, security interest or other security held by or granted to any Grantor to secure payment by an Account Debtor of any of the Accounts Receivable or payment by the relevant obligor of any of the Pledged Debt.

“*Instruments*” has the meaning ascribed thereto in the ILUCC.

“*Intellectual Property*”: all intellectual and similar property of any Grantor of every kind and nature now owned or hereafter acquired by any Grantor, including inventions, designs, Patents, Copyrights, Trademarks, Licenses, trade secrets, confidential or proprietary technical and business

information, customer lists, know-how, show-how or other data or information, software and databases and all embodiments or fixations thereof and related documentation, registrations and franchises, and all additions, improvements and accessions to, and books and records describing or used in connection with, any of the foregoing.

“*Inventory*”: as defined in the ILUCC, and shall include, without limitation, all goods of any Grantor, whether now owned or hereafter acquired, held for sale or lease, or furnished or to be furnished by any Grantor under contracts of service, or consumed in any Grantor’s business, including raw materials, intermediates, work in process, packaging materials, finished goods, semi-finished inventory, scrap inventory, manufacturing supplies and spare parts, and all such goods that have been returned to or repossessed by or on behalf of any Grantor.

“*Letter of Credit Rights*”: as defined in the ILUCC.

“*License*”: any Patent License, Trademark License, Copyright License or other license or sublicense to which any Grantor is a party, including those listed on Schedule 6.

“*ILUCC*”: the UCC as in effect from time to time in the State of Illinois.

“*Obligations*”: (i) the due and punctual payment of (x) principal of and premium, if any, and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans or the Reimbursement Obligations, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, and (y) all other monetary obligations, including fees, commissions, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of any Grantor to any Lender under the Credit Agreement and the other Loan Documents, or that are otherwise payable to any Credit Party under the Credit Agreement and the other Loan Documents, (ii) the due and punctual performance of all covenants, agreements, obligations and liabilities of any Grantor under or pursuant to the Credit Agreement and the other Loan Documents and (iii) unless otherwise agreed upon in writing by the Lender, all obligations of any Grantor, monetary or otherwise, under each Hedging Agreement entered into with any Lender (or an Affiliate thereof) as a counterparty.

“*Patent License*”: any written agreement, now or hereafter in effect, granting to any third party any right to make, use or sell any invention on which a Patent, now or hereafter owned by any Grantor or which any Grantor otherwise has the right to license, is in existence, or granting to any Grantor any right to make, use or sell any invention on which a Patent, now or hereafter owned by any third party, is in existence, and all rights of any Grantor under any such agreement.

“*Patents*”: all of the following now owned or hereafter acquired by any Grantor: (i) all letters patent of the United States or any other country, all registrations and recordings thereof, and all applications for letters patent of the United States or any other country, including registrations, recordings and pending applications in the United States Patent and Trademark Office or any similar offices in any other country, including those listed on Schedule 6, and (ii) all reissues, continuations, divisions, continuations-in-part, renewals or extensions thereof, and the inventions disclosed or claimed therein, including the right to make, use or sell the inventions disclosed or claimed therein.

“*Pledged Debt*”: all right, title and interest of any Grantor to the payment of any loan, advance or other debt of every kind and nature (other than Accounts Receivable and General Intangibles), whether due or to become due, whether or not it has been earned by performance, and whether now or

hereafter acquired or arising in the future, other than intercompany debt among the Grantors incurred for cash management purposes in the ordinary course of business. Pledged Debt shall include all indebtedness owed to any Grantor by a qualified retirement plan including, without limitation, an employee stock ownership plan or trust.

“Pledged Equity”: with respect to any Grantor, all right, title and interest of such Grantor in any Equity Interests of any now existing or hereafter acquired or organized Subsidiary, whether now or hereafter acquired or arising in the future.

“Pledged Securities”: the Pledged Debt, the Pledged Equity and all notes, chattel paper, instruments, certificates, files, records, ledger sheets and documents covering, evidencing, representing or relating to any of the foregoing, in each case whether now existing or owned or hereafter arising or acquired.

“Proceeds”: as defined in the ILUCC, and shall include, without limitation, any consideration received from the sale, exchange, license, lease or other disposition of any asset or property that constitutes Collateral, any value received as a consequence of the possession of Collateral and any payment received from any insurer or other person or entity as a result of the destruction, loss, theft, damage or other involuntary conversion of whatever nature of any asset or property that constitutes Collateral, including (i) any claim of any Grantor against any third party for (and the right to sue and recover for and the rights to damages or profits due or accrued arising out of or in connection with) past, present or future infringement or dilution of any Intellectual Property now or hereafter owned by any Grantor, or licensed under any license, (ii) subject to Section 6, all rights and privileges with respect to, and all payments of principal or interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of, in exchange for or upon the conversion of, any of the Pledged Securities and (iii) any and all other amounts from time to time paid or payable under or in connection with the Collateral.

“Secured Parties”: collectively, (i) the Lender, (ii) any participating lenders from time to time, and (iii) the successors and assigns of each of the foregoing.

“Security Interest”: as defined in Section 2(a).

“Supporting Obligations”: as defined in the ILUCC.

“Trademark License”: any written agreement, now or hereafter in effect, granting to any third party any right to use any Trademark now or hereafter owned by any Grantor or which any Grantor otherwise has the right to license, or granting to any Grantor any right to use any Trademark now or hereafter owned by any third party, and all rights of any Grantor under any such agreement.

“Trademarks”: all of the following now owned or hereafter acquired by any Grantor: (i) all trademarks, service marks, trade names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, logos, other source or business identifiers, designs and general intangibles of like nature, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all registration and recording applications filed in connection therewith, including registrations and registration applications in the United States Patent and Trademark Office, any State of the United States or any similar offices in any other country or any political subdivision thereof, and all extensions or renewals thereof, including those listed on Schedule 6, (ii) all goodwill associated therewith or symbolized thereby and (iii) all other assets, rights and interests that uniquely reflect or embody such goodwill.

“UCC”: with respect to any jurisdiction, the Uniform Commercial Code as from time to time in effect in such jurisdiction.

(c) The principles of construction specified in Section 1.03 of the Credit Agreement shall be applicable to this Security Agreement.

Section 2. Grant of Security Interest; No Assumption of Liability

(a) As security for the payment or performance, as applicable, in full of the Obligations, each of the Grantors hereby bargains, sells, conveys, assigns, sets over, pledges, hypothecates and transfers to the Lender (for the ratable benefit of the Secured Parties), and hereby grants to the Lender (for the ratable benefit of the Secured Parties), a security interest in, all of the right, title and interest of such Grantor in, to and under the Collateral (the “*Security Interest*”). Without limiting the foregoing, the Lender is hereby authorized to file from time to time one or more financing statements, continuation statements, recordation filings or other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the Security Interest granted by each of the Grantors, without the signature of any Grantor, and naming any Grantor or the Grantors, as applicable, as debtors and the Lender as secured party.

(b) The Security Interest is granted as security only and shall not subject any Secured Party to, or in any way alter or modify, any obligation or liability of any Grantor with respect to or arising out of the Collateral.

Section 3. Delivery of the Collateral

Each of the Grantors shall promptly deliver or cause to be delivered to the Lender any and all notes, chattel paper, instruments, certificates, files, records, ledger sheets and documents covering, evidencing, representing or relating to any of the Pledged Securities, or any other amount that becomes payable under or in connection with any Collateral, owned or held by or on behalf of such Grantor, in each case accompanied by (i) in the case of any notes, chattel paper, instruments or stock certificates, stock powers duly executed in blank or other instruments of transfer satisfactory to the Lender and such other instruments and documents as the Lender may reasonably request and (ii) in all other cases, proper instruments of assignment duly executed by such Grantor and such other instruments or documents as the Lender may reasonably request. Each Grantor will cause any Pledged Debt owed or owing to such Grantor by any Person to be evidenced by a duly executed promissory note that is pledged and delivered to the Lender pursuant to the terms hereof. Each of the Grantors shall cause each issuer of Pledged Equity that constitutes uncertificated securities to (i) register transfer each item of such Pledged Equities in the name of the Lender and (ii) deliver to the Lender by telecopy a certified copy of the then current register of equity-holders in such issuer, with such transfer and any other pledges of equity duly noted.

Section 4. Representations and Warranties

Each of the Grantors, jointly with the others and severally, represents and warrants to the Secured Parties that:

(a) Such Grantor has good and valid rights in and title to the Collateral and has full power and authority to grant to the Lender for the ratable benefit of the Secured Parties the Security Interest in the Collateral pursuant hereto and to execute, deliver and perform its obligations in accordance with the terms of this Security Agreement, without the consent or approval of any other person other than any consent or approval which has been obtained.

(b) Schedule 1 sets forth (i) the legal name of each of the Grantors, as such name appears in its organizational documents and (ii) the address of the chief executive office of each of the Grantors.

(c) Schedule 2 sets forth (i) the jurisdiction of organization or formation of each of the Grantors, (ii) a list of all other names (including trade names or similar appellations) used by each of the Grantors or any of its divisions or other business units in connection with the conduct of its business or the ownership of its properties at any time during the past five years, (iii) all changes by each of the Grantors to its identity or organizational structure (including, without limitation, mergers, consolidations and acquisitions, and any change in the form, nature or jurisdiction of organization) within the past five years and to the extent of any such changes, Schedule 2 sets forth the information required by clauses (i) of Section 4(b) and clause (i) of this Section 4(c) as to each acquiree or constituent party to a merger or consolidation and (iv) the Federal Taxpayer Identification Number of each of the Grantors and the organizational identification number of each of the Grantors, if any, issued by the jurisdiction of such Grantor's organization or formation.

(d) Schedule 3 sets forth (i) all locations where each of the Grantors maintains any books or records relating to any Accounts Receivable or Pledged Debt (with each location at which chattel paper, if any, is kept being indicated by an "*"), (ii) all other material places of business of each of the Grantors and all other locations where such Grantor maintains any Collateral and (iii) the names and addresses of all persons other than such Grantor that have possession of any of its Collateral.

(e) The Security Interest constitutes: (i) a legal and valid Lien on and security interest in all of the Collateral securing the payment and performance of the Obligations; (ii) subject to (A) filing Uniform Commercial Code financing statements, or other appropriate filings, recordings or registrations containing a description of the Collateral owned or held by or on behalf of such Grantor (including, without limitation, a counterpart or copy of this Security Agreement) in each applicable governmental, municipal or other office and (B) the delivery to the Lender of any instruments or certificated securities included in such Collateral, a perfected security interest in such Collateral to the extent that a security interest may be perfected by filing, recording or registering a financing statement or analogous document, or by the Lender's taking possession, in the United States (or any political subdivision thereof) and its territories and possessions pursuant to the UCC or other applicable law in such jurisdictions; and (iii) subject to the receipt and recording of this Agreement or other appropriate instruments or certificates with the United States Patent and Trademark Office and the United States Copyright Office, as applicable, a security interest that shall be perfected in all Collateral consisting of Intellectual Property in which a security interest may be perfected by a filing or recordation with the United States Patent and Trademark Office or the United States Copyright Office, as applicable.

(f) The Security Interest is and shall be prior to any other Lien on any of the Collateral owned or held by or on behalf of such Grantor other than Permitted Encumbrances. The Collateral owned or held by or on behalf of such Grantor is so owned or held by it free and clear of any Lien, except for Permitted Encumbrances.

(g) With respect to each Account Receivable: (i) no transaction giving rise to such Account Receivable violated or will violate any applicable federal, state or local law, rule or ordinance, the violation of which could reasonably be expected to have a Material Adverse Effect, (ii) each such Account Receivable is not subject to terms prohibiting the assignment thereof or requiring notice or consent to such assignment, except for notices and consents that have been obtained and (iii) each such Account Receivable represents a bona fide transaction which requires no further act on such Grantor's part to make such Account Receivable payable by the account debtor with respect thereto, and, to the Grantor's knowledge, such Account Receivable is not subject to any offsets or deductions and does not

represent any consignment sales, guaranteed sale, sale or return or other similar understanding or any obligation of any Affiliate of such Grantor.

(h) With respect to all Inventory: (i) such Inventory is located on the premises set forth on Schedule 1 hereto or at the locations set forth on Schedule 3 hereto, or is Inventory in transit for sale in the ordinary course of business, (ii) such Inventory was not produced in violation of the Fair Labor Standards Act or subject to the "hot goods" provisions contained in Title 29 U.S.C. §215, (iii) no such Inventory is subject to any Lien other than Permitted Encumbrances, (iv) except as permitted hereby or by the Credit Agreement, no such Inventory is on consignment or is now stored or shall be stored any time after the Effective Date with a bailee, warehouseman or similar Person and (v) such Inventory as been acquired by the Grantors in the ordinary course of business. Notwithstanding anything to the contrary contained in this Agreement, Lender acknowledges and agrees that Borrower may store Inventory from time to time with the third-party warehousemen set forth on Schedule 3 hereto.

(i) Attached hereto as Schedule 4 is a true and correct list of all of the Pledged Equity owned or held by or on behalf of each of the Grantors, in each case setting forth the name of the issuer of such Pledged Equity, the number of any certificate evidencing such Pledged Equity, the registered owner of such Equity Interest, the number and class of such Pledged Equity and the percentage of the issued and outstanding Equity Interests of such class represented by such Pledged Equity. The Pledged Equity has been duly authorized and validly issued and is fully paid and nonassessable, and is free and clear of all Liens other than Liens granted pursuant to this Security Agreement and Permitted Encumbrances.

(j) Attached hereto as Schedule 5 is a true and correct list of (i) all of the Pledged Debt owned by or on behalf of each of the Grantors, in each case setting forth the name of the party from whom such Pledged Debt is owed or owing, the principal amount thereof, the date of incurrence thereof and the maturity date, if any, with respect thereto and (ii) all unpaid intercompany transfers of goods sold and delivered, or services rendered, by or to any Grantor. All Pledged Debt owed or owing to each Grantor will be on and as of the date hereof evidenced by one or more promissory notes pledged to the Lender under the Security Agreement.

(k) Attached hereto as Schedule 6 is a true and correct list of Intellectual Property owned by or on behalf of each of the Grantors, in each case identifying each Copyright, Copyright License, Patent, Patent License, Trademark and Trademark License in sufficient detail and setting forth with respect to each such Copyright, Copyright License, Patent, Patent License, Trademark and Trademark License, the registration number, the date of registration, the jurisdiction of registration and the date of expiration thereof.

Section 5. Covenants

(a) Each of the Grantors shall provide the Lender with not less than fifteen (15) Business Days prior written notice of any change (i) in its legal name, (ii) in its jurisdiction of organization or formation, (iii) in the location of its chief executive office or principal place of business, (iv) in its identity or legal or organizational structure or (v) in its organization identification number or its Federal Taxpayer Identification Number. No Grantor shall effect or permit any change referred to in the preceding sentence unless all filings have been made under the UCC or otherwise that are required in order for the Lender to continue at all times following such change to have a valid, legal and perfected first priority security interest in all the Collateral (subject only to Liens expressly permitted to be prior to the Security Interest pursuant to the Loan Documents). Each Grantor shall promptly notify the Lender if any material portion of the Collateral owned or held by or on behalf of such Grantor is damaged or destroyed.

(b) Each of the Grantors shall maintain, at its own cost and expense, such complete and accurate records with respect to the Collateral owned or held by it or on its behalf as is consistent with its current practices and in accordance with such prudent and standard practices used in industries that are the same as or similar to those in which it is engaged, but in any event to include complete accounting records indicating all payments and proceeds received with respect to any part of such Collateral, and, at such time or times as the Lender may reasonably request, promptly to prepare and deliver to the Lender copies of such records a duly certified by an officer of such Grantor.

(c) Each year, at the time of delivery of annual financial statements with respect to the preceding fiscal year pursuant to Section 6.01(a) of the Credit Agreement, the Borrower shall deliver to the Lender a certificate executed by an Authorized Signatory of the Borrower, (i) setting forth the information contained on Schedules 1, 2, 4, 5 and 6 or confirming that there has been no change in such information since the date of this Security Agreement or the date of the most recent certificate delivered pursuant to this paragraph and (ii) certifying that the Borrower and the Guarantors are in compliance with all of the terms of this Security Agreement.

(d) Each of the Grantors shall, at its own cost and expense, take any and all actions reasonably necessary to defend title to the Collateral owned or held by it or on its behalf against all persons and to defend the Security Interest of the Lender in such Collateral and the priority thereof against any Lien not expressly permitted pursuant to the Loan Documents.

(e) Each of the Grantors shall, at its own expense, execute, acknowledge, deliver and cause to be duly filed all such further instruments and documents and take all such actions as the Lender may from time to time reasonably request to preserve, protect and perfect the Security Interest granted by it and the rights and remedies created hereby, including the payment of any fees and taxes required in connection with its execution and delivery of this Security Agreement, the granting by it of the Security Interest and the filing of any financing statements or other documents in connection herewith or therewith.

(f) The Lender and such persons as the Lender may reasonably designate shall have the right upon reasonable prior notice, at reasonable times and during normal business hours, to inspect all of Grantor's records (and to make extracts and copies from such records), to discuss its affairs with its officers and independent accountants and to verify under reasonable procedures the validity, amount, quality, quantity, value, condition and status of, or any other matter relating to, the Collateral owned or held by it or on its behalf, including, in the case of Accounts, Pledged Debt or Collateral in the possession of any third person, by contacting Account Debtors, obligors or the third person possessing such Collateral for the purpose of making such a verification. *Provided* that no Event of Default shall exist, all inspections described in this Section 5(f) shall be at the Lender's sole cost and expense. If an Event of Default shall then exist, all inspections described in this Section 5(f) shall be at the Grantor's sole cost and expense.

(g) Each of the Grantors shall remain liable to observe and perform all the conditions and obligations to be observed and performed by it under each contract, agreement or instrument relating to the Collateral, all in accordance with the terms and conditions thereof, and such Grantor shall, jointly with the others and severally, indemnify and hold harmless the Secured Parties from and against any and all liability for such performance.

(h) None of the Grantors shall make or permit to be made an assignment, pledge or hypothecation of the Collateral owned or held by it or on its behalf, or shall grant any other Lien in respect of such Collateral, except as expressly permitted by the Loan Documents. Except for the Security

Interest, no Grantor shall make or permit to be made any transfer of such Collateral, and each Grantor shall remain at all times in possession of such Collateral and shall remain the direct owner, beneficially and of record, of the Pledged Equity included in such Collateral, except that prior to the occurrence and during the continuance of an Event of Default, the Grantors may use and dispose of the Collateral in any lawful manner not inconsistent with the provisions of this Security Agreement, the Credit Agreement or any other Loan Document. Without limiting the generality of the foregoing, if required by the Lender pursuant to a written request, each Grantor shall not permit any Inventory to be in the possession or control of any warehouseman, bailee, agent or processor at any time unless such warehouseman, bailee, agent or processor shall have been notified of the Security Interest and shall have agreed in writing to hold such Inventory subject to the Security Interest and the instructions of the Lender and to waive and release any Lien held by it with respect to such Inventory, whether arising by operation of law or otherwise.

(i) None of the Grantors will, without the Lender's prior written consent, grant any extension of the time of payment of any Accounts Receivable or any of the Pledged Debt, compromise, compound or settle the same for less than the full amount thereof or allow any credit or discount whatsoever thereon, other than extensions, credits, discounts, compromises or settlements granted or made in the ordinary course of business and consistent with its current practices and in accordance with such prudent and standard practices used in industries that are the same as or similar to those which the Grantors are engaged.

(j) The Grantors, at their own expense, shall maintain or cause to be maintained insurance covering physical loss or damage to the Inventory and Equipment in accordance with Section 6.10 of the Credit Agreement, which insurance shall be against all risks. The Grantors shall not modify any such insurance or reduce amounts payable thereunder without the consent of the Lender. All policies covering such insurance (i) shall contain a standard loss payable clause and shall name the Lender for the ratable benefit of the Secured Parties as sole loss payee in respect of each claim relating to the Collateral and resulting in a payment thereunder and (ii) shall be indorsed to provide, in respect of the interests of the Lender, that (A) the Lender shall be an additional insured, (B) thirty (30) days' prior written notice of any cancellation thereof shall be given to the Lender and (C) in the event that any Grantor at any time or times shall fail to pay any premium in whole or part relating thereto, the Lender may, in its sole discretion, pay such premium. Each Grantor irrevocably makes, constitutes and appoints the Lender (and all officers, employees or agents designated by the Lender) as such Grantor's true and lawful agent (and attorney-in-fact) for the purpose, during the continuance of an Event of Default, of making, settling and adjusting claims in respect of Collateral under policies of insurance, endorsing the name of such Grantor on any check, draft, instrument or other item of payment for the proceeds of such policies of insurance and for making all determinations and decisions with respect thereto. In the event that any Grantor at any time or times shall fail to obtain or maintain any of the policies of insurance required hereby or to pay any premium in whole or part relating thereto, the Lender may, without waiving or releasing any obligation or liability of the Grantors hereunder or any Event of Default, in its sole discretion, obtain and maintain such policies of insurance and pay such premium and take any other actions with respect thereto as the Lender deems advisable. All sums disbursed by the Lender in connection with this paragraph, including reasonable attorneys' fees, court costs, expenses and other charges relating thereto, shall be payable, upon demand, by the Grantors to the Lender and shall be additional Obligations secured hereby.

(k) Each Grantor shall legend its Accounts Receivable, its Pledged Debt, its Pledged Equity constituting uncertificated securities and its books, records and documents evidencing or pertaining thereto with an appropriate reference to the fact that such Accounts Receivable, Pledged Debt and Pledged Equity have been assigned to the Lender for the ratable benefit of the Secured Parties and that the Lender has a security interest therein for the ratable benefit of the Secured Parties.

(l) Each Grantor shall: (i) not (and shall cause each of its licensees not to) do any act, or omit to do any act, whereby any Patent that is material to the conduct of such Grantor's business may become invalidated or dedicated to the public; (ii) (and shall cause each of its licensees to) continue to mark any products covered by a Patent with the relevant patent number as necessary and sufficient to establish and preserve its maximum rights under applicable patent laws; (iii) for each Trademark material to the conduct of such Grantor's business, (A) maintain (and shall cause each of its licensees to maintain) such Trademark in full force free from any claim of abandonment or invalidity for non-use, (B) maintain (and shall cause each of its licensees to maintain) the quality of products and services offered under such Trademark, (C) display (and shall cause each of its licensees to display) such Trademark with notice of federal or foreign registration to the extent necessary and sufficient to establish and preserve its rights under applicable law and (D) not knowingly use or knowingly permit the use of such Trademark in violation of any third party valid and legal rights; (iv) for each work covered by a Copyright material to the conduct of such Grantor's business, continue to publish, reproduce, display, adopt and distribute the work with appropriate copyright notice as necessary and sufficient to establish and preserve its maximum rights under applicable copyright laws; (v) notify the Lender promptly if it knows or has reason to know that any Intellectual Property material to the conduct of its business may become abandoned, lost or dedicated to the public, or of any adverse determination or development (including the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, United States Copyright Office or any court or similar office of any country) regarding such Grantor's ownership of any Intellectual Property, its right to register the same, or to keep and maintain the same; (vi) promptly inform the Lender in the event that it shall, either itself or through any agent, employee, licensee or designee, file an application for any Intellectual Property (or for the registration of any Trademark or copyright) with the United States Patent and Trademark Office, United States Copyright Office or any office or agency in any political subdivision of the United States or in any other country or any political subdivision thereof, and, upon request of the Required Lenders, execute and deliver any and all agreements, instruments, documents and papers as the Lender may request to evidence the Lender's security interest in such Patent, Trademark or Copyright, and each Grantor hereby appoints the Lender as its attorney-in-fact to execute and file upon the occurrence and during the continuance of an Event of Default such writings for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed; such power, being coupled with an interest, is irrevocable; and (vii) take all necessary steps that are consistent with the practice in any proceeding before the United States Patent and Trademark Office, United States Copyright Office or any office or agency in any political subdivision of the United States or in any other country or any political subdivision thereof, to maintain and pursue each material application relating to the Patents, Trademarks or Copyrights (and to obtain the relevant grant or registration) and to maintain each issued Patent and each registration of the Trademarks and Copyrights that is material to the conduct of such Grantor's business, including timely filings of applications for renewal, affidavits of use, affidavits of incontestability and payment of maintenance fees, and, if consistent with good business judgment, to initiate opposition, interference and cancellation proceedings against third parties. In the event that any Grantor has reason to believe that any Collateral consisting of a Patent, Trademark or Copyright material to the conduct of any Grantor's business has been or is about to be infringed, misappropriated or diluted by a third party, such Grantor promptly shall notify the Lender and shall, if consistent with good business judgment, promptly sue for infringement, misappropriation or dilution and to recover any and all damages for such infringement, misappropriation or dilution, and take such other actions as are appropriate under the circumstances to protect such Collateral. Upon and during the continuance of an Event of Default, each Grantor shall use its best efforts to obtain all requisite consents or approvals by the licensee of each Copyright License, Patent License or Trademark License to effect the assignment of all of such Grantor's right, title and interest thereunder to the Lender or its designee.

Section 6. Certain Rights as to the Collateral; Attorney-In-Fact

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

(i) Each Grantor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Collateral or any part thereof for any purpose not inconsistent with the terms of this Security Agreement and the other Loan Documents, *provided* that such Grantor shall not exercise or refrain from exercising any such right without the prior written consent of the Lender if such action or inaction would have a Material Adverse Effect on the value of the Collateral, or any part thereof, or the validity, priority or perfection of the security interests granted hereby or the remedies of the Secured Parties hereunder.

(ii) Each Grantor shall be entitled to receive and retain any and all dividends, principal, interest and other distributions paid in respect of the Collateral to the extent not prohibited by this Security Agreement or the other Loan Documents, *provided* that any and all (A) dividends, principal, interest and other distributions paid or payable other than in cash in respect of, and instruments (other than checks in payment of cash dividends) and other Property received, receivable or otherwise distributed in respect of, or in exchange for, Collateral, (B) dividends and other distributions paid or payable in cash in respect of any Collateral in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in-surplus, and (C) cash paid, payable or otherwise distributed in redemption of, or in exchange for, any Collateral, shall be, and shall forthwith be delivered to the Lender to be held as, Collateral and shall, if received by such Grantor, be received in trust for the benefit of the Lender, be segregated from the other Property of such Grantor, and be forthwith delivered to the Lender as Collateral in the same form as so received (with any necessary indorsement or assignment).

(iii) The Lender shall execute and deliver (or cause to be executed and delivered) to the Grantors, at the Grantors' expense) all such proxies and other instruments as the Grantors may reasonably request for the purpose of enabling the Grantors to exercise the voting and other rights which it is entitled to exercise pursuant to clause (i) above and to receive the dividends, principal or interest payments, or other distributions which it is authorized to receive and retain pursuant to clause (ii) above.

(b) Upon the occurrence and during the continuance of an Event of Default:

(i) All rights of each Grantor to (A) exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to Section 6(a)(i) shall, upon notice to such Grantor by the Lender, cease and (B) receive the dividends, principal and interest payments and other distributions which it would otherwise be authorized to receive and retain pursuant to Section 6(a)(ii) shall automatically cease, and all such rights shall thereupon become vested in the Lender, which shall thereupon have the right, but not the obligation, to exercise such voting and other consensual rights and to receive and hold as Collateral such dividends, principal or interest payments and distributions.

(ii) All dividends, principal and interest payments and other distributions which are received by any Grantor contrary to the provisions of Section 6(b)(i) shall be received in trust for the benefit of the Lender, shall be segregated from other funds of such Grantor and shall be forthwith paid over to the Lender as Collateral in the same form as so received (with any necessary indorsement).

(c) In the event that all or any part of the securities or instruments constituting the Collateral are lost, destroyed or wrongfully taken while such securities or instruments are in the possession of the Lender, at the reasonable cost and expense of Lender, the Grantors shall cause the delivery of new securities or instruments in place of the lost, destroyed or wrongfully taken securities or instruments upon request therefor by the Lender without the necessity of any indemnity bond or other security other than the Secured Parties' agreement or indemnity therefor customary for security agreements similar to this Security Agreement.

(d) Each Grantor hereby irrevocably appoints the Lender such Grantor's attorney-in-fact, with full authority in the place and stead of such Grantor and in the name of such Grantor or otherwise, from time to time at any time when an Event of Default exists, in the Lender's discretion, to take any action and to execute any instrument which the Lender may deem necessary or advisable to accomplish the purposes of this Security Agreement, including, without limitation:

(i) to ask for, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral, and to receive, indorse, and collect any drafts or other chattel paper, instruments and documents in connection therewith,

(ii) to file any claims or take any action or institute any proceedings which the Lender may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of the Lender or any of the other Secured Parties with respect to any of the Collateral, and

(iii) to receive, indorse and collect all instruments made payable to such Grantor representing any dividend, principal payment, interest payment or other distribution in respect of the Collateral or any part thereof and to give full discharge for the same. The powers granted to the Lender under this Section constitute a power coupled with an interest which shall be irrevocable by such Grantor and shall survive until all of the Obligations have been indefeasibly paid in full in cash.

(e) If any Grantor fails to perform any agreement contained herein, the Lender may itself perform, or cause performance of, such agreement, and the reasonable expenses of the Lender incurred in connection therewith shall be payable by the Grantors under Section 9.

(f) The powers conferred on the Lender hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Lender shall have no duty as to any Collateral. The Lender shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which the Lender accords its own property.

Section 7. Remedies upon Default

(a) Upon the occurrence and during the continuance of an Event of Default, each of the Grantors shall deliver each item of Collateral to the Lender on demand, and the Lender shall have in any jurisdiction in which enforcement hereof is sought, in addition to any other rights and remedies, the rights and remedies of a secured party under the ILUCC or the UCC of any jurisdiction in which the Collateral is located, including, without limitation, the right, with or without legal process (to the extent permitted by law) and with or without prior notice or demand for performance, to take possession of the Collateral and without liability for trespass (to the extent permitted by law) to enter any premises where the

Collateral may be located for the purpose of taking possession of or removing the Collateral (and for that purpose the Lender may, so far as the Grantors can give authority therefor, enter upon any premises on which the Collateral may be situated and remove the Collateral therefrom) and, generally, to exercise any and all rights afforded to a secured party under the UCC or other applicable law. Without limiting the generality of the foregoing, each of the Grantors agrees that the Lender shall have the right, subject to the mandatory requirements of applicable law, to sell or otherwise dispose of all or any part of the Collateral, at public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery as the Lender shall deem appropriate. Each such purchaser at any such sale shall hold the property sold absolutely, free from any claim or right on the part of any Grantor, and each of the Grantors hereby waives (to the extent permitted by law) all rights of redemption, stay, valuation and appraisal which such Grantor or now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted.

(b) Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Lender shall give to the Borrower at least ten days prior written notice of the time and place of any public sale of Collateral or of the time after which any private sale or any other intended disposition is to be made. Each Grantor hereby acknowledges that ten days prior written notice of such sale or sales shall be reasonable notice. Each Grantor hereby waives any and all rights that it may have to a judicial hearing in advance of the enforcement of any of the Secured Parties' rights hereunder, including, without limitation, the right of the Lender following an Event of Default to take immediate possession of the Collateral and to exercise the Secured Parties' rights with respect thereto.

(c) Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Lender may fix and state in the notice (if any) of such sale. At any such sale, the Collateral, or portion thereof, to be sold may be sold in one lot as an entirety or in separate parcels, as the Lender may (in its sole and absolute discretion) determine. The Lender shall not be obligated to make any sale of any Collateral if it shall determine not to do so, regardless of the fact that notice of sale of such Collateral shall have been given. The Lender may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case any sale of all or any part of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Lender until the sale price is paid by the purchaser or purchasers thereof, but the Secured Parties shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may be sold again upon like notice. At any public (or, to the extent permitted by applicable law, private) sale made pursuant to this Section, any Secured Party may bid for or purchase, free from any right of redemption, stay, valuation or appraisal on the part of any Grantor (all said rights being also hereby waived and released), the Collateral or any part thereof offered for sale and may make payment on account thereof by using any claim then due and payable to such Secured Party from any Grantor as a credit against the purchase price, and such Secured Party may, upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to any Grantor therefor. For purposes hereof, (i) a written agreement to purchase the Collateral or any portion thereof shall be treated as a sale thereof, (ii) such Secured Party shall be free to carry out such sale pursuant to such agreement and (iii) none of the Grantors shall be entitled to the return of the Collateral or any portion thereof subject thereto, notwithstanding the fact that after such Secured Party shall have entered into such an agreement all Events of Default shall have been remedied and the Obligations paid in full. As an alternative to exercising the power of sale herein conferred upon it, the Secured Parties may proceed by a suit or suits at law or in equity to foreclose upon the Collateral and to sell the Collateral or any portion thereof pursuant to a judgment or decree of a court or courts having competent jurisdiction or pursuant to a proceeding by a court-appointed receiver.

(d) Any sale pursuant to the provisions of this Section 7 shall be deemed to conform to commercially reasonable standards as provided in Section 9-610 of the ILUCC or the UCC of any other jurisdiction in which Collateral is located or any other requirement of applicable law. Without limiting the foregoing, each Grantor agrees and acknowledges that, to the extent that applicable law imposes duties on the Lender and the other Secured Parties to exercise remedies in a commercially reasonable manner, it shall be commercially reasonable for the Secured Parties to do any or all of the following: (i) fail to incur expenses deemed significant by the Secured Parties to prepare Collateral for disposition or otherwise to complete raw materials or work in process into finished goods or other finished products for disposition; (ii) fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (iii) fail to exercise collection remedies against Account Debtors or other persons obligated on Collateral or to remove Liens on any Collateral, (iv) exercise collection remedies against Account Debtors and other persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (v) advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (vi) contact other Persons, whether or not in the same business as the Grantors, for expressions of interest in acquiring all or any portion of the Collateral, (vii) hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the Collateral is of a specialized nature, (viii) dispose of Collateral utilizing Internet sites that provide for the auction of assets of the types included in the Collateral or that have reasonable capability of doing so, or that match buyers and sellers of assets, (ix) disclaim dispositions of warranties, (x) purchase (or fail to purchase) insurance or credit enhancements to insure the Secured Parties against risk of loss, collection or disposition of Collateral or to provide to the Secured Parties a guaranteed return from the collection or disposition of Collateral, or (xi) to the extent deemed appropriate by the Lender, obtain the services of other brokers, investment bankers, consultants and other professionals to assist the Lender in the collection or disposition of any of the Collateral. Nothing in this Section 7 shall be construed to grant any rights to the Grantors or to impose any duties on the Secured Parties that would not have been granted or imposed by this Security Agreement or applicable law in the absence of this Section 7 and the parties hereto acknowledge that the purpose of this Section 7 is to provide non-exhaustive indications of what actions or omissions by the Lender and the other Secured Parties would be deemed commercially reasonable in the exercise by the Secured Parties of remedies against the Collateral and that other actions or omissions by the Lender or any other Secured Party shall not be deemed commercially unreasonable solely on account of not being set forth in this Section 7.

(e) For the purpose of enabling the Lender to exercise rights and remedies under this Section, each Grantor hereby grants to the Lender an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to the Grantors) to use, license or sub-license any of the Collateral consisting of Intellectual Property now owned or hereafter acquired by such Grantor, and wherever the same may be located, and including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof. The use of such license by the Lender shall be exercised, at the option of the Lender, upon the occurrence and during the continuation of an Event of Default; *provided* that any license, sub-license or other transaction entered into by the Lender in accordance herewith shall be binding upon the Grantors notwithstanding any subsequent cure of an Event of Default. Any royalties and other payments received by the Lender shall be applied in accordance with Section 8.

Section 8. Application of Proceeds of Sale

The Lender shall apply the proceeds of any collection or sale of the Collateral, as well as any Collateral consisting of cash, *first*, to the payment of all costs and expenses incurred by the Secured Parties in connection with such collection or sale or otherwise in connection with this Security

Agreement, any other Loan Document or any of the Obligations, including all court costs and the reasonable fees and expenses of their respective agents and legal counsel, the repayment of all advances made by the Secured Parties hereunder or under any other Loan Document on behalf of any Grantor and any other costs or expenses incurred in connection with the exercise of any right or remedy hereunder or under any other Loan Document, *second*, to the payment in full of the Obligations, and *third*, to the Grantors, their respective successors or assigns, or as a court of competent jurisdiction may otherwise direct. The Secured Parties shall have absolute discretion as to the time of application of any such proceeds, moneys or balances in accordance with this Security Agreement. Upon any sale of the Collateral by the Lender (including pursuant to a power of sale granted by statute or under a judicial proceeding), the receipt of the purchase money by the Lender or of the officer making the sale shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Lender or such officer or be answerable in any way for the misapplication thereof.

Section 9. Reimbursement of the Secured Parties

(a) Each of the Grantors shall, jointly with the other Grantors and severally, pay upon demand to the Lender the amount of any and all reasonable expenses, including the reasonable fees, other charges and disbursements of counsel and of any experts or agents, that any Secured Party may incur in connection with (i) the administration of this Security Agreement relating to such Grantor or any of its property, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral owned or held by or on behalf of such Grantor, (iii) the exercise, enforcement or protection of any of the rights of the Secured Parties hereunder relating to such Grantor or any of its property or (iv) the failure by such Grantor to perform or observe any of the provisions hereof.

(b) Without limitation of its indemnification obligations under the other Loan Documents, each of the Grantors shall, jointly with the other Grantors and severally, indemnify each Secured Party and its directors, officers, employees, advisors, agents, successors and assigns (each an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including reasonable counsel fees, other charges and disbursements, incurred by or asserted against any Indemnitee arising out of, in any way connected with, or as a result of (i) the execution or delivery by such Grantor of this Security Agreement or any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by such Grantor of its obligations under the Loan Documents and the other transactions contemplated thereby or (ii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto, *provided* that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee.

(c) Any amounts payable as provided hereunder shall be additional Obligations secured hereby and by the other Security Documents. The provisions of this Section shall remain operative and in full force and effect regardless of the termination of this Security Agreement or any other Loan Document, the consummation of the transactions contemplated hereby, the repayment of any of the Obligations, the invalidity or unenforceability of any term or provision of this Security Agreement or any other Loan Document or any investigation made by or on behalf of the Lender. All amounts due under this Section shall be payable on written demand therefor and shall bear interest at the rate specified in Section 3.01(c) of the Credit Agreement.

Section 10. Waivers; Amendment

(a) No failure or delay of the Secured Parties in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Secured Parties hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Security Agreement or any other Loan Document or consent to any departure by any Grantor therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on any Grantor in any case shall entitle such Grantor to any other or further notice or demand in similar or other circumstances.

(b) Neither this Security Agreement nor any provision hereof may be waived, amended or modified except pursuant to a written agreement entered into by, between or among the Lender and the other parties hereto with respect to which such waiver, amendment or modification is to apply.

Section 11. Securities Laws; Registration Rights

(a) In view of the position of the Grantors in relation to the Pledged Securities, or because of other current or future circumstances, a question may arise under the Securities Act of 1933, as now or hereafter in effect, or any similar statute hereafter enacted analogous in purpose or effect (such Act and any such similar statute as from time to time in effect being called the "*Federal securities laws*") with respect to any disposition of the Pledged Securities permitted hereunder. Each of the Grantors understands that compliance with the Federal securities laws might very strictly limit the course of conduct of the Secured Parties if the Secured Parties were to attempt to dispose of all or any part of the Pledged Securities, and might also limit the extent to which or the manner in which any subsequent transferee of any Pledged Securities could dispose of the same. Similarly, there may be other legal restrictions or limitations affecting the Secured Parties in any attempt to dispose of all or part of the Pledged Securities under applicable Blue Sky or other state securities laws or similar laws analogous in purpose or effect. Each of the Grantors recognizes that in light of such restrictions and limitations, the Lender may, with respect to any sale of the Pledged Securities, limit the purchasers to those who will agree, among other things, to acquire such Pledged Securities for their own account, for investment, and not with a view to the distribution or resale thereof. Each of the Grantors acknowledges and agrees that in light of such restrictions and limitations, the Lender, in its sole and absolute discretion, (i) may proceed to make such a sale whether or not a registration statement for the purpose of registering such Pledged Securities, or any part thereof, shall have been filed under the Federal securities laws and (ii) may approach and negotiate with a single potential purchaser to effect such sale. Each of the Grantors acknowledges and agrees that any such sale might result in prices and other terms less favorable to the seller than if such sale were a public sale without such restrictions. In the event of any such sale, the Lender shall incur no responsibility or liability for selling all or any part of the Pledged Securities at a price that the Lender, in its sole and absolute discretion, may in good faith deem reasonable under the circumstances, notwithstanding the possibility that a substantially higher price might have been realized if the sale were deferred until after registration as aforesaid or if more than a single purchaser were approached. The provisions of this Section will apply notwithstanding the existence of a public or private market upon which the quotations or sales prices may exceed substantially the price at which the Lender sells.

(b) Each of the Grantors agrees that, upon the occurrence and during the continuance of an Event of Default, if for any reason the Lender desires to sell any of the Pledged Securities owned or

held by or on behalf of such Grantor at a public sale, it will, at any time and from time to time, upon the written request of the Lender, use its best efforts to take or to cause the issuer of such Pledged Securities to take such action and prepare, distribute or file such documents, as are required or advisable in the reasonable opinion of counsel for the Lender to permit the public sale of such Pledged Securities. Each of the Grantors further agrees, jointly with the other Grantors and severally, to indemnify, defend and hold harmless the Lender, the other Secured Parties, any underwriter and their respective officers, directors, affiliates and controlling persons from and against all loss, liability, expenses, costs of counsel (including reasonable fees and expenses of legal counsel), and claims (including the costs of investigation) that they may incur, insofar as such loss, liability, expense or claim, as applicable, relates to such Grantor or any of its property, and arises out of or is based upon any alleged untrue statement of a material fact contained in any prospectus (or any amendment or supplement thereto) or in any notification or offering circular, or arises out of or is based upon any alleged omission to state a material fact required to be stated therein or necessary to make the statements in any thereof not misleading, except insofar as the same may have been caused by any untrue statement or omission based upon information furnished in writing to such Grantor or the issuer of such Pledged Securities, as applicable, by the Lender expressly for use therein. Each of the Grantors further agrees, upon such written request referred to above, to use its best efforts to qualify, file or register, or cause the issuer of such Pledged Securities to qualify, file or register, any of the Pledged Securities owned or held by or on behalf of such Grantor under the Blue Sky or other securities laws of such states as may be requested by the Lender and keep effective, or cause to be kept effective, all such qualifications, filings or registrations. Each of the Grantors will bear all costs and expenses of carrying out its obligations under this Section. Each of the Grantors acknowledges that there is no adequate remedy at law for failure by it to comply with the provisions of this Section and that such failure would not be adequately compensable in damages, and therefore agrees that its agreements contained in this Section may be specifically enforced.

Section 12. Security Interest Absolute

All rights of the Lender hereunder, the Security Interest and all obligations of each of the Grantors hereunder shall be absolute and unconditional irrespective of (a) any lack of validity or enforceability of the Credit Agreement, any other Loan Document, any agreement with respect to any of the Obligations or any other agreement or instrument relating to any of the foregoing, (b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Credit Agreement, any other Loan Document or any other agreement or instrument relating to any of the foregoing, (c) any exchange, release or non-perfection of any Lien on any other collateral, or any release or amendment or waiver of, or consent under, or departure from, any guaranty, securing or guaranteeing all or any of the Obligations or (d) any other circumstance that might otherwise constitute a defense available to, or a discharge of, any Grantor in respect of the Obligations or in respect of this Security Agreement or any other Loan Document other than the indefeasible payment of the Obligations in full in cash.

Section 13. Notices

All communications and notices hereunder shall be in writing and given as provided in Section 10.01 of the Credit Agreement. All communications and notices hereunder to the Borrower shall be given to it at the address for notices set forth in such Section, and all communications and notices hereunder to any other Grantor shall be given to it at the address for notices set forth on Schedule 1.

Section 14. Binding Effect; Several Agreement; Assignments

Whenever in this Security Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises

and agreements by or on behalf of any Grantor that are contained in this Security Agreement shall bind and inure to the benefit of each party hereto and its successors and assigns. This Security Agreement shall become effective as to any Grantor when a counterpart hereof executed on behalf of such Grantor shall have been delivered to the Lender and a counterpart hereof shall have been executed on behalf of the Lender, and thereafter shall be binding upon such Grantor, the Lender and their respective successors and assigns, and shall inure to the benefit of such Grantor, the Lender and their respective successors and assigns, except that none of the Grantors shall have the right to assign its rights or obligations hereunder or any interest herein or in the Collateral (and any such attempted assignment shall be void), except as expressly contemplated by this Security Agreement or the other Loan Documents. This Security Agreement shall be construed as a separate agreement with respect to each of the Grantors and may be amended, modified, supplemented, waived or released with respect to any Grantor without the approval of any other Grantor and without affecting the obligations of any other Grantor hereunder.

Section 15. Survival of Agreement; Severability

(a) All covenants, agreements, representations and warranties made by the Grantors herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Security Agreement or any other Loan Document shall be considered to have been relied upon by the Secured Parties and shall survive the execution and delivery of any Loan Documents and the making of any Loan or other extension of credit, regardless of any investigation made by the Secured Parties or on their behalf and notwithstanding that any Secured Party may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended under the Credit Agreement, and shall continue in full force and effect until this Security Agreement shall terminate.

(b) In the event any one or more of the provisions contained in this Security Agreement or any other Loan Document should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein or therein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Section 16. GOVERNING LAW

THIS SECURITY AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF ILLINOIS.

Section 17. Counterparts

This Security Agreement may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute but one contract (subject to Section 14), and shall become effective as provided in Section 14. Delivery of an executed counterpart of this Security Agreement by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Security Agreement.

Section 18. Headings

Section headings used herein are for convenience of reference only, are not part of this Security Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Security Agreement.

Section 19. Jurisdiction; Consent to Service of Process

(a) Each party hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any Illinois State court or federal court of the United States of America sitting in Elk Grove Village, Illinois, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Security Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that, to the extent permitted by applicable law, all claims in respect of any such action or proceeding may be heard and determined in such Illinois State or, to the extent permitted by applicable law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Security Agreement shall affect any right that any party hereto may otherwise have to bring any action or proceeding relating to this Security Agreement or the other Loan Documents in the courts of any jurisdiction.

(b) Each of the parties hereto hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Security Agreement or the other Loan Documents in any court referred to in paragraph (a) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Security Agreement irrevocably consents to service of process in the manner provided for notices in Section 13. Nothing in this Security Agreement will affect the right of any party to this Security Agreement to serve process in any other manner permitted by law.

Section 20. WAIVER OF JURY TRIAL

EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS SECURITY AGREEMENT. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS SECURITY AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 21. Additional Grantors

Upon execution and delivery after the date hereof by the Lender and a Subsidiary of an instrument in the form of Annex 1, such Subsidiary shall become a Grantor hereunder with the same force and effect as if originally named as a Grantor herein. The execution and delivery of any such instrument shall not require the consent of any Grantor hereunder. The rights and obligations of each of the Grantors hereunder shall remain in full force and effect notwithstanding the addition of any new Grantor as a party to this Security Agreement.

[Remainder of page intentionally left blank.]

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

KINDERMUSIK INTERNATIONAL, INC.

By: *Michael G. Dougherty*
Name: Michael G. Dougherty
Title: President

[CORPORATE SEAL]

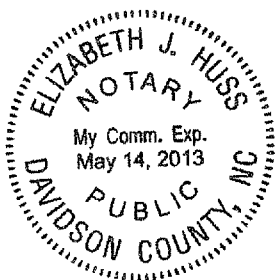
STATE OF NC)
COUNTY OF Davidson) ss.:

On the 21st day of May in the year 2008 before me, the undersigned, personally appeared Michael G. Dougherty, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Elizabeth J. Huss
Notary Public

My Commission Expires:

5/14/2013



[Signature Page to Security Agreement]
[Signatures Continue on Following Page]

Accepted this 21st day of May, 2008
in Elk Grove Village, Illinois:

FIRST AMERICAN BANK, as Lender

By: 

Name: David A. Blum

Title: Vice President

[Signature Page to Security Agreement]

SCHEDULE 1
TO
SECURITY AGREEMENT

Grantors

Grantor

Kindermusik International, Inc.

Address for Notices

203 South Church Street
Greensboro, North Carolina 27401
Attention: Michael Dougherty, President
Telephone: 336-273-3363
Telecopy: 336-273-4143

**SCHEDULE 2
TO
SECURITY AGREEMENT**

Organization: Names; Identification

Grantor	Jurisdiction of Organization or Formation	Other Legal Name	Changes in Organizational Structure	Trade Names	Federal Tax Identification Number	Organizational Number
Kindermusik International, Inc.	North Carolina	Kindermusik KIDesign The Process Recording Studio Do-Re-Me & You! ABC Music and Me	None	Kindermusik	56-1851876	0334599

**SCHEDULE 3
TO
SECURITY AGREEMENT**

Current Locations

A. All locations where it maintains any books or records relating to any Accounts Receivable or Pledged Debt (with each location at which chattel paper, if any, is kept being indicated by an “*”):

Grantor	Mailing Address	County	State
Kindermusik International, Inc	203 S Church St Greensboro NC, 27401	Guilford	North Carolina

B. All the material places of its business (other than chief executive office) not identified in paragraph A. above:

Grantor	Mailing Address	County	State
KIDesign	990 Grove St Evanston, IL 60201	Cook	Illinois
The Process Recording Studio	3404E West Wendover Ave Greensboro, NC 27407	Guilford	North Carolina

C. All the locations where it maintains any Collateral not identified above:

Grantor	Mailing Address	County	State
Mullins Warehouse Group	6205 Corporate Park Dr Browns Summit, NC 27214	Guilford	North Carolina
Kissick Logistics	2-180 Sheldon Dr Cambridge, Ontario N1R 6V1	Ontario	CANADA

D. The names and addresses of all persons other than such Grantor that have possession of any of its Collateral and not identified above:

None.

SCHEDULE 4
TO
SECURITY AGREEMENT

Pledged Equity

None.

**SCHEDULE 5
TO
SECURITY AGREEMENT**

Pledged Debt

Issuer	Payee	Original Principal Amount	Current Principal Amount as of March 31, 2008	Date of Incurrence	Maturity Date
Kindermusik International Employee Stock Ownership Plan Trust	Kindermusik International Inc	\$5,742,053.07	\$3,478,484.21	March 27, 2002	March 31 2022
Kindermusik International Employee Stock Ownership Plan Trust	Kindermusik International Inc	\$5,278,000.00	\$3,197,256.48	March 27, 2002	March 31 2022

**SCHEDULE 6
TO
SECURITY AGREEMENT**

Intellectual Property

I. COPYRIGHTS AND COPYRIGHT LICENSES

Borrower claims copyright in its various books, CDs, DVDs, and other printed and recorded instructional, educational and teaching materials. None of these copyrights have been registered with the United States Copyright Office.

II. PATENTS AND PATENT LICENSES

None

III. TRADEMARKS AND TRADEMARK LICENSES

MARK	REGISTRATION NO.	REGISTRATION DATE
Kindermusik	1052082	11/1976
Kindermusik Sign & Sing	3183901	12/2006
Kindermusik Music Box	3215020	3/2007
Kindermusik for the Young Child	3034579	12/2005
Do-Re-Me & You	3083212	4/2006
Kindermusik Our Time	2719044	5/2003
Kindermusik Imagine That	2719043	5/2003
Kindermusik Foundations of Learning	2300792	12/1999
Kindermusik Village	2269763	8/1999

MARK APPLICATION	SERIAL NO.	FILING DATE
Sense-Sensational	78799645	1/2006
Kindermusik Family Time	78708373	9/2005
ABC Music & Me	78444683	1/2004

ANNEX 1 TO SECURITY AGREEMENT

FORM OF SUPPLEMENT

SUPPLEMENT NO. __, dated as of _____, 20__, to the SECURITY AGREEMENT, dated as of May 21, 2008 (as amended, restated, supplemented or otherwise modified from time to time, the "*Security Agreement*"), among KINDERMUSIK INTERNATIONAL, INC., a North Carolina corporation ("*Borrower*"), and each of the Subsidiaries and Affiliates of the Borrower from time to time party thereto (each such Subsidiary or Affiliate, individually, a "*Guarantor*" and, collectively, the "*Guarantors*"; the Guarantors and the Borrowers are referred to herein individually as a "*Grantor*" and collectively as the "*Grantors*") and FIRST AMERICAN BANK, as Lender and agent for participating lenders from time to time party to the credit agreement referred to below (in such capacity, referred to herein as "*Lender*").

A. Reference is made to the Credit Agreement, dated as of May __, 2008 (as amended, restated, supplemented or otherwise modified from time to time, the "*Credit Agreement*"), by and among the Borrower and the Lender. Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Credit Agreement and the Security Agreement.

B. The Grantors have entered into the Security Agreement in order to induce the Lender to make Loans and otherwise extend credit on behalf of the Borrower. Section 21 of the Security Agreement provides that additional Subsidiaries of ay Borrower may become Grantors under the Security Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary (the "*New Grantor*") is executing this Supplement in accordance with the requirements of the Credit Agreement to become a Grantor under the Security Agreement in order to induce the Lender to make additional Loans and extensions of credit and as consideration for Loans and extensions of credit previously made.

Accordingly, the Lender and the New Grantor agree as follows:

Section 1. In accordance with Section 21 of the Security Agreement, the New Grantor by its signature below becomes a Grantor under the Security Agreement with the same force and effect as if originally named therein as a Grantor, and the New Grantor hereby agrees to all the terms and provisions of the Security Agreement applicable to it as a Grantor thereunder. In furtherance of the foregoing, the New Grantor, as security for the payment and performance in full of the Obligations, does hereby create and grant to the Lender (for the ratable benefit of the Lenders) a security interest in and lien on all of the New Grantor's right, title and interest in and to the Collateral (as defined in the Security Agreement) of the New Grantor. Each reference to a "*Grantor*" in the Security Agreement shall be deemed to include the New Grantor. The Security Agreement is hereby incorporated herein by reference.

Section 2. The New Grantor represents and warrants to the Lender that (a) this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, (b) set forth on the Schedule attached hereto is a true and complete schedule of all of the information that would have been required to have been delivered by or on behalf of the New Grantor pursuant to the Security Agreement and the Schedules thereto if the New Grantor had been originally named in the

Security Agreement and (c) the representations and warranties made by it as a Grantor under the Security Agreement are true and correct on and as of the date hereof based upon the applicable information referred to in clause (b) of this Section.

Section 3. This Supplement may be executed in counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute but one contract. This Supplement shall become effective when the Lender shall have received counterparts of this Supplement that, when taken together, bear the signatures of the New Grantor and the Lender. Delivery of an executed counterpart of this Supplement by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Supplement.

Section 4. Except as expressly supplemented hereby, the Security Agreement shall remain in full force and effect.

Section 5. **THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF ILLINOIS.**

Section 6. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Security Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision hereof in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Section 7. All communications and notices hereunder shall be in writing and given as provided in Section 13 of the Security Agreement. All communications and notices hereunder to the New Grantor shall be given to it at the address set forth in the Schedule hereto.

Section 8. The New Grantor agrees to reimburse the Secured Parties for their reasonable out-of-pocket expenses in connection with this Supplement, including the reasonable fees, disbursements and other charges of counsel for the Lender.

IN WITNESS WHEREOF, the New Grantor and the Lender have duly executed this Supplement to the Security Agreement as of the day and year first above written.

[Name of New Grantor]

By: _____

Name: _____

Title: _____

FIRST AMERICAN BANK, as Lender

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

SCHEDULE TO THE SUPPLEMENT

TRADEMARK

RECORDED: 06/05/2008

REEL: 003790 FRAME: 0174